

Item No. 8.	Classification: Open	Date: 18 November 2020	Meeting Name: Audit, Governance and Standards Committee
Report title:		Covid-19 Pandemic: Update November 2020	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee note the updated position of the impact the Covid-19 pandemic on spending and income and the government grants to support the council's financial losses.

BACKGROUND INFORMATION

2. Following the September report on the financial impact of the Covid-19 pandemic, the committee requested regular updates on the council's increased costs and income losses and an update on any additional government funding.
3. This report updates the committee by comparing the July data reported at the September committee to the October data just submitted to the MHCLG.

GOVERNMENT GRANTS

4. The position reported to the September committee, was that there had been three tranches of general government funding to support local authorities. Southwark's share of all three tranches was £23.6m. On 22 October, the government announced a fourth tranche of £1bn, based on the 'relative needs' formula across all allocations. Southwark's share of this was £10m; higher than expected, bringing the total to £33.6m. The government announcement of a fourth allocation of funding included a promise of further support of £500m for leisure facilities, but there are no further details currently.
5. Appendix A has been updated to include additional grants (changes to this appendix since the September report have been highlighted in grey). As previously reported, Appendix A also details measures taken to ease any cash flow pressures on local authorities (no additional funding) and the council's own funded support for residents, businesses and the voluntary sector.
6. The council have submitted the first claim of £4.1m for income losses in sales, fees and charges (SFC), which relate to the period from April to July 2020. There will be two more claims, one for August to November 2020 and the final one for December 2020 to March 2021. Expected grant income is £6.5m for the year.

Estimated increases in spending and losses in income due to the Covid-19 pandemic

7. Table 1 compares the estimated increased cost figures in the October return to the July return presented at the last committee. The expected increase in expenditure has risen by £4.2m from £48.6m to £52.8m. The increase in expenditure occurring in October representing additional Covid-19 related responsibilities as well as estimated additional cost pressures in existing services.

Table 1: Estimated Reported Additional Costs of Covid-19, July to October 2020

Service area	Estimated Increased Spending July Return	Estimated Increased Spending October Return	Difference between July and October	Description of significant changes in cost pressures July to October
	£m	£m	£m	
Adult Social Care (ASC)	8.1	9.6	1.5	£1.3m of infection control specific grant associated spending; other increases £0.2m.
Children's services	1.8	1.8	0.0	Remained stable over the year.
Education Services	1.5	1.5	0.0	Remained stable but there were significant changes over the period. Reduction in expected costs as central government (and currently TfL) agreed to fund costs of under 18s bus passes, netted off from projected increase in funding free school meals over the holidays.
Highways and Transport	1.1	1.7	0.6	Increasing costs due to social distancing requirements and new ways of working.
Housing	14.8	15.8	1.0	Gross housing costs increased by £1m but net change after rough sleepers grant and universal credit and tenant income, estimated at £0.2m.
Environment, Planning and Public Health	5.1	6.7	1.6	Increased mortuary costs from July £0.6m; increased costs of £1m associated with responsibilities under the Contain Management Outbreak Grant.
Culture	4.1	3.9	-0.2	Contribution to running costs of leisure facilities slightly reduced but full national lockdown of leisure facilities may add further costs.

Corporate	0.7	0.8	0.1	Remained stable over the year.
Other	11.4	11.0	-0.4	Reduction in staffing costs to support the community hub (-£0.8m). Lockdown compliance requirements adds additional cost (£0.2m); other increases (£0.2m)
Total increase in spending	48.6	52.8	4.2	Expected increase in spending was stable from July to September. Increases in October due to additional responsibilities - infection control and contain management outbreak grant (£2.5m); Housing gross costs (£1m). Other net increased costs combined (£0.7m).

8. Table 2 compares the potential loss of income between the July and October returns to MHCLG. This shows a reduction of £4.3m in estimated income losses from £47.4m to £43.1m, mainly driven by improvements in the collection of business rate income.

Table 2: Estimated Reported Additional income losses July to October 2020

Income source	Losses in income July return £m	Losses in income October return £m	Difference between July and October £m	Description of significant changes in losses July to October
Business rates	17.4	10.5	-6.9	Improvement in business rate reliefs and better collection rate.
Council Tax	8.6	8.6	0.0	Council tax collection rates remain steady from July to October
Commercial Income	0.9	0.9	0.0	Overall stable.
Other income	5.2	4.1	-1.1	Collection rate for tenants rents improved
Sales, fees and charges				
Highways and Transport	4.3	3.8	-0.5	Parking losses reduced over the summer months, but longer term will depend on behaviour during national lockdown restrictions.
Cultural	3.6	4.1	0.5	Expected increases in losses as lockdown restrictions were extended.

