



## TRAFFORD COUNCIL

# AGENDA PAPERS MARKED 'TO FOLLOW' FOR TRAFFORD PANDEMIC SCRUTINY COMMITTEE

Date: Wednesday, 19 August 2020

Time: 4.00 p.m.

Place: Virtual

The meeting will be streamed Live at

<https://www.youtube.com/channel/UCjwblOW5x0NSe38sgFU8bKg>

AGENDA	PART I	Pages
8.	TREASURY MANAGEMENT ANNUAL PERFORMANCE REPORT	1 - 20

To receive a report from the Executive Member for Finance and Investment.

**SARA TODD**  
Chief Executive

### Membership of the Committee

Councillors D. Acton (Chair), S.B. Anstee, Dr. K. Barclay, Miss L. Blackburn, G. Coggins, J. Dillon, J. Holden, J. Lamb (Vice-Chair), J. Lloyd, J.D. Newgrosh, A. New, B. Shaw, R. Thompson, D. Western, A.M. Whyte, A.J. Williams and B.G. Winstanley.

### Further Information

For help, advice and information about this meeting please contact:

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This agenda was issued on **Tuesday, 11 August 2020** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall; Talbot Road, Stretford, Manchester, M32 0TH

WEBCASTING

## Trafford Pandemic Scrutiny Committee - Wednesday, 19 August 2020

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## TRAFFORD COUNCIL

**Report to: Pandemic Scrutiny Committee**

**Date: 19 August 2020**

**Report for: Information**

**Report of: The Executive Member for Finance and Investment and the Corporate Director of Finance and Systems**

### **Report Title:**

Budget Monitoring 2020/21 – Period 2 (April to May 2020).

### **Summary:**

The purpose of this report is to inform Members of the current 2020/21 forecast outturn figures relating to both Revenue and Capital budgets. It also summarises the latest forecast position for Council Tax and Business Rates within the Collection Fund.

### **Recommendation(s)**

**It is recommended that the Pandemic Scrutiny Committee:**

- a) note the report

### **Contact person for access to background papers and further information:**

David Muggeridge, Finance Manager, Financial Accounting Extension: 4534

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Revenue and Capital expenditure to be contained within available resources in 2020/21.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

## REVENUE BUDGET

### Budget Monitoring - Financial Results

1. The approved budget agreed at the 19 February 2020 Council meeting is £175.26m. In determining the budget an overall gap of £18.56m was addressed by a combination of additional resources of £8.50m, including projected growth in business rates, council tax and use of reserves and £10.06m of service savings and additional income.
2. Since the budget was set, the outbreak of COVID-19 has had far reaching implications on the Council's budget to the extent that the current projection is showing a budget shortfall of £17.70m of this:-
  - £23.2m relates to the impact of COVID-19 on expenditure, income and overall funding from council tax and business rates.
  - £5.5m relates to an underspend in core service budgets. This includes £2.35m relates to Children's services caused by a reduction in placements and savings in staffing costs through delays in recruitment and £2.4m in Adults services largely caused by a reduction in residential and nursing care. At this stage, whilst these variances have been included in the projections in the report, they need to be treated with caution until it is understood how demand for adults and children's social care services impacts on the budget during the remainder of the year. Also the risk and implications of a second spike in infections would inevitably increase the costs associated with hospital discharges as well as other council income streams.

The net COVID-19 pressures being felt in 2020/21 have been detailed in the service narratives and a summary is shown in Table 4, along with the grant funding, CCG and earmarked reserves contributions, with the remaining balance being the subject of ongoing discussions with Government Departments in meeting the substantial and ongoing impact in 2020/21.

3. On 2 July an announcement was made by MHCLG of a "major new support package to help councils respond to the coronavirus. Whilst specific detail around the proposals are still awaited they include:-
  - A further £500 million of funding to cover local authority spending pressures
  - A co-payment mechanism for irrecoverable Sales, Fees and Charges income, with the Government covering 75% of losses beyond 5% of planned income
  - Phased repayment of Collection Fund deficits over the next 3 years
  - A commitment to determine what support is needed to help councils meet the pressures of irrecoverable tax income at the Spending Review
  - Exceptional Support at an individual authority basis for those with unique circumstances
4. Until the specific detail on the measures becomes clear the Council won't know the precise impact but these will go some way to alleviating the in-year budget pressures, although it is clear that they will not cover the full extent of the financial pressures.

