

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 5 AUGUST 2020
REPORT OF THE CORPORATE DIRECTOR (RESOURCES, ENVIRONMENT &
CULTURAL SERVICES DIRECTOR)

COVID-19 – Impact on the council's finances

1 Executive Summary

- 1.1 Members received an update at the Special Council meeting on 6 May 2020 regarding the council's response to COVID-19. An update was also provided to Cabinet on 16 June 2020 and Full Council on 20 July 2020, to highlight the continued challenges that the council is facing, and the rapid responses that had to be deployed to ensure our core services are being delivered and that residents and businesses are continued to be supported during the difficult time.
- 1.2 COVID-19 is already having a significant adverse effect on the economy, it is also affecting the services that the council delivers. Officers have previously estimated that the financial pressures due to COVID-19 is around £7m this year, of which £1.28m has been funded for by the government by April. The Leader of the council wrote to the Secretary of State in May seeking his commitment to provide further funding for local authorities to alleviate COVID-19 related income and expenditure pressures.
- 1.3 In early July, the government announced further financial support to the local government sector and a further £0.194m has been allocated to the council, making the total funding allocated to £1.48m.
- 1.4 The council is in a strong financial position and has been praised in last year's Peer Review of good financial management. The financial supports announced, along with the earmarked COVID-19 set aside from the end of the last financial year, means that the council is not expected to be in any immediate financial risk. However the scale of the impact on the economy and public finances resulting from COVID-19 in the medium-to long-term is unknown.
- 1.5 This report provides an update of the financial pressures due to COVID-19 in light of the quarter 1 budget monitoring information and also sets out the financial setting timetable and also how it links to the review of the Council's Business Plan.

2 Recommendation(s)

- 2.1 That Cabinet agrees to:
 - 2.1.1 Note the estimated financial impact outlined in this report and that this is subject to change as the government makes further policy announcements.
 - 2.1.2 Note the budget setting and business plan review timetable as set out in section 3 of this report.

3 Explanation

Financial impacts due to COVID-19

- 3.1 The financial impacts in this section are based on best estimate and some of the income losses highlighted are the amounts that are **at risk** and have reported in Q1 budget monitoring. The finance team will continue to monitor the situation on a monthly basis.

	Potential full year impact (estimated in May 2020)	Potential full year impact (estimated in Aug 2020)	Paragraph reference
	£	£	
Reduction in income			
Parking and enforcement income	530,000	575,000	3.2
Campus West	770,000	770,000	3.3
Property rental income	450,000	450,000	3.4
Garages	230,000	40,000	3.5
Business Centres	44,000	160,000	3.6
Community Centres	69,000	76,000	3.7
Other income areas	447,180	307,000	3.8
Increase in expenditure			
Leisure contract savings at risk	245,000	245,000	3.9
Homelessness	300,000	200,000	3.10
Public Health burial and costs associated to increase number of burial space	30,000	0	3.11
Council tax income at risk	500,000	500,000	3.12
Business rates income at risk	1,500,000	1,500,000	3.12
General Fund impact	5,115,180	4,823,000	
HRA Potential returned RTB receipts and interest penalty due to not hitting required 141 spend	1,600,000	350,000	3.13
Potential loss of other HRA income	200,000	168,000	3.14
Financial impact	6,915,180	5,341,000	

General Fund

- 3.2 **Parking and enforcement income** - Our parking income and parking enforcement income included in the 20/21 budget totalled to about £1.6m. Parking charges were suspended between 25 March and 14 June. Resident parking permits were suspended between the end of March to early July and all existing permits were extended by 3 months. It is estimated that about £575k of this income may not be achievable.

