

Item No. 13	Classification: Open	Date: 2 June 2021	Meeting Name: Audit, Governance and Standards Committee
Report title:		Covid-19 Pandemic: Update	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee note the end of year position of the impact of 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 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 and an update on any additional government funding.
3. This report summarises the overall position of Covid-19 funding in 2020-21 and reports on further Covid-19 funding, expected costs and income losses in 2021-22.

GOVERNMENT GRANTS

4. The position reported to the February 2021 committee, was that there had been four tranches of general government funding to support local authorities. There have been no further general allocations for 2020-21. Soutwark's share of all four tranches remains at £33.6m. For 2021-22, the government have announced a further £11.4m.
5. Appendix A has been updated to include additional grants for 2020-21 (changes to this appendix since the February 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 three claims for income losses in sales, fees and charges (SFC) in 2020-21. The overall claim is £11.6m on losses of £18.8m. Amounting to 62% of losses rather than the headline figure of 75%. The scheme has been extended to cover the period April to June 2021, and we are anticipating a further grant of £2.5m. Whether this will be extended again beyond June will depend on the progress of the government's plans for easing lockdown.

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

Table 1: Reported Additional Costs of Covid-19 for the financial year 2020- 21

Service area	2020-21 costs	Comments
	£m	
Adult Social Care (ASC)	12.4	Additional costs are mainly additional demand, supporting the market , workforce pressures and PPE costs
Children's services	2.8	Additional pressures on agency staff, family help care teams, delays in moving due to housing suspension and longer remand periods due to court delays.
Education Services	1.2	Pressures driven by support for free school meals and SEN additional costs
Highways and Transport * rounding down of figure	2.0 *	Loss on productivity on footway schemes, carriageway resurfacing schemes and remobilisation of abandoned works
Housing	18.0	Additional costs of housing the homelessness and those seeking temporary accommodation
Environment, Planning and Public Health	6.4	£3.6m public health; £ 2.1 m Environment and Planning £0.7m
Culture	4.0	Additional costs related to sports, leisure and communities facilities and other culture and related areas
Corporate	2.4	Costs relating to finance and corporate services including additional pressures on audit fees, staff costs, and election costs
Other * rounding down of figure	11.1 *	Additional costs to support the community hub, southwark emergency support scheme, lockdown compliance, PPE costs and unachieved savings.
Total increase in spending	60.3	

* rounding of figures

7. Table 1 shows details of the MHCLG final return for 2020-21 which estimated the overall increased costs due to the Covid -19 pandemic. The return requested an estimate of the additional costs in the first quarter of 2021-22. These have been assessed currently at £17.7m.
8. Table 2 looks at the MHCLG final return income losses for 2020-21.Total losses are expected of £42.6m, with sales, fees and charges (SFC) income losses of £18.8m. Commercial income losses, rent losses and HRA income losses have not been compensated for.

Table 2: Reported Additional Income Losses for the financial year 2020- 21

Income source	Expected losses in 2020-21 £m	Notes
Business rates	15.3	Southwark's share of Business rates losses
Council Tax	5.5	Southwark's share of Council Tax receipt losses
Commercial Income	0.4	Losses on commercial property
Other income	2.6	Losses in housing rents
Sales, fees and charges (SFC)		
Highways and Transport	2.4	Losses in Off-street and On-street Parking
Cultural	4.4	Losses in recreations and sports losses and other losses from youth services and libraries
Planning & Development	1.0	Reduction in income projection in statutory and non-statutory planning fees
Other sales, fees and charges, income losses	11.0	Includes income losses in education, adult social care , waste management and more
Total income losses	42.6	

* rounding of figures

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's HRA for 2020-21 is £12.1m.
10. Table 3 updates the expected shortfall at March 2021. The council's current estimate of the shortfall between income losses and additional expenditure and government grant to date is £13.7m.

Table 3: Potential Funding Shortfall for the financial year 2020- 21

Current Estimates	20-21 Estimates
	£m
Expenditure increases	60.3
Business rates and council tax losses	20.8
Sales, Fees and Charges losses	18.8
Other Income losses- Commercial, housing rents)	3.0
Total current estimate of expenditure and income losses	102.9
General Grant funding for expenditure losses. 4 Tranches.	-33.6
Sales, Fees and Charges	-11.6
Support for leisure centre costs	-0.8
Business rates and council tax losses	-15.5
Contain Management and Outbreak Grant	-7.7
Local Government Compliance and Enforcement Grant	-0.2
Support for Vulnerable families	-0.4
Rough sleepers initiative	-1.0
Housing benefit/universal credit and contributions	-4.9
Infection control grant	-2.3
Clinical Commissioning Group (CCG) funding of adult social care	-6.5
Public Health Grant	-2.5
Covid Winter Grant	-1.1
Reopening High Streets Safety Fund	-0.3
Clinically Extremely Vulnerable Funding	-0.2
Covid Winter Grant Scheme Extension	-0.4
Track and Trace admin costs	-0,2
Estimated additional grant funding for 2020-21	-89.2
Estimated Potential Funding Shortfall	13.7

11. The £23.6m reported shortfall in the February committee has substantially improved. This is driven mainly by the increase in grant funding of £12.8m, through additional income for the contain management outbreak fund, and the CCG; expected increases for additional losses in the collection fund (equating to additional grant) and increased expected grant funding for sales, fees and charges. Table 4 summarises

the differences.

Table 4: Funding Shortfall comparison between December 2020 and March 2021

	Outturn March 2021	December estimate (February report)	Difference between the monthly returns (+ increase; - decrease)	Notes
	£m	£m	£m	
Expenditure increases	60.3	57.7	2.6	
Income losses	42.6	42.3	0.3	
Total current estimate of expenditure and income losses	102.9	100.0	2.9	
Additional grant funding for 2020- 21	-89.2	-76.4	-12.8	Grant funding (SFC £4.9m; Contain management outbreak fund £5.1m; CCG £1.5m; collection fund losses £1.1m; other net changes £0.2m)
Estimated Potential Funding Shortfall	13.7	23.6	-9.9	

12. In order to consider the budget impact of this shortfall in 2020-21 we must adjust for the collection fund losses. Any difference between the budgeted income and actual income for these two income streams is not charged to the General Fund in 2020-21 (estimated at approximately £5m of this overall funding shortfall) Council reserves were utilised and re-purposed, including from the southwark emergency support scheme and southwark pioneers fund of £3.6m leaving a net Covid budget shortfall of £5.1m in 2020-21.

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

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Geraldine Chadwick, Interim Technical Accountant	
Version	Final	
Dated	20 May 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	20 May 2021	