

## BRECKLAND DISTRICT COUNCIL

**Report of:** Councillor Philip Cowen, Executive Member Finance & Growth

**To:** Cabinet, 1 June 2020

**Author:** Alison Chubbock, Chief Accountant

**Subject:** Financial implications of Covid-19

**Purpose:** To update on the potential financial implications resulting from the Covid-19 pandemic

### **Recommendation(s):**

- 1) That Cabinet note the report and financial implications to the Council.

### **1.0 BACKGROUND**

1.1 This report provides an overview of the current assessment of the emerging financial impact to the council from the Covid-19 pandemic. The financial position and national picture is constantly changing therefore the values included in this report must be seen in this context and will be subject to change over the coming months.

1.2 The Government has announced two tranches of funding to date of £1.6bn each to support local authority finances. Breckland has received a total of £1,473k from this funding. Despite this value seeming high, the Council is facing considerable challenges from both additional costs and from reduced income and this funding is unlikely to cover our losses to the end of June and certainly will not cover losses from July onwards unless additional funding is provided.

The financial challenges arise from different areas:

- Costs – cost pressures from increasing demand such as temporary housing accommodation, housing benefit, exceptional costs such as community support work and communications and contractual costs.
- Income – significant lost income in fees and charges (planning, building control, ARP enforcement, etc) and rent holiday/waiver requests from commercial property tenants.
- Savings – the current years savings plans are at high risk of non-delivery as focus has been diverted in order to manage the pandemic response.
- Investments – loss of investment income from reduced interest rates and prioritising short term deposits to maximise liquidity.
- Funding – falls in collection rates on council tax and NNDR and an increase in LCTRS demand could have a significant impact in the funding due to the council.

1.3 Appendix A provides our current high level estimates of additional costs and lost income pressures under three different time frame scenarios, 3, 6 and 9 months duration allowing for the Government funding already received. Each of these scenarios shows a cost pressure to the Council which will need to be funded from either reserves, budget savings elsewhere or future government funding (if any is released).

There is a high degree of uncertainty within these forecasts and they will continue to be refined as the situation develops both locally and nationally.

- 1.4 In order to ensure the Council can manage these pressures in this ever changing environment, work will be carried out in the coming month with budget managers to review each budget line to identify areas of saving which can be re-allocated to current priorities which will change and adapt to the latest situation, ensuring the Council can respond quickly. The capital programme will also be reviewed to determine timings and priority of existing projects. This will be done in conjunction with the Recovery Cell work to ensure focus on future priorities is given.

However, it is highly likely that the Council will have to draw on reserves in the current year and potentially next year in order to balance the budget. Our reserves are mainly allocated to specific projects already, with only a limited amount available. The General fund currently holds £2,500k which is our minimum balance, so we may need to review the minimum balance required for future.

Appendix A shows the level of un-allocated reserves which are held for emergency purposes (such as this) including the General Fund. Whilst we could draw on our General Fund to some degree it would not be prudent to use all of it in case of future emergencies. The table shows that we would be able to cover the pressures from a 3 or 6 month impact, but not for any longer. Although budget savings will be utilised initially where possible, especially to re-divert to exceptional costs and new priorities.

If our lost income and spend exceeds these values then we will need to draw on other areas such as the Inclusive Growth Reserve and Growth & Investment reserve. Drawing on these reserves will result in pressures on achieving savings in future with no funds remaining to invest in property, growth or savings initiatives. It will also impact on our ability to deliver key projects such as our vulnerability plans. Currently we have £500k allocated but available in the Inclusive growth reserve and £1,600k in the growth and investment reserve.

Additionally we could choose to re-prioritise some projects from these reserves to allocate funding to our new priorities and this work will also take place over the coming months.

- 1.5 MHCLG have created a data collection exercise aimed to provide Government with up to date information on how existing funding is being used and the changes in income and expenditure for Councils. The 1<sup>st</sup> collection exercise was carried out in April and has been refined for the 2<sup>nd</sup> collection in May. To date there have been inconsistencies in how the returns were completed nationally due to differing interpretations on the form requirements and it is hoped that the consistency will improve as further collection exercises are carried out.

Breckland and other national groups such as DCN and LGA continue to lobby Government to highlight our cost pressures in the hope that further funding will be forthcoming so that the cost burden does not fall onto the Council Tax payers of Breckland or impact on our future service delivery.

## 2.0 **OPTIONS**

- 2.1 That Cabinet note the report and financial implications to the Council.
- 2.2 Do nothing.

## 3.0 **REASONS FOR RECOMMENDATION(S)**

3.1 This report is for information purposes.

#### 4.0 **EXPECTED BENEFITS**

4.1 To provide an overview of the current assessment of the emerging financial impact to the council from the Covid-19 pandemic.

#### 5.0 **IMPLICATIONS**

In preparing this report, the report author has considered the likely implications of the decision - particularly in terms of Carbon Footprint / Environmental Issues; Constitutional & Legal; Contracts; Corporate Priorities; Crime & Disorder; Data Protection; Equality & Diversity/Human Rights; Financial; Health & Wellbeing; Reputation; Risk Management; Safeguarding; Staffing; Stakeholders/Consultation/Timescales; Other. Where the report author considers that there may be implications under one or more of these headings, these are identified below.

##### 5.1 **Financial**

The report is of a financial nature & includes information within the report.

#### 6.0 **WARDS/COMMUNITIES AFFECTED**

6.1 N/A

#### 7.0 **ACRONYMS**

7.1 DCN – District Councils Network

7.2 LCTRS – Localised Council Tax Reduction Scheme

7.3 LGA – Local Government Association

7.4 MHCLG – Ministry of Housing Communities and Local Government

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#### Background papers:-

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**Key Decision:** No

**Exempt Decision:** No

**This report refers to Mandatory Service & Discretionary Services**

#### **Appendices attached to this report:**

Appendix A Financial Summary