

Appendix 2 – Financial Impact of Covid-19

Covid-19 has had a number of direct and indirect adverse financial impacts on the Council finances particularly during 2020/21. Members will recall that a complete revised budget framework was approved by Council in September 2020 as it was recognised that the budget framework that was only approved 6 months earlier was no longer fit for purpose. The areas most affected were in relation to significant income losses which over the period of the pandemic is costed at nearly £2m. The Government recognised this and introduced an income losses scheme which, whilst not completely reimbursed local authorities enabled the Council to recoup £783k of the losses (39%).

The Committee was regularly provided with finance reports during this period with finance impact reports presented to each Committee meeting during the whole period of 2020/21 which also provided information on the projected income losses and ongoing updates on the Government funding being received. The Committee was also provided with a Finance Risk Register to provide members with information of the potential financial exposure and the actions being taken at the time to mitigate this.

The table below sets out the main areas of impact which range from the direct income losses, additional unbudgeted costs such as PPE and also the financial consequences of re-allocating resources to deal with the Council's response thus taking teams away of supporting the transformation agenda. In total it is estimated that the overall impact was over £3m in 2020/21 and an estimated further £1.3m in 2021/22 (although accepting that this figure is still an estimation). (It is accepted that it is not possible to accurately determine the overall impact as in any financial year there are always fluctuations and variances of expenditure and income and therefore it is difficult to determine which of the variances occurred are directly attributable to the period of the pandemic).

There has been funding received in order to minimise the financial impact and the overall general funding support received (rather than specific funding that was received such as test and trace, business grants and household support fund) has been approximately £3.2m as identified in the table below. The composition of the funding includes direct support to the leisure and cultural recovery (this funding was in response to applications made by the Council), income losses reimbursement (as referred to above) and general un-ringfenced support to support cost pressures and other indirect financial impacts. In 2020/21 the Council received over £1.7m in one-off Government support. This funding contribution was not based on any specific information but based on a Government formula used across the sector.

| Cost/Income losses | 2020/21 £'000 | 2021/22 £'000 | Govt Grants received – (Specific or General) | 2020/21 £'000 | 2021/22 £'000 |
|-------------------------------------|--------------------------|--------------------------|---|--------------------------|--------------------------|
| Income losses | 1,043 | 888 (forecast) | Co-payment income losses Grant | 653 | 130 |
| Transformation savings not achieved | 170 | 170 | Leisure Recovery Grant | 321 | 0 |
| Unforeseen expenditure- PPE etc | 10 | 0 | Cultural Recovery Grant | 230 | 100 |

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|---|--------------|--------------|--|--------------|------------|
| Procurement savings not achieved | 188 | 188 | Un-ringfenced Government support for Council | 1,793 | 0 |
| Conversion costs for homelessness accommodation | 13 | 0 | | | |
| Leisure losses | 429 | 0 | | | |
| Culture losses | 1,230 | 100 | | | |
| TOTAL | 3,083 | 1,346 | TOTAL | 2,997 | 230 |