Planning & Development	1.5	1.7	0.2	Overall relatively stable.
Other sales, fees and charges, income losses	5.9	9.4	3.5	New loss for income foregone in court fee and enforcement income for business rate and council tax payers (£2m); traders licensing (£0.9m); Other combined (£0.6m)
Total income losses	47.4	43.1	-4.3	Net improvement of £4.3m. (Improvement of £6.9m from collection fund; £1.1m from commercial and rental income; additional sales, fees and charges income losses, £3.7m). Future losses uncertain given move to a national lockdown.

Housing revenue account (HRA)

9. Housing was identified by councils as one of the main areas where emergency funding was being directed. Although the HRA does not directly impact on 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 Southwark are estimated at £16m in October, an improvement on the July estimate of £17m.
10. Table 3 updates the expected shortfall. This is updated for known funding to date, and changes in expected income losses and increased expenditure. The difference between both the council's current estimate of income losses and additional expenditure and government grant to date has reduced by £8.2m to £28.8m from July. The reduced shortfall arises mainly from increases in central government grant increases.

Table 3: Potential funding shortfall. July to October 2020

Current Estimates	July estimate	October estimate	Difference between Oct and July	Notes on significant movements
	£m	£m	£m	
Expenditure increases	48.6	52.8	4.2	Increases in October due to additional responsibilities, and grossing of housing costs (£3.5m). Other net increased costs combined (£0.7m).
Business rates and council tax losses	26	19.1	-6.9	Improved collection rates and increase in business rate reliefs
Sales, Fees and Charges losses	15.3	19.0	3.7	New loss for income foregone in court fee and enforcement income for business rate and council tax payers (£2m); other net combined (£1.7m)

Other Income losses- Commercial, housing rents (*rounding of numbers nets to £4.9m in October)	6.1	4.9*	-1.2	Increase in tenants' collection rates reduces losses.
Total current estimate of expenditure and income losses	96.0	95.8	-0.2	Net impact of losses stable from July to October
General Grant funding for expenditure losses. 4 Tranches.	-23.5	-33.6	-10.1	A Fourth tranche of general funding announced. Southwark gained £10m taking total to £33.6m
Expected further funding for increased expenditure	-7	0	7.0	In July we expected an estimated £7m further funding. October's fourth tranche was larger than expected at £10m.
Sales, Fees and Charges	-6.5	-6.5	0.0	Grant of 75% to cover losses in sales, fees and charges. First claim submitted at £4.1m. Still subject to significant uncertainty.
Business rates and council tax losses	-13.0	-9.6	3.4	Expected that the spending review will share expected shortfalls in tax revenues. Initial estimate at 50%
Contain Management and Outbreak Grant		-1.0	-1.0	New funding for Tier 2 authorities to contain covid outbreaks
Local Government Compliance and Enforcement Grant		-0.2	-0.2	Funding for local Covid-19 marshals
Support for Vulnerable families	-0.4	-0.4	0.0	Southwark share of £63m to support vulnerable families.
Rough sleepers initiative		-1.0	-1.0	Southwark share of £105m for rough sleepers' initiative.
Housing benefit/universal credit and tenant contributions	-6.1	-5.8	0.3	Reduction in expected contributions from universal credit and tenant contributions
Infection control grant		-2.2	-2.2	Infection control grants (2 tranches)
Clinical Commissioning Group (CCG) funding of adult social care		-4.0	-4.0	Expected funding by CCG of adult social care
Public Health Grant 'Testing and	-2.5	-2.5	0.0	

contact tracing”				
Estimated additional grant funding for 2020-21	-59.0	-66.8	-7.8	
Estimated Potential Funding Shortfall	37.0	29.0	-8.0	Overall shortfall reduces by £7.9m to £29.1m; due mainly to increases in grant and other income.

Policy implications

11. This report is not considered to have direct policy implications.

Community impact statement

12. This report is not considered to contain any proposals that would have a significant impact on any particular community or group.

Resource implications

13. If there are direct resource implications in this report, such as the payment of fees, these will be met from existing budget provision.

Consultation

14. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

15. None required.

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 3 November 2020)

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Geraldine Chadwick, Interim Technical Accountant.	
Version	Final	
Dated	9 November 2020	
Key decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Democracy	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 November 2020