



To Finance and Corporate Services Scrutiny Board 1

Date 1st December 2021

Subject Financial Impact of COVID-19

Purpose of the Note

1. This note responds to the item in the Scrutiny Board 1 work programme to provide an update on the financial impacts on the Council resulting from the COVID-19 pandemic.

Recommendation

2. Finance and Corporate Services Scrutiny Board 1 are requested to note the contents and make any appropriate recommendations to the Cabinet Member.

Information/Background

3. As reported previously to Scrutiny Board, key aspects that form the context of this subject include:
 - The difficulty in separating accurately the impact of Covid from the state of the Council's underlying position (e.g. the number and cost of looked after children).
 - The fact that the country continues to be affected markedly by COVID-19 and the financial affects remain fluid and subject to future events.
4. The note will consider the following areas:
 - Overall level of 2021/22 Covid funding
 - Latest Covid Impact within the September return to Government.
 - 2021/22 Quarter 2 financial reporting.
 - Business Grants
 - Potential medium term budget impacts

Overall Level of 2021/22 Covid Funding

5. The Government has made a series of funding announcements throughout the period since March 2020 resulting in upwards of 45 separate Covid grant funding streams including those for business grants. These have continued into 2021/22 although at a much reduced frequency in recent months. The summarised tables below provide the latest information available on the non-business grant funding streams announced for the City Council in the current year. Table 1 shows grants for which the expenditure will be incurred directly by the Council and totals £24m.

Table 1: Covid Grant Funding For Services in 2021/22

| Funds Council Expenditure | Grant Value £000 | |
|--|-----------------------------|--|
| Emergency Funding 1st Allocation | 11,314 | Available to support general expenditure. |
| Covid Winter Grant Scheme/Local Support Grant/Household Support Fund | 5,194 | Essentially 4 tranches of the same fundamental scheme covering different periods of 2021/22. To support households most at risk of poverty or in need of help with food, energy and water bills and wider essential costs. |
| Contain Outbreak Management Fund | 2,920 | Supports test & trace, monitoring, communications, compliance, support for self-isolating and support to local economy and public health. |
| Holiday Activities and Food Programme 2021 | 1,499 | To deliver free activities and food during school holidays nationwide for pupils who are entitled to benefits related free school meals. Covers Easter, Summer and Christmas holidays during 2021. A small element falls into 2020/21. |
| Sales, Fees and Charges Income Loss | 1,002 | Available to support general expenditure. |
| LA Practical Support Payment | 718 | This funding stream is ring-fenced for public health purposes to tackle COVID-19 working to break the chains of transmission and protecting people. |
| Clinically Extremely Vulnerable Support | 670 | To support vulnerable residents during national restrictions. |
| Welcome Back Fund (Support to High Streets) | 334 | Investing in high streets, seating areas, publicity campaigns, signage and floor markings, planting flowers. |
| Business Support Grant New Burdens | 290 | Funding to support administration of Business Support Grants |
| Emergency Accommodation Allocation | 130 | To support people in emergency accommodation and moving individuals into settled accommodation. |
| Total | 24,071 | |

Most of these grants represent final allocations that have been made to the City Council. Several of them show initial allocations that are subject to monitoring or verification processes that may result in subsequent adjustment to the final level. In particular, the Contain Outbreak Management Fund includes the 2021/22 allocation shown above plus £6.1m carried forward from 2020/21. There is a live process to identify the most appropriate allocation of this total funding allocation in 2021/22. It is possible that the purpose and guidelines specified in some instances means that not all of the grant will be spent, with an expectation that any unused funding will be returned to Government at or after the year end.

6. The grants incorporate both specific funding streams which are intended to be targeted to specified types of expenditure and general funding to cover overall costs or income losses. The latter category of funding is represented by the shaded lines and total £12.3m. The Quarter 2 budgetary monitoring position assumes that the large majority of this funding will be required to support the Council's budget position this financial year.
7. Table 2 reflects amounts for which direct expenditure is incurred by providers within the Adult Social Care sector.