5. The impact on the budget is an evolving position and will inevitably mean that there are difficult budget decisions that will need to be taken both in addressing the pressures in the current year and also understanding the recurrent impact on budgets in future years. Whilst estimates have been made of anticipated future pressures in both adult and childrens social care the full impact will not become clear for a while and remains a significant risk. Work is ongoing through the Corporate Leadership Team and Executive to review a range of budget options that support the Council's recovery ambitions and help address the budget shortfall. A significant amount of work is being undertaken to address both the in year impact and the recurrent impact which will be felt in future years. An update as to how these pressures will be managed will be provided in the Period 4 monitor.
6. Detailed below in Table 1 is a summary breakdown of the service and funding variances against budget, with Table 2 providing an explanation of the variances:

<b>Table 1: Budget Monitoring results by Service</b>	<b>2020/21 Budget (£000's)</b>	<b>Forecast Outturn (£000's)</b>	<b>Forecast Variance (£000's)</b>	<b>Percentage</b>
Children's Services	41,920 *	43,501	1,581	3.8%
Adult Services	49,295 *	53,405	4,110	8.3%
Public Health	12,115	12,148	33	0.3%
Place	28,311	34,613	6,302	22.3%
People	3,343	7,586	4,243	126.9%
Finance & Systems	8,812	8,776	(36)	(0.4)%
Governance & Community Strategy	8,125	8,688	563	6.9%
<b>Total Directorate Budgets</b>	<b>151,921</b>	<b>168,717</b>	<b>16,796</b>	<b>11.06%</b>
Council-wide budgets	23,340	22,601	(739)	(3.17%)
<b>Net Service Expenditure variance</b>	<b>175,261</b>	<b>191,318</b>	<b>16,057</b>	<b>9.16%</b>
<b>Funding</b>				
Business Rates (see para. 13)	(65,431)	(61,867)	3,564	5.4%
Council Tax (see para. 8)	(103,990)	(97,193)	6,797	7.7%
Reserves Budget Support	(4,524)	(4,524)		
Reserves to Support COVID-19		(8,722)	(8,722)	
Collection Fund surplus	(1,316)	(1,316)		
<b>Funding variance</b>	<b>(175,261)</b>	<b>(173,622)</b>	<b>1,639</b>	<b>(0.94%)</b>
<b>Net Revenue Outturn variance</b>	<b>0</b>	<b>17,696</b>	<b>17,696</b>	<b>12.53%</b>
<b>Dedicated Schools Grant</b>	<b>141,177</b>	<b>141,342</b>	<b>165</b>	<b>0.12%</b>

## Budget Adjustments and Virements

\*There has been one small budget re-alignment between children's and adults services budget of £5k.

### Main variances, changes to budget assumptions and key risks

7. The main variances contributing to the projected overspend of £16.057m, any changes to budget assumptions and associated key risks are highlighted below:

Table 2: Main variances	Forecast Variance (£000's)	Explanation/Risks
Children's Services	1,581	<p><b>Projected outturn variance £1.581m adverse.</b></p> <p><b>Of this variance £3.927m is projected as Covid-19 related pressures and details are provided at Note 4</b></p> <p>This leaves a projected underspend on Children's 'business as usual' of £2.346m:</p> <ul style="list-style-type: none"> <li>➤ £974k under budget on Children's placements (Note 1);</li> <li>➤ £1.172m under budget on staffing (Note 2);</li> <li>➤ £200k under budget on other running costs and income across the service (Note 3).</li> </ul> <p><b><u>Note 1</u></b></p> <p>Current projections indicate there is an estimated underspend of £974k, largely as a result of the full year effect of a reduction in demand and placements being made at a lower cost (step down placements).</p> <p>The numbers of children as at the end of May 2020 compared to those at the end of March 2020 are as follows:-</p> <ul style="list-style-type: none"> <li>• children in care 379, a reduction of 4;</li> <li>• child protection is 211, an increase of 6;</li> <li>• children in need 696, an increase of 40.</li> </ul> <p>The above position assumes that £541k of the original savings target will be achieved in full and as at the end of May 2020, £227k of this has been achieved.</p> <p>A contingency of £480k is also included to cover any further demand and potential timeline changes to the anticipated reductions mentioned above.</p> <p><b><u>Note 2</u></b></p> <p>There are underspends in staffing of £1.172m, of which -</p> <ul style="list-style-type: none"> <li>• £521k is due to delays in recruiting to the posts created as a result</li> </ul>

