

18 March 2021



COVID-19 Financial Update

Purpose of report: To provide the Committee with an update on the financial impact of COVID-19 (CV-19)

Introduction:

1. The financial impact of CV-19 in 2020/21 has been monitored closely throughout the year and Directorate budgets have been subject to a number of resets to mitigate its effect and safeguard business as usual (BAU) budgets. The most recent reset at M6 (September) distributed a total of £52.5m of CV-19 emergency funding to Directorates, covering the CV-19 costs, lost income and unachievable efficiencies reported at the time.
2. Funding for CV-19 falls into three main categories:
 - **CV-19 emergency grant** – this represents funding paid to local authorities from the Ministry of Housing and Local Government (MHCLG) to “help address pressures faced in response to the pandemic across all the services delivered”. It is un-ringfenced and is intended to cover any costs that are not met by ring-fenced CV-19 grants provided for specific activities. The emergency grant was received in four tranches, set out in section 7. Any amounts unused in 2020/21 can be carried forward to 2021/22. Although MHCLG used a number of different approaches to distribute tranches one to three, tranche four included an adjustment such that the total of all four tranches was distributed by reference to a CV-19 Relative Needs formula. The CV-19 formula is based on modelling of the data submitted to MHCLG in the first few months of the pandemic, including population and deprivation and an adjustment to take account of the varying cost of delivering services across the country.
 - **Income Compensation Scheme Funding (ICS)** The ICS is an MHCLG scheme to partially compensate local authorities for irrecoverable and unavoidable losses from sales, fees and charges income. The 2020/21 scheme is based on claims at Month 4, 8 and 12. ICS will cover circa 47% of our reported losses.

- **Specific Grant Funding** – This represents a range of grants from government departments and reimbursement of costs from the NHS, details of which are set out in Annex 1.
3. The overall forecast impact of CV-19 at Month 9 consists of:
 - Gross Directorate spend and lost income of £131.7m
 - Offset in part by specific grants from government of £75.8m
 - **Leaving a net of £56.1m to be met from emergency funding and the ICS**
 4. The £56.1m forecast at Month 9 (M9 December) results in a £3.6m deficit against the £52.5m budget. This will be monitored for the remainder of the financial year and any remaining deficit at outturn will be funded from the balance of CV-19 emergency funding (as set out in paragraph 8).
 5. The remainder of this report sets out the emergency funding received and provides details on the picture for each Directorate.

<p>Covid-19 Emergency Funding and Income Compensation Scheme:</p>
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6. The Council has received four tranches of CV-19 emergency funding totalling £58.7m; the first in 2019/20 and the following three in 2020/21.
7. In addition, the Council has claimed £4.6m through the Income Compensation Scheme (ICS), covering lost sales, fees and charges. The main elements of the ICS claim are as follows (note that the complexity of the scheme means that the ratio between lost income and amount compensated varies from service to service). To date:
 - £0.9m Registrars and Trading Standards (against a £1.4m loss to M8)
 - £0.8m for Schools Catering (against a £1.5m loss to M8)
 - £0.7m for Culture (against a £1.1m loss to M8)
 - £0.6m for Surrey Outdoor Learning and Development (SOLD) (against a £0.9m loss to M8)
8. This brings the total CV-19 funding from central government to £63.3m. £0.9m of Tranche 1 was used in 2019/20, with the balance carried forward. In 2020/21, £52.5m has been distributed to Directorates and the Local Resilience Forum (LRF) Cells. A balance of £9.9m, consisting of Tranche 4 and the ICS is currently held in a reserve for CV-19.

Tranche	Received	Value £m	Used in 2019/20 £m	Used in 2020/21 £m	Balance in Reserve £m
1	March 2019	25.2	0.9	24.3	-
2	April 2020	21.8	-	21.8	-
3	July 2020	6.4	-	6.4	-
4	October 2020	5.3	-	-	5.3
	Total	58.7	0.9	52.5	5.3
ICS	November 2020	4.6	-	-	4.6
	Total	63.3	0.9	52.5	9.9

Table may not sum due to rounding

Directorate Forecasts

- The table, below, shows the forecast impact of CV-19 at M9 on each Directorate; showing the gross spend, the amount funded by specific grants and other income and the total to be met from the CV-19 budget reset.
- From the reset at M6 through to M9, the CV-19 forecast has increased by £3.6m; this represents the difference between the budget reset and the current forecasts.

