

Performance and Finance Scrutiny Committee
9 July 2020
Report by Director of Finance and Support Services
Covid-19 Financial Update

1. The financial pressure on the council's finances was summarised in a report to this committee in May 2020. We outlined potential pressure of about £85m, noting the likely continual pressure impacting in future years.
2. The council is continually reviewing the expected costs and on-going pressures arising from the pandemic and has completed three monthly returns to government (known as Delta returns). Government has utilised these returns to ascertain the need of local authorities and develop funding strategies.
3. The latest estimate of the financial impact of the Covid-19 emergency upon West Sussex County Council was submitted to the Ministry of Housing, Communities and Local Government (MHCLG) on 19th June 2020. In the past month, since the previous estimate was submitted, there have been a number of significant changes, both in terms of the continuing reduction in the overall number of new infections and deaths arising from the pandemic, alongside the easing of some of the social distancing restrictions.
4. There has also been some additional funding streams being provided by Government, most significantly in relation to Infection Control and the local support provided to the national Test, Track and Trace system. In light of these changes, the estimated financial impact has started to reflect these changing circumstances and the expected impact of the future proposed recovery phase in response to the national emergency, for example the anticipated return to schools for pupils in September.
5. Our current financial modelling currently indicates that the estimated costs arising from the pandemic will be in the region of **£70** million in 2020/21, this would represent excess expenditure of **£33.6m** above the funding provided by the Government of **£36.4m**. In the absence of additional funding from the Government, this would have to be funded by either serious service reductions or through use of reserves. The unplanned use of reserves will reduce the financial resilience of the Council. Potentially, if the economic downturn is significant, it is likely

the income take from council tax will be significantly lower than currently projected figure, resulting in our pressures increasing to c**£85m**.

6. As explained previously to the committee the likely cost to the Council falls into the following areas:

- Direct costs from Covid-19 activities – Increased Adults Social Care costs including; accelerated hospital discharge, increased demand for residential care, supporting the domiciliary care markets, 20% and 10% payment in advance to domiciliary care providers and residential homes, staff working additional hours supporting the 8am-8pm service now being provided, cost of personal protective equipment, and additional cost of updating the IT infrastructure to enable the workforce to work from home.
- Cost associated from being in lockdown – Pressure on services including Children’s Social Care as the number of vulnerable children increases, a reduction of fees and charges and commercial income.
- Impact of the Council’s planned activities – Savings plans will be impacted in 2020-21 as efforts have been refocused on Covid-19 measures. Also, the capital programme delivery and cost avoidance projects will be impacted as the construction industry has paused during this time.
- Cost of recovery – Looking at how we will emerge will bring additional costs including:
 - dealing with a backlog of work where activity has been paused
 - costs to ensure social distancing can be maintained in our buildings
 - costs of transporting students to school while maintaining social distancing
 - costs incurred in developing cycle and footway initiatives.
- Cost related to the local economy including:
 - significant fall in anticipated income arising from business rates, particularly as a result of impact of Gatwick on the local area
 - a loss in Council Tax collection due to increased levels of hardship
 - loss of ‘growth’ in Council Tax base due to very little, if any housing development
 - a potential reduction in LEP funding necessary to deliver significant road schemes in the county.

7. The estimated costs to the Council fall into the following portfolio areas.

	A	B	C	D	E	F
by portfolio	2020/21 Budget	Covid-19 2020/21 Exp Pressures	Covid-19 Income Losses	Potential Unachieved Savings	Total Estimated Cost of Covid 19 (Col. B+C+D)	Estimated Cost as a % of Net Budget (Col. E/A)
Adults & Health	£209.42m	£21.42m	£1.62m	£4.59m	£27.64m	13%
Children and Young People	£129.57m	£7.86m			£7.86m	6%
Economy and Corporate Resources	£52.81m	£0.89m		£2.40m	£3.29m	6%
Education & Skills	£20.82m	£1.17m	£1.54m		£2.70m	13%
Environment	£60.38m	£0.17m	£0.13m		£0.30m	0%
Finance	£13.89m	£0.30m			£0.30m	2%
Fire & Rescue and Communities	£35.73m	£0.38m	£2.05m		£2.43m	7%
Highways and Infrastructure	£35.40m	£0.44m	£2.85m		£3.29m	9%
Leader	£1.45m				£0.00m	0%
Total portfolios	£559.47m	£32.63m	£8.19m	£6.99m	£47.81m	
Non portfolio	£34.39m	£1.07m	£1.20m		£2.27m	7%
Income Losses Collection Fund & Business Rates		£20.00m			£20.00m	
Total Net Expenditure	£593.86m	£53.70m	£9.39m	£6.99m	£70.09m	12%

8. It is likely that the pressures resulting from the pandemic will impact the financial planning over the medium-term as the longer-term economic impacts is understood. The reset and reboot plan to be presented for consideration at Council on the 17th of July 2020 will include an updated estimate of the gap over the next three years.

9. It is important that WSCC continues to lobby Government for sufficient funding to ensure that the Council can play an active role in the County's recovery from lockdown, ensuring communities are able to access employment and continue to lead healthy and happy lives. The Government has indicated that there will be a further spending review in the Autumn, which will provide some invaluable context for financial planning over the medium term.

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