		<p>of the additional investment in the service;</p> <ul style="list-style-type: none"> <li>• £462k is due to the receipt of monies for the Troubled families programme, for 2020/21 only. The costs of which had been included in the additional investment in children’s funding on the basis that this funding would no longer be received;</li> <li>• The remaining £189k is due to general vacancies across the service.</li> </ul> <p><b><u>Note 3</u></b></p> <p>The favourable variance in running costs and income across the service is £200k. This is mainly due to the receipt of additional grant income of £111k for the school improvement service which it was anticipated would not continue. The remaining £89k relates to a number of minor variances across the service.</p> <p><b><u>Note 4 – Covid-19</u></b></p> <p>The Covid-19 pandemic has had a significant impact on the service both in terms of changes to its service delivery and finances. The estimated pressures of £3.927m are outlined below:-</p> <ul style="list-style-type: none"> <li>• The overall savings target for the service was £1.611m, of which £974k is not anticipated to be achieved;</li> <li>• Anticipated surge in demand and subsequent placements of £1.200m;</li> <li>• Anticipated surge in demand and subsequent support required at an early stage £600k;</li> <li>• Additional staffing costs in internal homes of £100k;</li> <li>• Additional Transport costs of £800k due to social distancing requirements;</li> <li>• Loss of income of £230k, mainly seen at the two nurseries and those service areas unable to provide face to face training;</li> <li>• Other minor additional costs £23k.</li> </ul>
Adult Services	4,110	<p><b>Projected Outturn variance £4.110m adverse.</b></p> <p><b>Of this variance £6.521m is projected as Covid-19 related pressure and details are provided at Note 3.</b></p> <p>This leaves a projected underspend for Adults on ‘business as usual’ of £2.411m.</p> <ul style="list-style-type: none"> <li>➤ £2.204m below budget on Adult clients (Note 1);</li> <li>➤ £207k below budget due to vacancies and one off savings (Note 2).</li> </ul>

It must be noted the risk posed by a second spike in COVID infections which would place an increased demand on the Service in supporting the NHS with ensuring speed of discharges. At this stage no allowance is included within these projections.

### **Note 1**

Adult Clients currently projects a £2.204m favourable variance.

This budget has increased in both its complexity and volatility as a result of the Covid-19 pandemic. Since the turn of the financial year the service has seen changes in its client numbers as outlined below with a significant reduction in Nursing Homes.

### **Total Client numbers in receipt of a care package**

Care Type	Apr 19	Feb 20	Apr 20	May 20
Day care	102	121	119	115
Direct Payment	495	475	470	464
Homecare	1,077	1,086	1,090	1,116
Nursing	337	305	302	268
Residential	472	466	480	466
Supported Living	250	253	253	252
<b>Grand Total</b>	<b>2,733</b>	<b>2,706</b>	<b>2,714</b>	<b>2,681</b>

As at the end of May 2020 the Council has seen a significant increase in its mortality rate across most settings, compared to the same period last year, especially so in residential homes. The table below compares the number that have sadly passed away across the two years:-

### **Total Clients that have passed away**

Care Type	Mar – May 2019	Mar – May 2020	Change	% Change
Direct Payment	4	5	1	25.00
Homecare	32	55	23	71.88
Nursing	36	59	23	63.89
Residential	26	64	38	146.15
Supported Living	1	1	0	0
<b>Grand Total</b>	<b>99</b>	<b>184</b>	<b>85</b>	<b>85.86</b>

Both of these have been the main contributing factor to the projected underspend.

Within the projection there is a contingency of £1.3m set aside for additional increases in demand/cost pressures throughout the financial year that are non Covid-19 related.

