

MEDIUM TERM FINANCIAL PLAN - SUMMARY

2021/22 to 2025/26

January 2021

REVENUE BUDGET 2020/21 & 2121/22

REVENUE BUDGET 2020/21	Approved Budget 2020/21 £m	Recommended Budget 2021/2 £m
ORGANISATION		
Communications / Customer Service	0.933	1.052
Finance	1.123	1.168
ICT	1.866	1.810
Legal & Governance	2.057	2.022
Organisational Development & HR	0.785	0.785
Corporate Policy, Projects & Performance (inc environmental sustainability)	0.397	0.420
Property / Commercial	(1.693)	(1.510)
PLACE		
Economic Prosperity	0.398	0.398
Neighbourhood Operations	3.110	3.119
Place Delivery	0.275	0.326
Planning	0.660	0.548
PEOPLE		
Community Development	1.583	1.588
Housing	0.990	0.950
Revenues, Benefits & Fraud	0.022	0.525
Wellbeing & Intervention	0.537	0.537
SENIOR MANAGEMENT TEAM	1.166	1.166
SERVICE BUDGETS TOTAL	14.209	14.904
Central Budgets	4.047	2.492
NET EXPENDITURE 2020/21	18.256	17.395
Council Tax	14.100	14.365
National Non-Domestic Rates	2.900	1.819
Un-ringfenced grants – transferred to Reserves		
• COVID-19 Emergency Funding – Allocation 5	-	0.638
• New Homes Bonus – 2020/21 allocation from Central Government	1.789	0.887
• Homelessness Prevention grant	0.580	0.668
Other Un-ringfenced grants		
• Lower Tier Services Grant	-	0.394
• COVID-19 Tax Income Guarantee (estimate)	-	0.150
• COVID-19 Local Council Tax Support Grant	-	0.190

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REVENUE BUDGET 2020/21	Approved Budget 2020/21 £m	Recommended Budget 2021/2 £m
Contribution to Earmarked Reserves: <ul style="list-style-type: none"> • COVID-19 Emergency Funding – to COVID-19 Reserve • New Homes Bonus – to Government Funding Risks Reserve • Homelessness Prevention Grant 	- (1.789) (0.580)	(0.638) (0.887) (0.668)
Call on Earmarked Reserves in 2021/22 <ul style="list-style-type: none"> • Government Funding Risks reserve • Commercial Risks reserve 	- -	0.104 0.138
Use of funds from the General Fund Balance to support the 2021/22 revenue Budget	1.256	0.235
NET SOURCES OF INCOME 2020/21	18.256	17.395
BUDGET GAP	Nil	

NOTE 1: The actual sum to be drawn from Reserves to support the budget will depend on the budget outturn position for the year. Over recent years the budget outturn has been an underspend position with no requirement to call on Reserves.

MEDIUM TERM REVENUE BUDGET FORECAST 2021/22 to 2025/26

MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2020/21 £m	Cumulative Impact 2021/22 £m	Cumulative Impact 2022/23 £m	Cumulative Impact 2023/24 £m	Cumulative Impact 2024/25 £m	Cumulative Impact 2025/26 £m
20/21 Budget Requirement	18.256					
Services - Pay		(0.040)	(0.040)	(0.040)	(0.040)	(0.040)
New Strategies - Pay		0.143	0.143	0.143	0.143	0.143
Services – Non-Pay & Income		0.465	0.465	0.465	0.465	0.465
New Strategies – Non-Pay		0.023	0.023	0.023	0.023	0.023
Government Funding Reductions <i>(HB subsidy)</i>		0.104	0.104	0.104	0.104	0.104
Central Budgets		(1.556)	0.539	1.434	2.229	3.524
Council Tax						
£5 per Band D equivalent plus impact of forecast taxbase		(0.265)	(0.559)	(1.032)	(1.424)	(1.731)
Business Rates		0.347	0.468	0.423	(0.201)	(0.201)
Government Grants		-	(0.394)	(0.394)	(0.394)	(0.394)
One-Off Funding in 2021/22						
Govt Funding Risks Reserve <i>HB subsidy reduction</i>		(0.104)	-	-	-	-
Commercial Risks Reserve <i>Redhill hotel income reduction and traded services income reduction</i>		(0.138)	-	-	-	-
Reversal of one-off General Fund Contribution in 2020/21		1.256	1.256	1.256	1.256	1.256
General Fund Contribution 2021/22		(0.235)	-	-	-	-
Forecast Gap at November 2020 Compared to 2020/21 Budget – before ongoing COVID-19 Impacts	0.000	Balanced	2.005	2.382	2.161	3.149
Annual Increase in Gap		n/a	2.005	0.377	(0.221)	0.988
Gap as % of 2020/21 budget requirement		n/a	11.53%	13.69%	12.42%	18.10%

