

CABINET

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COVID-19 FINANCE UPDATE

Portfolio Holder: Councillor Alan Jarrett, Leader of Council

Report from: Neil Davies, Chief Executive

Author: Phil Watts, Chief Finance Officer

Summary

This report provides further information regarding the Council's response to and recovery from the Covid-19 (Coronavirus) global pandemic.

This report focuses on the financial implications of the pandemic and the financial support that the Government has provided to local authorities in response to this challenge. This includes the funding made available to support local businesses and vulnerable members of the community.

The report also updates Cabinet on the steps taken to equip Members with the technology necessary to facilitate online meetings during the period of lockdown and the further work undertaken to maximise the benefits from this investment.

1. Budget and Policy Framework

- 1.1 In terms of the emergency response to the Covid-19 pandemic, decisions are made through the Strategic and Tactical Command structure, in accordance with the provisions of the Civil Contingencies Act 2004.
- 1.2 During the recovery phase, the normal governance process resumes, in accordance with the Council's constitution.
- 1.3 Cabinet are responsible for ensuring that income and expenditure remain within the budget approved by Council.

2. Background

- 2.1 On 12 March 2020, the World Health Organisation advised that COVID-19 had become a Global Pandemic. In response the Local Resilience Forum (Kent Resilience Forum) put in place a Strategic Coordination Group (SCG). On 19 March 2020 the SCG decided that the virus was indeed a public health emergency and the response required would need a joint multi-

agency approach. In accordance with the Civil Contingencies Act (CCA) 2004, this resulted in Medway activating its emergency procedures to put in place a Command and Control structure. On 24 March 2020, the SCG had declared COVID-19 a Major Incident.

- 2.2 This report represents the latest in a series, updating Members on the work that officers have undertaken in responding to the Covid-19 pandemic. The first of these, considered by Cabinet on 9 June 2020, provided detailed information as to how the Council had managed the emergency response to the pandemic. The second, on 7 July 2020, provided a further update on response, but then outlined the work being undertaken as lockdown lifted and the Council moved into recovery. The Cabinet report on 4 August 2020 highlighted the approach the Council is taking in managing the recovery from the Covid-19 pandemic and the processes in place for restarting services post lockdown and the longer-term recovery.
- 2.3 This latest update focusses on the financial implications for the Council, explaining the financial support that the Government has made available and exploring the risk to the Council, both in the immediate term and to its longer term financial sustainability.
- 2.4 At the beginning of the national response to the emerging Covid-19 pandemic in the UK, on 16 March the Communities Secretary Robert Jenrick assured Local Government Leaders that: *“This government stands with local councils at this difficult time. Everyone needs to play their part to help the most vulnerable in society and support their local economy. The government will do whatever is necessary to support these efforts.”*

3. Support for Business

- 3.1 The Government responded quickly to the Covid-19 pandemic and following its decision to impose lockdown, the Chancellor, the Secretary of State and other Government departmental ministers announced a range of measures to support business. This included the furlough scheme for employees and the self-employment income support scheme administered by HMRC, together with the facility to defer payment of tax, however this report concentrates on those initiatives administered by local authorities.
- 3.2 Retail discount:
In March 2020, the Government announced a number of expansions to the retail rates relief scheme for 2020/21. As a result, ratepayers who were in receipt of a 50% discount, became eligible for 100%. The 100% discount was further extended to include properties completely or mainly used for leisure, hotels and assembly such as public halls. Additionally, the previous cap restricting the discount to those properties with a rateable value less than or equal to £51,000 was removed. Latest figures indicate that around £33.345 million of additional relief has been awarded to Medway ratepayers under the expanded scheme.

