

Item No. 11.	Classification: Open	Date: 17 November 2021	Meeting Name: Audit, Governance and Standards Committee
Report title:		Covid-19 Pandemic: Update November 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.
3. This report details the Covid-19 funding, expected additional costs and income losses in 2021-22.

GOVERNMENT GRANTS

4. The government announced one tranche of general support funding for 2021-22. Southwark's allocation was £11.4m, which was designated to support quarter 1 (April to June 2021). The Ministry for Housing, Communities and Local Government (MHCLG) return in September 2021 continued to request data for quarter 2 (July to September 2021) and even quarter 3. However, funding for these following periods is yet to be announced and there potentially may be none. It is expected that councils will receive further general or specific grants to support any additional costs or income losses as a result of the pandemic in quarter 2 (July to September 2021) and beyond.
5. The council have submitted a claim for income losses in Sales, Fees and Charges (SFC) in 2021-22. Based on a template provided by MHCLG, the claim is for £1.9m (58%) of the total SFC losses from April to June 2021 which totalled £3.3m for the period. This claim is slightly lower than the previous estimated claim as there has been some recovery of income.
6. An additional £388m of ring-fenced ASC funding has been announced by the Department of Health and Social Care, covering the period to March 2022. This funding aims to minimise the spread of infection in social care settings and is comprised of three elements; vaccination efforts for social care workers (£25m), testing costs (£126m) and infection control measures (£237m). The total value allocated to Southwark is £975k.
7. There has also been additional funding announced through the Household Support Fund. This fund is aimed at covering essential costs of vulnerable households who are still facing impacts of the pandemic, particularly following the withdrawal of support schemes such as the furlough scheme. Of the total £421m allocated to England, Southwark is due to receive £2.7m.

FUTURE CONSIDERATIONS

8. 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 58% to date and there has been no reimbursement for commercial or rental income losses. There is yet to be any indication of funding beyond June 2021. 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. 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 rates relief. The council will also be focused on ensuring the payment of business rate and council tax debts by those who can afford to pay.
9. 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 as the rates of unemployment rise, with 9.4%¹ of all economically active London residents expected to be unemployed by December 2021, predominantly due to the ending of these Covid support schemes. As the removal of the universal credit uplift was only recently implemented, it is difficult to comment on the impact this has had on Southwark communities. However, as mentioned in point 7, the government have implemented the Household Support Fund in a bid to mitigate the worst impacts of this.
10. Beyond 2021-22, the council will have to continue to deal with the repercussions of the pandemic, not least the increase in the number of specific (and often relatively small) grants awarded for which there are complex and bureaucratic guidelines. This will continue to impact on the council's capacity.

INCREASES IN SPENDING AND LOSSES IN INCOME DUE TO THE COVID-19 PANDEMIC- FULL YEAR ESTIMATED OUTTURN 2021-22

11. Table 1 shows details of the MHCLG returns for the full year. The estimated increase in spending due to the pandemic now sits at £40.6m, consistent with the previous estimation of £40.5m. The largest areas for additional expenditure are Housing, Adult Social Care and Public Health, with the key drivers for each area outlined in the table below. Housing now accounts for a third of the full year's estimation of additional expenditure.
12. Although the overall estimation for spending has remained consistent, spend within services has shown changes. Adult Social Care is now estimating additional costs of £7.2m, which is an increase of £1.3m from what was previously estimated in the July return and reported to the September audit governance and standards committee. This is primarily driven by an increase in spend for additional demand due to an extension in 'Discharge to Assess' income to March 2022, though this will be funded by the NHS CCG. The 'Other' category has shown a reduction of £1.3m, moving from the second highest area of estimated additional income in the July return to the fourth in the September return. This reduction is driven by additional spend due to construction showing a decline of £1.5m.