Plus Potential Impacts on 2021/22 Income Budgets of the COVID-19 Pandemic

Estimated Income Losses			
COVID-19 – estimated 2021/22 income impacts <ul style="list-style-type: none"> • Community Centres - £0.200m • Harlequin - £0.180m • Parking - £1.200m • Commercial Waste - £0.160m • Property Rents - £0.270m 		2.010	TBC
COVID-19 – estimated 2021/22 expenditure impacts <ul style="list-style-type: none"> • Homelessness support 		0.100	
Government COVID-19 Funding in 2021/22			
COVID-19 emergency funding		(0.638)	TBC
Sales, Fees & Charges Q1 Claim (est)		(0.750)	TBC
Additional One-Off Funding Drawdown in 2021/22			
Income Losses to be funded by calling on the Government Funding Risks and Commercial Risks reserves <i>[if no other Government support is received]</i>		(0.722)	TBC
Forecast Gap at November 2020 Compared to 2020/21 Budget – including estimate for ongoing COVID-19 impacts	0.000	Balanced	TBC

Work is continuing on forecasts for income and expenditure impacts beyond 2021/22 and updates will be provided in future budget monitoring reports.

Over the medium term the Council's strategy is to invest to realise new sustainable sources of income. This is dependent on successful delivery of schemes identified through the new Commercial Strategy.

EXTRACT: STRATEGIC RISK REGISTER STRATEGIC FINANCIAL RISKS

Risk No	Risk Description	Owner	Controls	Mitigating Actions / Progress	Rating	Status	Last review Date	Direction of Travel
SR2	<p>Financial sustainability</p> <p>The Council is now operating in a uniquely challenging and uncertain financial context.</p> <p>In the wake of the COVID-19 pandemic and likely recession which will follow, the Council faces a period of unprecedented financial uncertainty.</p> <p>The ongoing financial settlement with the Government also remains unclear with the Fair Funding Review and Business Rate Reset and Revaluation being delayed.</p> <p>There most significant risks relate to the extent to which the Government will fund the unplanned expenditure that is being incurred to deliver the Council's COVID-19 responsibilities at the same time as experiencing material reductions in income from fees and charges and local taxes. If this substantial financial burden is not</p>	<p>PM</p> <p>Portfolio Holder: Cllr Schofield</p>	<p>We prepared updated Medium-Term Financial Plan (MTFP) revenue budget forecasts and a five-year capital programme during service and financial planning for 2020/21 onwards.</p> <p>These are being used to confirm the extent of the financial challenges faced and support strategic service and financial planning decisions.</p> <p>We will continue to implement the actions detailed in the Capital Investment Strategy that was approved by Executive in January 2020.</p> <p>This will help ensure that capital investment decisions support delivery of the Council's strategic and financial objectives.</p>	<p>We will continue to ensure that strong financial management arrangements are in place and continue to invest in skills and expertise to support delivery of the council's financial and commercial objectives while managing associated risks.</p> <p>The Council's Medium-Term Financial Plan was reported to the Executive in July 2020. This sets out the forecast budget challenges over the coming five years. It will form the basis for service & financial planning for 2021/22 onwards.</p> <p>The specific outcomes of the Fair Funding Review and Business Rates Reset remain unknown; however it is expected to result in significantly reduced funding.</p>	R	Treat	14.10.20	-