Savings of £263k have been achieved mainly as a result of the work undertaken during 2019/20 and its full year impact into 2020/21, with an expectation that another £100k will be achieved by the end of March 2021. The remaining target for adult clients of £748k is not



		<p>anticipated to be achieved due to the need to respond to the Covid-19 pandemic.</p> <p><b>Note 2</b></p> <p>The current forecasts indicate there is a favourable variance of £207k. This is due to the following:-</p> <ul style="list-style-type: none"> <li>• £183k favourable variance due to staffing vacancies and lower running costs;</li> <li>• £72k favourable variance on client equipment and maintenance;</li> <li>• £48k adverse variance on contracts.</li> </ul> <p><b>Note 3 – Covid-19</b></p> <p>The Covid-19 pandemic has had a significant impact on the service both in terms of changes to its service delivery and finances. The areas of estimated pressures are outlined below:-</p> <ul style="list-style-type: none"> <li>• The overall savings target for the service was £1.348m, of which £949k is not anticipated to be achieved;</li> <li>• Payments to care providers of £4.333m to meet additional costs and provide sustainability in the market;</li> <li>• Anticipated increase in client demand of £1.052m following the isolation of many vulnerable people within the population both due to increased physical need and mental health support.;</li> <li>• Additional staffing costs £67k;</li> <li>• Additional Personal Protective Equipment £626k of which £506k is recovered from CCG and £120k met by the Council.</li> </ul> <p>In addition to this there are further estimated costs as outlined below:-</p> <ul style="list-style-type: none"> <li>• £3.805m which will be met by the NHS via Trafford CCG as the NHS have taken temporary responsibility for the payment for hospital discharges.</li> <li>• £2.270m for infection control for care providers which will be met by a specific government grant (see paragraph 20 below).</li> </ul>
Public Health	33	<p><b>Projected Outturn variance £33k adverse.</b></p> <p>All of this variance, £33k, is projected as Covid-19 related council spend on staffing.</p> <p>In addition to this there are further estimated costs due to Covid-19 of £1.157m for the test and trace service which will be met by a specific government grant (see paragraph 20 below).</p> <p>Due to the need to respond to the Covid-19 pandemic, discussions with Manchester Foundation Trust on the community contract are currently on hold. The current forecast anticipates that spend will be in line with current budget.</p>
Place	6,302	<b>Projected outturn variance £6.302m adverse:-</b>

		<p><b>COVID-19 Forecast Pressures £6.871m</b> (losses of income £5.557m and additional unplanned expenditure £1.314m):</p> <ul style="list-style-type: none"> <li>Income losses on parking fees and fines £887k, property rentals £763k, outdoor media advertising £651k, planning fees £581k, building control fees £168k, licencing £132k, highways permits £116k, street trading £60k and pest control £38k. The figures also include the potential requirement to support Trafford Leisure which has estimated trading deficits for 2020/21 due to the current closure of the centres in line with Government requirements. The approach to reopening centres and the financial implications are currently being considered and are to be the subject to a further report.</li> <li>Expenditure pressures include £955k of waste disposal costs and £114k related to waste collection, £140k for rough sleepers, £50k for inclusive neighbourhoods, £35k traffic management, £20k operational buildings.</li> </ul> <p><b>Other Variances £(569k) favourable:</b></p> <ul style="list-style-type: none"> <li>Non-COVID-19 related overspends in the forecast outturn includes £100k relating to building costs, including those awaiting disposal or redevelopment, and a shortfall in building control income £106k, following on from the end of 2019/20;</li> <li>These are offset by a forecast underspend of £284k relating to staff vacancies (6.3% of the staff budget), plus additional income above budget for Altair £120k and other rents £19k.</li> <li>The Planning service is a ringfenced account and has a forecast underspend of £352k in staffing and running costs which can be utilised to offset the COVID-19 income pressures for Planning application fees above.</li> </ul> <p>The Strategic Investment Property Portfolio is being closely monitored and pressures are forecast in achieving the budgeted levels of income primarily from the town centre related assets, namely Streford Mall, Stamford Quarter and Grafton Centre. At this stage the estimated income from the other assets is broadly as expected albeit a number of tenants have requested to pay rent on a monthly basis. Any shortfall in budgeted income at year end will be met from the Strategic Property Investment Reserve.</p>
People	4,243	<p><b>Projected outturn variance £4.243m adverse:-</b></p> <p><b>COVID-19 Forecast Pressures £4.280m</b> (losses of income £4.260m and additional unplanned expenditure £20k):</p> <ul style="list-style-type: none"> <li>Losses of income relate to schools trading and includes £3.232m in Catering, £243k in Cleaning and £660k in the Music Service. There is also £125k loss of income from staff parking which is suspended until September.</li> <li>Additional expenditure is related to staffing £20k.</li> </ul>