- 3.3 **Campus West** – Whilst the cinema was able to open from 4 July with a much reduced capacity, Roller City and Soft Play have been closed since 18 March. The total 2020/21 income budget for our entertainment venue is £2.3m and it is estimated that about £770k of the income is likely to be at risk.
- 3.4 **Property rental income** - The council owns a number of properties, neighbourhood shopping parades in the borough, some of these properties are linked to our town centre regeneration schemes. The annual rental income is about £3m and a large number of tenants had contacted the council asking for a revised payment plan. It is probable that around £450k of the income would need to be deferred to future years.
- 3.5 **Garages income** - The council also owns a number of garages across the borough and generates income of £2.3m to the general fund, it was initially estimated that the occupancy rate would drop during the lockdown period but did not appear to materialise, however £40k of the income could still be at risk.
- 3.6 **Business centres** – Whilst the income for Weltech business centre has been holding up, partly due to the availability of government support made available. As the financial support eases, there could be a drop in occupancy rate. The refurbishment project at HatTech Business Centre was delayed due to lockdown. It is estimated that the loss in business centres income could total to about £160k.
- 3.7 **Community Centres** - The council had to close all of its community centres since mid-March and the current challenge to meet the COVID secure requirements and social distancing measures mean that they are likely to remain close for some time. It is estimated that the loss of income would amount to about £76k.
- 3.8 **Other income areas** - there has been a reduction in the income received for development control due to the pandemic, it is estimated that about £120k will be lost in planning income. The Magistrates Court hearing was closed during the lockdown period and that the Council has not been issuing Council Tax and Business Rates courts summons. It is estimated that about £150k of income will be lost in Council Tax fines from Magistrates. The Mill Green Museum and Roman Baths have been closed since mid-March, the estimated loss in income amount to £37k.
- 3.9 **Support to Leisure contractor** – Both Cabinet Office and Sports England have indicated that supports should be provided to contractors, which includes making advanced payments and entering into open book accounting. The council's leisure provider, Greenwich Leisure Ltd (GLL) approached the council at the beginning of the lockdown seeking financial support from the council as they were receiving no income during the lockdown period. The council has negotiated and where appropriate, a maximum cap has also been set and agreed that any major items of expenditure by GLL would require approval from the council. Whilst the leisure and swim centres are expecting to reopen in late July, the income level will not be expecting to return to normal level for some time. The financial impact is uncertain for the remainder of the year but the total savings of £245k built into the 20/21 budget is at risk.
- 3.10 **Homelessness** - The Council has made huge efforts to ensure all homeless people and families have safe places to stay and self-isolate if needed. This has included relocating the Hatfield night shelter to the Jim McDonald Centre and

negotiating with local hotels. The financial pressure to the council is about £300k, about £100k of this is covered by the homelessness grant.

- 3.11 **Public Health burials** – Whilst there was an increase in the number of Public Health burials, the additional cost has been offset by an increase in cemeteries income.
- 3.12 **Council Tax and Business Rates income** - Both the council tax and business rates teams have received large number of calls requesting for new payment plan to be agreed. If the collection rate of council tax drops by about 5%, Welwyn Hatfield's share of the cost would be about £500k. Welwyn Hatfield is in a business rates pool for the current year and it is estimated that about £1.5m of the income is at risk due to closure of businesses. Due to the way that collection fund accounting works, these losses materialise in budget in future years.

Housing Revenue Account (HRA)

- 3.13 **Affordable Housing programme - Right to Buy receipts** - There is currently a restriction placed by the government that the retained right to buy receipts must be spent within 13 quarters. MHCLG has allowed a 6 month extension for the right to buy receipts that were due to be spent by 20/21 Q1 and Q2. This has helped the council and the amount of right to buy receipt at risk is now reduced from £1.6m to £350k.
- 3.14 **Other HRA income** - A number of other income areas have also been adversely impacted by COVID-19, this include suspension of Community buses, Jim McDonald centre rental income. It is estimated that £168k of income could be at risk.
- 3.15 **Financial Funding package to local government**
- 3.15.1 The council was allocated £1.28m out of the £3.2 billion funding package back in April.
- 3.15.2 In early July, the government announced a further funding package for local authorities, which is made up of 3 elements:
- a) New £500 million of funding to cover local authority spending pressures – the council will be receiving £194k, which means the total COVID grant received to date amounts to £1.48m
 - b) Income guarantee on fees and charges - under this scheme, councils bear the first 5% of losses compared to their budgeted income, but the Government will support those worst affected by covering 75p in every pound of losses beyond this. At this stage, it is unclear precisely what type of fees and charges are included under this scheme, and the government is expected to publish further details on this.
 - c) Phased repayment of Collection Fund deficits over the next 3 years. The details of this is expected to be released at a future date.