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Risk No	Risk Description	Owner	Controls	Mitigating Actions / Progress	Rating	Status	Last review Date	Direction of Travel
	mitigated through direct Government support these unplanned financial pressures will have an adverse impact on the Council's capacity to deliver against its Corporate Plan ambitions in future years.		<p>We prepared the Treasury Management Strategy 2020/21 for approval (under COVID-19 delegation powers) in April 2020.</p> <p>This will ensure that treasury investments achieve target returns within approved security and liquidity limits.</p>	<p>COVID-19 has resulted in material new financial risks, both in 2020/21 and potentially over the medium term. Additional unbudgeted expenditure has been incurred to deliver the authority's response and budgeted sources of income have been impacted by reduced demand during lockdown.</p> <p>Government funding received to date is likely to address a significant proportion of the one-off cost pressures but there remains uncertainty about funding support for lost income from fees & charges and local taxes in 2020/21 as well as about whether income levels will return to pre-COVID levels in the remainder of the year and beyond.</p> <p>In Q2 the Council has submitted the first claim to Central Government for lost income as a result of the COVID-19 pandemic.</p> <p>The importance of: (i) adopting and implementing strategies that support sustainable income</p>				

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Risk No	Risk Description	Owner	Controls	Mitigating Actions / Progress	Rating	Status	Last review Date	Direction of Travel
				generation and (ii) taking forward income generating projects such as Horley Business Park, remains a high priority.				
SR4	<p>Partner public sector funding decisions</p> <p>The public sector is experiencing significant funding pressures. Budgetary decisions made by other public service providers will impact this borough's residents and businesses as well as the Council itself.</p> <p>The COVID-19 pandemic has increased pressure on public services. These pressures will result in reduced partner capacity which may require the Council to increase services and support provided. This could have negative funding and resource implications.</p>	<p>PM</p> <p>Portfolio Holder: Cllr Schofield</p>	<p>We will continue to maintain relationships with key partners across the public sector. This supports good information sharing, including future service and financial information</p>	<p>We expect to continue to hold meetings to discuss priorities and funding between the Leader, Executive and key partners such as SCC, Police and Raven Housing Trust.</p> <p>We will seek to align Council and partner priorities around the new Corporate Plan wherever possible, to ensure that all services are meeting the needs of our residents and businesses.</p> <p>We will seek to understand the funding decisions taken by partners at the earliest opportunity, and engage with them to consider the implications and avoid/minimise any negative impact on the borough.</p> <p>As noted in SR3 above, the financial distress or failure of a partner or neighbouring authority could result in</p>	A	Treat	14.10.20	-

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Risk No	Risk Description	Owner	Controls	Mitigating Actions / Progress	Rating	Status	Last review Date	Direction of Travel
				changes to the structure of local government in Surrey.				

COVID-19 Pandemic – Financial Implications

at January 2021

The Revenue Budget for 2020/21 that was approved in February 2020, was agreed before the impacts of the COVID-19 pandemic on the UK became apparent. It does not therefore consider the significant additional financial impacts that are now faced during 2020/21 on service income and expenditure budgets and on Collection Fund income forecasts for council tax and business rates.

Government Funding

The Government originally indicated an intention to fully-compensate councils for the financial impacts of COVID-19, however it remains unclear whether this commitment is just in relation to the additional costs incurred or whether it will also cover loss of income.

To date, relative to the scale of forecast financial impacts, the Council has received financial support as summarised the table below from Government and other agencies to offset the impacts on its budget.

