

COVID-19 SURVEY – SUMMARY OF RESULTS

Many thanks to all those who have responded to the quickfire survey, as well as to colleagues who have helped with the process by collating multiple returns into a single return which then reached us.

The following tries to summarise some of the key points arising – but there were a wealth of suggested issues and challenges which we have tried to capture in a more detailed (but still summarised) form in the table that follows the key points.

We are also mindful that there have been announcements by the Government in the few days since this exercise was conducted. All contributions reached us by the end of Monday would not reflect subsequent announcements (eg grant payments being brought forward, or clarified guidance).

Summary of key points: financial challenges facing councils

Exceptional costs of dealing with COVID-19

- Service costs
 - o setting up and co-ordination of support hubs for vulnerable people asked to undergo sheltering
 - o mortuary/crematorium costs (with a separate question of whether councils will need to forego associated income)
 - o support for schools opening out of term
 - o community safety measures
 - o rebilling business rates payers as and when new support is provided
- Own staffing (sickness and absence cover, re-deployment, overtime, additional shift allowances where 24/7 working is in place, and building capacity in eg communications)
- ICT and facilities (infrastructure for widespread home working, setting up new call centres, costs associated with closure and reopening of sites)

Increased service demand, both in the short term and long term

- Social care
 - o Additional care home beds
 - o Additional costs in adult social care due to underwriting the cost of missed home care visits without receiving the income
 - o Additional costs due to staffing shortages which inflate the staffing bill of providers
 - o Market forces can drive up costs in general due to increased demand
 - o Protective equipment
 - o 'Early days' in children's services but needs monitoring as the situation evolves
- Waste (potential higher waste disposal and collection costs, staff shortage impact on service also possible)
- Home to school transport (maintained to retain sector viability and support key workers, especially during what would be school holidays)
- Homelessness (including support for those who need to self-isolate and a potential longer term increase in homelessness)
- Housing benefit (the announcement of the increased LHA rate will lead to more HB payments which has a cash flow impact)

Impact on local taxation income

- A fall in the council tax collection rate could have the most significant impact and would be a funding and cashflow risk
- Currently unclear if the hardship fund will be sufficient to compensate for loss of council tax so the loss of taxbase could have a major impact.
- Big cashflow impact if councils are asked to provide the council tax 'holiday' of two months at the start of the year instead of the end of the year.
- There is a risk of businesses defaulting on their business rates bills. The additional support to businesses will help off-set this to an extent, but councils are expecting a higher level of default or business that simply stop trading to impact this. The levels could be less significant than council tax, but it could be an issue if the magnitude spikes.

Loss of income, including rental and commercial income

- Impact on fees and charges from a number of council services. Lists of examples in the detailed table below, but includes parking, leisure centres, transport fees, planning fees, adult social care fees etc
- General impact on return on investments, but anecdotally this seems to be connected more to where councils have invested in struggling local areas for regeneration rather than more commercial investments.
- A need to grant rental holidays for areas like Enterprise Centres, nurseries, pre-schools
- Councils have heard from small businesses saying loan support being provided by government is not sufficient. They are often looking for rent waivers rather than holidays. Some businesses without a rateable value are also not eligible to receive the BEIS grant.
- Potential loss of HRA rents

Impact on savings and capital programmes

- 2020/21 savings plan at significant risk as focus has been diverted from delivery of savings to managing the crisis. The medium term is also impacted as many savings initiatives take place over a medium term, so steps not taken today will have a medium term impact.
- There might be issues related to funding from developers, staff availability and the delays to projects also adding to costs
- Deferral of highways maintenance: reduced expenditure due to shortage of labour and materials - but leading to higher long-term costs and increased insurance claims.
- Delivery of major contracts (incl highways): Valid claims (compensation events) under the Force Majeure clauses in live construction contracts. Compensation events may be inevitable and the financial consequences could escalate as productivity declines. There may be circumstances where contracts need to be terminated if contractors cannot comply with their obligations.
- Postponed income from sale of assets creates cash flow impacts and has an impact on the delivery of the capital programme

Treasury management and cash flow issues

- Reduced capacity for internal borrowing
- Loss of income on cash balances due to changes in the market and prioritisation of short-term holdings to maximise liquidity
- Risk of long-term increase to employer pension contributions during the economic downturn
- Changes to payment to suppliers to move to more immediate and advance payments has a cash flow impact.

