

## **COVID-19 FINANCIAL IMPLICATIONS**

**Summary:** The coronavirus COVID-19 pandemic represents a monumental challenge for the District Council which will inevitably have a significant impact on the Council's resources and budget during 2020-21 and future years.

This report provides an overview of the current assessment of the emerging financial impact of COVID-19 which will have a profound impact on the organisation's ability to achieve planned budget savings and income for 2020-21 onwards. It also considers the COVID-19 funding provided to date from government and the extent to which this will support the current financial pressures.

An update is also provided in relation to the support provided to local businesses through the Small Business Grant scheme and the various additional business rate reliefs announced.

The Council is proactively responding to the challenge of the COVID-19 pandemic to maintain the delivery of vital front line services whilst at the same time freeing up capacity to help, support and protect vulnerable people, supporting businesses and ensuring the safety of all of our staff whilst delivering this vital work.

**Options considered:** This report sets out the initial high level forecasts relating to the COVID-19 pandemic but at this stage there are no specific alternative options considered.

**Conclusions:** This report provides an overview of the current assessment of the emerging financial impact which will have a profound impact on our ability to achieve savings and income for 2020/21. In addition, it helps to set the context for the Council's MTFs and budget planning process for 2021/22, which will be reported to Cabinet later in the year.

The Council faces an unprecedented financial and public health crisis. It will be essential to continue to engage with Government, MPs and other stakeholders to campaign for adequate and sustainable funding for the District so that we can continue to deliver vital services to residents, businesses and visitors.

The current pandemic demands very different ways of working and will require review and consideration of current and future priorities. Looking beyond the immediate impacts, the overall level of uncertainty means the financial environment remains extremely

challenging for the foreseeable future. The assumptions upon which both the Medium Term Financial Strategy (MTFS) and the 2020/21 budget are based have now been significantly undermined by the current crisis and will necessitate a fundamental review of the budget position given the current funding pressures.

The current projected budget position (c£1m deficit 2020/21) is constantly changing and therefore the high level projections contained within this report must be seen in this context and could be subject to significant change depending on further announcements over the coming months.

Recommendations:

**It is recommended that Cabinet note:**

- 1. The current package of financial support being provided to the Council by the government to support its response to COVID-19;**
- 2. Continues to lobby central government for further additional financial support;**
- 3. The forecast cost and income pressures being faced by the Council and the extent to which they exceed the available government funding and therefore the requirement for any deficit to be funded from other Council resources;**
- 4. The various caveats and risks associated with the current forecasts;**
- 5. The proposals in respect of updating the Medium Term Financial Strategy (MTFS) and the financial planning framework for the 2021/22 budget;**
- 6. The proposals for a fundamental review of the capital programme to ensure that the schemes still reflect the Council's changing priorities and to ensure that the Council can still afford them given the rapidly changing financial landscape;**
- 7. The proposal for a further financial update to come forward to Cabinet in July, by which time there will hopefully be more clarity regarding any continuing restrictions to include;**
  - Opportunities for re-prioritising and re-focusing currently approved 2020/21**

- budgets;
- Opportunities for savings, efficiencies and income generation this year;
- A review of the current reserves position with recommendations for re-allocation where appropriate and;

8. The progress to date in respect of the application of the various new business rates reliefs announced along with progress towards the government funded Small Business Grant programme which local authorities are being asked to administer (Appendix D).

Reasons for Recommendations:

To make Members aware of the current COVID-19 position in respect of the Council's budget and resource position for 2020/21 and indeed future years.

Cabinet Member(s) Cllr Eric Seward	Ward(s) affected All
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## Executive Summary

This report provides an overview of the current assessment of the emerging financial impact which will have a profound impact on our ability to achieve savings and income for 2020-21 onwards. A summary of the government funding announcements for individuals and business can be found within **Appendix A**. The government announced 2 tranches of funding (£1.6bn each) to support local authority finances. On 18 March we received **£0.057m** from the first tranche and a further **£1.045m** on 28 April, bringing our **overall funding level to £1.1m**. The current pandemic demands very different ways of working and will require review and consideration of the current and future priorities. Looking beyond the immediate impacts, the overall level of uncertainty means the financial environment remains extremely challenging for the foreseeable future. The assumptions upon which both the Medium Term Financial Strategy (MTFS) and the 2020/21 budget are based have now been significantly undermined by the current crisis will necessitate a fundamental review of the budget position given the current funding pressures.

The report considers the following fundamental elements comprising the 2020/21 budget and MTFS, and the challenges and pressures facing each of these identified areas (see **Appendix B/C**);

**Costs** - service cost pressures from increasing demand such as housing benefit and business support. Exceptional costs from things such as Community Hubs, resident communications and staff overtime costs/sickness/re-deployment. **INCREASING COST PRESSURES £0.429m**

**Income** – significant reductions being seen from fees and charges (parking, planning and building control fees, commercial waste, licensing etc). Reduction in recycling credits/profit share arrangements, rent holidays/waivers being requested. **INCREASING INCOME PRESSURES £1.098m**

**Savings** - savings plans at risk as focus has been diverted from delivery of savings to managing the crisis. The medium term is also impacted as many savings initiatives take place over the medium term, so steps not taken today will have a medium term impact. **PRESSURE ON SAVINGS**

**Investments** – loss of investment income from cash balances due to changes in markets and prioritisation of short-term holdings to maximise liquidity. Potential additional borrowing costs to support cash flow. **REDUCING INVESTMENT RETURNS AND INCREASED BORROWING £0.250m**

**Funding streams** - a fall in the council tax and business rates collection rate could have a significant impact in terms of both funding and cash flow risk. **PRESSURE ON FUNDING STREAMS £0.223m**

**Reserves** – reserves are already forecast to reduce from **£17.6m down to £9.3m over the next 4 years which is a reduction of 47%**. Of the remaining balances many are contingency amounts/grants ie GF, benefits and business rates reserves. Once removed the funding available for supporting the budget over the coming years is **less than £3m** meaning difficult funding decisions to be taken over the short to medium term regarding prioritisation. **REDUCING RESERVE BALANCES/OPPORTUNITY**

**Capital programme** - Postponed income from asset sales creates cash flow issues and impacts on the funding and delivery of the capital programme while Force Majeure clauses may impact on live projects. The current programme is in excess of £40m and requires fundamental review. **OPPORTUNITY**

At the current time the combined impact of all of the above cost/income pressures is resulting in a **high level budget deficit for the 2020/21 budget of c£2m, the funding provided of £1.1m will help to address this and reduce it to c£1m which the Council will need to address by looking to make savings and reallocate resources** within the current budget as the reserves are already under pressure and only represent a one-off source of funding which is not sustainable in the medium term.

**The current position (c£1m deficit 2020/21) is constantly changing and therefore the high level projections contained within this report must be seen in this context and could be subject to significant change depending on further announcements over the coming months.**

## 1. Introduction

1.1. This report sets out details of the government's announcements made as part of the 2020 Spring Budget and subsequently in response to the COVID-19 pandemic. In addition, it:

- provides a summary of the various support packages and announcements contained within the budget and subsequent central government communications (**Appendix A**);
- considers the significant uncertainties facing local government finances as a result of COVID-19;
- considers the impact on both the current budget and Medium Term Financial Strategy (MTFS) and also the updating the MTFS and the financial planning framework for the 2021/22 budget;
- outlines the Council's current forecast cost and income pressures emerging from the response to COVID-19 and the risks associated with the projections (**Appendix B and C**) and;
- provides a progress update in respect of the government funded Small Business Grant programme which local authorities are being asked to administer (**Appendix D**).

1.2. The content of the report is based on circumstances that are rapidly changing, often on a daily basis and as such some areas may quickly become outdated as new information emerges. The report should be read in conjunction with the separate paper *NNDC COVID-19 Response*, elsewhere on the agenda and considered in the light of the MTFS 2020/21 to 2023/24 and the 2020/21 budget report.

1.3. There were a range of support packages included within the March 2020 Budget announced by the Chancellor of the Exchequer and contained within subsequent central government communications for both individuals and businesses. These are summarised below within **Appendix A**.

## 2. COVID-19 funding support

2.1. On 19 March, the Government provided £1.6bn nationally to support the local government response to the coronavirus COVID-19 pandemic. This initial tranche of funding was understandably targeted towards adult social care and so the district share for NNDC was fairly insignificant at just £56k (Norfolk County Council's share of this original grant was £26.9m just for context).

2.2. The currently identified pressures in terms of additional expenditure but, more significantly for us, pressure on income budgets, significantly exceed the grant funding currently available. It is currently forecast that the council will incur cost and income pressures of around £2m by the end of the current financial year as set out in Table 1 below.