Table 4.1: EMERGENCY GRANT (not ring-fenced)	£m
Emergency Grant allocation 1 • Equates to 64p per household.	0.042
Emergency Grant allocation 2 • Equates to £22.70 per household.	1.481
Emergency Grant allocation 3 • Equates to 3.11p per household.	0.203
Emergency Grant allocation 4 • Equates to £2.27 per household.	0.148
	1.874
Emergency Grant allocation 5 (for 2021/22 pressures) Equates to £9.78 per household.	0.638
	2.512

Table 4.2: OTHER SPECIFIC GRANTS AND FUNDING ALLOCATIONS	£m
Rough Sleepers accommodation funding. • In addition, £39.7k has been received from Surrey County Council from their Emergency Grant allocation to contribute to the cost of temporary accommodation for rough sleepers.	0.002 0.040
Next Steps Accommodation Funding - £180.3k • Contribution towards B&B costs	0.180
Reopening High Streets Safely Fund • Allocated to prepare for the reopening of non-essential retail	0.132
Emergency Assistance Grant for Food & Essential Supplies • Allocated via Surrey County Council	0.089
Compliance & Enforcement Grant	0.058

Table 4.2: OTHER SPECIFIC GRANTS AND FUNDING ALLOCATIONS	£m
<ul style="list-style-type: none"> For enforcement of measures to support public health including social distancing 	
Clinically Extremely Vulnerable Funding <ul style="list-style-type: none"> share of Surrey County Council grant allocation 	0.067
Contain Outbreak Management Fund (allocation from SCC) <ul style="list-style-type: none"> £3/£8 allocated to RBBC 	0.446
New Burdens 1	0.001
New Burdens 2	0.059
Environmental Health COVID-19 Response	0.079
	1.153

Income Compensation Scheme

In addition the Council is able to claim for reimbursement of a proportion of some COVID-19-related income losses. The terms of this reimbursement are quite specific:

- The scheme involves a 5% deductible rate, whereby authorities will absorb losses up to 5% of their planned (budgeted) 2020/21 sales, fees and charges income, with the Government compensating them for 75p in every pound of relevant loss thereafter. By introducing a 5% deductible Government argued that it is accounting for an acceptable level of volatility, whilst shielding authorities from the worst losses.
- Income from commercial activities is not eligible of reimbursement under the scheme
- Claims have to be certified by the Council's Chief Financial Officer and may be subject to audit.

Funding 2020/21 – Summary

This Council's share of income funding had not been confirmed at the time of preparing this report; the first claim for £1.086m (for eligible income losses in April to July) has been approved and the second claim for £1.044 million for August to November has been submitted.

The total COVID-19 Emergency funding allocated so far to this Council to cover expenditure incurred and lost income is therefore in the region of £2.5 million and a further £2.1 million has been claimed for income losses so far. However, as set out below, the forecast costs and loss of income forecast will potentially exceed the grants awarded.

Through the Local Government Association, Surrey Leaders, the Society of District Council Treasurers and the Surrey Treasurers' Association we have continued to make clear to the MHCLG and HM Treasury the scale of the financial impact and the case for additional funding.

While the Government published 'Our Plan to Rebuild' in May 2020 it remains uncertain as to how long the lockdown restrictions are likely to last and when the Recovery phase will end.

This means that accurate forecasting of the full financial impacts for this Council is remains challenging at this time and other updates will be provided through in-year financial monitoring and budget reports.

At the time of preparing this report it is expected that that the financial impacts of the pandemic will continue into 2021/22. The Government confirmed in the Provisional Settlement announcement that it will provide a fifth round of Hardship funding (£0.638 million) in 2021/22 and will fund income loss claims for the first quarter.

