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**TRAFFORD
COUNCIL**

AGENDA PAPERS MARKED 'TO FOLLOW' FOR EXECUTIVE

Date: Friday, 24 April 2020

Time: 10.00 a.m.

Place: This will be a 'virtual meeting' on Microsoft Teams

PLEASE NOTE: A link to the virtual meeting can be found attached:

https://teams.microsoft.com/l/meetup-join/19%3ameeting_NDExNGM4MDUtMGE0Mi00NjcwLTgzMDctMTJmM2I5NzM5NWUy%40thread.v2/0?context=%7b%22Tid%22%3a%229762f411-438d-440c-8357-896b35ae8707%22%2c%22Oid%22%3a%2288dd179b-0acf-4d47-b90b-894a7fd6ad79%22%2c%22IsBroadcastMeeting%22%3atru%7d

A G E N D A	PART I	Pages
3.	FINANCIAL IMPLICATIONS OF COVID 19	1 - 10
	To receive a financial update report of the Corporate Director, Finance and Systems, on the implications of Covid 19.	
6.	STRATEGIC INVESTMENT	To Follow
	The Leader of the Council is to present a report.	

SARA TODD
Chief Executive

COUNCILLOR ANDREW WESTERN
Leader of the Council

Membership of the Committee

Councillors A. Western (Chair), C. Hynes (Deputy Leader), S. Adshead, M. Freeman, J. Harding, E. Patel, T. Ross, J. Slater, G. Whitham and J.A. Wright.

Executive - Friday, 24 April 2020

Further Information

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

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This agenda was issued on Wednesday 22nd April 2020 by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall; Talbot Road, Stretford, Manchester, M32 0TH.

1.

TRAFFORD COUNCIL

Report to: Executive
Date: 24 April 2020
Report for: Decision
Report of: Corporate Director Finance and Systems

Report Title

Financial Implications of COVID-19

Summary

This report sets out the high level implications of the COVID-19 virus and its potential impact on the 2020/21 and later years budgets.

At this early stage projections can only be indicative as the full impact on the cost of service delivery, reductions to income and pressures to council tax and business rate funding will not be known for some time.

A data collection return was submitted to MHCLG on 15 April 2020 indicating the overall impact could be in the region of £37m but this will be closely monitored over coming months with regular updates provided to Government.

The pandemic will have a significant impact on the 2020/21 budget and this will be addressed fully in the first budget monitoring report for the year in July. During this period regular updates will be provided to Executive and by that stage it is expected there will be greater certainty over the levels of funding that will be made available.

Recommendation(s)

The Executive note the report

Contact person for access to background papers and further information:

Name: Graeme Bentley
Extension: 4336

Relationship to Corporate Priorities	Value For Money
Financial	The high level indicative impact of the pandemic is estimated to impact adversely on the Council's budget by approximately £37m in 2020/21. This comprises forecasts of reduced funding from council tax and business rates, lower levels of operational income from things like traded services, car parking and strategic investments

	<p>and an increase in expenditure, predominantly in social care.</p> <p>Over the next couple of months the 2020/21 budget will need to be reviewed and a further report presented to Executive once more clarity is available on the timescales the pandemic will last and its impact on service provision, the economy and taxpayers.</p> <p>To date Government has made available two tranches of £1.6bn to support the impact. This is in addition to a range of business support administered through our business rate systems. Tranche 1 allocations have already been paid and the Council received £6.1m. The basis of allocation for the second tranche has not been decided yet meaning allocations are still awaited.</p>
Legal Implications:	The S151 officer has to comply with various statutory requirements. These include the adequacy of reserves (S25 of the Local Government Act 2003) and the under S114 of the Local Government Finance Act 2008 the legality of the overall budget to the extent that planned expenditure in the current or future years can be contained within budgeted resources and available reserves. The impact of the pandemic needs to be considered alongside this requirement.
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	The risk to the financial stability of the Council is significant. Measures are being implemented to attempt to control expenditure in the event that there is a shortfall in support from Government to match expenditure, income and funding pressures and to enable the Council to maintain its liquidity.
Health & Wellbeing Implications	Not Applicable
Health and Safety Implications	Not Applicable

Background

1. On 19 February 2020 the Council agreed the balanced budget proposals for 2020/21 including a net revenue budget of £175.26m and financed through a combination of council tax £105.21m, retained business rates of £65.53m and Budget Support Reserve £4.52m.
2. The COVID-19 pandemic will have will have far reaching implications on local government and its finances and funding in 2019/20 (in part), 2020/21 and beyond. This report identifies the high level financial implications for the Council; although they are not precisely known at this stage and therefore can only be indicative until the effects

are more clearly understood in terms of the impact on the local economy, residents incomes and how long it takes for business as usual activity to return.