- 3.3 Pub discount:
The Government announced in the budget that this discount was to be increased from £1,000 to £5,000, however the impact of this relief was negligible, as it was applied to the account after extended retail discount.
- 3.4 Nursery discount:
The Government also announced that a 100% Nursery Discount would be applicable for 2020/21, where properties are occupied by non-local authority nursery school providers. The service identified eligible ratepayers and applied around £286,000 discounts have been applied to accounts.
- 3.5 Small Business Grants and Retail, Hospitality and Leisure Grants:
In his Budget on 11 March 2020, the Chancellor announced two grant funding schemes for local authorities to administer. Funded via the Department for Business, Energy and Industrial Strategy (BEIS), the grants were as follows:
- Small Business Grants for businesses with a rateable value of £15,000 or less and eligible for relief under the Small Business Rates Relief scheme or the Rural Rate Relief scheme;
 - Retail, Hospitality and Leisure Grants for businesses that are eligible for a discount under the Expanded Retail Discount scheme and with a rateable value below £51,000.
- 3.6 Medway's allocation for both grants amounted to £39,712,000 and as at the close of the window for applications, Medway had paid 2,934 grants of either £10,000 or £25,000 and totalling £36,075,000.
- 3.7 Robust processes were put in place within the Finance division to ensure that duplicate, ineligible and fraudulent applications were identified and a further 1,006 applications were rejected through this process.
- 3.8 Discretionary Business Grants:
On 2 May 2020, the Government announced a discretionary 'top-up' fund to accommodate certain small businesses outside the scope of the previously announced business grant fund schemes.
- 3.9 Local Authorities were entitled to claim up to a 5% increase in the funding awarded for the original Small Business Grants and Retail, Hospitality and Leisure Grants Fund, to be ringfenced for the Discretionary Grants Fund. The total funding for Medway (as confirmed by the BEIS on 20 May) is £1,848,250 to be met from the unspent balance of the Small Business Grants. As at the deadline for applications, Medway had awarded grants totalling circa £1,719,000.

4. Support for Residents

- 4.1 Very early on, the Government announced details of a £500 million hardship fund to provide council tax relief to vulnerable people and households to help those affected most by coronavirus. Medway Council was allocated £2,056,371 for this purpose, and this was used to award all households in receipt of a discount under the Council's working age council tax reduction

scheme a further £150 discount on their annual bill. To date almost 10,000 households have benefitted from this support.

4.2 The balance of unallocated funding has been set aside to provide the additional discount to new claimants and to meet claims under the Council's existing discretionary hardship scheme.

4.3 More recently, the Government announced the £63 million Emergency Assistance grant. This was designed to help those vulnerable individuals and families who are struggling to afford food and other essentials due to Covid-19. Medway Council received £336,715 and the decision was taken use this funding by increasing the capacity of the existing Local Welfare Provision scheme delivered by Citizens Advice Medway, as part of the Medway voluntary sector consortium, 'Better Together'.

5. Non-Ringfenced Covid-19 Funding

5.1 The Government also announced a range of emergency funding for local councils. At the same time, it commenced collection of monthly data returns, requiring authorities to estimate the financial impact of Covid-19 on expenditure requirements, losses of income from fees and charges and potential reductions in revenue from local taxation. This data collection is for planning purposes, to help the Government assess the financial pressures impacting on local government and to inform decisions regarding future funding of the sector.

5.2 In terms of direct financial support for local authorities, Medway received an initial £6.628million of emergency un-ringfenced grant funding in March 2020. Following submission of the first data return to the Ministry of Housing, Communities and Local Government, a second tranche of £7.648million emergency funding was received in April. More recently, the Council received a third allocation of £2.504million, together with a commitment that losses in income from certain discretionary services would be in part recoverable under a 75% compensation scheme and the flexibility to recover losses on the collection fund over three years, instead of against the next year's revenue budget.

6. Other Ringfenced Grants

6.1 In addition to this non-ringfenced grant, the Government announced some specific grants, with conditions attached, to support local authorities in responding to the emergency and to facilitate recovery:

- Adult Social Care Infection control fund: £2,091,910 to support adult social care providers to reduce the rate of COVID-19 transmission in and between care homes and support wider workforce resilience to deliver infection control. Around 75% was provided to care homes on the basis of the number of beds they had, with the balance being used to support home care providers.
- Test, track and trace fund: £1,592,918 to mitigate against and manage local outbreaks of COVID-19. A plan for this funding has been developed by the Director of Public Health, to ensure that we are well placed to manage an outbreak, should one occur in Medway.