2.3. There is a however a high degree of uncertainty about these forecasts and they will continue to be refined as the situation develops and national and local responses are delivered.

2.4. On 18 April, the Government announced a further £1.6bn of support to local authorities, our allocation of £1.045m was announced on 28 April and brings our overall funding level to £1.1m.

### **3. Reporting of financial pressures to central government**

- 3.1. On 15 April the Council submitted a return to the Ministry of Housing, Communities and Local Government (MHCLG) to provide details of COVID-19 local authority financial management information. **It is important to note that this return and the analysis of responses set out in this section, reflect the position prior to the announcement of additional funding for local government on 18 April.**
- 3.2. The data collection exercise aimed to provide government with up-to-date information on how existing funding is being used and any changes in income and expenditure. There is an intention to repeat this exercise on a monthly basis in future, in particular to understand emerging pressures. There will therefore be an opportunity to refine and update the Council's submission. The initial return reflected the cost and income pressures as identified in Table 1 (i.e. total pressures of £2m).
- 3.3. On 24 April the Leader wrote to the two local MPs to highlight the challenges currently being faced by District Councils, particularly in respect of reductions in income, seeking their support to lobby central government for an increased share of the second tranche of £1.6bn local authority support package.
- 3.4. There were a number of concerns and caveats around the MHCLG data gathering exercise. In particular, there is a high likelihood of inconsistency in the responses by different authorities due to the short timescale for the return (7 April to 15 April which included two Bank Holidays) and the limited accompanying guidance.
- 3.5. It is likely that future iterations will seek to achieve more consistent, comparable responses. Commentary on the data collection exercise by the Society of District Treasurers was that *"it was structured in a way that did not enable MHCLG to have full visibility of the projected impact of COVID-19 on the finances of local authorities. It is therefore likely that further work may need to be conducted to better aggregate the true cost pressures of the COVID-19 pandemic on local authorities and particularly SCT members."*
- 3.6. Countywide discussions have further highlighted these inconsistencies in approach. The Council does however subscribe to the Pixel Financial Advisory Service who provide a number of forecasting models. On 24/04 Pixel issued a forecasting model to help support authorities with this process, two other local district authorities also subscribe and joint training sessions have been arranged to explore how the model could be used to improve the consistency of this information.

### **4. Corporate Plan and Delivery Plan**

- 4.1. The budget is fundamentally linked to the Corporate Plan, a summary of which can be found on the Council's website [here](#). The Delivery Plan, which can be accessed [here](#), supports the delivery of the vision and aspirations contained within the Corporate Plan.
- 4.2. As part of the Council Tax and Budget setting report approved by Full Council in February of this year a new 'Delivery Plan' reserve was established of nearly £2.4m which was funded through one-off provision adjustments

through the Collection Fund.

- 4.3. The Corporate Plan and associated Delivery Plan were however both established and agreed prior to the COVID-19 outbreak and the 'new normal' which emerges at the other end of this crises may well necessitate a fundamental review of both of these documents and the extent to which they are achievable given the current economic and financial uncertainty.
- 4.4. There may well be a new or renewed focus and priority given to certain aspects and new areas may well emerge, all of which will need to be considered against a backdrop of diminishing income levels and uncertain central government funding and this report is the start of some of these considerations.

## **5. Medium Term Financial Strategy (MTFS)**

- 5.1. The Medium Term Financial Strategy (MTFS) is a strategic document that supports the delivery of the Corporate Plan outcomes. It helps to ensure that the Council is 'doing the right thing' while taking account of internal strengths/weaknesses and external threats/opportunities. It should also provide a link between the Council's long-term service objectives and its financial capacity, which effectively asks the question 'can the strategic objectives be achieved within the available financial envelope?'
- 5.2. The MTFS covering the period 2020/21 to 2023/24 was approved by Full Council in December 2019. This was in the context of national pressures, local pressures, inflation, funding changes, income streams and savings. A full copy of the final MTFS can be found within the Full Council agenda papers [here](#) from page 85. This was however developed prior to the significant escalation in the severity of the COVID-19 pandemic.
- 5.3. The impact of this outbreak in Norfolk is having far-reaching consequences, and has already required a rapid and radical adjustment in both organisational priorities and ways of working. Inevitably, the MTFS could not foresee the adjustments which would be needed to respond to COVID-19 and as a result, changes in budget assumptions will need to be taken into account as part of 2021-22 Budget planning activity.
- 5.4. Although there are profound short-term impacts being experienced from the response to COVID-19, it remains to be seen precisely what the medium and longer-term impact will be, and as such the full implications for the Council's Budget in 2020-21 and beyond remain to be confirmed.
- 5.5. However, the pandemic will unquestionably change the long term shape of some of our services, in relation to joint working, public expectation, demand and digital access. In addition, it is highly likely that key income sources including council tax (through both the Collection Fund and tax base growth) and business rates will be under pressure in 2021-22, requiring a revision to budget planning assumptions.
- 5.6. Nationally, the Government has provided additional funding to Local Authorities to support them in responding to coronavirus, in the expectation that Councils will play a key role in maintaining critical frontline services, assisting vulnerable people and supporting businesses and individuals

suffering hardship. However, it is unclear to what extent this commitment to fund the COVID-19 response will extend to ongoing pressures for 2021-22 onwards and as such the Budget for next year will be developed in a climate of extreme uncertainty. It is therefore essential that the Council continues to lobby for increased financial support to help with ongoing budget pressures.

- 5.7. A number of services are seeing a profound impact from the pandemic, affecting service delivery, demand and ways of working across all parts of the Council. It is unclear how services and demand will need to operate beyond the immediate emergency period, particularly for vulnerable groups and businesses who may be affected for longer.
- 5.8. Legislation, policies and practices have all seen changes in the previous few weeks and these will undoubtedly represent opportunities for new ways of working, communicating and connecting both internally but more importantly externally with our customers and wider stakeholders. The crisis has demonstrated that we are able to move at speed and with flexibility to address challenging issues, such as the establishment of the Community Hubs and administration of the Small Business Grants programme, both of which have required significant cross-departmental working and a different focus for a number of staff.
- 5.9. Looking beyond the immediate impacts of coronavirus, the overall level of uncertainty means that the financial environment for local government remains extremely challenging for the foreseeable future. Local authorities continue to face a growing gap between funding and service pressures, driven in part by demographic changes, unfunded burdens such as the National Living Wage and limited opportunities to raise income locally through council tax referendum restrictions, all of which places increasing pressure on discretionary services.
- 5.10. The Council is still evaluating how the likely 2021-22 gap will be funded, but it is clear that there is a need for a new, different relationship with Government to rectify some of the long term problems surrounding local government funding. Without an increased level of Government assistance, there are likely to be significant savings to be found to deliver a balanced Budget in 2021-22 for which we were already forecasting a deficit of some £1.8m.
- 5.11. However, in view of the very substantial level of uncertainty about the medium term impacts of COVID-19, and the rapidly changing landscape of Government announcements, it is proposed that an updated financial impact paper, which considers the latest resource pressures, proposals for work on the MTFs and the budget setting process for 2021-22, is brought to the July Cabinet meeting, when there may be some further clarity to inform forecasts. This will provide a 'route map' to support the Council's financial recovery during this time and include consideration of the following officer proposals;
  - Opportunities for re-prioritising and re-focusing currently approved 2020/21 budgets;
  - Opportunities for savings, efficiencies and income generation this year;
  - A review of the current reserves position with recommendations for re-allocation where appropriate.

