



COVID-19 – FINANCIAL IMPLICATIONS - UPDATE

1 INTRODUCTION

- 1.1 The situation on local government and the impact of the Covid-19 pandemic is currently developing rapidly. The Council and other authorities are submitting monthly reports to the Ministry of Housing, Communities and Local Government (MHCLG) and there has been significant lobbying by authorities regarding the impact of the pandemic on local authority finances. The purpose of this Supplementary Appendix is to provide an update on developments since this report to Cabinet was produced, and their potential effect on the Council's forecast position. It should be noted that the Chancellor of the Exchequer, Rishi Sunak, is due to give an economic update on Wednesday 8 July, which could entail the announcement of further support or measures with implications for local authorities.

2 NEW FUNDING PACKAGE

- 2.1 A major support package to help councils respond to coronavirus was announced by the Local Government Secretary, Robert Jenrick, on Thursday 2 July, as part of a comprehensive plan to ensure councils' financial sustainability for the future. The package announced consists of:

- A further, unringfenced, £500 million of support to councils in England to respond to spending pressures.
- A scheme to reimburse authorities for lost income as result of the pandemic.
- Proposals for authorities to spread business rates and council tax Collection Fund deficits over three years rather than one.
- Apportionment of irrecoverable council tax and business rates losses between central and local government for 2020/21 in the next Spending Review.

2.2 **£500 million additional support funding**

In the March 2020 Budget, the Government announced an initial £1.6bn of Covid-19 Emergency Response funding support to local government, £1.390bn for Social Care and £210m for General Support. ESC received an allocation of £122k from this funding, with Suffolk CC receiving £20.7m. On 28th April 2020 allocations for additional funding of £1.6bn were announced. In this second tranche of funding ESC will receive £2.489m of funding and Suffolk CC will receive £13.977m. The details of the allocation of this third tranche of funding are not known as yet.

2.3 **Lost Income Reimbursement Scheme**

The new income loss scheme will involve a 5% deductible rate, whereby councils will pay the first 5% of all lost planned sales, fees and charges income, with the government

compensating them for 75p in every pound of loss thereafter. The purpose of the 5% deductible is to account for an acceptable level of volatility, whilst shielding authorities from the bulk of losses.

Full details of this scheme are awaited, and these will be important with regard to which forecast income losses the Council will actually receive partial reimbursement for. It is assumed that the reimbursement will ultimately be based on actual 2020/21 outturn income compared with the original budget, so the final level of reimbursement will probably not be finally known until around July 2021. It is not known whether the Council will receive any funding on account, possibly based on the monthly returns to MHCLG, during the course of 2020/21 in order to assist cashflow.

It has been assumed that the methodology of the scheme is that an overall 5% threshold will be applied to all of the Council's budgeted sales, fees and charges, not just those areas where income has or will be lost. This will exclude a number of areas where income losses are forecast, such as lease and commercial property income, recycling credits, and investment income.

An initial exercise has been undertaken to assess the value of the 5% threshold and thus the potential financial benefit of this measure based on the income losses currently forecast. The opportunity has also been taken to review the assumptions that these forecasts have been based on, as the lockdown begins to be eased and more budget monitoring information becomes available.

An updated Appendix A to the report, entitled Appendix C, has been produced incorporating these assumptions and showing the potential amount of income loss reimbursement from the Government as an item of Government funding. The sales, fees, and charges that are assumed to be eligible for the scheme are shown separately in the Appendix.

An area of income loss that will need to be investigated and clarified further with the Government is lost income in respect of leisure and recreational facilities, where this potentially manifests itself in the contract payments payable to or from the Council's partners.

2.4 Spreading Collection Fund Deficits

Detailed proposals for changing the accounting treatment of the 2020/21 collection fund deficits will be confirmed over the coming weeks as MHCLG draft the statutory instrument that will give the changes effect.

The spreading over a period of time of the impact of elements of the rates retention scheme is something that has been used before, specifically with regard to the backdated appeals provision from 2013/14 when the scheme was first introduced. A similar approach is expected to be applied to both council tax and non-domestic rates and is expected to be incorporated into the regulatory process of estimating the collection fund deficits in January 2021. This will mean that 2020/21 collection fund deficits will still be recovered but over a longer time frame than the existing regulations require. The potential collection fund deficits currently forecast on council tax are substantial, and the potential benefit of this measure is particularly significant for the county council, given their share of the total precepts on the collection fund. Collection fund cashflow will be a consideration for billing authorities regarding this measure, and this will be reported on more fully when details are available.