Other COVID-19 Funding

The Council has also received the following funding from Government for redistribution in line with specified guidance:

- Business rates – extended retail relief funding - £18.630m
- Business rates – nursery/local newspapers relief funding - £0.700m
- Small Business Grants Fund and Retail, Hospitality & Leisure Grants - £22.540m
- Local Discretionary Grants Fund - £1.130m
- Local Restrictions Support Grants (Closed) - £2.095m (grants to businesses told to close by the Government during the second lockdown)
- Additional Restrictions Support Grants - £2.975m plus £1.321m top-up = £4.296m (grants to other affected businesses during the second lockdown)
- Local Restrictions Support Grants (Closed) - £0.015m (grants to businesses told to close by the Government in Tier 2 in December 2020)
- Local Restrictions Support Grants (Open) - £0.210m (grants to other leisure, hospitality, hotels and B&Bs due to Tier 2 controls in December 2020) – funding TBC
- Christmas Support Payment - £0.045m (for closed ‘wet’ pubs)
- Local Restrictions Support Grant (Closed) – grants to businesses forced to close due to Tier 4 – funding TBC
- Closed Business Lockdown Payment – one-off grants of £4k-£9k for businesses forced to close during national lockdown – £6.282m
- Local Restrictions Support Grant (Closed) – grants to businesses forced to close due to Tier 4 – £3.142m
- Council Tax Hardship funding - £0.755m – to provide additional council tax support for households

- Test & Trace Scheme - £0.048 million for general claims plus £0.029 million for discretionary claims (payments to individuals who have to self-isolate and are unable to claim benefits) plus £0.027 million administration funding

How they are being utilised is explained below.

Expenditure Pressures

Since the outset of the pandemic the Finance Team has been tracking the financial impacts of the Council's COVID-19 response. New cost codes have been established to identify expenditure and an income and expenditure impacts model has been set up.

These detailed records are being maintained so that the impacts are readily identifiable to facilitate reimbursement wherever possible either from the Government or from Surrey County Council. For example, the costs incurred when providing support to residents in Category A (shielded) which is the responsibility of the County Council.

The financial impacts have been modelled based on lockdown restrictions lasting throughout 2020/21 in line with the parameters specified in the MHCLG's monthly COVID-19 financial impacts monitoring return. These assumptions are subject to regular review. The most recent return to MHCLG covers the period to 31 December. The figures quoted in this report for cost and income pressures are based on actual figures and full-year forecasts at 31 December.

The forecast additional expenditure for 2020/21 is summarised in the table below which follows the categories specified by MHCLG for the monthly financial data return:

Table 4.3: MHCLG EXPENDITURE CATEGORY	Full Year Forecast at 31.12.20 £M	Type of Expenditure Incurred
Housing Rough Sleepers	0.295	Temporary accommodation for Rough Sleepers and additional demand for B&B accommodation
Environment & regulatory – waste Management	0.117	Garden Waste – admin costs and vehicle hire
Finance & Corporate	0.076	Stationery, marketing materials and licensing for outdoor seating
	0.001	Vehicle Hire – cemetery
Other	0.060	Staff remote working – IT systems and support
	0.503	Staff and volunteer Training and Professional Support
	0.002	Revs and Bens Compliance and Checks for Business Grants

Table 4.3: MHCLG EXPENDITURE CATEGORY	Full Year Forecast at 31.12.20 £M	Type of Expenditure Incurred
Other - shielding	0.314	Voluntary Action Reigate & Banstead - VARB and YMCA Welfare Calls over a 10-week period Shielded Food Parcels and Communication
Other - PPE	0.123	Purchase of PPE for staff and volunteers
Other - excluding service areas listed	0.158	Publicity materials – e.g. social distancing banners Funding support - Voluntary Sector contributions Provisional Cost of support for Leisure Services Provider Support for Shielded Residents – including welfare calls, visits, foodbank and meals
Total Forecast Impact 2020/21	1.648	

Forecast expenditure pressures for 2021/22 are £100k plus for ongoing homelessness support (extra bed & breakfast costs and provision of loans for rent deposits in advance).

Income Reduction Pressures

In addition to incurring additional expenditure, the Council is also impacted by a significant reduction in budgeted income streams.

Overall, COVID-19 financial impacts are forecast to be more significant for the Council's income budgets compared to the additional expenditure incurred. This is in line with other district and borough councils, which tend to rely on fees and charges income as a greater portion of their budget.