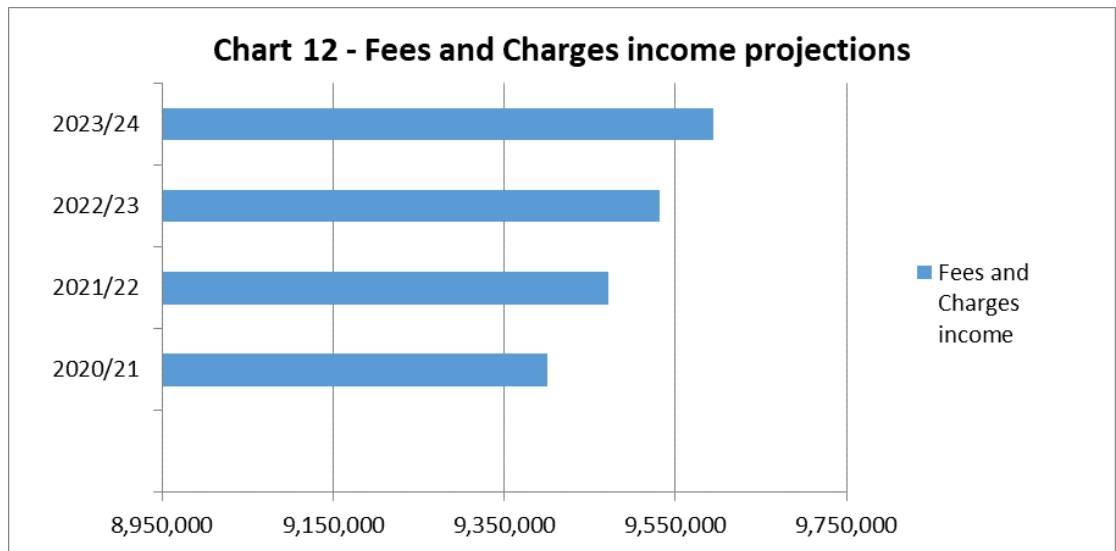


## 6. Budget 2020/21 onwards

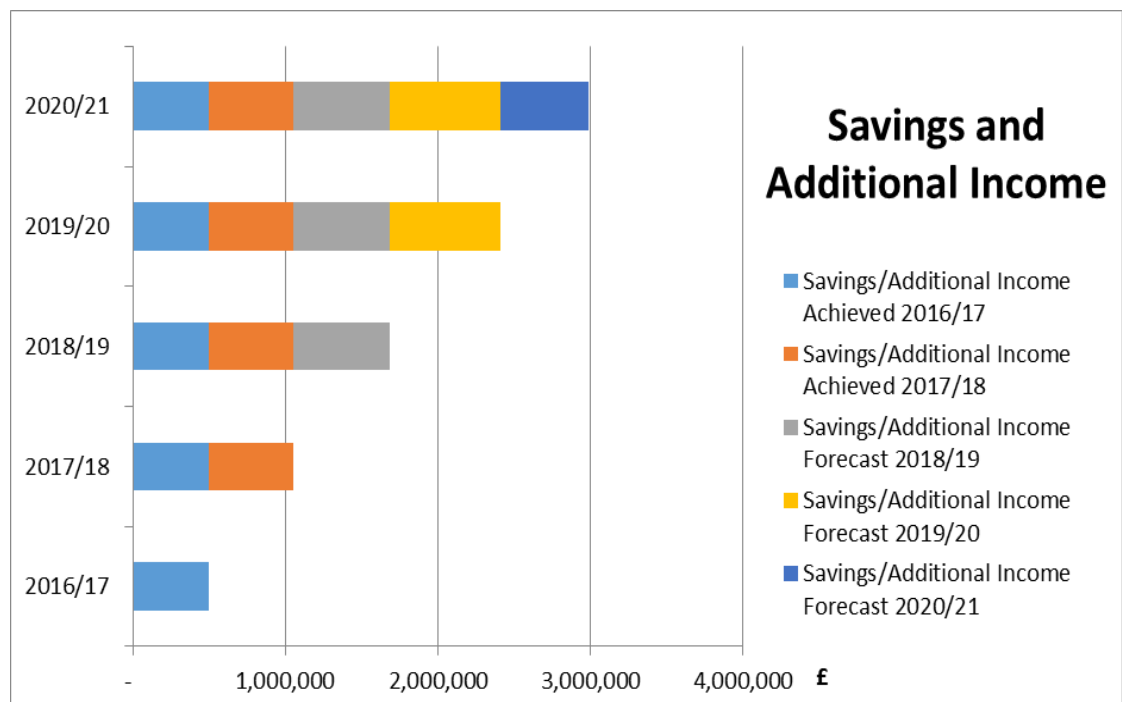
- 6.1. The council's 2020-21 Budget was agreed by Full Council in February 2020, but the developing COVID-19 pandemic requires us to fundamentally question a number of the assumptions upon which the budget is now based.
- 6.2. The budget was informed by the 2019/20 Base Budget, the 2018/19 Outturn Report, the 2019/20 budget monitoring reports, the Medium Term Financial Strategy 2020/21 – 2023/24 and the 2020/21 draft budget review presented to Overview and Scrutiny. Apart from the MTFS all of these documents consider past performance and events and do not consider the potential impacts of the situation we currently find ourselves in.
- 6.3. When approved the 2020/21 budget was forecasting a surplus of £2.4m, largely due to one-off provision adjustments through the Collection Fund. However, the 2021/22 – 2023/24 projections were already forecasting deficits of £1.8m to £2.2m prior to the added pressures that the pandemic is going to place on the Council's resources.
- 6.4. The following provides a high level indication of some of the current cost and income pressures facing the Council in terms of the 2020/21 budget due to the projected impact of COVID-19. More details can be found within **Appendices B** along with an update to the risk areas identified within the 2020/21 budget report and MTFS (**Appendix C**).

### *General Fund – net cost of services*

- 6.5. **Costs** - service cost pressures from increasing demand such as housing benefit demand. Exceptional costs from things such as provision of Community Hubs, resident communications and staff overtime costs/sickness/re-deployment. **INCREASING COST PRESSURES £0.429m**
- 6.6. **Income** – significant reductions being seen from fees and charges (parking, planning and building control, commercial waste, licensing etc). Reduction in recycling credits/profit share arrangements, rent holidays/waivers being requested.
- 6.7. Of the £9.4m gross income forecast for 2020/21, the most significant areas include waste and recycling (£3.4m) which includes things such as garden bins and commercial waste collection, car parking income (£2.7m) and planning income (£0.8m). The chart below shows the current budget projections although at present we are forecasting significant reductions this year. **INCREASING INCOME PRESSURES £1.098m**



- 6.8. **Savings** - savings plans are at risk as the focus has been diverted from the delivery of savings to managing the COVID-19 crisis. The medium term is also impacted as many savings initiatives take place over the medium term, so steps not taken today will have a medium term impact on future budgets.
- 6.9. There was no separate savings exercise has undertaken as part of the 2020/21 budget process. However, the Council has had a number of work streams in place since 2016/17 which have been designed and implemented to create sustainable cashable savings and to help achieve a balanced budget. The chart below shows the savings achieved since 2016/17.
- 6.10. Total savings and additional income of £577k have been factored into the budget for 2020/21 (£728k 2019/20). **PRESSURE ON SAVINGS**



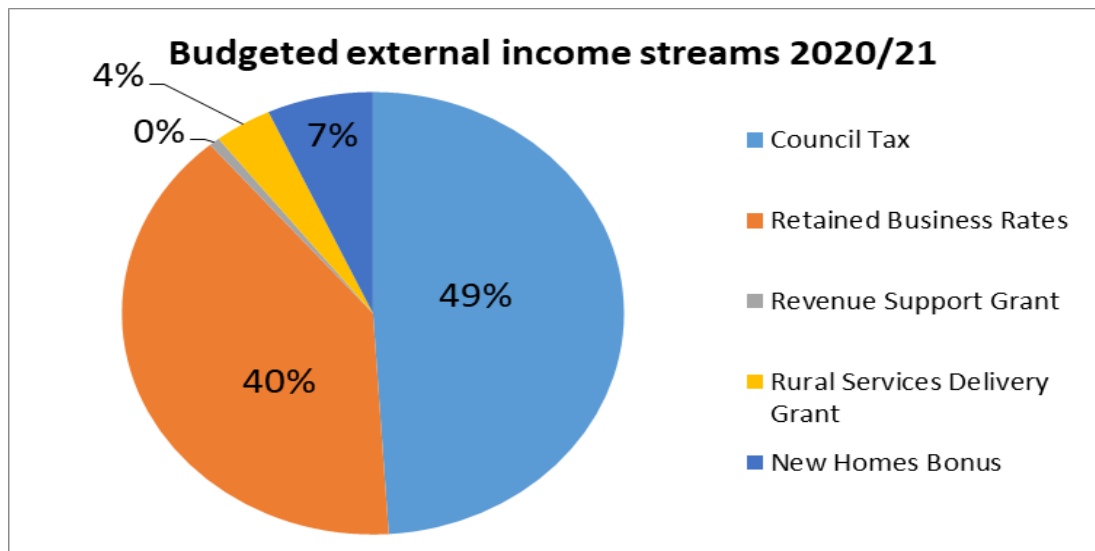
*General Fund – investments and borrowing*

- 6.11. Loss of investment income is forecast due to reduced cash balances as a

result of changes in market conditions and prioritisation of short-term cash holdings to maximise liquidity. There is a real chance of potential additional borrowing costs over the coming months to support cash flow requirements as income levels continue to reduce. **REDUCING INVESTMENT RETURNS AND INCREASED BORROWING £0.25m**

