

Item No. 10.	Classification: Open	Date: 19 July 2021	Meeting Name: Audit, Governance and Standards Committee
Report title:		Covid-19 Pandemic: Update 19 July 2021	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. It is recommended that the audit, governance and standards committee note the impact of the Covid-19 pandemic on spending and income and the government grants to support the council's financial losses in 2021-22.

BACKGROUND INFORMATION

2. Following the September 2020 report on the financial impact of the Covid-19 pandemic, the committee requested regular updates on the council's increased costs and income losses alongside updates on any additional government funding. The final report for 2020-21 was presented to AGS in June 2021.
3. This report details the Covid-19 funding, expected additional costs and income losses in 2021-22.

GOVERNMENT GRANTS

4. The government have announced one tranche of general support funding for 2021-22. Southwark's allocation is £11.4m, which was designated to support quarter 1 (April to June 2021). The MHCLG return in June 2021 requested data for quarter 2 (July to September 2021) for which funding, if any, is yet to be announced. It is expected that councils will receive further general or specific grants to support any further costs or income losses as a result of the pandemic, in quarter 2 (July to September 2021) and beyond.
5. Appendix A has been updated to include additional grants for 2021-22.
6. The council will submit a claim for income losses in Sales, Fees and Charges (SFC) in 2021-22. The overall claim is estimated to be £2.4m on losses of £4.0m, amounting to 59% of losses rather than the headline figure of 75%. Extension of this past June will depend upon the progress of the government's plans for easing lockdown and any consequent additional funding for local government.

FUTURE CONSIDERATIONS

7. It is important to consider the potential impact that COVID-19 will continue to have on both the council and the wider community in the future. A key area for consideration would be the recovery of lost income. Funding for losses in sales fees and charges has averaged only 60% to date and there has been no reimbursement for commercial or rental income losses and there is yet to be any indication of funding beyond June. In addition, there is council tax and business rate debt which has accumulated during the pandemic for which grant funding has only partially covered losses. Again, the

government have yet to announce any further support for future losses. Local businesses continue to be heavily impacted by the pandemic and this is likely to continue especially with the easing of Covid support initiatives, such as the current business rate holidays. The council will also be focussed on ensuring the payment of business rate and council tax debts by those who can afford to pay.

8. Socioeconomic impact must also be considered, particularly regarding the adverse welfare effect that may occur as, for example, support through universal credit reduces and furlough ends. It is likely that demand for council services for the most vulnerable will increase.
9. Beyond 2021-22, the council will have to continue to deal with the repercussions of the pandemic, not least, the increase in bureaucracy relating to passporting funds to businesses and the increase in the number of specific (and often relatively small) grants awarded for which there are complex and bureaucratic guidelines. This has impacted on the council's capacity and in the longer term consideration should be given to how this can be managed and mitigated, especially where further funding is uncertain.

INCREASES IN SPENDING AND LOSSES IN INCOME DUE TO THE COVID-19 PANDEMIC- QUARTER 1, QUARTER 2, END OF YEAR ESTIMATED OUTTURN

Table 1: Reported Estimated Additional Costs for the Financial Year 2021- 22 due to Covid-19

Service area	Quarter 1(Q1) Estimate £m	Quarter 2 (Q2) Estimate £m	2021-22 Full year estimate £m	Comments
Adult Social Care (ASC)	3.3	1.7	6.9	Gradual reduction in all areas of expected additional costs from Q1 to Q2. Main driver of pressure due to additional demand (49% of FY pressure).
Children's Services	0.4	0.3	0.9	Additional expected costs driven mainly by costs associated with care leavers.
Education Services	0.9	1.5	2.7	Pressures driven by possible funding of free school meals and additional transport costs.
Highways and Transport	0.0	0.0	0.0	
Housing*	3.6	3.0	12.6	Homelessness services (£9.8m) Rough sleeping costs (£2.8m).
Environment, Planning and Public Health	1.3	3.0	8.1	Additional pressures but supported mainly by matched funding for the public health grant 'contain outbreak management funding' (COMF) and 'track and trace' funding
Culture	0.5	0.4	1.8	Costs related to sports, leisure and communities facilities and other culture and related areas
Corporate	0.5	0.5	1.2	Pressures predominantly relating to IT rollout to support remote working and increases in contract costs for work relating to additional benefit claims.
Other	1.7	2.1	8.2	Main drivers are the support through the Southwark Emergency Support Service (SESS), the Southwark Pioneers Fund and potential contractor claims for cancelled works due to Covid.
Expenditure Increases * Rounding of figures	12.2	12.5	42.4	

10. Table 1 shows details of the MHCLG returns for both quarter 1 and 2, together with the full year estimate to show the expected overall increased costs due to the Covid-19 pandemic in 2021-22. For the first time, the June return requested an estimate of the additional costs for quarter 2, estimated at £12.5m. This remains consistent with additional costs in Q1 but the full year expected costs of £42.4m implies an expectation of reduced costs in Q3 and Q4
11. Table 2 shows the estimated income losses for quarters 1 and 2 reflected in the MHCLG return. This shows total expected income losses of £5.1m for quarter 1, with SFC income losses accounting for £4.0m of this. Commercial income losses, rent losses and HRA income losses are still not reimbursed by government.

