

Covid-19 Finance Update

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Background Documents
Details of Grant Allocations

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Summary

<p>£388m additional grants provided by central government to support responding to the pandemic</p>	<p>Additional grants have come from a number of departmental announcements during the year. The main emergency grant from DLUHC has come in five tranches between March 2020 to April 2021 and is un-ringfenced (can be used for purposes determined locally in response to or recovery from the pandemic). Other grants have been specific grants (can only be used for purposes defined by government). Most of the grants have been allocated on a formulaic basis and some based on claims for costs incurred (including income losses).</p>
<p>Covid-19 monitoring return shows an overall small net shortfall between grants and forecast additional spending, delayed savings and income losses</p>	<p>KCC submits regular monitoring returns to Department for Levelling up, Housing and Communities and Local Government (DLUHC). The latest returns only show spending and income losses in 2021-22¹ amounting to a forecast net shortfall of £1.9m compared to the available grants by the end of the year. The different timing of grant payments and expenditure/income losses means that at the end of 2020-21 there was a net rollforward of grant of £46.3m into 2021-22.</p>
<p>The un-ringfenced grant has been used to support a variety of council activity across all directorates</p>	<p>Spending on adult social care includes additional demand for care packages, financial support to providers and PPE. Spend on children's services includes additional demand for care packages, special educational needs and school accommodation. Spend in Growth, Environment and Transport includes additional mortuary capacity and additional waste volumes, etc. Spend in Strategic and Corporate Services includes Helping Hands Scheme and IT/remote working</p>

¹ Previous returns showed 2020-21 and 2021-22

2.1 Since the start of the Covid-19 pandemic the government has provided significant additional financial assistance to support individuals, businesses and public services. The March 2021 budget identified that in total the Government will have provided £352bn over the course of 2020-21 and 2021-22 in response to the pandemic. The Autumn Budget/Spending Review 2021 has updated the departmental totals for Covid-19 spending (this is not the total spend as it does not include support for individuals) which amounts to £2.2bn in 2019-20, £121.2bn in 2020-21 and £69.8bn in 2021-22.

2.2 The Autumn Budget/Spending Review 2021 identified that the government has provided £1.6bn in 2019-20, £15.9bn in 2020-21 and £9.8bn in 2021-22 directly to local government authorities in England respond to the impacts of Covid-19. This does not include specific grants and support from other departments such as Department for Health and Social Care (DHSC). It does include grants allocated for lower tier responsibilities which KCC does not receive. For consistency we have presented the grants available for upper tier responsibilities in the same format as previous reports to Policy and Resources Committee.

2.3 As soon as the pandemic was announced KCC finance put arrangements in place to capture information about the additional costs the Council would incur. Initially there was very little guidance on the expectations on local authorities.

2.4 The Department for Levelling up, Housing and Communities (DLUHC) has asked local councils to provide a monthly return setting out estimates of the impact of the Covid-19 pandemic. Initially this return was used by the department to inform the allocation of additional tranches of the un-ringfenced emergency grant. The returns have evolved over time and include spending from specific grants from other departments as well as local spending decisions.

2.5 KCC's returns have identified actual and forecast costs to date. The forecasts have assumed that ring-fenced grants which have not been spent in full in 2020-21 roll forward to 2021-22.

2.6 The 2021-22 budget was approved by County Council on 11th February. This included additional spending associated with the Covid19 pandemic, spending growth due to business as usual activities, additional savings and income, a small net reduction in reserves (including assumed underspend rolled forward from 2020-21 underspend and strengthening general reserves). The increase in the net budget was funded from additional government grants (assumed largely one-off), increase in council tax charge up to but not exceeding the referendum limit (including further adult social care levy), and impact of tax base losses and collection deficits.

3.1 Table 1 shows the latest amounts allocated from all the various grants provided by government departments in response to the pandemic. The amounts shown in red are estimates.