Directorate	Gross Impact Forecast at M9 £m	Specific grants and other income at M9 (Annex 1) £m	Net Forecast at M9 £m	CV-19 Budget at M9 £m	Variance at M9 £m
Adult Social Care	67.0	(56.4)	10.6	10.6	0.0
Public Health	11.1	(10.8)	0.3	0.3	0.0
Children, Families and Lifelong Learning	16.4	-	16.4	13.8	2.6
Environment, Transport and Infrastructure	13.5	(5.8)	7.7	6.3	1.4
Community Protection	0.7	-	0.7	0.5	0.2
Community and Transformation	4.1	(0.6)	3.5	3.0	0.5
Strategy and Commissioning	1.2	-	1.2	1.0	0.2
HR and Communications	0.4	-	0.4	0.4	0.0
Deputy Chief Executive	0.0	-	0.0	0.0	0.0
Resources	8.8	(2.8)	6.0	7.0	(1.0)
Central Income and Expenditure (incl Local Resilience Forum Cells)	9.8	(0.7)	9.1	9.5	(0.4)
Total	133.0	(77.1)	56.1	52.5	3.6

Table may not sum due to rounding

Directorate Forecasts

- Adult Social Care (ASC)** forecasts a gross impact of £67.0m, offset by £56.4m specific funding; largely from government Infection Control, Rapid Testing and Workforce Capacity funds, and NHS Integrated Care System and hospital

discharge funding. This leaves a total of £10.6m to be funded from the emergency grant. There is no variance against the CV-19 budget at M9. The £10.6m forecast against the emergency grant primarily relates to support payments made to providers early on in the pandemic prior to specific CV-19 funding streams for ASC being made available, and additional staffing and care package spend that is not funded by the specific ASC grants.

12. **Public Health** forecasts £11.1m of costs, offset by £10.8m of specific funding; mainly the Contain Outbreak Management Fund and the Test and Trace Support Grant. This leaves £0.3m to be met from the emergency grant, unchanged since the reset.
13. **Children, Families and Lifelong Learning** forecasts £16.4m of gross impact, all to be met from the emergency grant. The main areas are increased referrals and costs for supporting Looked After Children, additional Special Educational Needs and/or Disabilities (SEND) High Needs block costs, supplier support and lost income. The Directorate's forecast has increased by £2.6m since the reset as a result of further loss of income, additional staffing costs and higher costs of SEND due to the continuing lockdown.
14. **Environment, Transport and Infrastructure** forecasts a £13.5m total impact, offset by £5.8m of specific grants (for bus operator support, school transport and active travel). This leaves a net call on the emergency grant of £7.7m, predominantly relating to increased waste volumes, CV-19 measures at Community Recycling Centres and lost income. The forecast has increased by £1.4m since the reset as a result of further increases in waste volume and further lost income relating to the continuing lockdown.
15. **Community Protection Group** forecasts £0.7m of CV-19 impact, funded from the emergency grant. This relates mainly to protective and training equipment in Fire and Rescue and the cost of tackling CV-19 related scams and lost income in Trading Standards. The forecast has increased by £0.2m since the reset.
16. **Community and Transformation** forecasts costs of £4.1m, offset by specific grant funding of £0.6m to support the Clinically Extremely Vulnerable. The remaining £3.5m predominately relates to £3m of lost income in Registrars and Culture; with £0.5m for additional staffing costs for the LRF, and the Community Helpline. The forecast has increased by £0.5m since the reset due to increased loss of income.
17. **Strategy and Commissioning** forecasts total costs of £1.2m, a £0.2m increase from the reset. The forecast includes extra transport requirements including school holidays and key-worker journeys. There are also costs associated with creating additional refuge spaces in Surrey that will help the demand in

response to the pandemic, Surrey Youth Focus and expanded summer holiday camp provision to meet expected demand. The position includes £0.6m of hardship funding to the Voluntary, Community and Faith Sector to help mitigate the impact of the pandemic.

