

## **SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Cabinet **DATE:** 18 May 2020

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**WARD(S):** All

**PORTFOLIO:** Councillor Swindlehurst: Leader of the Council

### **PART I** **KEY DECISION**

#### **IMPACT OF COVID-19 ON THE 2020/21 REVENUE BUDGET**

##### **1 Purpose of Report**

To update Cabinet on the financial implications of Covid-19.

##### **2 Recommendation**

That Cabinet is requested to resolve that it be noted that:

- a. An initial financial assessment indicates that the gross costs of Covid-19 to the Council may reach £15.3 million.
- b. Currently, the Government grant to cover Covid-19 costs is insufficient, covering less than half the estimated costs. It amounts to just £7.6 million. This leaves an initial funding gap of £7.7 million.
- c. Expenditure reductions of £4.8 million have been identified to partly offset this, leaving a possible £2.9 million adverse impact on general reserves.
- d. The forecast shortfall in funding can be contained within forecast general reserves for 2020/21 although any further pressures, if realised, could lead to general reserves dipping below the recommended minimum, which could lead to the need for a freeze on all non-statutory spending.
- e. The financial situation needs to be monitored very closely, acknowledging that current estimates remain provisional because the full impacts of the virus are still emerging.

##### **3. The Slough Joint Wellbeing Strategy, the JSNA and the Five Year Plan**

###### **3a. Slough Joint Wellbeing Strategy Priorities**

The report indirectly supports all of the strategic priorities and cross cutting themes, by outlining how scarce resources are targeted to meet strategic priorities.

### 3b Five Year Plan Outcomes

The report helps achieve the Five Year Plan outcomes by contributing to the Council's financial planning and ensuring the five outcomes are adequately resourced.

### 4 Other Implications

(a) Financial

*Detailed within the report*

(b) Risk Management

<b>Recommendation from section 2 above</b>	<b>Risks/Threats/ Opportunities</b>	<b>Current Controls</b>	<b>Using the Risk Management Matrix Score the risk</b>	<b>Future Controls</b>
That Cabinet notes the initial financial assessment	That the assessment is inaccurate and decisions on service reductions then need to be made within a shorter timespan.	Monthly budget monitoring and quarterly reporting. Use of reserves to mitigate risks.	9	Continue robust budget monitoring – regular reporting to Cabinet and Council

<b>Risk</b>	<b>Mitigating action</b>	<b>Opportunities</b>
Legal	None	None
Property	None	None
Human Rights	None	None
Health and Safety	None	None
Employment Issues	None of the proposed expenditure reductions have an impact on the Council's current staffing. However, if future pressures continue to increase without compensatory government funding it may become necessary to consider service reductions and a number of posts may be affected. If necessary these will be managed through the council's restructure, redundancy and redeployment policy and procedure.	None

Equalities Issues	Existing proposed savings have been subject to EIAs. Any new savings would need to follow the same process.	None
Community Support	None	None
Communications	None	None
Community Safety	None	None
Financial	Detailed within the report	None
Timetable for delivery	Risk of overspend and making further savings elsewhere	Consider introducing a new budgeting process (for 2021/22)
Project Capacity	None	None
Other	None	None

(c) Human Rights Act and Other Legal Implications

The Council has a number of statutory functions to perform. Any further pressures or the need for new in-house savings must not undermine the Council's responsibilities to provide minimum levels of provision in key areas. The overall financial position will be closely monitored throughout the financial year and reported to Cabinet via the Quarterly Financial Monitoring reports.

(d) Equalities Impact Assessment

None

(e) Workforce

None

**5 Supporting Information**

**Introduction**

5.1 The Council set its 2020/21 revenue budget and capital programme on 20 February 2020. Since then, Covid-19 had had a profound impact on societies and economies - globally, nationally and locally. The most obvious and immediate impact in Britain was the "lockdown" announced by the Government on 23 March.