Table 2: Covid Grant Funding by ASC Providers

| External Provider Spend | Grant Value £000 | |
|---|-----------------------------|--|
| Adult Social Care Infection Control and Protection Fund | 3,111 | To support ASC providers reduce the rate of COVID-19 transmission within and between care settings through effective infection prevention and control practices and increase uptake of staff vaccination. |
| Adult Social Care Rapid Testing Fund | 2,108 | To support ASC providers conduct additional rapid testing of staff and visitors in care homes, high-risk supported living and extra care settings, to enable close contact visiting where possible. |
| Adult Social Care Vaccine Funding | 155 | To support ASC providers reduce the rate of COVID-19 transmission through an increase uptake of staff vaccination. Vaccination funding has also been provided within the Infection Control and Protection allocations covering the first part of the year. |
| Total | 5,374 | |

Latest Covid Impact Reported to Government

8. Through 2021/22 all councils continue to be required to report their forecast of the annual financial impact of Covid in periodic returns to Government. The Council's September return showed an overall impact on the Council's expenditure of £22m and on its income of £9m. The way in which the Government has asked councils to calculate both these figures has changed since 2020/21. The expenditure figure includes elements which are funded by some of the direct Covid grants shown above and therefore show a gross cost to the Council which is greater than the net impact. The income figure reflects losses against a revised Covid-adjusted base for Council Tax and Business Rates such that losses against the lower baseline understate the real income loss due to Covid. On this basis, the current forecast is that the Council will not suffer any additional losses for Council Tax and Business Rates above those budgeted for. Table 3 below shows the numbers reported

Table 3: Estimated 2021/22 Full-Year Covid Impact as at September

| Area of Financial Impact | £m |
|---------------------------------|-------------|
| Adult Social Care | 4.2 |
| Children's Social Care | 7.1 |
| Education | 2.6 |
| Public Health | 3.5 |
| Housing and Homelessness | 0.6 |
| Cultural | 0.7 |
| Environmental and Regulatory | 1.5 |
| Lockdown Compliance | 0.5 |
| Domestic Abuse | 0.3 |
| Other Services | 0.8 |
| Highways and Transport Income | 3.8 |
| Commercial Dividends | 2.4 |
| Commercial Rents | 1.5 |
| Services to Schools Income | 0.5 |
| Commercial Waste Income | 0.3 |
| Other Income | 0.5 |
| Total | 30.8 |

9. The quarter 2 financial monitoring position includes figures showing Covid pressures compared with budget of £11.3m. This is lower than the figure reported in Table 3 above for two reasons: expenditure pressures are netted off against specific Covid grant funding and both expenditure and income pressures reflect budget provision for Covid impacts made when the Budget was set.
10. The highlighted sections in Table 1 above show the general Covid funding over which there are no restrictions as to its use. These total £12.3m. Therefore, the current forecast is that the Council will be able to manage the current forecast level of Covid financial impacts within 2021/22.

Table 4: Quarter 2 Financial Reporting Position

| | Covid Related £m | Non-Covid Related £m | Overall Total £m |
|---|---------------------|-------------------------|---------------------|
| Quarter 2 Forecast Overspend | 11.3 | 3.1 | 14.4 |
| Emergency Covid Funding Available and Applied | (11.3) | 0.0 | (11.3) |
| Net Overspend | 0.0 | 3.1 | 3.1 |

