


SHORT REPORT	
Subject Matter	Financial Impact of Covid-19
Lead Director	Rebecca Maher
Date	22 April 2020



1. EXECUTIVE SUMMARY

1.1 It is difficult to provide an accurate update about the impact of the Covid-19 pandemic on the council's financial position. It is assumed that the current crisis circumstances will continue for five months, in line with the assumption that has been used in preparing the draft return to the MHCLG for 15th April 2020 submission. The estimated total financial pressures across this period, for the council and Sandwell Childrens Trust (SCT), are **£23.641m**. The additional funding that the council has been allocated to cover the cost of Covid-19 is **£12.494m**. These funding pressures are likely to vary, and are still high-level estimates, due to the following: -

- The country is still in the early stages of this crisis and there are likely to be further additional costs that have not currently been captured.
- The current situation may continue for more than five months.
- The financial pressures covered in this report do not include the impact on Council Tax and Business Rates collection.
- There may be additional costs for the temporary mortuary, both for provision of the current capacity but also for a potential increase in capacity.

2. KEY ISSUES

ADDITIONAL EXPENDITURE

2.1 As at 14th April, the total additional expenditure that has been committed or is expected to be incurred by SMBC and SCT over the next 5 months is **£14.517m**. This is broken down as follows (using the format of the MHCLG return): -

	Projected Expenditure
	£
ASC - Additional Demand	807,928
ASC - Supporting the market	10,696,038
ASC - Workforce Pressures	320,000
ASC - Other including PPE	159,044
Childrens Social Care - Other	994,350
Education Other	30,000
Housing inc Homelessness	345,175
Environmental & Regulatory (including excess deaths)	1,004,940
Financial & Corporate	159,760
Total Expenditure	14,517,234

- 2.2 The Temporary Mortuary costs reflect a capacity of only 3,335 bodies compared to the initial requirement of 6,900. There are also a considerable number of 'known unknowns' and the estimated costs of this provision are changing almost daily. It is therefore possible that the actual costs are significantly higher than the current estimate.

LOSS OF INCOME

- 2.3 The estimated loss of income (excluding Business Rates and Council Tax) for the period April to August 2020 is **£9.124m**. This is as a result of both services closing and decisions being made to cease charging for some facilities to ease the burden on residents and businesses. This is broken down as follows: -

	Total for 5 months
	£
Education	1,002,000
Highways & Transport	1,537,000
Housing inc Homelessness	478,000
Cultural Services	734,000
Environmental & Reg (including excess deaths)	580,000
Planning & Development	2,752,000
Financial & Corporate	2,042,000
Total	9,124,000

2.4 The following income streams are not reflected within the above projection:

Council Tax Income

2.5 With regard to Council Tax, due to this being the start of a new financial year, it is not possible to estimate what the impact may be until we have completed a monthly cycle of recovery activity. At the end of April 2020, we will be able to compare the collection rate and number of reminders issues against the same point in the previous year. This will enable us to forecast the potential impact of the decision not to pursue recovery past final reminder stage.

2.6 To provide some context around this, the amount of 2019/20 debt for which liability orders were raised was £14.180m and £10.666m of this was collected because of enforcement action. This was for the full financial year but gives an illustration of the potential impact of no enforcement action.

Housing Rents

2.7 The Housing Revenue Account (HRA) income is expected to be adversely affected because of the deterioration in tenant's financial circumstances and increased rent arrears where people have been unable to access council offices to make cash payments. It is not possible to estimate the impact at this stage but with annual rental income in excess of £116m it is likely to be significant.

Council Tax Reduction

2.8 The impact of Covid-19 on many residents will be a loss of income/earnings. Many of these residents will be entitled to Council Tax Reduction (CTR). This will have a positive effect on collection rates, however any amount of CTR awarded is income which the Council foregoes. We must therefore monitor the cost of the CTR Scheme to accurately assess the financial position of the Council.

2.9 The total annual cost of CTR at the beginning of 2020/21 financial year was £28.902m.

Business Rates

2.10 It is hoped that there will be less of an impact on Business Rates collection as most of the business affected by the pandemic will receive relief and the council will be reimbursed for this through Section 31 grants. However, the amount of debt that was collected through enforcement action for Business Rates was approximately £8m.

2.11 The amount of 2019/20 debt for which liability orders were raised was £9.895m and £8.437m of this was collected because of enforcement action.

3. NEXT STEPS

- 3.1 Financial Services teams continue to assess the financial pressures daily and this is collated into regular submissions both regionally and to the MHCLG. Current projections indicate the Covid funding will be insufficient to offset our pressures over the next 5 months.
- 3.2 The service will also need to work closely with directorates to understand the impact on the council's reserves, current savings plans and the medium-term financial strategy.