No adjustment has been made as yet for this measure in the updated Appendix C and summary.

2.5 Apportionment of council tax and business rate losses between central and local government

No details are available as yet as to how this measure might be reflected in the next Spending Review.

3 OTHER DEVELOPMENTS

3.1 New Homes Bonus

Since the report was produced, there are indications that the consultation on the future of New Homes Bonus and potential alternative incentives for the provision of new housing this year is likely to be postponed and there may be another one-year only round of NHB funding. Whilst not directly affecting the summary of estimated Covid-19 MTFS effects, another round of NHB allocations could be an important addition to this income stream and the ability to fund projects and community initiatives. The MTFS does not assume any new NHB allocations in 2021/22 in addition to the residual legacy payments.

3.2 New Burdens Funding - Business Grants Schemes and Test and Trace Funds

The Council has received notification that it will receive £170,000 in New Burdens Funding in respect of setting up and administering the Small Business and Retail, Hospitality, and Leisure Grant Schemes. This level of funding allocation compares very favourably with the actual additional (as opposed to re-allocated) resources engaged on these schemes.

The Council will also receive £150,000 via Suffolk County Council in support of the Test and Trace scheme.

4 REVISED SUMMARY FORECAST GENERAL FUND REVENUE IMPACT

4.1 The revised and updated **Appendix C** details the current estimated impact of Covid-19 on the Council's General Fund over the Medium Term Financial Strategy (MTFS) period incorporating the measures outlined in this update. These are summarised in the table shown below. It can be seen that the Government measures could significantly improve the Council's position compared with that shown in the report, although there are the same caveats regarding the scale and duration of the economic recession, the speed and nature of economic recovery, and also the precise details of the latest Government measures.

MTFS Forecast - East Suffolk	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Budget Gap February 2020	0	5,350	6,163	6,676	6,676
Deferral of changes to the Business Rates system until 2022/23	0	(4,884)	0	0	0
Covid-19 forecast cost and income pressures (net of emergency funding received)	4,536	3,250	1,152	652	152
Forecast Budget Gap (03 July 2020)	4,536	3,716	7,315	7,328	6,828

Coronavirus - East Suffolk Council Forecast Financial Implications as at 03 July 2020

Note: The below excludes all rate relief, business grants and council tax, etc. measures as these are fully funded by Government grant.

Current assumptions:

Unless stated in the explanation column, the assumption applied for demand led income is:

- 1) a strict lockdown for April to June, assumed that there will be no income for this period
- 2) some relaxation of restrictions for July to September, assumed 25% of usual income levels for this period
- 3) restrictions lifted from October, but assumed economy activity is still low until the end of March 2021. Assumed 50% of usual income levels for this period.

Income profiles for areas such as car parking, camping and caravan sites are skewed to the spring and summer months so the financial impact will be greater for these areas in 2020/21.