Table 1 – Covid-19 Grants

	National	KCC			TOTAL
		2019-20	2020-21	2021-22	
	£m	£m	£m	£m	£m
Un-ringfenced Grants					
Emergency Grant	6,157.0	39.0	55.9	32.4	127.3
Compensation for irrecoverable tax losses	854.0		7.0		7.0
Compensation for Covid related Business Rate reliefs	6,527.4		25.6		25.6
Council Tax Support (<i>national allocation incl PCC</i>)	670.0			14.3	14.3
Loss of Sales, Fees & Charges - tranche 1	528.3		0.9	0.0	0.9
Loss of Sales, Fees & Charges - tranches 2-4 *	796.4		10.4	-0.8	9.6
	15,533.2	39.0	99.8	45.9	184.7
<i>* the 2020-21 accounts included an estimate of compensation for the period Nov - Mar. Now that final figures are available, we have found that the estimate was too high, hence a reduction is now showing in 2021-22. We are expecting compensation for Q1 of 2021-22 which will offset this, but do not have details yet of how this will be calculated, so no estimate is provided as yet.</i>					
Social Care Grants					
Infection Control	1,728.0		34.8	18.6	53.4
Rapid testing/workforce	830.4		7.8	16.2	24.0
NHS Hospital Discharge	N/A		10.6	1.4	11.9
	2,558.4	0.0	53.2	36.2	89.3
Public Health Grants					
Contain Outbreak Management	1,817.1		8.4	39.7	48.1
Test & Trace	300.0		1.3	5.0	6.3
Clinically Extremely Vulnerable **	175.3		5.0	0.0	5.0
Asymptomatic Testing #	N/A		7.2	9.6	16.8
	2,292.4	0.0	21.9	54.3	76.2
<i>** £3.2m of the £4.6m Clinically Extremely Vulnerable grant is being rolled forward to be spent in 2021-22</i>					
<i># 2021-22 is a provisional estimate based on our initial application but this is likely to reduce</i>					
Other Grants					
Winter Support	269.1		4.5	2.7	7.1
Emergency Food Assistance	63.0		1.7		1.7
Home to School Transport	135.2		4.2	2.0	6.2
Bus Services	337.9		4.9	1.3	6.2
Targeted Support for UASC	6.0		0.8		0.8
Household Support Fund	421.0			11.1	11.1
Other ***	126.3		1.8	2.6	4.4
Other - reclaim of costs	N/A		0.1	0.0	0.1
	1,358.5	0.0	18.0	19.7	37.7
<i>*** £0.2m of the £1.8m grant in 2020-21 relates to Wellbeing for Education Return. £0.1m of this is to be rolled forward and spent in 2021-22</i>					
Total	21,742.4	39.0	192.9	156.0	388.0

3.2 Some of the grants have been accounted for in 2020-21 even though the income has not been received until after April. In these circumstances a debtor was included in the 2020-21 accounts which in some instances has been based on an estimated amount where the grant allocation had not been confirmed in time for the preparation of the accounts. This could result in variance in 2021-22 when the actual grant is confirmed and received.

3.3 Some of the ring-fenced grants received in 2020-21 were not spent in full in the last financial year and have been carried forward and included in the 2021-22 amounts in table 1. The largest amounts carried forward are within the grants for Contain Outbreak Management and Test & Trace. Any underspend on the un-ringfenced emergency grant has also been rolled forward into 2021-22

3.4 The background document to this report provides more detail about how the main grants have been allocated. The vast majority have been shared out to all authorities based on formulae. Some are subject to bids and some based on actual claims. The first tranche of the un-ringfenced emergency grant was received at the end of March 2020 and included in the 2019-20 accounts. Only £1.7m of this was spent/applied to income losses in the last weeks of 2019-20 in the first weeks of the pandemic. The remaining £37.3m was held in a Covid-19 reserve to support further spending/income losses in 2020-21. Use of this reserve was included in the 2020-21 budget amendment approved by full Council in September.

3.5 The majority of the grants in table 1 are reported in the DLUHC monitoring returns including:

- Emergency Covid-19 Grant
- Public Health grants (Test & Trace and Contain Outbreak Management Fund)
- Adult Social Care grants (infection control, hospital discharge, rapid testing, workforce capacity fund)
- Other grants (clinically extremely vulnerable, emergency food assistance, winter grant scheme, home to school transport, emergency active travel fund)

3.6 Un-ringfenced grants can be used for any purpose to support the council's response to the pandemic. Specific grants can only be used for prescribed purposes determined by government under the conditions for grant.