- Emergency Active Travel fund: £1,545,000 (indicative) to support local transport authorities with producing cycling and walking facilities. This funding is available to Medway, to be drawn down from the Department of Transport, via claims.
- Reopening High Streets Safely fund: £246,396 to put in place additional measures to establish a safe trading environment for businesses and customers, particularly in high streets.

7. Impact on the 2020/21 Revenue Budget

7.1 The third MHCLG return was submitted on Friday 19 June 2020. While the estimated impact was largely consistent between the three returns, the third return was the first to be informed by the emerging forecasts from budget managers as the first round of the Council's budget monitoring was underway. The returns indicate:

- Additional expenditure beyond that budgeted, resulting from Covid-19 of circa £17 million;
- Income shortfalls resulting from Covid-19 of circa £37 million.

7.2 When offset against the non-ringfenced grant provided by Government, these estimates indicate a net pressure for Medway Council of around £40million in 2020/21, although that element relating to the risk to the collection fund will impact on the Council's budgeting in future years. Working with colleagues and partners across the sector, we continue to lobby the government to ensure local authorities are appropriately supported to manage the financial burdens of the Covid-19 response and recovery.

8. Medium Term Financial Strategy

8.1 Officers have commenced the process for setting the Council's revenue budget and capital programme for 2021/22, starting with the annual refresh of the Medium Term Financial Strategy (MTFS) and Capital Strategy.

8.2 Clearly the Covid-19 pandemic will have significant implications for the assumptions underpinning the MTFS and so work is taking place to help officers understand the likely impact of the pandemic on Medway's economy over both the immediate and longer term. This includes the future prospects for businesses in Medway and the impact on employment for local people. This in turn will allow officers to evaluate the future demand for statutory services (social care, housing and welfare benefits), the impact on income from fees and charges and the risks around council tax and business rates.

8.3 The financial sustainability of Medway Council and all other local authorities in the UK will depend upon how long the pandemic lasts, the Government's response to it and the extent to which the Chancellor's Autumn Statement addresses the structural deficit in local government funding that will be an inevitable product of the Covid-19 emergency.

9. ICT for Members

- 9.1 The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 came into force on 4 April 2020 in response to the emerging pandemic.
- 9.2 The Regulations enable local authorities to hold meetings remotely including by (but not limited to) telephone conferencing, video conferencing, live webcast, and live interactive streaming. The Regulations also removed the requirement for local authorities to hold annual meetings and to enable requirements for public and press access to local authority meetings and associated documents to be complied with through remote means and website access.
- 9.3 Whilst the Regulations allowed local authorities to make new standing orders about remote attendance at meetings in relation to voting, access to documents and facilities, on 23 April 2020 the Council agreed to delegate authority to the Chief Executive to agree, and amend, procedures for remote participation at Council, Cabinet and Committee meetings, following consultation with the Leader of the Council and the Leader of the Labour and Co-operative Group. The Remote Meetings Protocol was issued on 22 May 2020. The Protocol has been subsequently reviewed arising with some minor amendments.
- 9.4 The first meeting which took place with remote participation was Cabinet on 7 April 2020. This meeting was also livestreamed. Subsequently, a meeting of the Full Council took place on 23 April 2020 with a reduced number of Members attending, as a result of an informal agreement between the two Political Groups.
- 9.5 Following these meetings, committee meetings have been held with one Member based in the Civic Suite at Gun Wharf and other Members participating remotely. In addition to the usual lead officer and Democratic Services Officer providing support, staff from IT, an AV contractor and a Democratic Services Support Officer (DSSO) has also provided support. To support this, and in recognition that some Members did not have devices, or had devices that were not compatible with the successful use of MS Teams Live Events, Members have been provided with laptops, as required. This has ensured that all Members have the opportunity to take part in virtual meetings using MS Teams Live Events. It is the intention that this equipment will be loaned to all Members at the beginning of each four year term of office on the basis that it is used for all Council business, along with a medway.gov.uk email address.
- 9.6 The regulations are in force until May 2021, however, it is generally unclear what will happen as a result of the ongoing pandemic and the Council's overriding position is to comply with Government regulations and advice with regards to the holding of meetings. Officers will continue to monitor the latest position and will keep Members updated. Holding virtual meetings will contribute to keeping Members safe by enabling to attend meetings from

home and will allow the press and public to follow proceedings via livestreams.