*General Fund – funding streams*

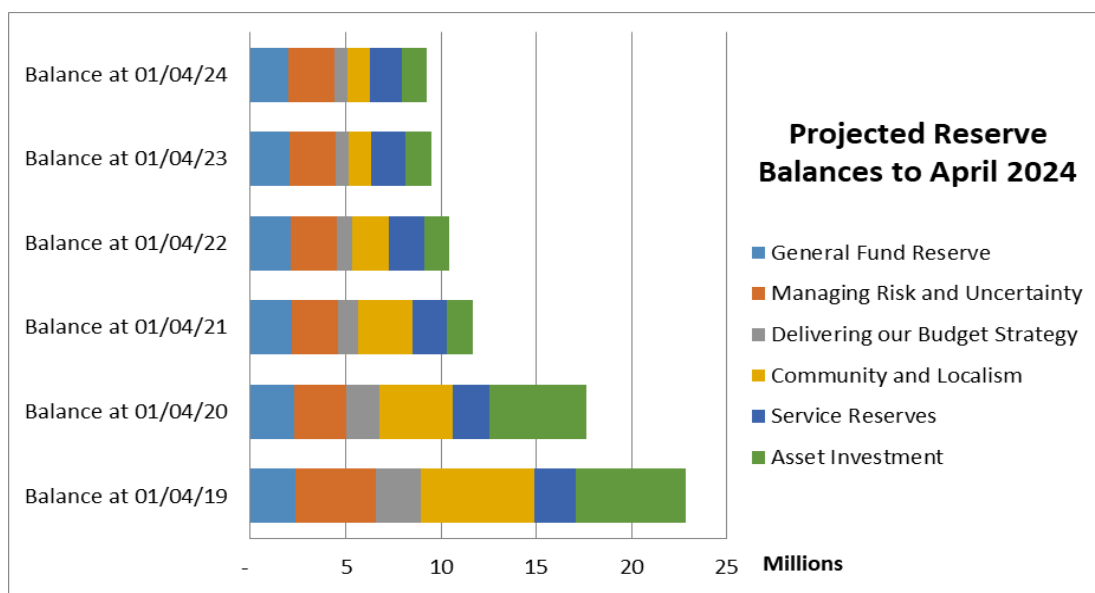
- 6.12. A fall in the council tax collection rate could have a significant impact in terms of both funding and cash flow risk. There’s a risk of businesses defaulting on their business rates, expecting higher levels of default/businesses that simply stop trading. Previous growth assumptions also in doubt. New Homes Bonus may continue for a further year but with reduced building the income derived from this will be significantly reduced.
- 6.13. The chart below shows the relevant proportions of the various funding streams and highlights the significance of council tax and business rates in terms of the Council’s overall funding. Business rates represents the highest value (£7.5m), followed by Council Tax (£6.3m), with the New Homes Bonus, Rural Services Delivery Grant and Revenue Support Grants totalling £1.4m. **PRESSURE ON FUNDING STREAMS £0.223m**



*Reserves*

- 6.14. There are three main reasons for holding reserves:
- as a contingency to cushion the impact of unexpected events or emergencies;
  - to cushion against the impact of uneven cash flows and to avoid temporary borrowing; and
  - as a means of building up funds to meet known or predicted liabilities (earmarked reserves).
- 6.15. Based on current spending and funding projections reserves are already forecast to **reduce from £17.6m as at 01/04/20 down to £9.3m by 01/04/24 over the next 4 years which is a reduction of 47%**. Of the remaining balances a significant majority are ‘contingency amounts’, such as the

General Fund reserve which would stand at £2.0m (current minimum level recommended at £1.9m), the benefits and business rates reserves whilst others represent ring-fenced grant allocations for which the use is restricted. If these are removed the funding available for supporting the budget over the coming years is **less than £3m**. This will mean that there are some difficult decisions to be taken over the short to medium term regarding prioritisation for funding services. **REDUCING RESERVE BALANCES/OPPORTUNITY**



### Capital programme

6.16. Postponed income from asset sales creates cash flow issues and has an impact on the funding and delivery of the capital programme while Force Majeure clauses may impact on live projects. The current programme is in excess of £40m and requires fundamental review to ensure that the schemes still reflect the Council’s changing priorities and to ensure that the Council can still afford them given the rapidly changing financial landscape. **OPPORTUNITY COST**

6.17. A key element of the new Corporate Plan revolves around the Council achieving financial sustainability in terms of future budgets. There are a number of potential work streams which will help us to deliver this, most if not all of which will now be impacted in some way by the COVID-19 epidemic and these are summarised within **Appendix E**.

## 7. Forecast financial pressures

7.1. The table below sets out the high level summary of the current forecast cost and income pressures currently anticipated. In the event that response measures continue, additional costs are likely to be incurred along with further reductions in income.

7.2. Some of the identified costs for the Council reflect risks against existing budgets – for example arising from the non-delivery of savings or the loss of budgeted income due to service closures. These have been broadly estimated on the basis of a two-month period, but have been projected for the full year where appropriate.

- 7.3. In some cases, likely areas where costs will arise have been identified, but actual estimates are not yet available and so remain to be confirmed. As a result, all estimates will continue to be refined as further information emerges. One particular area of risk relates to Business Rates and Council Tax income for 2020-21, which will need to be taken into account when the MTFS is updated and as part of 2021-22 Budget setting.

**Table 1 – Financial impact forecasts for COVID-19 on the 2020/21 budget**

Service Area	March 2020 £m	April 2020 £m	Remainder of year £m	Total estimated impact 2020-21 £m
<b>Additional cost pressures</b>				
Housing	0.012	0.012	0.012	0.036
Finance/Corporate	0.011	0.015	0.000	0.026
Other Services	0.102	0.163	0.102	0.368
<b>Estimated Total Spending pressure</b>	<b>0.125</b>	<b>0.190</b>	<b>0.114</b>	<b>0.429</b>
<b>Income Source</b>				
Retained Business rates	0.044	0.044	0.044	0.132
Council Tax	0.030	0.030	0.030	0.091
Sales, fees and Charges	0.086	0.308	0.310	0.704
Commercial Income	0.004	0.161	0.158	0.323
Other	0.115	0.120	0.085	0.320
<b>Estimated Total reduction in Income</b>	<b>0.280</b>	<b>0.663</b>	<b>0.627</b>	<b>1.570</b>
<b>Summary</b>				
Additional expenditure	0.125	0.190	0.114	0.429
Loss of income	0.280	0.663	0.627	1.570
<b>Total</b>	<b>0.405</b>	<b>0.853</b>	<b>0.742</b>	<b>1.999</b>

- 7.4. In summary the position as at the end of April is a forecast cost/income reduction of nearly £1.3m, largely as a result of the Council's more significant income streams including parking, commercial waste and planning.

- 7.5. At the current time the combined impact of all of the above cost/income pressures is resulting in a **high level budget deficit for the 2020/21 budget of c£2m. While the newly announced central government funding provided of £1.1m will help to address this it still leaves a significant deficit of c£1m** which the Council will need to address by looking to make savings and reallocate resources within the current budget as the reserves are already under pressure and only represent a one-off source of funding which is not sustainable in the medium term.

- 7.6. **The current position is constantly changing and therefore the high level**

**projections contained within this report must be seen in this context and could be subject to significant change depending on further announcements over the coming months.**

## **8. Financial and resource implications**

- 8.1. Financial implications are discussed throughout the report. The response to COVID-19 is likely to result in significant cost and income pressures in 2020/21, as well as impacting on the scope to achieve planned savings and the capacity to develop new proposals for the 2021-22 Budget. The Government's response and decisions about Council funding in 2021/22 will be hugely significant. Government has an opportunity as part of the COVID-19 response to deliver a permanent step change in the recognition of the importance of adequate funding for local authorities to continue to provide a key contribution as part of the national recovery.
- 8.2. Government's initiatives to reform local authority funding (including the Fair Funding Review), as well as pressures linked to COVID-19 have the potential to materially impact on the Council's budget planning assumptions for 2020/21 and future years. It is therefore recommended that a further financial update to come forward to Cabinet in July, by which time there will hopefully be more clarity regarding any continuing restrictions.

## **9. Legal implications**

- 9.1. There are legal implications as a result of this report.

## **10. Communications issues**

- 10.1. This report has been shared with the communications team and a web article and press release has already been made regarding the current budget pressures. The communications team will continue to be engaged as the financial picture becomes clearer over the coming months.