Impact on General Fund Direct Expenditure

General Fund - Expenditure	Service Area	Change to budget (saving) / increased costs						Indicate if permanent impact to budget or a deferral to later	Date added or amended	Explanation
		2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000			
ARP Partnership	Partnerships	0	76	tbc	0	0	0	Permanent	19/06/2020	Direct costs to ARP of additional laptops to staff, postage, overtime, agency costs, software costs. Some of this may be covered by new burdens funding from Government.
Leisure Partnerships	Partnerships	0	560	0	0	0	0	Permanent	19/06/2020	Estimated closure cost of leisure facilities.
Caravan & Campsites	Operations	0	60	0	0	0	0	Permanent	03/07/2020	Hire of additional mobile toilets and showers and additional cleaning to allow social distancing. This estimate is for three months, July to September 2020.
Homelessness admin and prevention work	Housing	0	30	0	0	0	0	Permanent	15/05/2020	Estimate for mortgage/rent rescue payments.
Rough Sleepers - accommodation & supporting people sleeping rough or at risk	Housing	16	238	0	0	0	0	Permanent	15/05/2020	£95k Avenue Mansion security for 6 months. Estimate increased B&B costs £65k, set-up costs of temporary accommodation in the Council's housing stock £15k, other costs £68k.
Private Sector Housing - WHHP	Housing	0	38	0	0	0	0	Permanent	22/05/2020	Stepping Home Co-Ordinator. This role helps to free up hospital beds and supports recovery at home.
Council's Hardship Fund	Communities	0	106	0	0	0	0	Permanent	07/05/2020	£55k from the members ECB budget to be re-allocated to a Hardship Fund. £5k from the Chairman's budget. £45k second round of members ECB budget to be re-allocated.
Council's Foodbank Grants	Communities	15	0	0	0	0	0	Permanent	06/04/2020	£15k from the ECB 2019/20 underspend to be re-allocated to grants to foodbanks.
Social Isolation Grants	Communities	5	15	0	0	0	0	Permanent	31/03/2020	£20k from the 2019/20 Strategic Community Partnerships to be allocated to Social Isolation Grants.
Digital Access	Communities	0	20	0	0	0	0	Permanent	13/05/2020	To provide IT equipment to those self-isolating.
Community Grants for local organisations, CAB & Foodbank	Communities	0	15	0	0	0	0	Permanent	27/05/2020	To provide grants to local organisations, CAB and Foodbanks. Grant funding of £15k received.
Environmental Protection	Environmental & Port Health	0	tbc	0	0	0	0	tbc	08/04/2020	Reduced analyst costs that are related to income.
Public Burials	Environmental & Port Health	0	4	0	0	0	0	Permanent	08/06/2020	Potential to fund more public funerals due to not being able to auction goods to recover funeral costs.
Port Health	Environmental & Port Health	4	10	tbc	0	0	0	tbc	24/04/2020	TBC for 2020/21 and 2021/22 - reduced analyst costs due to reduced income. Other costs shown include IT hardware and other miscellaneous office supplies.
Port Health	Environmental & Port Health	0	20	0	0	0	0	Permanent	15/05/2020	Measure to ensure social distancing in the work environment.
Food Safety Contract staff	Environmental & Port Health	0	19	0	0	0	0	Permanent	23/06/2020	Food Safety Contractor.
Elections	Elections	tbc	tbc	0	0	0	0	Permanent	02/04/2020	Minor costs associated with cancelled elections.
Communications	Communications	tbc	tbc	0	0	0	0	Permanent	02/04/2020	Additional communication costs.
Staff Mileage Claims	Corporate	0	(150)	0	0	0	0	Permanent	19/06/2020	Estimated saving due to reduced work travel by staff. £100k is approximately one third of actual cost for the year.
Staff Training & Conference Attendance	Corporate	0	tbc	tbc	0	0	0	tbc	08/04/2020	Potential for saving in 2020/21 or delayed to 2021/22.
IT costs - remote working	Corporate	3	30	0	0	0	0	Permanent	15/05/2020	IT hardware and software.
Corporate Costs (non-staffing)	Corporate	0	50	0	0	0	0	Permanent	19/06/2020	Measures to ensure social distancing in corporate building and other miscellaneous office supplies and equipment, hand sanitisers. This is an estimated figure.
Corporate Costs (additional staff costs)	Corporate	0	27	0	0	0	0	Permanent	19/06/2020	Estimate for overtime claims due to Covid-19 related work.
Unachievable savings/project delays	Corporate	0	110	0	0	0	0	Permanent	19/06/2020	£110k for delays to projects (Lowestoft Flood Risk Project).
Test and Trace Local Outbreak Plans	Environmental & Port Health	0	150	0	0	0	0	Permanent	03/07/2020	Test and Trace for Local outbreak plans, £150k of Government funding received. Refer to the Funding table below.
Total Impact on Expenditure		43	1,428	0	0	0	0			

