

Item No. 10.	Classification: Open	Date: 7 February 2022	Meeting Name: Audit, Governance and Standards Committee
Report title:		Covid-19 Pandemic: Update February 2022	
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) spending pressures. To support sales, fees and charges losses in quarter 1, the council have been awarded £1.9m. There has been no support for business rate and council tax losses or commercial and other income in 2020-21.
5. The Department for Levelling Up, Housing and Communities (DLUHC) has continued to request information on the financial impact of the Covid-19 pandemic in 2021-22 beyond quarter 1, with the latest return in November, requesting data for quarter 2 (July to September 2021) quarter 3 (October to December 2021) and an estimate for the full impact in 2021-22. However, no further general support has been announced beyond quarter 1 for 2021-22.
6. It is likely that there will be no further general grants awarded this year but that any further support will be via specific grants. Specific grants to date in 2021-22 include those ring fenced for ASC (£5.9m); health grants, the 'Contain Management Outbreak Fund- (£2.9m) to support the containment of covid outbreaks; grants to support vulnerable households, Household Support Grant (£2.7m); and a continuation of the Covid Local Support Scheme (£1.3m) to support vulnerable families with children.

FUTURE CONSIDERATIONS

7. The Provisional Local Government Finance Settlement was published on 16 December 2021, which provided a real terms increase in local authority funding of over 4%. However, despite a favourable settlement for Southwark Council, including a new one off 'services

grant' of £8m, there was no additional resources announced specifically for the impact of the pandemic on council finances for 2022-23. So it is likely that this relative uplift for one year is intended to 'cover' the impact of the pandemic next year.

8. There is council tax and business rate debt which has accumulated during the pandemic for which grant funding has only partially covered losses. It is estimated that the net loss this year will be £4.4m. There is no indication from central government that these losses will be reimbursed in future years.
9. Local businesses continue to be heavily impacted by the pandemic. Recognising that the rise of the omicron variant means that some businesses are likely to struggle, the government announced in December 2021, one off grants of up to £6,000 for business in the hospitality and leisure sector together with discretionary funding to support other businesses. Southwark's share of this is £4.1m.
10. Beyond 2021-22, the council will have to continue to deal with the repercussions of the pandemic, for example, the councils capacity to manage the post pandemic recovery, staff returning to the office and how this will look in the longer term.

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 November DLUHC return for the full year. The estimated increase in spending due to the pandemic now sits at £40.8m, consistent with the previous estimate of £40.6m. The largest areas for additional expenditure remain Housing, Adult Social Care and Public Health.

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)	8.7	CCG and grant funding of £6.6m to support additional costs.
Children's Services	1.0	Additional expected costs driven mainly by costs associated with care leavers.
Education Services	2.8	Mainly support for vulnerable children
Highways & Transport	0.0	
Housing	14.0	£11.7m for supporting the homeless and £2.3m on the costs of rough sleeping
Environment, Planning & Public Health	7.1	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 additional costs due to operational costs of leisure centres.
Corporate	1.7	Increases in IT, and contractual payment increases for expansion of benefit payments

Service area	FY 2021-22 Estimate £m	Comments
Other	3.4	PPE costs, cleaning, shielding, SESS, construction costs
Expenditure Increase	40.8	In line with previous estimation of £40.6m.

- 11 Table 2 shows estimated income losses of £18.3m for the full year 2021-22, consistent with the previous estimate of £18.2m.

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	4.0	Southwark's share of business rates losses
Council Tax	0.6	Southwark's share of council tax receipt losses
Collection Losses	4.6	
Commercial Income	0.4	Losses on commercial property
Other income	2.3	Losses in housing rents
Other Income Losses	2.7	
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	0.9	Reduction in income projection in statutory and non-statutory planning fees
Other sales, fees and charges, income losses	6.6	Includes income losses in regulatory and enforcement services, education and adult social care
Sales, Fees and Charges Losses	11.0	
Total income losses	18.3	Previous estimation was £18.1m.

12. Table 3 updates the total expected shortfall position across the year. The total current estimate of expenditure and income losses is £59.1m, a slight increase from the September estimate of £58.7m.
13. The expected shortfall for 2021-22, has though reduced to £22.9m from £28.5m. In December, additional specific grants of £3m have already been announced for Southwark. Between January and March 2022, this estimated gap is expected to further reduce as additional specific grants are made available to those areas that are most effected by the ongoing impact of the pandemic. Thereafter the uplift in central government grants in 2022-

23 is expected to cover the residual impact of the pandemic, on the assumption that the impact of the pandemic gradually reduces.

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	40.8	Mainly due to housing, public health and ASC costs.
Business rates and council tax losses	4.6	
Sales, Fees and Charges losses	11.0	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	2.7	
Total current estimate of expenditure and income losses	59.1	
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	-6.8	
Adult Social Care specific grants	-3.5	
Clinical Commissioning Group Funding	-3.1	
COVID Winter Grant Scheme	-0.4	
Clinically Extremely Vulnerable Funding	-0.7	
COVID Local Support Scheme 21-22	-1.3	
New Burdens Grant	-0.5	Includes both the general, election, and homelessness-specific portions of the grant.
Welcome Back Fund	-0.3	
Estimated additional grant funding for 2020-21	-36.2	
Estimated Potential Funding Shortfall	22.9	Previous estimation £28.5m

BACKGROUND DOCUMENTS

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

APPENDICES

No.	Title
None	

Audit Trail

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Geraldine Chadwick, Interim Technical Accountant	
Version	Final	
Dated	20 Jan 2022	
Key/Non-Key	Non-key	
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		21 January 2022