## **11. Risks**

- 11.1. The figures set out in the table above reflect initial estimates; these will be further refined as more information becomes available. The ultimate impact and financial cost of the response to the COVID-19 outbreak will be highly dependent on a wide range of factors including the length of time that the pandemic continues, the severity of the impact (both nationally and in the District), and the wider actions taken in response.
- 11.2. The emerging coronavirus/Covid-19 situation may impact on the Council's budget setting process in a number of ways, most significantly:
  - The Council's available resources and capacity to plan robust future year savings while responding to a rapidly changing operating environment;
  - The availability of both Members and Officers and the ability to adhere to the proposed process and timetable;
  - The need to provide for any immediate cost pressures emerging for the Council; and

- The medium to long term financial implications including the impact on the wider economy and business rates base and income

11.3. The table below provides a summary of the risks which were highlighted as part of the 2020/21 budget report. There are update comments in red highlighting any COVID-19 related issues as appropriate.

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Risk Management</b>
1. Future available resources less than assumed.	Possible Likely	High	Annual review of reserves and reserves policy to identify future resources. Assumptions on funding for 2020/21 and beyond are based on best estimates at this time. A prudent approach has been adopted based on previous years' experience as well as using regional network contacts to inform modelling. Previous assumptions significantly undermined as a result on the ongoing lockdown and future economic certainty. To be considered over the coming months as part of the update of the MTFS and the 2021/22 budget process.
2. Volatility of business rates funding given uncertainty around impact of appeals	Likely	High	Volatility of funding stream outside of council control but impact mitigated by establishment of specific earmarked reserve and financial monitoring framework. Modelling of potential impacts is used to inform internal financial planning. Positive initial outcome in respect of NHS case. Unknown impacts of proposed additional reliefs for 2020/21. Additional uncertainty highlighted as a result of potential default in payments and failure of businesses due to current economic climate.
3. Pay Awards, fee increases and price inflation higher than assumed	Possible	Medium	Impact of potential increases mitigated by central contingency budget for pay, price increases and care fees. Where pay awards have been agreed these will be factored into the future estimates.
4. Future spending plans underestimated	Possible Likely	Medium High	Service planning process identifies future budget pressures and these will inform the indicative budget forecasts. An effective budget monitoring framework is in place to identify in year and potential future cost pressures. We have already identified significant additional

			service costs due to both increasing demand and the exceptional costs of the COVID-19 outbreak.
5. Anticipated savings/ efficiencies not achieved	Possible	High	Regular monitoring and reporting takes place but the size of the funding cuts increase the likelihood of this risk. Non-achievement of savings would require compensating reductions in planned spending within services. Greater scrutiny of savings has taken place since 2016/17 through the revenue monitoring process. History of delivery savings. While there is a risk that some of the current 2020/21 savings may not be achieved the greater pressure is on future savings at a time when resources are re-deployed and focused elsewhere.
6. Revenue implications of capital programmes not fully anticipated	Unlikely	Low	Capital bid approval framework identifies revenue implications and links to Council priorities. Full analysis of revenue implications assessed and considered in scenario planning. Capital programme to be fundamentally reviewed.
7. Income targets not achieved	Possible Likely	Medium High	Current economic climate likely to impact. Regular monitoring and reporting takes place. Full review of fees and charges scheduled for 2021/22 along with an annual review process. Levels of income from fees and charges are already seeing significant reductions with the current forecast reductions being around £1.1m.
8. Budget monitoring not effective	Unlikely	Medium	Regular monitoring and reporting in line with corporate framework. Action plans developed to address problem areas. Regular reports to Cabinet and to O&S. Track record of delivering budget and savings.
9. Exit strategies for external funding leasing/tapering not met	Possible	Medium	Regular monitoring and reporting. Government policy to remove ring fencing provides greater flexibility.
10. Loss of principal deposit	Unlikely	Medium	Limited by the controls in the Treasury Management Strategy which balance security of deposit over returns. Impact limited due to



			the strategy of a diverse portfolio with top rated institutions. <b>Principle of pooled investments has reduced but risk of losses mitigated through liquid cash reserves and medium term strategy of not disposing of investments during unfavourable market conditions.</b>
11. Interest rates lower than expected	Unlikely Likely	Low Medium	Regular review, monitoring and reporting on interest rates. Prudent assumptions on likely interest rates for 2020/21 are incorporated into the budget.
12. Collection rates for retained business rates and council tax lower than anticipated	Possible Likely	High	Impact mitigated by the review of bad debt provisions and availability of reserves. Monitoring of Collection Fund is formally incorporated into the revenue monitoring process. <b>In the current environment there is an increased risk of bad debts and delayed payments from both council tax and business rates which could significantly impact on cash flow (leading to increased borrowing costs), increased collection costs and reduced levels of income overall.</b>
13. Financial budget impacts of UK's vote to leave the European Union (Brexit)	Likely	Medium /High	Continue to work collaboratively with treasury advisors and central government departments to assess potential budget impacts whilst the Government attempts to ensure an effective transition to a new economic relationship between the U.K. and the EU, including clarifying the procedures and broad objectives that will guide the process.
14.Devolution/Unitary status –	Possible	Medium	As the devolution deal has been rejected locally no further work is ongoing in respect of this and no changes have been factored in to the budget or future year projections as a result. The Unitary issue will undoubtedly be discussed further again in the future following the recent General Election. Officers and Members will keep a watching brief in respect of this but again at present no budgetary impact is being assumed.
15. All MTFS/budget	Unlikely	Low	Council's Risk Management

risks not adequately identified	Likely	High	Framework ensures all operational and strategic risks are identified as part of the annual service planning process. <b>An ongoing world-wide pandemic was not one of the scenarios considered as part of the MTFS/budget process although the actual impacts are generally covered individually above.</b>
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## 12. Conclusions and Recommendations

- 12.1. This report provides an overview of the current assessment of the emerging financial impact which will have a profound impact on our ability to achieve savings and income for 2020-21 onwards.
- 12.2. It provides details of the central government funding received to date, which will need to be kept under review as the response to COVID-19 continues to evolve. In particular, in respect of the impact of COVID-19 on underlying local authority costs and income sources, and further funding announcements and responsibilities from Government. In addition, it helps to set the context for the Council's MTFS and budget planning process for 2021/22, which will be reported to Cabinet later in the year.
- 12.3. The Council faces an unprecedented financial and public health crisis which will have significant implications both during 2020/21 and for future budget setting. It will be essential to continue to engage with Government, MPs and other stakeholders to campaign for adequate and sustainable funding for the District so that we can continue to deliver vital services to residents, businesses and visitors. It is also important that Government issues guidance on financial planning assumptions for any future data collection exercise relating to the cost/income pressures currently being experienced and forecast. Otherwise there is a significant risk that the Council will need to reduce service levels.
- 12.4. The current pandemic demands very different ways of working and will require review and consideration of the current and future priorities. Looking beyond the immediate impacts, the overall level of uncertainty means the financial environment remains extremely challenging for the foreseeable future. The assumptions upon which both the Medium Term Financial Strategy (MTFS) and the 2020/21 budget are based have now been significantly undermined by the current crisis and will necessitate a fundamental review of the budget position given the current funding pressures.
- 12.5. At the current time the combined impact of all of the above cost/income pressures is resulting in a **high level budget deficit for the 2020/21 budget of c£2m, the funding provided of £1.1m will help to address this and reduce it to c£1m** which the Council will need to address by looking to make savings and reallocate resources within the current budget as the reserves are already under pressure and only represent a one-off source of funding which is not sustainable in the medium term.
- 12.6. **The current position (c£1m deficit 20/21) is constantly changing and**

**therefore the high level projections contained within this report must be seen in this context and could be subject to significant change depending on further announcements over the coming months.**

**It is recommended that Cabinet note:**

- **The current package of financial support being provided to the Council by the government to support its response to COVID-19;**
- **Continues to lobby central government for further additional financial support;**
- **The forecast cost and income pressures being faced by the Council and the extent to which they exceed the available government funding and therefore the requirement for any deficit to be funded from other Council resources;**
- **The various caveats and risks associated with the current forecasts;**
- **The proposals in respect of updating the Medium Term Financial Strategy (MTFS) and the financial planning framework for the 2021/22 budget;**
- **The proposals for a fundamental review of the capital programme to ensure that the schemes still reflect the Council's changing priorities and to ensure that the Council can still afford them given the rapidly changing financial landscape;**
- **The proposal for a further financial update to come forward to Cabinet in July, by which time there will hopefully be more clarity regarding any continuing restrictions to include;**
  - **Opportunities for re-prioritising and re-focusing currently approved 2020/21 budgets;**
  - **Opportunities for savings, efficiencies and income generation this year;**
  - **A review of the current reserves position with recommendations for re-allocation where appropriate and;**
- **The progress to date in respect of the application of the various new business rates reliefs announced along with progress towards the government funded Small Business Grant programme which local authorities are being asked to administer (Appendix D).**

## **11. Sustainability**

11.1 There are no sustainability implications as a result of this paper.

## **12. Equality and Diversity**

12.1 There are no equality and diversity implications as a result of this paper.

## Appendix A – Summary of March 2020 Budget announcements and subsequent central government communications

### 13. Section 17 Crime and Disorder considerations

- 13.1 There are no Section 17 crime and disorder implications as a result of this paper.