Impact on General Fund Direct Income

General Fund - Income		Change to budget (additional income) / loss of income						Indicate if permanent impact to budget or a deferral to later	Date added or amended	Explanation
		2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000			
Sales, Fees & Charges										
Car Parking Income	Parking Services	147	2,945	0	0	0	0	Permanent	03/07/2020	Includes income for off street parking, resident parking and ECN's. This includes the actual budget variance April to June 2020 and a re-forecast of the remaining budget at 60% under budget for July 2020 to March 2021.
Beach Hut Income	Beah Huts	0	0	0	0	0	0	Permanent	30/04/2020	Assumed no refund of beach hut income. Annual income from beach huts is £700 to £800k.
Camping & Caravan Park Income	Camping & Caravans	0	370	0	0	0	0	Permanent	03/07/2020	£250k touring camp site income plus £100k refunds. Static site rental income £110k. Allowed £90k of additional income for the re-opening for July to September 2020.
Harbour & Yacht Station Income	Harbour & Yacht Stations	38	50	0	0	0	0	Permanent	03/07/2020	Harbour Dues are still on budget, reduction for 'Day Moorings' and any leases of huts that do not get paid.
Building Control Income	Building Control	29	155	0	0	0	0	tbc	03/07/2020	This is the actual budget variance April to June 2020 and the remaining budget forecast at 25% under budget.
Planning Income	Planning	149	884	tbc	tbc	tbc	tbc	tbc	03/07/2020	Assumption of strict lockdown for April to June 2020. The economic position will dictate whether they will be submitted at all. Estimate loss of income has now been adjusted downwards for actual income in April, May and June 2020. The remaining forecast is unchanged as with the new planning rules there may be a change in fees in the summer budget.
CIL 5% Admin Fee	Planning	0	179	0	0	0	0	tbc	03/07/2020	Assumption of strict lockdown for April to June 2020.
Licensing Income	Licensing	0	103	tbc	0	0	0	tbc	15/05/2020	LGA and the Institute of Licensing guidance - no refunds on premise licence fees will be given. However, where there is non-payment of an annual fee, the Council will try to find out from the premises if this is as a direct result of Covid-19. If it is, then the suspension of the licence will be deferred. It is possible that licensees will not be paying their annual fee until the current situation is over. Premise licence fee income is approximately £12k per month - three months provided in estimates. Taxis licences - the LGA has confirmed there is a bit more flexibility as these fees are set locally. The Council is not offering refunds at the present time, but is instead offering a shorter licence period for those that are due for renewal. This means that there should not be a drop in income as eventually when this is over, the remaining part of the annual (or 3 yearly) licence will have to be paid. What isn't known, is how many drivers/vehicles may decide not to return at all. No estimate is currently provided for this. Amended to reflect latest assumptions about length of closure being 4 months for licensed premises.
Cemetery Income	Cemeteries	0	118	0	0	0	0	Permanent	03/07/2020	The 20% fee increase for 2019/20 in the old WDC area will not now take place - sensitivity of the current situation. The income to date is 66% under budget and I have used that to reforecast the year.
Events Income	Economic Development	0	12	0	0	0	0	Permanent	08/04/2020	Reduction in income from rent of land for events.
Green Waste Income	Waste Collection	0	407	394	0	0	0	Permanent	03/07/2020	Total Annual budget £2.4m. Based on subscriptions 'rolled forward' for two months, collections being resumed 1st June 2020, assumed the same loss each financial year.
Environmental Protection Water Sampling	Environmental & Port Health	0	8	0	0	0	0	Permanent	09/04/2020	Reduction in water sampling due to not going out to site visits.
Environmental Licencing - Fixed Penalty Notices COVID-19	Environmental & Port Health	0	tbc	tbc				Permanent	09/04/2020	New income source under COVID-19.
Contaminated Land	Environmental & Port Health	0	1	0	0	0	0	Permanent	09/04/2020	Reduction in Environmental Information Requests coming in for Contaminated land.
Environmental Licencing - Animal Licencing	Environmental & Port Health	0	1	0	0	0	0	tbc	09/04/2020	There will be a delay in applications, existing licences may not renew depending how their businesses have been affected.
Food Safety - Food Hygiene Revisits	Environmental & Port Health	0	3	0	0	0	0	Permanent	09/04/2020	Reduction in income due to closure of Food places and no visits currently happening.
Food Safety - Food Hygiene Educational Courses	Environmental & Port Health	0	2	2	2	2	2	Permanent	09/04/2020	Reduction in income due to food hygiene courses being suspended for the foreseeable future - having people in a room on our premises goes against social distancing criteria and brings risk of infection, the demand for these has been reducing over time before COVID-19.
Skin Piercing Licences	Environmental & Port Health	0	4	0	0	0	0	tbc	09/04/2020	Tattoo and piercing parlours have been closed by The Health Protection (Coronavirus, Restrictions) (England) Regulations 2020. We are likely to few applications to register whilst the closure is in place but some may be received ahead of the lifting of closures whenever this will be. There may be a surge in applications when the closures are lifted.
Other Income										
Lease & Commercial Income	Miscellaneous Property	0	191	0	0	0	0	Permanent	03/07/2020	Rental/lease scheduling arrangements under review. This is still under review 03/07/2020
Waste Recycling Credits - Green Waste	Waste Collection	0	218	0	0	0	0	Permanent	03/07/2020	Based on estimated tonnage of 7,273 @£30 per tonne
Waste Recycling Credits	Waste Collection	0	373	0	0	0	0	Permanent	03/07/2020	Assumption is a loss of 20% of the income for the year for dry recycled, based on 2019-20 tonnes of 17,029 @£54.76 20% reduction is £186.5k per annum for price and another £186.5k for volume (annual budget for Dry and garden recycling is £2.4m). Difficult to predict how this will be affected, but month on month the price has dropped 17.6%. Food waste could be larger than the post Christmas peak - as people have stock piled too many perishable goods.
Investment Income	Investment Income	0	300	550	0	0	0	Permanent	31/03/2020	Impact of decreasing interest rates will be felt in the later part of 20/21 and more so in 21/22, as deals secured in 19/20 come to an end during 20/21. Annual investment income budget is £800k.
Housing Benefits Overpayments Recovery	Revenues & Benefits	0	333	333	0	0	0	Permanent	19/06/2020	In-year recovery has not declined as much as initially anticipated. Estimate has ben revised down and will be continually monitored.