Table 4.4: MHCLG INCOME CATEGORY	Full Year Forecast at 31.12.20 £M	Type of Income Loss
Cultural & Related Sales, Fees & Charges (SFC) losses	0.281	Harlequin – income reduction
	0.263	Leisure Services Provider - reduced Management Fees
Planning & Development SFC losses	0.349	Community Centres
	0.174	Reduction in Planning Fee income
Highways and Transport Sales, Fees & Charges (SFC) losses - other	2.210	Reduction in Car Parking income
Commercial Income Loss Total	0.360	Commercial Rents – income reduction

Table 4.4: MHCLG INCOME CATEGORY	Full Year Forecast at 31.12.20 £M	Type of Income Loss
		(including Redhill Market)
Other income losses	0.477	Garden Waste - income reduction
	0.205	Commercial Waste - income reduction
Other SFC income losses	0.204	Reduction in Revenues and Benefits Income from Third Party Clients
Total	4.523	

The main areas impacted include:

- Car parks usage and income from season tickets fell significantly following closure of council car parks on 30 March and the announcement that councils were required to make parking free for key workers.

Income from Pay and Display is forecast to reduce by £1.5 million compared to budget. whilst the bulk of expenditure associated with car parks, such as business rates and insurance, will still be incurred. The Council's policy with regard to residents who have paid for annual parking permits was reviewed and an extension was agreed, reducing forecast income by £240k. In addition many local businesses have applied for refunds on prepaid permits for staff.

A further impact is the reduction on forecast penalty ticket revenue: the predicted loss of income until the end of March 2021 is £130k for off street parking and £169k for on street parking.

- It is anticipated that across a range of other services including Planning, Building Control, Local Land Charges and Redhill Market income will fall significantly below budget in 2020/21 and there has been a temporary waiver of the monthly management fee received from the Leisure services provider - £263k.
- The increased risk to recovery of commercial rental income is estimated to be £40k. The most significant risk relates to Travelodge which applied for a Company Voluntary Arrangement (CVA), a legally binding agreement with the company's creditors to allow a proportion of the debts to be paid back over time, and some to be written off, typically lasting between two and five years. The Council is in negotiations with another hotel chain to take on the lease.
- The Revenues, Benefits and Fraud team experienced a reduction in recovery costs of £127k while magistrates courts were closed. Their income from contracted work for other councils has also reduced due to decisions by client authorities to pause recovery action.
- Pausing the garden waste collection service from March to June 2020 has resulted in a £477k reduction in income.

- Property rents are forecast to be lower than budget in 2021/22, primarily the Travelodge hotel in Redhill and the Old Town Hall in Reigate.

It is important to note that the Council's income budgets are not all based on an assumption of a 100% collection rate. Where appropriate, a level of arrears is assumed and a provision is made for bad debts. It is currently too soon to forecast whether the existing bad debt provisions will be sufficient to address all non-recovery as a consequence of COVID-19. An increase in the provision would require a call on revenue Reserves. This will be assessed as part of the year-end financial closedown.

Forecast income pressures for 2021/22 are:

- Community Centres - £0.200m
- Harlequin - £0.180m
- Parking - £1.200m
- Commercial Waste - £0.160m
- Property Rents - £0.270m.

Leisure Support Scheme

In late December 2020 Sports England published details of the Government's scheme for assisting outsourced Leisure providers with the costs of recovery/reopening between December 2020 and March 2021. The Council is working with GLL on a bid submission. The Council may be able to claim up to £0.270 million on behalf of GLL. No other funding has been made available to cover GLL's losses since the start of the pandemic.

Capital Programme Impacts

The Capital Programme 2020/21 to 2024/25 was approved in February 2020. No material changes to forecast expenditure or capital receipts have been identified to date. The main impacts are likely to be in terms of the timing of expenditure and income as some delays (slippage) may arise. The latest forecasts will be reported as part of quarterly capital programme monitoring and where necessary reports will be presented on specific schemes if any significant impacts are identified.