¹ <https://www.londoncouncils.gov.uk/press-release/19-march-2021/almost-%E2%80%98one-ten%E2%80%99-londoners-be-unemployed-december>

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

Service area	FY 2021-22 Estimate £m	Comments
Adult Social Care (ASC)	7.2	Key areas of additional cost attributable to additional demand to be funded by the CCG and in supporting the market due to a higher than normal inflationary rate.
Children's Services	0.9	Additional expected costs driven mainly by costs associated with care leavers.
Education Services	2.1	Reduction in additional cost estimate due to new assumption that COVID will have less of an impact than previously expected past the end of Q2.
Highways & Transport	0.0	
Housing	14.0	£11m on the costs of homelessness and £3m on the costs of rough sleeping
Environment, Planning & Public Health	7.8	Largely due to costs associated with testing, contact tracing and outbreak planning which are likely to continue as the impacts of the pandemic are felt.
Culture	2.1	Majority of costs due to operation costs of leisure centres.
Corporate	1.8	
Other	4.7	Reduction of £1.3m from what was estimated in July return, predominantly due to a reduction in additional construction costs.
Expenditure Increase	40.6	In line with previous estimation of £40.5m.

13. Table 2 shows the actual and estimated income losses for the full year 2021-22 as reflected in the September MHCLG return. This shows that the total income losses expected for the year sit at £18.1m, which is a reduction of £0.6m from the previous estimate. Government has still not committed to reimbursing commercial income losses, rent losses and housing revenue account (HRA) income losses.

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

Income source	FY 2021-22 Estimation £m	Notes
Business rates	2.9	Southwark's share of business rates losses
Council Tax	1.7	Southwark's share of council tax receipt losses
Collection Losses	4.6	
Commercial Income	0.4	Losses on commercial property
Other income	2.7	Losses in housing rents
Other Income Losses	3.1	
Highways & Transport	0	Losses in off-street and on-street parking
Cultural	3.5	Losses in recreation and sports losses and other losses from youth services and libraries
Planning & Development	0.5	Reduction in income projection in statutory and non-statutory planning fees
Other sales, fees and charges, income losses	6.4	Includes income losses in regulatory and enforcement services, education and adult social care
Sales, Fees and Charges Losses	10.4	
Total income losses	18.1	Previous estimation was £18.7m.

Housing was identified by Southwark Council 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 which have yet to be considered by central government. The expected losses associated with the HRA for the full year currently sit at £6.3m.

14. Table 3 updates the total expected shortfall position across the year. Largely, the estimations here have stayed consistent with what was seen in the previous return. The expected shortfall for 2021-22 as a whole is now £28.5m, compared with last return's estimation of £28.9m. There has been a minor reduction in expected income for the year of £200k, due to a reduction in what is being claimed through the SFC claim from central government, as outlined in paragraph 5. Where this has previously changed month on month as updated actuals for Q1 are received, this £1.9m income should not change moving forward as this is the value that has been claimed.

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

Current Estimates	FY 2021-22 Estimate £m	Notes
Expenditure increases	40.6	Mainly due to housing, public health and ASC costs.
Business rates and council tax losses	4.6	
Sales, Fees and Charges losses	10.4	Predominantly driven by loss of income from leisure centres and reduced court costs from inaction over collection of council tax and business rates.
Other Income losses- Commercial, housing rents	3.1	
Total current estimate of expenditure and income losses	58.7	
General Grant funding for expenditure losses 2021 Tranche	-11.4	
Sales, Fees and Charges	-1.9	Reduction from £2.2m. £1.9m is the actual total being claimed from MHCLG.
Contain Management and Outbreak Grant 21-22	-3.0	
Rough sleepers initiative	-3.3	
Housing benefit/universal credit and tenant contributions	-6.5	
Adult Social Care Infection Fund	-0.6	
Clinical Commissioning Group Funding	-0.4	
COVID Winter Grant Scheme	-0.4	
Clinically Extremely Vulnerable Funding	-0.7	
COVID Local Support Scheme 21-22	-1.3	
New Burdens Grant	-0.4	Includes both the general and homelessness-specific portions of the grant.
Welcome Back Fund	-0.3	
Estimated additional grant funding for 2020-21	-30.2	
Estimated Potential Funding Shortfall	28.5	Previous estimation of £28.9m.

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 26 October 2021)

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Geraldine Chadwick, Interim Technical Accountant	
Version	Final	
Dated	3 November 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		3 November 2021