18. **HR and Comms** forecasts total costs of £0.4m, unchanged from the reset, consisting of funding for the public information campaign, online webinars and training sessions for managing wellbeing, bereavement and managing through crisis and additional resources to support communications.
19. **Resources** forecasts £8.8m of total costs and lost income, £2.8m of which is funded through the CV-19 Winter Grant Scheme and Local Authority Emergency Assistance Grant used to support those most in need of food and other essentials. The remaining £6m – a £1m improvement since the reset – relates mainly to lost income, the costs of operating buildings safely, increased legal costs and provision of IT equipment.
20. **Central Income and Expenditure** forecasts a total cost of £9.8m including £6.4m costs of the Local Resilience Forum Cells (offset by £0.7m Infection Control Grant) mainly covering Personal Protective Equipment (PPE), Death Management and Resident Welfare and Volunteering Cells. The remaining £3.4m relates to reduced commercial income and hardship fund allocations. The forecast has improved by £0.4m since the reset due to additional grant income.

Covid-19 Budget Impact for 2021/22

Spending Pressures

21. The budget for 2021/22 was approved by Council on 9th February 2021. The budget includes £20m of CV-19 government funding for Directorate expenditure and £31m to partly mitigate the impact of reduced Council Tax and Business Rate Funding.
22. The £20m grant has been allocated to Directorate pressures as follows, with £4.9m retained in a specific CV-19 contingency to meet any costs that were not anticipated when the budget was set.

Directorate	CV-19 £m
Adult Social Care	0.0
Public Health	0.0
Children, Families, Lifelong Learning and Culture	10.8
Environment, Transport and Infrastructure	2.5
Community Protection Resources	0.0
TPP Services	1.1
	0.6
Total Directorates	15.1
Contingency	4.9
Total Net Expenditure	20.0

23. The Directorate pressures of £15.1m represent the 2021/22 full-year estimate of the impact of CV-19, based on the information available when the budget was set. It was assumed that ASC and Public Health pressures continue to be met from specific grant income such as the Contain Outbreak Management Fund (COMF). It has since been confirmed that COMF funding will continue until at least June 2021, although our allocations are yet to be confirmed.
24. The risk of the approved budget being exceeded, or unanticipated pressures emerging are managed through the following mitigations:
- A CV-19 specific contingency of £4.9m has been set aside in 2021/22
 - Based on M9 forecasts, circa £6m of 2020/21 CV-19 emergency funding will be held in reserve
 - The budget assumes no further receipts from the Income Compensation Scheme; however, this has been extended into 2021/22 and so it is likely that claims will be made. The budget indicates a CV-19 pressure of £3.1m for lost income in Culture (included in the £15.1m) above.
 - A general (non-CV-19) budget contingency of £53.8m could be called upon if CV-19 costs exceeded available funding.

The impact of CV-19 will continue to be monitored and reported to the Corporate Leadership Team (CLT) and Cabinet throughout 2021/22.

Funding

25. CV-19 has adversely affected the Council's receipts from Council Tax and Business Rates in 2020/21, both of which are collected on our behalf by the District and Borough Councils. Regulations ordinarily require the Council to

budget for any surplus or deficit on collection in the following financial year. To assist with the impact of CV-19, government changed the regulations to require the 2020/21 element of the deficit to be spread over three financial years from 2021/22 to 2023/24. This does not mean the entire deficit can be spread over three years, since some of the deficit relates to 2019/20 and so falls outside of the regulations.

26. The collection fund deficit is built into the budget for 2021/22 as follows:

- Council Tax: £8.9m
- Business Rates: £22.7m
- **Total £31.6m**

The latest data from the District and Boroughs confirmed a final Council Tax Deficit of £3.9m; the £5m difference will be transferred to reserves to mitigate the remaining two years of the spreadable deficit, which is currently under review.