		<p>The above pressures include assumptions around improvements in the impact of COVID-19 on the various finances as the year progresses. This is a key risk.</p> <p><b>Other Variances £(37)k favourable:</b></p> <ul style="list-style-type: none"><li>• Forecast staff costs are £112k below budget across the Directorate based on actual and projected vacancies across the year (2.4% of the staff budget);</li><li>• General running costs are overspent by £12k;</li><li>• There is net additional income above budget projected for Bereavement Services £52k;</li><li>• Other income is £11k above budget.</li><li>• These are offset by the budgeted Directorate-wide efficiency saving target of £126k.</li></ul>
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Finance & Systems	(36)	<p><b>Projected outturn variance £36k favourable:-</b></p> <p><b>COVID-19 Forecast Pressures £87k</b></p> <p>This relates to additional unplanned expenditure of £92k directly related to the the COVID-19 pandemic, in particular related to ICT equipment and systems. Exchequer also has a number of COVID-19 related cost pressures related to staff £31k, welfare assist food costs £20k and £8k for NNDR software changes. These are offset by a £64k increase in the Local Housing Allowance grant.</p> <p><b>Other Variances £(123)k favourable:</b></p> <ul style="list-style-type: none"> <li>• Forecast staff costs are £249k below budget across the Directorate based on actual and projected vacancies across the year (2.7% of the staff budget). This includes £176k in Finance, mainly related to Exchequer Services where staff turnover is traditionally high, and £73k in ICT;</li> <li>• General running costs are forecast to be underspent by £64k, mainly due to reduced ICT systems and maintenance costs in advance of planned capital expenditure in-year;</li> <li>• Other income is £2k less than budget.</li> <li>• These are offset by the budgeted Directorate-wide efficiency saving target of £188k, which is expected to be achieved in full.</li> </ul>
Governance & Community Strategy	563	<p><b>Projected outturn variance £563k adverse:-</b></p> <p><b>COVID-19 Forecast Pressures £528k</b> (losses of income £301k and additional unplanned expenditure £227k):</p> <ul style="list-style-type: none"> <li>• Losses of income relate to Sale Waterside Arts Centre £198 and £61k for events including Flixton House. Land charges income is projected to be £30k less than budget, plus there is a £7k reduction in schools SLA income and £5k from library lettings.</li> <li>• Additional expenditure includes £383k of legal costs related to fees and additional agency staff required due to the increase in caseload. This is offset by £150k saving from the local election being deferred until 2020/21 plus other running cost savings of £6k.</li> </ul> <p>The above pressures include assumptions around improvements in the impact of COVID-19 on the various finances as the year progresses. This is a key risk.</p> <p><b>Other Variances £35k adverse:</b></p> <ul style="list-style-type: none"> <li>• Forecast staff costs are £321k below budget across the Directorate based on actual and projected vacancies across</li> </ul>

		<p>the year (4.4% of the staff budget). This includes £143k in Legal Services, £77k in Access Trafford (contact centre), £89k in Partnerships and Communities and £12k in Arts and Culture;</p> <ul style="list-style-type: none"> <li>• General running costs are overspent by £47k, mainly due to CRM software costs;</li> <li>• There is a shortfall in income projected of £76k which includes £35k in capital fees, related to staff vacancies, and a £29k shortfall external SLA income in Legal and Democratic Services;</li> <li>• There is also a shoerfall in the £31k saving from previous years relating to CCTV trading income.</li> <li>• The net overall underspend of the above is offset by the budgeted Directorate-wide efficiency saving target of £202k.</li> </ul>
Council-wide budgets	<b>£(739)k</b>	<p><b>Projected outturn variance £739k favourable :-</b></p> <ul style="list-style-type: none"> <li>• Covid Support Grant – favourable £6.539m. As a result of the Covid-19 Pandemic, the Government announced a 2nd Covid Support Grant which was received in 2020/21 and has been accounted for in Council Wide as a centrally held resource for monitoring purposes.</li> <li>• £5.193m adverse variance on Treasury Management – due to the impact of Covid-19 on the economy the MAG Dividend which is no longer expected of £5.597m offset by additional income from strategic investments of £404k;</li> <li>• The net Housing Benefit budget (payments made, less subsidy and overpayment recovery) is above budget by £804k, which reflects an ongoing pressure felt in the previous financial year from a combination of reduced subsidy resulting from a review of the treatment of temporary and supported accommodation, and lower collection rates of prior years’ housing benefit overpayments. The collection of previous years’ overpayments has been suspended in line with Government advice as a result of Covid-19 and a figure of £300k has been included in the forecast to reflect the full year impact. It was considered prudent at the end of the last financial year to bolster the Housing Benefit Reserve by a figure of £500k and this will be drawn on as a minimum to alleviate some of the in-year pressure. A reserve contribution of £500k will reduce the pressure to £304k.</li> <li>• £203k relating to Trafford’s share of the AGMA wide Trafford Park Mortuary facility set up in response to the Covid-19 pandemic.</li> <li>• £100k relating to Trafford’s share of the increased costs of the South Manchester Coroners’ service due to the Covid-19 pandemic.</li> </ul>