- 9.7 If the current legislation allowing remote meetings is not extended or renewed, it will not be lawful for formal committee meetings to be conducted in that way. However, there are no such restrictions on meetings being Live streamed and a decision would need to be made formally to continue to do so after May 2021.
- 9.8 To support Members in making full use of the laptops, and all council staff with the use of technology introduced since the pandemic, a digital champions group has been introduced. Officers from across the Council will work closely to develop appropriate training to ensure devices and software are used to their full potential by both Members and officers.
- 9.9 “If a decision were made to continue to Live stream all formal committee meetings after May 2021, associated decisions would need to be taken about the extent to which the equipment was installed at Gun Wharf and St George’s Centre and a recognition required that additional funding would also be required to cover the costs of someone to attend each meeting to “produce” the Live Stream as it could not be subsumed within the role for the DSO or lead officer. It is not feasible to expect to engage the AV contractor to undertake this for all formal committee meetings post May 2021”
- 9.10 If ‘virtual meetings’ are to continue and to be livestreamed there would need to be modest investment in additional resources across both ICT and Democratic Services. It is envisaged that this additional investment would be covered from the savings generated from the wider transformation that this project will ultimately contribute to, including reduction in paper and the review of office accommodation.
- 9.11 Cabinet is asked to agree a number of recommendations in relation to the continued use of technology by Members. Namely the continued livestreaming of meetings and the required use by Members of their medway.gov.uk e-mail address for all Council business and communication with colleagues and Council officers.

10. Financial Implications

- 10.1 The financial implications are all contained within the main report.

11. Legal Implications

- 11.1 The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 remain in force until May 2021, however, it is generally unclear what will happen as a result of the ongoing pandemic and the Council’s position would be to comply with Government regulations and advice with regards to the holding of meetings. Officers will continue to monitor the latest position and will keep Members updated.

12. Risk Management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Revenue overspend in 2020/21	That the funds provided by Government are not sufficient to meet the additional expenditure and losses of revenue associated with the pandemic.	This will be identified through the quarterly monitoring process and where necessary officers will propose a range of management action to avoid an overspend.	BII
Structural deficit over the longer term	That the Chancellor's Autumn Statement and spending review do not address the structural deficit in local government finances caused by the pandemic.	Through the MTFs and budget setting process, the Council would need to fundamentally review everything it does, with a view to reducing annual expenditure and ensure financial sustainability.	CI
Reputational damage	Criticism, particularly on social media if Live streaming of formal committee meetings is not continued	Audio recording of Full Council meetings continues	DIII
Lack of resources	Live-streaming meetings requires input from ICT and Democratic Services. This additional work has been provided from current resource; however, this is having an impact on service delivery and is not sustainable for the staff involved.	Additional resource has been agreed for a six-month period to support meetings and alleviate pressure. However, if live-streaming meetings will be 'business as usual' going forward, then the extension of this resource will be required	DII

13. Recommendations

- 13.1 The Cabinet is asked to note the implications of the Covid-19 pandemic on the Council's finances and how these are being managed.
- 13.2 The Cabinet is asked to agree that in principle the Council's future formal meetings continue to be livestreamed, subject to a detailed analysis of costs.
- 13.3 The Cabinet is asked to agree to request that all Members use their medway.gov.uk e-mail address for all Council business and communication with colleagues and Council officers.

14. Suggested Reasons for Decisions

- 14.1 To highlight the role that the Council has played in responding to Covid-19 and explain how the financial challenges are being dealt with as effectively as possible within the funding envelope available.

Lead officer contact

Phil Watts Chief Finance Officer
Tel: 01634 332220
E-mail: phil.watts@medway.gov.uk

Appendices

None

Background papers

None