#### *March 2020 Budget announcements*

- 1.1 As part of his budget speech on 11 March 2020 the Chancellor of the Exchequer Rishi Sunak MP announced a number of interventions to help support with the coronavirus outbreak.
- 1.2 The virus was identified as the key short-term challenge facing the economy, with the impact expected to include significant economic disruption both in terms of reduced productive capacity (supply side) and reduced consumer spending (demand side).
- 1.3 The government's response at the Budget included a package of measures (summarised [here](#)) designed to provide security and support for those who fall ill, support for businesses to ensure there is no permanent impact on productive capacity, and coordinated action with the Bank of England. This three-point plan was based on:
1. Support for the public sector: Providing additional resources for the NHS with an initial £5 billion fund for pressures in the NHS, and to support local authorities to manage pressures on social care.
  2. Support for individuals: Changes to Statutory Sick Pay (SSP) and access to benefits, including for those required to self-isolate. This included a new £500m hardship fund provided to local authorities to allocate to support economically vulnerable people, which the Government expects to mainly be distributed as council tax relief.
  3. Support for businesses: Support for small and medium sized businesses with the costs of SSP associated with coronavirus. Other measures included a range of temporary extensions to Business Rates reliefs, a short term grants scheme to provide £3,000 to small businesses (to be administered by councils), and relaxation of tax payment terms.
- 1.4 The total impact of these measures was estimated as £30bn, made up of £7bn of support for the self-employed, businesses and vulnerable people, £5bn for emergency response funds and £18bn to support the wider economy. Since the Budget announcements, the support offer has been substantially expanded, with full details available online [here](#). The specific financial support currently available to local authorities is detailed in the following section.
- 1.5 A significant proportion of this focussed on additional business rates reliefs and grant funding which local authorities had to administer. This presented a number of challenges to the authority in relation to processing the various reliefs in a timely manner for our customers given the current position.

- 1.6 These were temporary measures announced for the 2020/21 financial year and included additional Retail relief, an extension to Pub relief a new grant scheme for those in receipt of Small Business Rate Relief (SBRR) & Rural Rate Relief and a Hardship fund to support for vulnerable people.
- 1.7 Although it has since been substantially overshadowed by the ongoing response to COVID-19, the Budget also included various announcements with implications for local authority funding. However, with COVID-19 dominating government business, the status of key reforms to local government funding including the Fair Funding Review (FFR) and increased local retention of Business Rates remains extremely unclear.
- 1.8 At the present time it appears highly likely that the timetable for the Comprehensive Spending Review (CSR) will be delayed, expectations are for a one-year announcement for 2021-22 with the longer-term CSR pushed back. These issues could have a significant impact on the new MTFS and the budget projections for 2021/22 onwards.

*Further COVID-19 Support for businesses and customers*

- 1.9 The Chancellor made further announcements on 17 March covering an enhanced support package worth £330bn nationally. The Chancellor confirmed that the government would also be removing the £51,000 rateable value threshold for the expanded retail discount, increasing the 100% discount for all businesses within the Retail, Hospitality and Leisure industry.
- 1.10 At the same time an extended package of Small Business Grants was also announced to provide eligible businesses with grants to support their ongoing costs and lost revenue and this scheme is discussed in more detail below.
- 1.11 On 18 March the government announced that many childcare providers would pay no business rates in 2020/21 and on 25 March a further expansion to the Retail Discount to remove some of the previous exclusions was declared.
- 1.12 In summary, the core financial support package to local authorities includes:
  - £1.6bn of grant funding to enable local authorities to respond to coronavirus (COVID-19) pressures across all services, of which NNDC £56k (new funding);
  - Business Rates Relief Section 31 grants in respect of 2020-21 brought forward and paid in full 27 March 2020 to support cash flow (£3.0m – cash flow only, not additional funding);
  - Small Business Grants funding paid in full on 1 April 2020 to support cash flow (£65m - cash flow only, not additional funding);
  - While it was announced that £2.6bn in Business Rates payments (from District Councils to Government) would be delayed or are still required to make the payments to NCC and therefore do not receive any direct benefit from this delay (NCC receive the cash flow only benefit, not additional funding).
  - A further £1.6bn nationally of un-ringfenced grant to deliver the COVID-19 response, with individual allocations **TBC** (new funding).

## Appendix B – Summary of potential financial challenges facing NNDC Exceptional costs of dealing with COVID-19

### *Service costs*

- setting up and co-ordination of support hubs for vulnerable people asked to undergo sheltering (10 local co-ordination centres, outbound contacts with over 1,900 Shielded People; and support for over 800 other Vulnerable People)
- community safety measures and closure of assets
- rebilling business rates payers as and when new support is provided
- potential additional costs from contractors due to facilities closures (such as the leisure contract)
- additional PPE and cleansing costs
- support with the countywide mailshot with residents

*Own staffing* - sickness and absence cover, re-deployment, overtime and building capacity

*ICT and facilities* - infrastructure for widespread home working, network expansion, virtual meeting hosting, setting up new call centre provision for extended hours, costs associated with closure and reopening of sites

### **Increased service demand, both in the short term and long term**

*Waste collection services* - potential higher waste disposal and collection costs, staff shortage impact on service also possible

*Homelessness* - including support for those who need to self-isolate and a potential longer term increase in homelessness

*Housing benefit* - the announcement of the increased Local Housing Allowance (LHA) rate will lead to more HB payments which has a cash flow impact. The service has also seen a 147% increase in new claims for Council Tax Support, a 20% increase in the number of cases being handled overall and an 88% increase in telephone calls during March alone.

### **Impact on local taxation income (council tax and business rates)**

- A fall in the council tax collection rate could have a significant impact in terms of both funding and cashflow risk
- There's a risk of businesses defaulting on their business rates, additional support to businesses will help off-set this to an extent but councils are expecting higher levels of default/businesses that simply stop trading to impact this. Levels could be less significant than council tax, but it could be an issue if the magnitude spikes. Previous growth assumptions also in doubt.

### **Loss of income, including rental and commercial income**

- Impact on fees and charges from a number of council services including car parking, planning and building control fees, commercial waste, licensing etc
- Reduction in recycling credits and NEWS profit share
- A potential need to grant rental holidays for tenants (cash flow impact but increased risk of tenants defaulting/going in to liquidation)
- Feedback suggesting small businesses reporting loan support being provided by government is not sufficient. Often looking for rent waivers rather than holidays (pressure around this area will increase the longer the current lockdown restrictions continue. Some businesses without a rateable value are also not eligible to receive the BEIS grant.
- Pier annual 15% profit share (outturn position for the 2019/20 financial year was £30k profit share (although budgeted at £20k) based on the accounts up to 31/12/18)
- There are currently indications that the New Homes Bonus may continue for a further year but with significantly reduced building the income derived from this will be significantly reduced

### **Impact on savings and capital programmes**

- 2020/21 savings plan at significant risk as focus has been diverted from delivery of savings to managing the crisis. The medium term is also impacted as many savings initiatives take place over a medium term, so steps not taken today will have a medium term impact. MTFs was already forecasting a potential budget deficit of c£2m for 2021/22
- There might be issues related to funding from developers, staff availability and the delays to projects also adding to costs
- Deferral of maintenance: reduced expenditure due to shortage of labour and materials - but leading to higher long-term costs and increased risk of insurance claims.
- Delivery of major contracts: Valid claims (compensation events) under the Force Majeure clauses in live construction contracts. Compensation events may be inevitable and the financial consequences could escalate as productivity declines. There may be circumstances where contracts need to be terminated if contractors cannot comply with their obligations
- Postponed income from sale of assets creates cash flow impacts and has an impact on the delivery of the capital programme

### **Treasury management and cash flow issues**

- Reduced capacity for internal borrowing
- Loss of investment income from cash balances due to changes in the market and prioritisation of short-term holdings to maximise liquidity
- Potential additional borrowing costs to support cash flow requirements
- Risk of long-term increase to employer pension contributions during the economic downturn
- Changes to payment to suppliers to move to more immediate and advance payments (as recommended by current government guidance) has a cash flow impact

## Appendix C – Risk areas identified within the 2020/21 budget report & MTFS

- 1.1 There are a number of financial risk areas facing the authority which are relevant at both service and corporate levels. In order that these risks are managed, a number of key areas within the budget need to be closely monitored in the coming financial year. The table below highlights any additional considerations as a result of the COVID-19 outbreak.