The Council has responded by:

- Keeping critical and priority functions running to care for and support our residents
- Implementing the government's emergency initiatives affecting local residents and businesses
- Working in partnership with strategic partners (such as other public sector organisations, the voluntary sector and community groups) to provide services to local people

- Sustaining critical services by redeploying staff skills and resources to where they are most needed

5.2 In turn, the government has helped support both Slough Council and its local residents and businesses by:

- Announcing, in two tranches, a total of £3.2bn grant for local government to contribute towards additional costs. Slough Council received £7.6 million.
- Offering business rate exemptions for one year for retail, hospitality, leisure and nursery businesses - with this being administered by local authorities and the value in Slough estimated at £26 million
- Introducing small business grant schemes for firms with rateable values below £51,000 - again to be administered by local authorities and valued in Slough at £18 million
- Providing a council tax hardship grant of £1.3 million, administered locally by Slough BC, for those struggling the most to pay

5.3 Whilst the additional funding is obviously welcome, its distribution has been problematic. The general financial support for ongoing activity is insufficient to cover all costs and loss of income. It has been distributed nationally on two different bases, so it has been difficult to predict how much funding the Council will receive. The guidance around business grant schemes changed throughout the month, making it difficult to implement. The legal treatment of business rates relief as State Aid was only clarified by central Government very late on in the process, again making it difficult for Local Authorities to implement this policy locally. This “drip feed” approach towards funding and guidance does not assist effective financial and service planning locally; nor does it help local implementation.

5.4 Many frontline staff have continued to provide the services the public relies on, including adult and children’s social care staff, registrars, housing, the benefits teams ensuring residents in need get the money they deserve, the refuse operatives covering their rounds and staff working behind the scenes so these frontline services can continue.

### **Financial Impact**

5.5 At the time of producing this report, the lockdown has been in place for just over a month. So many of the financial forecasts need to be considered within a considerable margin of error. The impact on the finances of the Council assumes a three-month lockdown followed by another three-month period when constraints are partially lifted. Public health measures result in a large share of economic activity ceasing for three months, with the restrictions on people’s movement and activity assumed to be lifted progressively over the subsequent three months. If these assumptions are later proved wrong, then the overall impact will need to be reassessed.

5.6 The considerable “unknowns” will be the extent to which the local economy will be disrupted<sup>1</sup>, the deterioration in the local labour market and, crucially, the extent to

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<sup>1</sup> Centre for Progressive Policy suggest the Slough area would suffer a decline in Gross Value Added (a measurement of economic output) ranked 169 out of 382, so in the top 44% of areas worst affected.

which the local economy's future potential output will be 'scarred' (by business closures, falling investment and the unemployed becoming permanently disconnected from the labour market). All of these aspects will directly affect both the future demands on the Council's services and the extent to which it can raise income locally (from business rates, council tax and fees and charges). Much of this also depends on the effectiveness of central government policy to balance public safety with reopening the economy.

- 5.7 With this in mind, there are four major areas where the 2020/21 revenue budget is likely to change due to Covid-19:

*Additional Spending Pressures (£6.5m)*

The most immediate pressures are in adult social care, which could cost up to £4.7 million. Inflation increases for 2020/21 look likely to be above 5% mostly due to national living wage impacts plus a likely 10% impact due to Covid 19 - with an increase in providers costs due to use of agency to cover for sick and isolating staff, managing different rotas to keep residents and clients safe and increasing use of and costs of Personal Protective Equipment (PPE). Since April there has been an increase in weekly new care home placements at almost 40% higher than pre-Covid times. There is also an expectation that demand for Adult Social Care services and support will increase as we move out of the current Covid-19 response period, with an increase in mental health and wellbeing referrals as people emerge from their isolation and an increase in NHS related referrals as the NHS begins to get back to a more normal service and people start to engage again with primary and secondary care services.

There are similar pressures (but costing less) in children's social care (£0.5m) and additional housing / homelessness costs (£0.3m). There are additional pressures as a result of more local residents contacting the Authority requesting assistance, in areas such as the Customer Service Centre, Local Welfare Provision and the Revenues & Benefits team. There are also pressures arising as a result of some savings in the original 2020/21 budget now being partly or wholly delayed until 2021/22 (for example, in moving Regulatory Services to become self funding - £0.5m and partial delay in delivering some transformation savings - £0.4m).

*Loss of Income (£6.1m)*

This relates to income that is now unlikely to be generated as a result of Covid-19. For example, parking income will be considerably less than originally anticipated (£0.9m), as will road traffic enforcement (£0.5m). Recharged services such as Building Control will lose income (£0.3m); income from parks and community centres will reduce (£0.5m) and income generate from property services (£0.6m), regeneration development (£0.5m) and the direct service organisation (£0.5m) are all forecast to fall. The most significant area of uncertainty here is the timing and implementation of the lifting of the lockdown.