Dedicated Schools Grant		<p><b>Projected outturn variance £165k adverse</b></p> <p>The adverse position is in the high needs block and mainly due to additional costs being incurred on the national teachers advisory service.</p>

## MTFP SAVINGS AND INCREASED INCOME

8. The 2020/21 budget is based on the achievement of permanent base budget savings and increased income of £10.055m (see para. 1 above). At this stage the latest forecast indicates that the savings programme is currently on target, with the exception of the programmes within Childrens and Adults Services being affected by COVID-19.

## RESERVES

9. The balance brought forward as at 1 April 2020 of usable reserves was £91.35m, including schools and capital reserves. A contribution from reserves has been identified to help manage some of the pressures being felt from COVID-19 and these are identified in the section starting at para 18. A full analysis of all remaining reserve movements will be reported on a quarterly basis to the Executive starting with the period 4 monitoring report.

## TRANSFORMATION FUND

10. An update on the delivery of the projects financed from Transformation Funding will be provided on a quarterly basis starting with the period 4 monitoring report.

## COLLECTION FUND

### Council Tax

11. The 2020/21 surplus on the Council Tax element of the Collection Fund is shared between the Council (82%), the Police & Crime Commissioner for GM (13%) and GM Fire & Rescue Authority (5%). The total surplus brought forward as at 1 April 2020 was £1.12m. At the time the 2020/21 budget was prepared, an estimated surplus of £1.466m was anticipated and used to support the budget. The effect of this will result in an overpayment being made by the Collection Fund which will be made good in 2021/22 by the three preceptors. Trafford's share is £285k and was set aside in 2019/20 in an earmarked reserve for this purpose.
12. During the first two months of the year there has been a significant increase in the number of claims for Discounts and Reliefs and as a result of Covid-19 a

reduction in the number of new properties coming on line. This has resulted in a reduction in budgeted income of £0.705m. An increase in the number of Council Tax Support claimants largely associated with Covid-19 has resulted in a further estimated budget pressure of £1.62m of which £0.73m relates to core support claims, £0.59m has been awarded under the Hardship Fund and £0.30m Discretionary Support. As highlighted in Annex 1, the Council has received a Council Tax Hardship Grant of £1.56m which will be used to compensate the Collection Fund for the Hardship Cases and possibly the core support claims. In addition, there is now an ongoing activity to release 'credits held' relating to historical overpayments by previous council tax payers who have now left the area and cannot be traced. This is estimated to provide income of £100k. Backdated valuations are expected in year which will add a pressure of £100k.

13. In addition to the above pressures, as a result of Covid-19, there has been an impact on the Council Tax Collection Rate, which as at 31 May 2020 was 19.62%, compared with the 2019/20 figure of 20.91%, representing a 6.1% reduction. Debt recovery action was suspended during April and May, however is expected to recommence in July. If cash collection rates remain as they are, there will be a significant shortfall in the region of £7.55m, of which Trafford's share would be £6.17m. The permanent impact on collection rates would ultimately result in an increase in write-offs and provision for bad debt and would therefore increase the in-year deficit substantially. The total of the above pressures will result an in-year deficit of £9.87m before the application of the Hardship Grant of £1.56m or £8.31m if applied in full, of which the Council's share would be £6.80m.
14. Of the pressures being experienced, a figure of £9.35m can be attributed to Covid-19, consisting of Cash Collection pressures £7.5m, increase in Council Tax Support Scheme £1.624m and £176k being 25% of the reduction in baseline income of £705k due to a delay in new properties coming online. Trafford's share of this is £7.65m or £6.37m net of Hardship Grant.
15. As at 31 May 2020 the forecast balance on the Council Tax Collection Fund is a deficit of £8.65m, consisting of an overpayment of £345k in the brought forward balance plus an in year shortfall of £8.31m. The Council's share of this is £7.08m, of which £284k has been identified in an earmarked reserve and £6.80m which will need to be identified.