3. The report is broken down into a number of areas:-

- Government support to date
- Estimated financial implications
- Impact on the MTFP and Reserves
- Legal considerations

Government Support

4. Since late March a range of support measures and funding have been put in place to support business, council tax payers and the Council:-

- Extended Retail Relief Scheme – will mean that businesses in the retail, hospitality and leisure sector will have no rates liability in 2020/21. This will save those eligible businesses in Trafford £84m and this will be reimbursed to the Council through S31 grants.
- Business Grants – all businesses currently in receipt of small business rate relief will receive a grant of £10,000. A further scheme which applies to businesses in the retail, hospitality or leisure sectors will receive grants of £10,000, if RV is less than £15k or £25,000 if RV is between £15k and £51k. Grants are currently being processed and are estimated to benefit businesses in Trafford by approximately £70m. This will be reimbursed to the Council through S31 grants.
- A Hardship Fund has been set up to support vulnerable residents with their council tax. The Council has received £1.5m which will be used to enhance the current Council Tax Support scheme.

5. The Council has also been awarded an un-ringfenced grant of £6.1m from a national allocation of £1.6bn to strengthen care for the vulnerable; the majority of which was intended to be used in social care to support:-

- Increased demand for adult social care and enable councils to provide additional support to social care providers.
- Meet the cost of extra demand and higher business-as-usual costs of providing children's social care,
- Provide additional support for the homeless and rough sleepers
- Support those at higher risk of severe illness from COVID-19

CCGs will receive separate funding to cover the additional costs of discharging and keeping people out of hospital.

6. A small element of the funding equating to £641k was to support non-social care cost pressures.

7. On 18 April a further announcement was made indicating a further and similar tranche of funding of £1.6bn, although the precise basis of allocation to districts is not yet known.

8. It is fair to say that to date all the support provided by the government has been provided in a timely fashion which has avoided any adverse impact on the Council's liquidity. This is something which is being closely monitored but potential risk exists over the next few months given the unknown impact on funding and collection rates for council tax and non-retail business rates. Also, to mitigate any further impact on cash-flow, a review has been undertaken of the Capital Programme and priority given over the next three months to progress those schemes where we already have the capital resources available, for example those financed from capital grants.

Estimated Financial Implications

9. In order to increase transparency and understanding of the pressures being faced by local government, MHCLG requested all local authorities to complete a data collection exercise on 15 April. The purpose of the exercise was to help departments across Central Government understand the financial impact, both direct and indirect, that the COVID-19 pandemic is having on local authorities. This is for planning purposes and will identify where the greatest pressures are likely to be going forward and to inform their ongoing assessment of likely future costs. This exercise will be refreshed on a monthly basis.
10. In compiling this for Trafford an assessment has been undertaken across a number of areas, including:-
- Spending Pressures
 - Impact on planned savings programmes
 - Changes to bad debt provisions
 - Impact on Income
 - Estimated Funding Pressures
11. At this stage projections are indicative and will certainly change but at this point in time the total impact has been projected at £37m comprising spending related pressures of £13m and funding and income pressures of £24m and are summarised as follows:-

	Impact in 19/20 £000	April £000	Estimated Full Year Impact £000
Cost Pressures	89	1,280	7,540
Impact on savings programmes	-	-	3,358
Impact on provisions	1,193	86	2,119
Total Spending Pressures	1,282	1,366	13,017
Impact on Income	422	8,922	15,182
Impact on Funding	-	-	8,500
Total Income Pressure	422	8,922	23,682
Overall Impact	1,704	10,288	36,698

12. Full detail of all the items is shown in Annex 1 but a description of the categories and some of the key assumptions are as follows:-
- **Cost pressures** – these are widespread across most areas with significant items including a national requirement to make a 10% increase in social care budgets for provider support (which can include support in-kind or equipment), support to Trafford Leisure to cover trading losses (this will be provided as loan support) and estimated additional staffing cost in both adult and children care services. In addition there are immediate costs that have been incurred on IT connectivity to ensure staff have the capability to work from home and also personal protective equipment.
 - **Impact on savings** – the delivery of savings, even in normal circumstances, are extremely challenging to deliver; this will be compounded in 2020/21 to the extent

that a large proportion of the savings programme is now deemed high risk. The ability to deliver meaningful savings will depend on when business as usual activity returns.

- **Impact on provisions** – debt recovery action has been suspended for the next three months but it is highly likely this will put pressure on debt collection across a number of areas.
 - **Income** – the key areas relate to traded services, particularly schools catering and cleaning, car parking income and also most significantly the returns we get from our strategic investments, most notably the airport.
 - **Funding** – an assumption has been made for a 5% fall in collection of council tax and also non-retail business rates.
13. No assumptions have been included yet for the impact on business as usual activities once the pandemic is over but this will be assessed over the coming weeks, particularly in children's services.
 14. In deriving the numbers certain assumptions have been made on how long the impacts will last, with most of the reductions in income being anticipated, for prudence reasons, to last for six months and in some cases for the full year. It is clear that in other cases the implications will be felt, not just in 2020/21 but later years as well and therefore these need to be considered as part of the budget process for 2021/22.
 15. Over the next few weeks benchmarking exercises will be undertaken both at a local level and also comparisons to other metropolitan areas to compare and challenge assumptions such that our projections can be refined and further updates will be made available to the Executive.