Budget risk area	Additional COVID-19 considerations
<p><b>Planned Savings and Additional Income</b> – The Council is continuing to deliver against a number of work streams that are continuing to deliver service improvements and cashable savings over the short to medium term. Achievement of the savings are monitored during the year as part of the budget monitoring process. Savings and additional income of £577k have been included in the budget for 2020/21 onwards.</p>	<p>Negative impact - Additional pressure to achieve savings targets and to consider savings targets for future years.</p>
<p><b>Council Tax Support</b> – The Local Council Tax Support Scheme (LCTSS) was implemented from April 2013; whilst there have been no changes to the Council's scheme for 2020/21, there still remains a risk of increases in the number of those eligible for Council Tax Support and the ability to collect Council Tax.</p>	<p>Negative impact – potential increasing workload for staff and negative impact on council tax collection.</p>
<p><b>Future Funding</b> – There is a continued shift from central government support from Revenue Support Grant to local funding from retained business rate (Baseline Funding), and Council Tax. Revenue Support Grant was anticipated to be completely removed from 2020/21, however due to the ongoing Brexit negotiations a one-year settlement was announced which saw this, along with a number of other funding streams, inflated and rolled forward for a further year which was good news in terms of achieving a balanced budget position for the next financial year but still provides no certainty about future</p>	<p>Negative impact – uncertainty continues as central government focus on current epidemic.</p>



<p>year's resource allocations. Due to this delay the outcome of the Fair Funding Review and Localisation of Business Rates are as yet still unknown and will undoubtedly have a significant impact on future funding, the full extent of which is not clear at the present time. Further consultation regarding these areas is expected early this year.</p>	
<p><b>Spending Review (SR)</b> - The Spending Review is undertaken by HM Treasury to set Government department expenditure limits. Spending reviews ensure that departmental plans fit within the total spending limits that Government can afford while also setting out the vision for the country and the policies which will support it. The review represents the choices available between the different priorities and helps to allocate resources in the most appropriate way. Spending Reviews normally cover a four-year period, however as mentioned above, the impact of Brexit has resulted in a one-year settlement announcement and the review covering the 2021/22 financial year is now expected to be undertaken later this year and should cover the period through until 2024/25. This process will impact on the amount of funding available to the local government sector and it turn to the Council.</p>	<p>Negative impact – SR looking likely to slip a further year which prolongs the uncertainty around future funding allocations and does not help with medium term planning, especially when we are facing these current financial pressures.</p>
<p><b>Business Rates Retention</b> – The implications of this system of funding are that the income from the Council's share of the business rates will fluctuate in-year and between years. The budget has been informed by the shares of the income as specified in the National Non Domestic Rate 1 (NNDR) return submitted for 2020/21. The actuals for 2020/21 will not be confirmed until the annual NNDR3 return is completed by the end of April 2020. The extension and increase of</p>	<p>Negative impact – potential issues with reductions in growth forecasts, bad debts and inability to pay. Cost of collection also anticipated to rise.</p>

<p>the small business rate relief and reintroduction of pub relief continues to be funded by a section 31 grant for the amount of income foregone by providing the reliefs; the actual income will fluctuate in the year as changes in eligibility change. In terms of appeals against the previous 2010 list and also the new 2017 list, the Valuation Office Agency (VOA) have undertaken a revaluation exercise to review the previous 2010 ratings list. The new rateable values were introduced from April 2017 but unfortunately there are still outstanding appeals against the 2010 list and there will now be a new set of appeals against the new 2017 list. The VOA have introduced a new appeals system from 2017 and due to this and a back log of work the Council still has very little information about the level of appeals against the new list which represents a financial risk to the Council. The initial ruling in respect of the NHS case has been found in favour of Local Government which is extremely good news, the claimants have until 24 February 2020 to appeal the decision but at present things are looking positive.</p>	
<p><b>New Homes Bonus (NHB)</b> – The one-year settlement confirmed the continuing allocation of the 2020/21 New Homes Bonus grant at £892k. This is very positive news as the 2019/20 budget projections had assumed that we would lose all of this funding. The current projections also assume that we will still receive legacy payments for NHB whereas we'd previously been working on the assumption that the payments would all cease at the end of 2019/20. The payments are now forecast to end in 2022/23 which means nearly £2m of funding which we weren't expecting.</p> <p>A part of the settlement announcement this month central government have confirmed that consultation on a replacement for the NHB funding will commence later this Spring.</p>	<p>Negative impact – rumours that NHB might be extended in its current form for a further year but lack of house building at the present time will severely limit this income stream.</p>
<p><b>Investment Returns</b> – In recent</p>	<p>Negative impact – markets reacting</p>

<p>years' investment income has been significantly reduced as a consequence of the prolonged period of low interest rates which look likely to continue well into 2020 and beyond. The Treasury Management Strategy for 2020/21, as reported to Cabinet in February 2020, anticipates a return of 3.3% will be achieved in 2020/21. The investment income budget includes interest on loans made to housing associations, investments in various pooled funds (including the Local Authorities Mutual Investment Trust (LAMIT) pooled property fund), covered bonds and term deposits.</p>	<p>negatively to the current crisis, money being held short-term to support with cash flow. Severe impact on income streams means additional borrowing may be required.</p>
<p><b>Waste contract</b> – The new waste contract has been successfully procured and will commence from April 2020. The budget has therefore been updated to reflect the new contract prices for all waste, cleansing and grounds maintenance services.</p>	<p>Neutral at present – the new waste contract started successfully as plans, there are concerns that if the virus takes hold in the District that recycling will reduce and landfill costs will therefore increase (and recycling credits drop) but the position is currently being monitored.</p>
<p><b>Employee budgets</b> – The budget has been updated to take account of the national pay review and annual increments and assumes a 2% pay award. As a guide a 0.5% sensitivity to the pay award equates to approximately £54k per annum. An allowance has been made to reflect vacancy savings of 2% as in previous years.</p>	<p>Negative impact – we are seeing significantly increased levels of overtime from staff trying to support various front-line functions and new initiatives.</p>
<p><b>Brexit/world politics</b> – It is impossible to predict what impact factors such as Brexit and wider world politics and decisions might have on the national and local economy in terms of things such as investment returns, inflation, work force costs etc. Officers will continue to monitor the position but the potential impact of any unexpected changes could potentially be covered through the use of reserves.</p>	<p>Negative impact – Brexit per se is having a significantly reduced impact at the current time but COVID-19 has brought about all of the uncertainties in global markets that Brexit could have done.</p>

- 1.2 Looking beyond 2020/21, the financial projections included within the budget report indicated that further savings would have to be made to achieve a balanced budget; this is based on the assumptions about the future level of funding as included in the finance settlement, which are now far from certain.

At the time the financial projections showed a budget deficit of around £2m in future years but this was before the impact of COVID-19.

- 1.3 The capital programme continues to be funded from a number of external and internal resources, for example, capital receipts from the sale of assets, preserved right to buy receipts, the VAT shelter arrangements and where applicable future capital schemes from borrowing although there will be no new VAT sharing income from April 2020 as this agreement has now ended. In both cases prudent estimates are made of the timing of such receipts and the expenditure profiles within the overall capital programme but again there is now significant uncertainty around these areas and hence the reason for a fundamental review of the programme discussed elsewhere in the main paper.
- 1.4 Continued budget monitoring throughout the financial year will be even more critical to monitoring the robustness of the estimates and maintaining a sound financial position than it normally is. It is through the ability to manage and control the spending within the approved budgets and, where appropriate, identify and recommend appropriate actions, which serves to mitigate the Council's level of financial risk but given the unprecedented financial impacts COVID-19 is having on Council resources this position is going to be increasing difficult to manage.

## Appendix D – Small Business Grant and business rate relief update

### *Additional rate reliefs*

- 1.1 An extended package of business support was announced in the Budget, with further updates and extensions provided over the following weeks.
- 1.2 Prior to the additional business rate relief announcements our revenues team had already sent out the business rates bills for the 2020/21 financial year. This therefore meant that any applicable changes all of these bills to be re-calculated and re-issued which was a significant piece of work in its own right.
- 1.3 This required the team to re-bill nearly 2,000 customers and provided in excess of £26m or relief to 6,000 customers. This re-billing exercise was completed by 18/03/20, only 7 days after the additional reliefs were announced and represents a significant achievement by the team.

### *Small Business Grants*

- 1.4 The Small Business Grants scheme was announced on 17 March. This was to provide eligible businesses (this excluded things like beach huts and private stables as these are designated for 'personal use') with grants to support their ongoing costs and lost revenue.
- 1.5 These are not loans and there is no requirement to pay them back. The £10,000 grant was available for business with RV's under £15,001 while the £25,000 grants were available for businesses with RV's between £15,001 but under £51,000.
- 1.6 An eligibility date of 11 March 2020 (unless in liquidation/dissolved) was established by central government, this is the retrospective date on which the business needed to be registered with the local authority (or be in the process of being registered).
- 1.7 In terms of context, we received 24% of the total allocation for the whole of Norfolk for this scheme (three of our neighbouring authorities received less than half our allocation), which will cover around 5,000 eligible customers with an estimated grant value of around £55m, which we need to distribute.