DETAILED SUMMARY OF SURVEY RESPONSES

Subtopic	Commentary
NEW EXCEPTIONAL COSTS	
Staffing	<p>Sickness and absence cover</p> <p>Re-deployment</p> <p>Overtime (eg for business rate and council tax teams as a result of administering grants and hardship funding, including dealing with queries)</p> <p>Communications capacity</p> <p>Adaptations to facilitate remote working</p> <p>Additional shift allowances where a council, or specific service such as adult social care, moves to 24/7 working</p>
ICT and facilities	<p>Facilitating remote working (kit, licences etc)</p> <p>Cyber security</p> <p>New call centres</p> <p>Costs associated with closure and reopening of buildings</p>
Service costs	<p>Setting up and co-ordination of support hubs for vulnerable people asked to undergo sheltering.</p> <p>Mortuary/crematorium costs. Question about whether councils will be expected to forego associated income from these services too.</p> <p>Rebilling business rates as and when new reliefs are announced.</p> <p>Schools opening out-of-term might have cash flow implications</p> <p>Community safety measures including street lighting</p>

Subtopic	Commentary
INCREASED DEMAND FOR SERVICES	
Social care	<p>A potential flex on home care costs up to 25%. Some councils are underwriting the cost of missed visits, including the loss of the client contribution that would have been received</p> <p>There is a concern about the impact on the children's placement market (including already high specialist agency fees). It is still considered 'early days' in terms of impact on Children's Services and as the situation evolves, the impact will be better known.</p> <p>EY providers will continue to be paid to sustain market - this is usually based on pupil numbers which fluctuate each term with summer term usually the peak. Unclear what pupil number will be appropriate for 2020 summer term payment.</p> <p>Additional costs in general for care providers: Sick pay, backfill, essential supplies, alternative buildings, infection control, PPE, additional travel costs</p> <p>Continued payments following death</p>
Home to school transport	Home to school transport will be supported to maintain sector viability and transport children of key workers (this is an additional cost during holidays as usually H2S transport is term time only); taxi provision retained to be used in shielding hubs for food/medicine deliveries
Waste	Extent of the impact is not yet known. Potential higher waste to landfill disposal costs plus having to divert waste to alternative points and recycling services may also be impacted. Possible that cost increases may be offset by less waste tonnage overall - but unknown currently.
Other	<p>Insurance might not cover COVID-19 losses</p> <p>Continued payment for services not required during crisis</p> <p>Companies in council ownership: where authorities are majority/ joint/ sole shareholders of commercial companies and as such underwrite the risks– this could have considerable financial exposure and be difficult to mitigate under the current climate</p>

Subtopic	Commentary
MARKET UNDERWRITING	
Social care	<p>Buying up capacity in the care market</p> <p>Market forces could drive all prices in care homes up</p> <p>Agency cover costs and increased overall staff costs due to increased demand for staff</p> <p>There could be an increase in market prices that could require additional money to be added to direct payments, it is unclear what the impact of this might be at this stage</p> <p>Additional children in care due to family breakdowns</p>
Homelessness	<p>Including facilitating arrangements to help the rough sleepers that may need to self-isolate Increased costs if housing homelessness in B&Bs and ensuring self-isolation /social distancing</p> <p>In the longer term, potential increases in homelessness overall</p>
Housing benefit	<p>Additional HB paid due to DWP announcement of an increase in LHA rates. Subsidy payments to LAs won't reflect this until later in the year.</p>
Other	<p>Increased waste disposal and collection costs</p> <p>Logistics support for voluntary capacity (link to hubs mentioned above)</p> <p>Occupational therapy equipment</p>
FUNDING AND INCOME	
Council tax	<p>A fall in the council tax collection rate could have the most significant impact and would be a funding and cashflow risk, it is unclear yet on the impact, but it is anticipated that defaults will rise beyond the reliefs provided in the hardship fund</p> <p>Currently unclear if the hardship fund will be sufficient to compensate for loss of council tax so the loss of taxbase could have a major impact. May take longer to feed through than business rates.</p>