Impact on General Fund Direct Income (Continued)

General Fund - Income		Change to budget (additional income) / loss of income						Indicate if permanent impact to budget or a deferral to later	Date added or amended	Explanation
		2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000			
Other Income										
Loss of Enforcement income via ARP	Revenues & Benefits	0	626	0	0	0	0	Permanent	19/06/2020	Assume 100% loss for the full year. Total enforcement income budget of the ARP partnership for 2020/21 is £1,586,425. ESC share is 39.48% for 2020/21.
New Burdens Funding	Revenues & Benefits	0	tbc	0	0	0	0	Permanent	31/03/2020	Government funding to compensate LA's for the additional costs associated with the administration of the Hardship funding and grants to businesses. It is expected for this funding to cover costs incurred by ARP and the Council.
Community Funding	Communities	0	(15)	0	0	0	0	Permanent	27/05/2020	Grant received for grants to be paid to local organisations, CAB and Foodbank to help with the COVID-19 crisis.
Chairman's Donation		0	(1)	0	0	0	0	Permanent	07/05/2020	Chairman's donation to the hardship fund.
Council Tax Income - Tax Base Growth		0	0	150	150	150	150	Permanent	07/05/2020	The current MTFs assumes growth in the tax base of 1% per annum. Assuming zero growth in the tax base for 2020/21 which would be reflected in the 2021/22 Council Tax income figures, results in £150k per annum loss of income. This assumes tax base growth for future years remains at 1%.
Council Tax Income - Increase in LCTRS working age reliefs.		0	0	1,821	1,000	500	0	Permanent	12/06/2020	Nationally the Universal Credit(UC) caseload appears to have doubled so assume this will be reflected in a doubling of the LCTRS working age reliefs from September 2020, resulting in a tax base reduction of around 4.7% in total, with an East Suffolk share of around £0.7m. These impact in 2021/22 budget setting. It is also assumed that this September 2020 position continues in 2021/22 with an additional £1.1m full year loss of Council Tax income. This position is anticipated to begin to reduce in future years as the economic position improves.
Business Rates - Pooling Benefit		0	1,794	0	0	0	0	Permanent	12/06/2020	Loss of Business Rates Pooling Benefit.
Total Impact on Income		363	9,061	3,250	1,152	652	152			
Forecast Net Impact - General Fund		406	10,489	3,250	1,152	652	152			

Government funding received or due to be received in response to Covid-19

Government Funding Received / Due		2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Date added or amended	Explanation
COVID-19 Rough Sleepers Funding to claim	Homelessness	0	(10)	0	0	0	0	31/03/2020	Government funding to support rough sleepers or those at risk who need to self-isolate. The claim has been submitted this week.
COVID-19 Emergency Response Funding Received	Corporate	(122)	(2,489)	0	0	0	0	15/05/2020	Government funding to assist with dealing with the response to COVID-19. Two separate allocations, £122k and £2,489m.
New Burdens Funding	Corporate	0	(170)	0	0	0	0	03/07/2020	New Burdens Funding for Business Grant Scheme - Retail, Hospitality & Leisure Grants (Scheme 1 and 2). To provide funding towards the cost of administering the scheme 1 and 2 only.
Government Coronavirus funding package announcement 02/07/2020	Corporate	0	(3,134)	0	0	0	0	03/07/2020	Total 2020/21 income budget for Sales, Fees & Charges is £21.27m. 5% of this is £1.064m. Total estimated loss of income from Sales, Fees & Charges is £5.242m. Potential funding is calculated at 75% of the estimated loss above the 5% threshold. Based on current projections this is estimated at £3.134m. This is a provisional figure based on interpretation of the initial Government announcement on 02/07/2020.
Test & Trace Funds	Environmental & Port Health	0	(150)	0	0	0	0	03/07/2020	Test & Trace Funds to support Local outbreak plans.
Total Government Funding Received / Due		(122)	(5,953)	0	0	0	0		
Covid-19 forecast cost and income pressures (Net of Government funding)		284	4,536	3,250	1,152	652	152		