27. The government provided a £19.2m grant to cover the 2020/21 Business Rates loss (relating specifically to Retail and Nursery reliefs) and have committed to providing a further grant to cover further elements of the Business Rates and Council Tax losses (amount is yet to be confirmed but estimated at £3.4m in the 2021/22 budget).

28. Funding for 2021/22 has also been adversely impacted by CV-19, with a reduction in Business Rates of £5.9m by comparison to 2020/21. Similarly, the tax base for Council Tax would typically grow by 0.5%, but this year dropped by 0.9%. This circa 1.4% swing from expectation results in an £11m reduction in funding, of which £8.6m is met by a government grant aimed at compensating reduced Council Tax Receipts.

Conclusions and Next Steps:

29. The overall impact of CV-19 is managed through a series of specific grants and the emergency grant funding tranches. Given the ongoing lockdown and uncertain route to easing restrictions, the situation remains fluid and will continue to be closely monitored in 2020/21 and 2021/22.

30. Any unused CV-19 Reserve at year-end will be carried forward to 2021/22 to mitigate ongoing costs and income loss. The Council is currently planned to carry forward some elements of the Contain Outbreak Management Fund and Test and Trace grant to support expenditure in 2021/22. Confirmation has been received that both grants can be carried forward.

Report contact

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Sources/background papers

[2020/21 Month 9 \(December\) Financial Report](#) (item 49/21 of linked Cabinet meeting) to Cabinet, 23 February 2021

[2021/22 Budget and Medium-Term Financial Strategy to 2025/26](#) to Council, 9 February 2021

Annex 1 – Specific Grant and Other Income for CV-19

Grant	Description	Total Amount Allocated £m	2020/21 Forecast use at M9 £m
Adult Social Care			
Adult Social Care Rapid Testing Fund	Supports increased testing in care homes	4.7	4.7
Workforce Capacity grant	£120m fund for local authorities to support staffing levels	2.0	2.0
NHS Funding	NHS funding from Integrated Care System and hospital discharge; provisional funding subject to confirmation	15.4	15.4
Infection Control Fund Tranche 1 and 2	The primary purpose of this £35m fund is to support Adult Social Care providers, to reduce the rate of CV-19 transmission in and between care homes and support wider workforce resilience. £0.7m infection control is contained in the LRF cells	34.3	34.3
	Adult Social Care Total	56.4	56.4
Local Resilience Forum Cells	LRF element of Infection Control, above	0.7	0.7
Public Health			
Contain Outbreak Management Fund	Funding to support delivery of interventions to support the CV-19 response. £17.2m has been allocated so far, with funding expected to continue into 2021/22	17.2	10.8
Test and Trace Support Grant	A grant provided to develop and action plans to reduce the spread of the virus	3.5	2.0
	Public Health Total	20.7	12.8
Environment, Transport and Infrastructure			
COVID Bus Service Support Grant	To protect bus services for people who need to travel, for example to get to work or buy food	1.8	1.8
Home to School and College Transport	Funding to create extra capacity and allow more students to use alternatives to public transport, while social distancing measures remain in place	3.2	3.2
Emergency Active travel	The emergency grant funding supports local transport authorities with producing cycling and walking facilities and the installation of temporary projects for the CV-19 pandemic	0.8	0.8
	Environment, Transport and Infrastructure Total	5.8	5.8
Community and Transformation			
Clinically Extremely Vulnerable (CEV)	Funding to support Clinically Extremely Vulnerable (CEV)	0.6	0.6
	Community and Transformation Total	0.6	0.6
Resources			
CV-19 Winter Grant scheme	Funding made available in early December 2020 to support those most in need with the cost of food, and other essentials	2.1	2.1
Local Authority Emergency Assistance Grant	For local authorities to use to support people who are struggling to afford food and other essentials due to CV-19	0.8	0.8
	Resources Total	2.9	2.9
		87.1	79.1

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