Table 2: Reported Estimated Additional Income Losses for the Financial Year 2021-22 due to Covid-19

Income source	Quarter 1 £m	Quarter 2 Estimation £m	FY Estimation £m	Notes
Business rates	-0.2	0.3	0.3	Southwark's share of Business rates losses
Council Tax	0.4	0.9	4.2	Southwark's share of Council Tax receipt losses
Collection Losses	0.2	1.2	4.5	
Commercial Income	0.2	0.1	0.4	Losses on commercial property
Other income	0.7	0.8	3.2	Losses in housing rents
Other Income Losses	0.9	0.9	3.6	
Highways and Transport	0.5	0.5	1.0	Losses in Off-street and On-street Parking
Cultural*	1.1	0.7	3.2	Losses in recreations and sports losses and other losses from youth services and libraries
Planning & Development	0.2	0.2	0.8	Reduction in income projection in statutory and non-statutory planning fees
Other sales, fees and charges, income losses	2.2	1.9	6.4	Includes income losses in regulatory and enforcement services, education and adult social care
Sales, Fees and Charges Losses	4.0	3.3	11.4	
Total income losses	5.1	5.4	19.5	

*Rounding of figures

12. Housing was identified by councils as one of the main areas where emergency funding is being directed. Although the HRA does not directly influence the general fund, there are substantial income losses and discussions continue as to how these might be recovered. The estimated income loss and increased expenditure for the Council's HRA for quarter 1 of 2021-22 is £1.9m. The estimated loss is lower for quarter 2, standing at £1.2m.
13. Table 3 updates the expected shortfall position across the year. The council's current estimate of the shortfall between income losses and additional expenditure and government grant to date for quarter 1 is a 'gain' of £4.4m- suggesting the council is fully funded. However, the shortfall in Q2, estimated at £14.4m is due mainly to the lack of government funding targeted beyond June. This reflects the government's initial expectations of lockdown easing and the effects of the pandemic only continuing to the end of Q1.
14. Changes in expected additional costs and losses between Q1 and Q2 appear to remain consistent suggesting that the council expectation is that the impact of the pandemic will continue at the same level until September. It is expected that the government will provide grant funding beyond June, given that it is clear that losses will continue throughout the year. This seems likely given that the request for information has now included estimates for Q2 and the full financial year.

Table 3: Estimated Potential Funding Shortfall for the Financial Year 2021-22 due to Covid-19

Current Estimates	Q1 21-22 Estimate £m	Q2 21-22 Estimate £m	FY 21-22 Estimate £m	Notes
Expenditure increases	12.2	12.5	42.4	
Business rates and council tax losses	0.2	1.2	4.5	Reduced value in Q1 driven by a gain on expected NNDR collection, followed by an expected loss on Q2 collections.
Sales, Fees and Charges losses	4.0	3.3	11.4	
Other Income losses- Commercial, housing rents*	0.9	0.9	3.5	
Total current estimate of expenditure and income losses	17.3	17.9	61.8	
General Grant funding for expenditure losses. 2021 Tranche	-11.4		-11.4	
Sales, Fees and Charges	-2.4		-2.4	
Contain Management and Outbreak Grant 21-22	-3.0		-3.0	
Rough sleepers initiative	-0.8	-0.8	-3.3	
Housing benefit/universal credit and tenant contributions	-1.5	-1.6	-6.5	
Adult Social Care Infection Fund	-0.5		-0.5	
Clinical Commissioning Group Funding	-0.4		-0.4	
COVID Winter Grant Scheme	-0.4		-0.4	
Clinically Extremely Vulnerable Funding	-0.7		-0.7	
COVID Local Support Scheme 21-22*	-0.2	-1.1	-1.2	

Current Estimates	Q1 21-22 Estimate £m	Q2 21-22 Estimate £m	FY 21-22 Estimate £m	Notes
New Burdens Grant	-0.4		-0.4	Includes both the general and homelessness-specific portions of the grant.
Estimated additional grant funding for 2020-21	-21.7	-3.5	-30.2	As can be seen, majority of funding streams are expected for Q1 and no further into the year.
Estimated Potential Funding Shortfall	-4.4	14.4	31.6	

* Rounding of figures

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Financial and Information Governance files	Finance and Governance, Second Floor, Tooley Street	Geraldine Chadwick

APPENDICES

No.	Title
Appendix A	Covid-19 Grants (as at 1 July 2021)

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance		
Report Author	Geraldine Chadwick, Interim Technical Accountant.		
Version	Final		
Dated	9 July 2021		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments included	
Director of Law and Governance	N/A	N/A	
Strategic Director of Finance and Governance	N/A	N/A	
Cabinet Member	N/A	N/A	
Date final report sent to Constitutional Team	9 July 2021		