Impact on MTFP

16. It is fair to say that the resolution to the issues being encountered for 2020/21 is not yet clear and whilst Government has undertaken the recent data collection exercise there is no guarantee that an equivalent amount of grant funding will be received to address the current net gap of c £25m (depending on the basis of allocation of the second tranche of Government funding). There is also potential for cost pressures to rise further following the volume of discharges from hospitals into social care.
17. In the event of a shortfall in resources from Government, the Council would need to look to reserves to balance the budget. This would present a challenge to Trafford who has a relatively low level of reserves compared to other authorities. The budget report projected an earmarked reserves balance of £36m at 31 March 2020, excluding capital and school reserves and this balance is being reviewed as part of the outturn for 2019/20. It is likely a call on these will be required during the year. (Note the 2020/21 budget already requires £4.5m)
18. In terms of 2021/22 the budget gap was projected at £15.1m when the budget was set but it is highly likely this will rise, particularly given the pressure on maintaining returns from strategic investments, notably the airport. The current usual level of returns from dividends and shareholder loans is in the region of £8m and therefore there is a high risk that the budget gap for 2022/22 could be well in excess of £20m.

Legal Considerations

19. As part of the annual budget process there are some key statutory requirements of the Council's S151 officer which become increasingly relevant in a situation like this, including:-

- Section 25 of the Local Government Act 2003 – concerns the adequacy of reserves
- Section 114 of the Local Government Finance Act 2008 – requirement of the S151 officer to independently report if there is a prospect of having an unbalanced budget.

20. Guidance has been promised from Cipfa and MHCLG specifically on issues around S114 and this guidance will need close consideration in the short term. Any decision about the duty of the Corporate Director of Finance and Systems in this regard will also be further informed once clarity is received on the extent of further funding and once the position on reserves has been updated.

Other Options

It is really important that local government continue to lobby Government to provide sufficient funding to support it through this period.

All non-essential spend will be curtailed

Consultation

N/A

Reason for Recommendation

To ensure Executive are aware of the potential financial implications caused by COVID-19.

Finance Officer Clearance **GB**
Legal Officer Clearance **JL**



CORPORATE DIRECTOR'S SIGNATURE

To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.

ANNEX1

Area	Impact in 19/20 £000	April £000	Estimated Full Year Impact £000
Additional Spending Pressures			
Place Directorate			
Amey Contract:-			
Bikeability	0	3	20
Let estate income	-	55	330
Trade waste	5	10	59
Streetworks - GMRAPS	13	25	150
Other highways	5	10	62
General property costs - cleaning	10		10
Waste Disposal - potential levy increase	21	42	252
Fly Tipping	5	8	48
Leisure Company support		480	1,615
Adult Services and Children Services			
Extension of Homecare Rapid Discharge			483
PPE - Mutual Aid/BAU			400
Increase in payment to suppliers - 10% for 3 months		622	1,866
Increase in costs as provider rates higher due to COVID19 July onwards			540
ASC Staffing Costs			500
Children's staffing			500
Central Services Directorates and Councilwide			
IT Costs (Laptops/Remote Access etc)	30	5	236
Voluntary Sector Support			50
Trafford Park Mortuary - district share			200
Additional Coroner Costs			100
Treasury Management Temporary Borrowing Costs		20	120

Impact on Savings Programmes			
Person Centred (Reshaping)			301
LPS/ Portal (Reshaping)			200
Homecare Pilot			619
Market Management			68
Supported Living			122
10% Savings in Running Costs (Adults)			33
Public Health - unable to balance			110
Public Health - unable to negotiate new contract charges with MFT			390
Review of children's placements			315
Increased cost of children placements			1,200
Impact on Provisions			
General and commercial rents	108	36	216
MAG Shareholder Loans	1,085		1,085
Suspension of overpayment recovery from Housing Benefits		50	300
LLP Dividend Reductions - caused by lower rents			518
Estimated Total Spending Pressure	1,282	1,366	13,017
Impact on Income			
Catering - Traded	201	415	2,490
Cleaning - Traded	40	170	1,020
Music Services	40	83	499
Outdoor media	24	59	351
Building control	-	28	166
Planning	-	77	464
Parking	60	160	958
Parking Permits	15	15	92
Licencing	-	18	106
Street Trading	6	12	72
Pest Control	-	6	37
Operation buildings - rentals/room hire	8	15	91
Let estate - incl. non-Amey turnover rents	-	35	208
Registrars	9	18	110

Sale Waterside	12	25	150
Flixton House	3	6	33
Land charges	5	11	67
Staff Parking	-	25	150
MAG Dividend		5,500	5,500
MAG Shareholder Loans 20/21 interest		2,170	2,170
Asset Strategy Income pressure		70	420
Suspension of car parking charges		5	30
Impact on Funding			
Council Tax Collection Rate - 5% fall over year			5,000
Business Rate collection - non retail - 5% fall			3,500
Estimated Income Pressure	422	8,922	23,682
SUB-TOTAL	1,704	10,288	36,698
Less Grant Support Received		-	6,119
NET IMPACT			30,579

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