Subtopic	Commentary
Fees and charges	<p>The following is a list of contributions from councils:</p> <p>Fees and charges lost due to closure of facilities and due to changes in legislation.</p> <p>Impact on traded services and other income streams such as Car Parking, Roadwork permits, civil parking enforcement, planning etc.</p> <p>Waste, marriages, libraries.</p> <p>Costs of cancelling planned town events (costs incurred without income)</p> <p>Loss of Income fees and charges from planning, car parking, licenses, markets, garden / trade / bulky waste, tenant rents. land charges income, loss of food licensing. Tourism income</p> <p>Sports pitches/bowling greens/tennis courts hire</p> <p>Community Halls bookings</p>
Treasury management and cash flow impact	<p>Reduced capacity for internal borrowing</p> <p>Loss of income on cash balances due to changes in the market and prioritisation of short-term holdings to maximise liquidity</p> <p>Risk of long-term impact on employer pension contributions during future economic downturn</p> <p>Postponed income from sale of assets creates cash flow impacts and has an impact on the delivery of the capital programme</p> <p>Market activity might be less productive</p> <p>Changes to payment to suppliers to move to more immediate and advance payments</p>

Subtopic	Commentary
Investment, rental and commercial income	<p>The need to grant rental holidays for areas like Enterprise Centres, nurseries, pre-schools</p> <p>Councils have heard from small businesses saying loan support being provided by government is not sufficient. They are often looking for rent waivers rather than holidays.</p> <p>Potential loss of HRA rents</p>
Business rates	<p>There is a risk of businesses defaulting on their business rates bills. the additional support to businesses will help off-set this to an extent, but councils are expecting a higher level of default or business that simply stop trading to impact this. The levels could be less significant than council tax, but it could be an issue if the magnitude spikes.</p> <p>Loss of business rates income could also store up medium term issues through the loss of central and local government shares of business rates.</p>
Adult social care income	<p>There might be an impact on working adults under 60 with a disability although payment of 80% salary for staff not laid off would mitigate impact. This would only then have an effect when assets held reduced to less than the £23k threshold as contribution to care is based on assets not income.</p> <p>Suspension of Care Act & direct discharge from hospitals will also reduce income</p>
Other	<p>Increased bad debt provisions and difficulties recovering debt</p> <p>Loss of Troubled Families payments by results</p>
REPRIORITISATION	
Loss of 2020/21 and future revenue savings	Focus on COVID-19 will stop activity needed to deliver the short term and long-term savings programme to balance the medium term financial strategy.
Extension of contracts	

Subtopic	Commentary
Capital programme reprofiling	<p>There might be issues related to funding from developers, staff availability and the delays to projects also adding to costs</p> <p>Deferral of highways maintenance: reduced expenditure due to shortage of labour and materials - but leading to higher long-term costs and increased insurance claims.</p> <p>Delivery of major highways contracts: Valid claims (compensation events) under the Force Majeure clauses in live construction contracts. Compensation events may be inevitable and the financial consequences could escalate as productivity declines. There may be circumstances where contracts need to be terminated if contractors cannot comply with their obligations.</p>
Deferred adult social care package reviews	Procurement business-as-usual work will carry on (alongside additional work for Covid-19 response) where possible, but there will be a predominant impact on savings targets aligned to better contracting.
Storing up of additional need/demand in social care	<p>The backlog of social care package reviews will need time and funding to be dealt with later</p> <p>High Needs DSG and social care: by needs not being met early, the longer-term implications are higher needs, higher complexity and, therefore, higher costs for 2020-21 and future years</p>
Other	<p>Delivery impediments: specialist resource will become more scarce</p> <p>Backlog in general: with programme management focussed on COVID-19, issues will be storing up elsewhere and will be costly to resolve later in the year</p>
OTHER POINTS	
Emergency funds (£1.6bn grant etc)	<p>Concerns about adequacy and timing re: cash flow</p> <p>NB. Superseded by action taken by Gvt to bring forward the payment of the grant</p> <p>Question about why and whether councils have to pool part of £1.6 billion grant with CCGs, and if so, why not just increase the funding going to CCGs rather than creating bureaucracy</p>
Section 31 reliefs	<p>Concerns about the timing of receipt of funding for reliefs</p> <p>NB. Partly superseded by action taken by Gvt to bring forward the payment of the 'business as usual' reliefs. Questions remain over reliefs announced in January onwards</p>
COVID-19 accounting	Concerns about whether the COVID-19 related costs need to be accounted for separately to provide subsequent