COVID-19 Pandemic: Summary Financial Implications

Overall the pandemic represents a material financial risk to the Council's budget and financial position. The information presented in this report represents the forecast at November 2020 based on the impacts during the first six months of 2020/21 and is likely to increase as more information becomes available. The financial impacts of a deficit on the Collection Fund (further details below) will add to these pressures.

The current estimate of the net adverse financial impact in 2020/21 is up to £1.0m after taking account of COVID-19 grant funding.

Table 4.5: FORECAST COVID-19 FINANCIAL IMPACTS 2020/21	Full Year Forecast at 31.12.20
	£M
Additional Expenditure	1.648
Income Losses	4.523
Government Grants <ul style="list-style-type: none"> • Emergency Grant - £1.874m (excludes £638k for 21/22) • Other Grants and Contributions - £1.153m 	(3.027)
Government COVID-19 Income Reimbursement: <ul style="list-style-type: none"> • April – July claim • August – November claim • December to March claim (est.) 	(1.086) (1.044) (1.000)
Net Forecast Unfunded Estimated Cost of COVID-19 in 2020/21	£0.014m

It should be noted that the accuracy of the above forecast depends on the completeness of COVID-19 income and expenditure forecasts and the outcome of Government funding decisions. The final position will not be confirmed until the budget outturn for 2020/21 is known.

This latest forecast of the net financial impact is not significant and can be funded through the Headroom Contingency sum that is included in the 2020/21 budget.

The Net Revenue Budget requirement for 2020/21 is £18.256 million. As a percentage of the net budget requirement it is less than 1%.

An alternative measure (to allow comparison with other councils) is to calculate the impacts in relation to the Council's 'Core Spending Power', the Government's standard measure which takes into account the authority's annual local government settlement funding assessment, forecast council tax income and its new homes bonus allocation. This Council's core spending power for 2020/21 is £18.430 million therefore the impact of the COVID-19 pandemic remains below 1% of its Core Spending Power.

Looking forward to 2021/22 the most significant impacts are forecast to relate to ongoing income losses (as explained above). Early indicative forecasts of income losses, additional costs and Government funding support are set out in the table below.

Table 4.6: FORECAST COVID-19 FINANCIAL IMPACTS 2021/22	Forecast at 31.12.20
	£M
Additional Expenditure <ul style="list-style-type: none"> • Homelessness support 	0.100

Table 4.6: FORECAST COVID-19 FINANCIAL IMPACTS 2021/22	Forecast at 31.12.20 £M
Income Losses <ul style="list-style-type: none"> • Community Centres - £0.200m • Harlequin - £0.180m • Parking - £1.200m • Commercial Waste - £0.160m • Property Rents - £0.270m 	2.010
Government Grants <ul style="list-style-type: none"> • Emergency Grant Other Grants and Contributions 	(0.638)
Government COVID-19 Income Reimbursement: <ul style="list-style-type: none"> • April – June claim (est) 	(0.750)
Net Forecast Unfunded Estimated Cost of COVID-19 in 2021/22	£0.722m

As for 2021/22 it will be important to continue to monitor and report these forecasts as part of in-year budget monitoring.

Options for Mitigation of the Financial Impacts

The main options for mitigating the ongoing financial impacts of COVID-19 include:

- Continue to lobby Central Government for additional funding in recognition of the impacts on district Councils and their ability to deliver services. The Council is actively working with other councils and networks on this.
- Look to make offsetting savings and efficiencies where possible.
- Make use of Earmarked Revenue Reserves to close the gap. This has implications for the projects and services and other potential risks that were intended to be funded from these resources.
- As a final resort, potentially apply capitalisation to some of the costs and financial impacts to enable the Council to borrow and fund them on a long-term basis. Local authorities are lobbying for greater flexibility from Government in this area. This may include using capitalisation flexibilities to cover costs from forecast future capital receipts and this may include making targeted asset sales to support this.

Further updates on the forecast costs and income and how they might be funded will be included in the quarterly budget monitoring reports in 2021/22.