11. Following the significant uncertainty particularly in the first half of 2020/21, it has been possible to forecast with greater assurance that the Council should be able to manage within its Covid funding allocations over the short-to medium term period. However, it is important to understand the caveats to this position.
12. The forecasting of some areas of costs and income losses will continue to remain assumption sensitive. Some examples of these challenges are considered below:
- Instances where income is due but for which cash is not paid at the point of delivery will rely on estimates of future collection rates and assumptions about bad and doubtful debt rates. Commercial Property, Council Tax and Business Rates are the key areas which fall into this bracket. These will continue to be affected by the wider health of the economy and by the degree to which customers with outstanding debts are able to honour their financial liabilities to the Council.
 - It can be difficult to distinguish the impact of Covid compared with the circumstances that may have existed if Covid had not occurred. The number of looked after children has continued at higher than levels pre-pandemic and the spike in placement costs has not subsided over recent times. It remains difficult to distinguish to what degree the rise in numbers was due to lockdown conditions or to what extent the numbers would have risen anyway but were suppressed during lockdown. This continues to be a factor in calculating future projections of looked after children numbers and costs.

- The future longevity and depth of Covid conditions will affect any predictions of future financial impacts. Although much of society has returned to some degree of normality and that traffic volumes have visibly increased in recent months, there has not been a return to pre-pandemic levels of car park use in the city. As things stand it appears increasingly likely that the Council will need to plan for lower levels of car park income in future. In addition, the return to some degree of financial normality for some of the Council's arms' length trading entities will dictate the degree to which previously planned levels of dividends are achievable in future.

Business Grants and Business Rates Reliefs

13. The Government announced further Covid Business Rates relief schemes to apply for 2021/22. These provide eligible retail, hospitality and leisure properties in England with 100% business rates relief from 1 April 2021 to 30 June 2021, followed by 66% business rates relief for the period from 1 July 2021 to 31 March 2022. In total this will provide approximately £22m of relief for approximately 1,800 businesses which have been processed by the Council.
14. In addition, the Government have introduced a variety of further grants to be administered by the Council to support businesses over the period affected by Covid. Those grants in place for part or all of 2021/22 are detailed in the attached appendix. In some instances, the total number of businesses supported does not represent individual businesses as many businesses will have been eligible for multiple grant streams.
15. The amount of grants awarded to businesses will not always be commensurate with the level of funding made available to the Council. This is because the funding allocations are based on the description codes of properties in the rating list which may not in all cases be consistent with the business occupying the property. If the business is not eligible then it will not attract grant funding. The Council is reimbursed for any expenditure incurred above the initial funding allocations and must return any unspent funding.
16. Council services continue to facilitate and lead on a range of other support measures. This includes promoting Coronavirus Business Interruption Loans (CBILS) and Bounce Back Loans with 7,398 Coventry businesses securing £304m of loans to date. The Council has acted as an official 'gateway' organisation for DWP's Kickstart scheme (designed to provide opportunities for young people to gain work experience) to support local businesses through the application process. Offering wider business support activity through the Additional Restrictions Grant scheme has been a key feature of Coventry's ARG proposal. Working in conjunction with the Federation of Small Businesses free membership has been available for new members; whilst the local Chamber of Commerce has offered tailored support for businesses within the hospitality, events and tourism sector.

2022/23 Budget Impacts

17. The Council's forthcoming 2022/23 Budget proposals will carry forward the medium term impacts built into the February 2021 Budget proposals in areas including Council Tax, Business Rates, parking and enforcement income and Children's Services. They will also

need to reflect any further financial effects based on the experience of the past 9 months or so although these are likely to be concentrated in a small number of areas. In very broad terms, although the number of cases has continued to be relatively high through much of the Autumn, the number of services feeling significant impacts from Covid or requiring additional interventions due to it is subsiding over time. Although the risk remains of further outbreaks over the medium term or the emergence of new variants, these risks will not be built into the Council's Budget plans. The strategic planning assumption will be that any fundamental shocks to the local government financial environment will be managed on a national scale via Government intervention.

18. The Council continues to hold reserve balances at a level that would enable it to manage any moderate financial shocks and has carried forward Covid resources of £7m from 2020/21 which is available to manage future financial implications arising from the pandemic. On this basis the current assessment of the Director of Finance is that the Council continues to be in a strong position to manage the continuing financial impacts of Covid.

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