### *Challenges*

- 1.8 The requirement for the Council to administer this scheme brought rise to a number of challenges, although the concerns regarding cash flow were addressed very early on by the government and saw the upfront payment of the estimates cost of this scheme in at the start of April.
- 1.9 Around 97% of our customers who receive Small Business Rates Relief

(SBRR) have rateable values of under £12,000. That means that they receive 100% relief, so whilst they receive a bill each year, it just confirms that they have no liability to pay. What this means however though is that we don't hold the bank details for the majority of these customers as they don't make any payments to us. We therefore had to work out the best way of obtaining this data from customers in order to pay the business grants.

- 1.10 Having identified from our system that there were around 5,000 potentially eligible customers we then had to work out the best way of contacting them and considering what information we'd need to collect on top of the bank details, to help us assess their eligibility whilst protecting against fraud wherever possible to ensure value for money for the ratepayer. There was therefore a balance required between speed of payment and assessing eligibility and protecting the public purse. Making 10 incorrect grant payments for example for £25,000 would amount to an error of a quarter of a million pounds.

*Progress to date*

- 1.11 The design and execution of this scheme has involved significant cross-departmental working across a number of departments including Revenues, IT, Finance, Customer Services, Communications, Economic Development and others. Work to date by the various teams includes;

- Writing to 5,000 eligible customers and emailing 75% (3,700) of these to speed the process;
- Various social media campaigns, use of local press and the website to publicise the scheme;
- Providing a host of guidance and customer support on the Council's website;
- Designing an online 'Eligibility Calculator' to help customers check eligibility and;
- Designing an online data capture form to help customers provide their details which can then automatically be used to assess eligibility without the need for re-keying information into other systems.

- 1.12 Performance to date (as at 10:00 27/04/20) is summarised within the table below, with 3,431 customers supported and £38m paid out which represents 69% of the estimated eligible grant value.

Volume of grants awarded by grant type to date	Small Business Rate Relief £10k	2,546
	Retail, Hospitality and Leisure £10k Grants	642
	Retail, Hospitality and Leisure £25k Grants	243
<b>Total Number of businesses awarded Grant</b>		<b>3,431</b>
Value of grants awarded by grant type to date	Small Business Rate Relief £10k	£25,460,000
	Retail, Hospitality and Leisure £10k Grants	£6,420,000
	Retail, Hospitality and Leisure £25k Grants	£6,075,000
<b>Total Value of businesses awarded Grant</b>		<b>£37,955,000</b>

- 1.13 Central government undertake a data collection exercise at 10:00 every

## Appendix E - Financial sustainability

Monday morning to collate the national position in respect of these grant payments. The week commencing 27/04 saw the publication of the second set of results and we ranked 43<sup>rd</sup> (out of 314) in terms of value of grant paid and 37<sup>th</sup> in terms of grant numbers issued. This also places us in a strong position locally and represents a significant achievement for all the teams involved in administering this grant scheme, providing funding to local businesses at a time when it is desperately needed.

- 1.1 A key element of the new Corporate Plan revolves around the Council achieving financial sustainability in terms of future budgets. There are a number of potential work streams which will help us to deliver this, most if not all of which will now be impacted in some way by the COVID-19 epidemic and these are summarised below.
- 1.2 *Financial sustainability* - some of the initiatives previously discussed included reviews of the way we currently budget and giving consideration to zero based budgeting whilst also undertaking a fundamental review of our fees and charges structure. The aspiration is to have a balanced medium term budget which does not rely on reserves to balance the position. *The current working arrangements, including the re-deployment of staff and considerable home working (c95% of staff) are going to place additional challenges undertaking these initiatives due to the significantly increased staff resources required to actually undertake them.*
- 1.3 *Our investment approach* - there is therefore an ever increasing need for Councils to take a more commercial and business-like approach to all elements of their business. Our 'Investing Approach' is currently under development, the successful delivery and implementation of this strategy will ultimately require a step change in the way that the Council thinks, acts and works in the future. *Some of the new income generating ideas which have been discussed previously might be considerably harder to deliver as we come through the lock down period, with additional pressures on local businesses and the tourism economy on which the district so heavily relies. Having said that, there will also be opportunities to help generate revenue to support the budget position and protect services.*
- 1.4 *Property Investment* - Opportunities for investment in property, whether direct or indirect, continue to be considered to achieve either a direct income stream from the asset or improved returns on investment and this is fundamentally linked to the Council's Asset Management Plan (AMP) and the MTFs. A programme of asset valuations and condition surveys are currently underway. This will help us better understand the challenges faced in terms of maintaining and improving our asset base over the medium to long term to ensure that it remains fit for purpose, delivering income for the Council where appropriate. *While a number of the asset surveys have been completed in the current climate it has proven difficult to get the works undertaken. There are also increasing demands on current resources which means previously agreed programmes are needing to be re-assessed and re-prioritised.*
- 1.5 *Digital Transformation* - Building upon the previous Business Transformation project savings continue to be identified from changes to service delivery from the implementation of new technology and changes to business processes. The overall programme will be delivered over a number of years and as projects have been rolled out there have been changes to working practices

which have helped to deliver efficiencies. The key to this work in the future should really be refocussed on 'putting our customers at the heart of everything we do'. This will undoubtedly still lead to further efficiencies and potential cashable savings but the direction of travel should be to improve our services for our customers first and foremost because that's the right thing to do. It will also mean that staff can spend longer prioritising 'added value activities' rather than getting bogged down with inefficient paper based processes. *This is an area that the Council has actually managed to make significant progress with during the current restrictions. We have been forced to make changes quickly and flexibly to both meet internal needs, such as the requirement for enhanced remote working and communication, the requirement to continue to host publicly accessible meetings remotely and to continue to provide front line services to customers when they are not able to access the building. A number of new online forms have been designed and implemented to support with these process with one significant example being the new administration process for the award of Small Business Grants.*

- 1.6 *Shared Services, collaboration and selling services* - Creating efficiencies through shared services continues to be a priority for central government. Identifying such opportunities must therefore continue at a local level, ensuring that realistic and deliverable benefits can be achieved. This could include joint procurement opportunities such as the new waste contract, shared service delivery where appropriate and selling services via arrangements such as East Law. *There should hopefully be continued opportunities to realise additional income and efficiencies from this area, including the One Public Estate agenda and the highly successful Coastal Partnership East.*
- 1.7 *Growing Business Rates and NHB* - Under the previous allocation method of New Homes Bonus (NHB) there was a direct financial benefit to the Council from growth in homes through the NHB funding and through increasing the council tax base and additional income generated from council tax. *If the NHB continues additional income from this source is going to be significantly impacted due to the reduction in house building at the present time. Similarly, growth in business rates is likely to be reduced due to the current economic climate and the uncertainties around when the various lockdown restrictions will be lifted.*
- 1.8 *Council Tax* - The increased flexibilities around council tax discounts and increases following the removal of the tax freeze grant in 2016/17 provides a further potential income stream. Further review of the current level of discounts can also provide additional income, recommendations on the level of council tax discounts will be reported for approval as part of the budget reports for 2020/21. *There may be additional pressure to introduce new discounts and support but this will further undermine the Council's budget position.*
- 1.9 *New opportunities* - Given the current uncertainties around issues such as Brexit and changes to the Local Government funding mechanisms it will be essential to identify new opportunities to either increase income, increase efficiency through the redesign of services, explore new partnership models for service delivery etc and this will be one of the main challenges over the medium term. The Council's commercialisation approach and the projects stemming from this will be key to this. *The local government funding position*



*still needs to be resolved by central government but it is appreciated that the current focus is on working through the current crisis. The Council's commercialisation agenda is also going to be impacted due to the COVID crisis.*

- 1.10 *Lobbying and consultation* - The Council will continue to lobby central government in terms of increased funding allocations and relaxation/increased flexibility in terms of the council tax referendum principles which will be one of the things required if income raising and decision making is ever to be truly local. We will also continue to respond to all relevant consultations, in particular at the present time on relation to the Business Rates and Fair Funding Reviews. *The Leader has recently lobbied local MPs in respect of an increased share for Districts from the latest tranche of support funding for local authorities. The Council continues to lobby through various different channels (LGA, CIPFA, MHCLG, DCN etc) to ensure the financial challenges faced by district authorities are properly understood.*