Longer-Term Outlook

The preceding sections have focused on the short-term financial impacts for the Council in 2020/21. Of potentially greater concern is the impact of the projected

economic downturn on public expenditure and local government finances and what that means for public sector funding over the longer term.

UK public sector net borrowing is estimated to have been £31.6 billion in November 2020, £26.0 billion more than in November 2019 and the third-highest borrowing in any month since records began in 1993.

Once the immediate crisis is over and lockdowns have ended, the IMF have indicated that governments will have to raise taxes and put the brakes on public spending to bring their books closer to balance.

This need to bring down public debt is going to come into play alongside an economic contraction unprecedented in modern times. This will not only place additional pressure on Government funding but is also likely to have considerable impact on the Council's ability to raise additional income.

In recent years, local government has been increasingly relying on business rates as a source of income, which will in future years be less buoyant. In addition to the medium-term impact of the economic effects of COVID-19, in January 2021 the UK's transition period with the EU came to an end, and it is still not clear what impact the exit agreement will have on the economy.

The Office for National Statistics reported that GDP declined by 2.6% in November 2020 as Government restrictions reduced economic activity and was 8.5% below pre-pandemic levels. The services sector acted as the main drag on growth in November, with industries such as retail and accommodation accounting for nearly 80% of the fall.

In the labour market it is reported that 9.9m people were furloughed and classed as economically inactive at a cost of £46.4 billion. It is uncertain how the long-term effects on unemployment rates will work through the economy. At October 2020 The UK unemployment rate was estimated at 4.9%, 1.2 percentage points higher than a year earlier and 0.7 percentage points higher than the previous quarter.

The Government's furlough scheme has been extended to 30 April 2021. When it ceases, any increase in unemployment and / or furloughing of employees is likely to affect the sums the Council has to pay in Council Tax support, the amount collected in Council Tax and may have further knock-on effects to the business rates base and income from all sources – including car parking, planning and commercial rents.

Collection Fund Impacts

The in-year cash flow impact of business rate and council tax income shortfalls will be accounted for through the Collection Fund and eventually impact on the budgets of all precepting authorities (the County Council, the Police & Crime Commissioner and the Government), as well as this Council.

At 31 December 2020:

- Council Tax Collection was down by 1.40% compared to December 2019
- Business Rate Collection was down by 0.21% compared to December 2019.

At the time of preparing this report £0.445 million in Hardship Funding had been awarded to 3,291 households.

Business Support Grants

At the time of preparing this report the following sums had been distributed:

- Small Business Grants Fund and Retail, Hospitality & Leisure Grants - £22.540m to 1,714 businesses
- Local Discretionary Grants Fund - £1.130m to 161 businesses
- Local Restrictions Support Grants (Closed) - £0.928m to 558 businesses
- Additional Restrictions Support Grants - £0.129m to 88 businesses
- Local Restrictions Support Grants (Closed) - £0.030 to 30 businesses
- Local Restrictions Support Grants (Open) - £0.059m to 75 businesses
- Christmas Support Payment - £0.026 to 26 businesses
- Local Restrictions Support Grant (Closed) – grants to businesses forced to close due to Tier 4 – £0.539m to 538 businesses
- Closed Business Lockdown Payment – £2.817m to 566 businesses
- Local Restrictions Support Grant (Closed) – grants to businesses forced to close due to Tier 4 – £4.408m to 566 businesses

Test & Trace Payments

The authority has also been responsible for making payments under the NHS Test & Trace Scheme to individuals who have to self-isolate and are unable to claim benefits.

- At the time of preparing this report 147 claims had been processed totalling £0.074 million.

Other COVID-19 Financial Implications

In April 2020 the Government announced that implementation of the Relative Needs & Resources (Fair Funding) Review and the move to 75% Business Rates Retention planned for 2021/22 was deferred for at least a year. Both changes had been identified in the Council's MTFP as potentially adding to the authority's budget pressures in future years. This was confirmed in the provisional Settlement announcement in December. It also indicated that the removal of Negative Revenue Support Grant was also delayed (and possibly no longer proceeding).