3.16 2021/22 Budget Setting and Corporate Plan review

- 3.16.1 The financial impact due to COVID-19 will certainly go beyond the current financial year. Although there is no immediate concern to the council's finances, there is already a budget gap in the current medium-term financial plan for next year and beyond.
- 3.16.2 Work of the financial resilience recovery subgroup is already underway, part of the workstreams include looking at a consistent approach on income recovery for the remainder of the year.
- 3.16.3 The council's Modernisation programme is also underway, which will deliver continuous improvements to our service delivery, leading to better outcomes to our residents. It is expected that the efficiency savings from the modernisation programme will help to address the budget gap going forward.
- 3.16.4 The council's corporate plan is due to be reviewed this year. This will be driven primarily by the council's COVID-recovery plan and the modernisation programme. There will also need to be a much stronger link between the budget setting process and the review of the corporate plan.
- 3.16.5 The new Overview and Scrutiny Committee (OSC) will have a role to play to the budget setting. Subject to the outcome of the next Constitution Review Group and the OSC meetings at the end of July, it is anticipated that a task and finish group could be set up to provide invaluable input to the budget setting and business plan review.
- 3.16.6 The key events in the coming months are set out below:

August Cabinet	Q1 budget monitoring report, Updated COVID-19 financial impact and timetable for budget and business plan setting
End of August	All Member Finance Seminar
Sept Cabinet	Review of Medium-Term Financial Strategy
Jan Cabinet	Draft 21/22 council tax and budget setting, 2021-2024 Business Plan
Early Feb Full Council	Approval of 21/22 council tax and budget setting, 2021-2024 Business Plan
Late Feb Full Council	Approval of 21/22 Council Tax Setting

3.17 Conclusion

- 3.17.1 The total estimated budget impact due to COVID-19 amounts to £5.3m.
- 3.17.2 In terms of the General Fund, the estimated impact amounts to £4.8m. Taking into account the government support available to date of £1.5m and plus the £0.4m COVID-19 reserve set up at the end of 19/20, the net impact is around £2.9m. The income guarantee, along with the phased repayment of collection fund deficit over 3 years, will help to reduce the budget impact further.
- 3.17.3 All the grant funding element announced so far is for General Fund only, therefore the estimated budget impact on the HRA remains at £0.5m. However, it should be noted that as referenced in the section above, the government has temporarily extended the time period to spend the right to buy receipts.

4 Legal Implication(s)

- 4.1 The council is a Category 1 responder for the purposes of the Civil Contingencies Act 2004 meaning the council has a duty to work with partners to plan for and recover from emergencies, and also to keep critical services going.

5 Financial Implication(s)

- 5.1 This is set out in the report.

6 Risk Management Implications

- 6.1 A strategic risk is in place covering the impacts of Covid-19. Managers are also addressing Covid-19 impacts within their operational risk registers.

7 Security & Terrorism Implication(s)

- 7.1 There are no known security or terrorism implications arising from the matters in this report.

8 Procurement Implication(s)

- 8.1 Support to the council's suppliers and contractors in light of the challenges they are facing resulting from COVID-19 have been introduced in accordance with Cabinet Office guidelines. The support includes revising some contracts to an open book basis.

9 Climate Change Implication(s)

- 9.1 There are no climate change implications directly linked to the recommendations set out in this report.

10 Health and Wellbeing Implication(s)

- 10.1 There are no direct health and wellbeing implications directly linked to the recommendations set out in this report.

11 Link to Corporate Priorities

- 11.1 The subject of this report is linked to the delivery of all the Council's Corporate Priorities.

12 Communications Plan

- 12.1 The corporate communications team are coordinating all Covid-19 communication activity across the council.

13 Equality and Diversity

- 13.1 An Equality Impact Assessment (EIA) has not been carried out in connection with the proposals as there are no equalities or diversities issues arising from the report.

Name of author Ka Ng
Title Corporate Director (Resources, Environment and Cultural Services)
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