### **Business Rates**

16. The 2020/21 budget included anticipated growth in retained business rates, related S31 grants and redistribution of prior year surpluses of £11.35m. Projecting business rates is by its nature complex and prone to variation, in addition the impact on COVID-19 has added further uncertainty to the accuracy of projections, therefore only quarterly updates will be given throughout the year. This first monitor will highlight the changes resulting from COVID-19 and the assumptions made in the initial broad projections.

17. In order to support businesses with the impacts of COVID-19, the Government has provided various rate relief packages. The largest relief has been awarded to all retail sites who have been granted a 100% rates holiday until 31<sup>st</sup> March 2021. These reliefs, which are currently estimated at £88m, will result in an equivalent reduction in the rateable income paid into the Collection Fund and therefore a substantial deficit in the current year. However, this loss will be fully compensated via a Section 31 Grant paid into the Council's General Fund.
18. The level of reliefs represents approximately 50% of the total rateable income with the remaining 50% largely relating to non retail sites. The ability of both retail and non retail businesses weathering the impact of COVID will be unknown for some time, adding to the uncertainty in forecasting rateable income for the year. However, as a broad estimate, an assumption has been made that there will be a reduction in income from non-retail businesses of 5% over the year, resulting in a shortfall of £3.56m.
19. The underlying Rateable Value (RV) provides a useful indication of the health of the rates baseline. In the financial 2019/2020, there continued to be significant volatility in the rating system as a result of a pattern of properties being converted to residential settings and this was reflected in a reduced RV when setting the 2020/21 budget, however proposed new sites were added to offset some of this loss. As at May 2020, the RV is approximately £200k above budget, which is a positive sign, however once again, the impact on the long term RV as a result of COVID-19 cannot be predicted at this stage.
20. For completeness, Business rates collection for this year as at 31 May 20 is 10.55% (compared to 20.64% for 19/20) and is because retail premises are not required to pay rates during 2020/21. Due to the impact of Covid-19, additional support measures were introduced by the Government in March 2020 to enable local authorities to offer financial support to local organisations to pay business rates. This included special payment arrangements to defer 2020/21 instalments until July 2020. This has had a direct impact on the collection rates for the first 2 months and is likely to continue for the rest of the year. The broad estimated shortfall in income, highlighted in paragraph 15, includes the impact on reduced collection rates.

### **Impact of COVID-19**

21. As a result of the Covid-19 Pandemic, the Government has announced a number of packages to support businesses and to help local authorities respond to some of the underlying pressures in their local area. A summary of the relevant grants and reliefs is provided in Annex 1.
22. Whilst the Service Areas have reported their Covid-19 related pressures separately, the Covid-19 Support Grant (1<sup>st</sup> and 2<sup>nd</sup> tranche) has been accounted for in Council Wide as a centrally held resource for monitoring



purposes. The Council Tax Hardship Grant along with the Rates Relief Grants are also accounted for in Council Wide, however will be utilised to offset pressures felt within the Council Tax and Business Rates Collection Fund.

23. The net pressures being felt in 2020/21 have been detailed in the service narratives and a summary is shown in Table 4, along with the grant funding, CCG and earmarked reserves contributions, with the remaining balance being the subject of ongoing discussions with Government Departments in meeting the substantial and ongoing impact in 2020/21.