*Partly Offset by Expenditure Reductions (-£4.8m)*

As some services are partly or wholly closed down there will be some running expense savings and alternative ways of temporarily funding aspects of some services. There are not expected to be reductions in staffing, as staff are being redeployed as necessary to tackle the COVID-19 crisis and central government's expectation is that public sector staff are not furloughed. The government also expect the majority of contract payments to continue to be made. Whilst this helps maintain the economy, it does restrict the ability of the Authority to make savings to offset the shortfall on government grant funding. Expected delays to the capital

programme means that there will be some savings from borrowing requirements being utilised later than originally envisaged (saving £0.6 million).

*Council Tax & Business Rates Income (£2.7m)*

It is difficult to be too precise here, as only one month of income has been collected for 2020/21, but even after taking account of the Government's hardship fund, council tax collection could be £1.9m down on the amount originally planned. This is not necessarily a result of non-collection (as the Council will eventually follow up on all debts), but on residents' eligibility for council tax discounts (as a result of being eligible for universal credit or similar). This is after taking into account the government's hardship grant of £1.3 million. Similarly, it is envisaged that business rates income may be reduced (£0.9m), as fewer firms will be in business, although this is partly offset by business rate discounts being fully funded by central Government.

5.8 The overall situation could be as follows:

*Table 1: Initial Assessment of Potential Covid-19 Costs & Grant Income*

	£m	£m	£m
Additional Spending Pressures	6.5		
Loss of Income	6.1		
Reduced Council Tax & Business Rates Income	2.7		
<i>Potential Gross costs of Covid-19</i>		15.3	
Government grant		-7.6	
Potential Funding Shortfall			-7.7
<i>To Be Funded As Follows:</i>			
Partial Offset of Expenditure Reductions			4.8
Potential Shortfall (capable of being funded from reserves)			2.9

5.9 The analysis above can be restated by directorate. This analysis excludes the government grant, loss of tax revenues and use of reserves (as they all apply corporately):

*Table 2: Initial Assessment of Gross Costs & Spending Reductions By Directorate*

	Pressures	Spending Reductions	Net
	£m	£m	£m
Adult & Communities	(6.2)	0.3	(5.9)
Children, Learning & Skills	(0.7)	1.8	1.1
Place & Development	(1.4)	0.7	(0.7)
Regeneration	(3.3)	0.5	(2.8)
Finance & Resources	(1.0)	0.8	(0.2)
Chief Executive	0.0	0.1	0.1
Non Department Items	0.0	0.6	0.6
	(12.6)	4.8	(7.8)

- 5.10 Given the considerable uncertainty highlighted above, it is preferable to think about the financial risk to the Council to be in the region of £3m.

### *Reserves*

- 5.11 When the budget was set in February 2020, there was a presumption that General Reserves would be at £16.1m by the end of the 2020/21 financial year (i.e. March 2021). Covid-19 does not particularly impact on the generation of those reserves, so the reserves estimate remains valid. The upper end of the risk range highlighted above would still leave general reserves at a manageable level. However, any further call on those general reserves (e.g. from the Children's Trust), would bring the remaining balance below the minimum requirement (of £9.3 million). Therefore, the situation needs to be closely monitored, so that any corrective action to curtail non-statutory spend can be taken in a timely manner.

## **6. Comments of Other Committees**

- 6.1 This report has not been considered by any other committees.

## **7. Conclusions**

- 7.1 Covid-19 is having a substantial impact on the operations of all local authorities and Slough BC is no exception. In financial terms, this is presenting in terms of increased costs due to increases in demand, as well as lost opportunities to generate income and deliver some savings projects, alongside a reduced taxbase from both residents and businesses. However, with an evidence base of just over one month and no real indication of a national exit strategy it is very difficult to make any confident predictions regarding any full year effect. The best forecast right now is of total costs in the region of £15.3m, partly offset by Government grant of £7.6m. The shortfall can be met from a combination of additional in-year expenditure reductions and the use of some general reserves. But any further increase in Covid-19 costs or pressures from services elsewhere will lead to the need to consider action to curtail non-statutory spend.

## **8 Appendices**

None.

## **9. Background Papers**

None.