Covid-19 Monitoring – Key Numbers from September 2021 Submission

£32.4m	Un-ringfenced emergency grant funding
£44.7m	Public Health ring-fenced grants (Outbreak Management, Test & Trace)
£18.8m	Social Care ring-fenced grants (Care Homes Infection Control, Rapid Testing)
£7.9m	Other ring-fenced grants (Clinically Extremely Vulnerable, Winter Support, Home to School Transport)
£1.4m	Hospital discharge
£46.3m	Surplus from 2020-21
£151.4m	Net funding available
£72.7m	Forecast additional spending from ring-fenced grants
£73.5m	Forecast additional spending from un-ringfenced emergency grant
£7.1m	Forecast loss of income
£153.3m	Total change in KCC spend and income
£1.9m	Forecast net shortfall

4.1 The latest DLUHC returns now only include the impact of Covid-19 in the current financial year (2021-22) with previous years now closed. The most recent return for September includes actual spending and income losses and commitments recorded on the Covid-19 monitoring system together with forecasts for the remainder of the year.

4.2 The final return for 2020-21 showed a surplus of un-ringfenced grant (after carry forward of unspent ring-fenced grants) of £46.3m, this too has been carried forward for comparison purposes. Overall, across 2019-20 to 2021-22 shows that after the carry forward of the surplus from 2020-21 the additional Covid-19 grants are slightly less than the additional actual/forecast costs including delayed savings and income losses leaving a forecast net shortfall of £1.9m.

4.3 The main areas of additional spending in 2021-22 include the following:

- Adult social care – additional demand for care including placements and assessment costs for clients discharged from hospitals, market sustainability for care providers (including infection control) and PPE/rapid testing costs
- Children’s services – forecast demand for additional placements and assessment costs due to the impact on vulnerable families from sustained lockdown and school closures, and Reconnect programme
- Education – market sustainability payments to home to school transport providers
- Public transport – market sustainability for transport providers
- Public Health – spending on Contain Outbreak Management, Test & Trace, Clinically Extremely Vulnerable and Winter Support
- Environment – waste management
- Other – delays to savings plans and assumed spending through Helping Hands scheme

4.4 Main income losses come from sales, fees and charges (Kent Travel Saver, Registration and libraries, and adult social care day centres), and investment income.

4.5 Table 2 shows the amounts received from the un-ringfenced emergency grants spread over the years and the amount of spending/delayed savings and income losses excluding the spend from ring-fenced specific grants (public health, social care, etc), which are assumed to be spent in full. Essentially, the spend and income losses against non-ringfenced grants is the spend that the Council decides.

Table 2 – Split of spend/income between un-ringfenced emergency grant and ringfenced grants

	Total	2021-22	2019-20 & 2020-21
	£m	£m	£m
Emergency Grant	127.316	32.357	94.959
Spend funded from Emergency Grant	101.701	73.521	28.180
Loss of Income*	27.536	7.096	20.440
Suplus/(shortfall)	(1.921)	(48.261)	46.340
Ring-fenced grants and spend	141.980	72.708	69.273

* Income losses include income from sales fees and charges which must be reported in the DLUHC return although losses can be partially compensated by the separate grant made by claim as shown in table 1

4.6 Table 3 provides a breakdown of the additional non-ringfenced spending between the main service areas. Additional spending in adult social care includes additional demand for care packages related to the pandemic, additional support to social care providers, workforce pressures, procurement of personal protective equipment (PPE), and investment in telecare. Children's services include additional residential care related to the pandemic, special educational needs, adaptations to school accommodation and mobile classrooms, Environment and Regulatory includes mortuary accommodation and additional demand for waste services.

Table 3 – Non-ringfenced spending

	Total	2021-22	2019-20 & 2020-21
	£m	£m	£m
Adult Social Care	43.827	28.746	15.081
Children's Services	18.574	18.132	0.443
Highways & Transport	2.030	2.500	-0.470
Environment & Regulatory	7.762	2.479	5.284
IT & Remote Working	4.038	1.004	3.034
Helping Hands	16.000	16.000	
Delayed Savings	5.803	1.673	4.129
Other	3.667	2.988	0.679
Total	101.701	73.521	28.180