<b>Table 4 – Impact of Covid-19 on Services</b>	<b>2020/21 £000</b>
<b>Estimated Gross Service Pressures</b>	
Childrens Services	3,927
Adults Services	13,102
Public Health	1,190
Place	7,771
People	4,280
Finance & Systems	87
Governance & Community Strategy	528
Council-wide	6,330
<b>Total Estimated Gross Service Pressures</b>	<b>37,215</b>
<b>Estimated Funding Pressures</b>	
Council Tax	7,643
Council Tax Hardship Grant	(1,277)
Business rates	3,564
<b>Estimated Funding Pressures</b>	<b>9,930</b>
<b>Total Estimated Gross Pressures</b>	<b>47,145</b>
<b>Grant Funding, CCG and Reserves Contribution</b>	
Covid Support Grant Allocation 2 <sup>nd</sup> Tranche	(6,539)
CCG contribution – PPE – Adults Services	(506)
CCG contribution - Hospital Discharges – Adults Services	(3,805)
Infection Control (Care Homes) Grant – Adults Services	(2,270)
Public Health – Test and Trace – Public Health	(1,157)
<b>Grant Funding and CCG Contributions</b>	<b>(14,277)</b>
<b>Reserves Contribution</b>	

Covid Support Reserve (Bal of 1 <sup>st</sup> Tranche)	(4,722)
Business Rate Risk Reserve	(3,500)
Airport Dividend Reserve	(500)
Strategic Investment Property Risk Reserve	(900)
<b>Total Reserves Contribution</b>	<b>(9,622)</b>
<b>Net COVID-19 Pressures 2020/21</b>	<b>23,246</b>

## CAPITAL PROGRAMME

24. A review of the capital programme has commenced, primarily because of the large cash-flow implications associated with capital schemes. The impact of Covid-19 on the revenue budget has been detailed elsewhere in the report but it will also impact on the Council's overall liquidity as income streams and funding from council tax and business rates comes under pressure. Therefore to mitigate any further impact on cashflow priority has been to progress those schemes where we already have the capital resources available, for example those financed from capital grants, urgent health and safety projects or schemes delivering benefits to the revenue budget. Further work is underway to ensure a deliverable and affordable programme, including an update of capital resources and this will be reported as part of the next monitoring report.

## Recommendations

25. That the Executive note the report.

**Annex 1 – Covid Related Grants and Support**

<b>Table 3 – Government Covid-19 Support</b>		<b>Trafford Allocation £000</b>
Covid-19 Support Grant 1 <sup>st</sup> Tranche	Announced on 19 <sup>th</sup> March a national package of £1.6bn of funding for local authorities. The grant was received in 19/20, of which £1.39m was used to meet pressures in 2019/20 with the balance transferred to the earmarked Covid-19 Reserve.	6,119
Covid-19 Support Grant 2 <sup>nd</sup> Tranche	Announced on 18 <sup>th</sup> April a further national package of £1.6bn.	6,539
Council Tax Hardship Grant	To provide relief to individual council taxpayers, alongside existing working age local council tax support schemes. This will help to provide additional support to those households most likely to be economically vulnerable to the impacts of Covid-19.	1,561
Care Homes Infection Fund	Support for care homes based on registered bed numbers to be utilised for Covid-19 pressures and infection control.	2,270
Test and Trace	Allocations of £300 million for local authorities across England to support test and trace services.	1,157

Rates Relief	Various rates relief packages awarded for different business categories. Largest relief related to awarding retail sites 100% rates holiday until 31 <sup>st</sup> March 2021. The loss of rates income will result in a sizeable deficit on the Collection Fund, however Trafford is fully compensated for the loss of rates income via a Section 31 Grant within its General Fund (see para 16)	84,648
Other Support routed via CCG	Various support has been routed via health service CCG's. Trafford expenditure has been reimbursed to cover costs of PPE and assisting discharge from hospital.	
Small Business Grant Fund/Retail, Hospitality and Leisure Grant Fund	One off grants of £10k or £25k to support businesses in receipts of Small Business Rates Relief and/or Retail/Hospitality/Leisure properties with a rateable value less than £15k. Trafford act as government agent to distributed this grant and it does not form part of our monthly monitoring.	47,525

Discretionary Grants Fund	This additional fund is aimed at small businesses who were not eligible for the Small Business Grant Fund or the Retail, Leisure and Hospitality Fund. Examples are Small businesses in shared offices or other flexible workspaces; market traders with fixed building costs. Grants will be issued from Trafford's General Fund with any unspent grant being returned to Government. This grant will not form part of our monthly monitoring.	2,363
Other Support Packages	<p>Various other support packages have been announced and will be expanded upon when allocations have been identified. The packages announced which local authorities may be asked to administer are:</p> <ul style="list-style-type: none"> <li>• Business Improvement Districts</li> <li>• Re-opening High Street Safely Fund</li> <li>• Homelessness Support</li> <li>• Supporting vulnerable people</li> </ul>	

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