

Covid-19 Finance Update

	Sctn	Page
Summary	1	2
Background	2	3
Schedule of Covid-19 Grants	3	4
Covid-19 Monitoring Return	4	6
Council Tax 2021-22	5	8

Background Documents

Details of Grant Allocations (previously
Appendix A to P&R report)

<http://kcc-app610:9070/documents/s105825/Details%20of%20Grant%20Allocations%20previous%20appendix%20A%20to%20PR%20report.pdf>

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Summary

<p>£359.2m 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 MHCLG 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 small net surplus between grants and forecast additional spending, delayed savings and income losses</p>	<p>KCC submits regular monitoring returns to Ministry of Housing and Local Government (MHCLG). The latest returns only show spending and income losses in 2021-22. At the end of 2020-21 there was a net surplus of £46.3m after roll forward of ring-fenced grants due to timing differences between receipt of grant and forecast spending. This surplus has also been rolled forward to fund forecast spend in 2021-22.</p>
<p>Estimated council tax base for 2021-22 shows overall reduction compared to 2020-21</p>	<p>The 1.04% reduction in KCC’s council tax base is the largest for any county council. This reduction is largely due to significant increases in the number and value of council tax reduction discounts, and lower collection rates. Both are consequences of the Covid-19 pandemic and subsequent economic recession.</p>
<p>Council tax collection in the first quarter of 2021-22 shows higher than budgeted council tax reduction discounts and continued lower collection rates</p>	<p>Council tax reduction discounts have continued to increase since the tax base estimate was set. The number and value of discounts peaked at the end of April and since then have started to reduce but at the end of June remained higher than the amount identified in the tax base estimate. Collection rates in the first quarter have been better than the first quarter of 2020-21 but are still lower than collection rates prior to the pandemic. We will continue to closely monitor council tax collection (and include this in monitoring reports to Cabinet) as the pace and scale of council tax recovery from the pandemic/recession will be key to 2022-23 budget strategy</p>

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.

2.2 The Chancellor's March 2021 Budget identified that the government has provided an additional £6.5bn to help local authorities in England respond to the impacts of Covid-19 in 2020-21. This is in addition to £1.6bn made available in 2019-20. A further £3bn has been provided in 2021-22 taking the total support provided to local authorities to over £11bn since March 2020. This does not include specific departmental grants and support.

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 Ministry of Housing, Communities and Local Government (MHCLG) 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 MHCLG 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 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.

2.7 Local tax collection has been significantly disrupted due to the pandemic and economic recession. Kent districts have estimated some of the largest council tax losses among all county councils. Further analysis of national trends has shown a strong correlation between the largest tax losses and the need for the highest council tax charge increases for 2021-22.

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 *	402.6		10.4	-1.2	9.2
	15,139.3	39.0	99.8	45.5	184.3
<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	1,491.0		34.8	11.3	46.1
Rapid testing/workforce	516.6		7.8	7.5	15.2
NHS Hospital Discharge	N/A		10.6	1.4	11.9
	2,007.6	0.0	53.2	20.1	73.3
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 £5.0m 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	111.4		4.9	1.3	6.2
Targeted Support for UASC	6.0		0.8		0.8
Other ***	79.5		1.8	1.4	3.2
Other - reclaim of costs	N/A		0.1	0.0	0.1
	664.2	0.0	18.0	7.4	25.4
<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	20,103.5	39.0	192.9	127.3	359.2

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.

3.4 Appendix A 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 immediate aftermath 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 MHCLG 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 July 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)
£6.8m	Other ring-fenced grants (Clinically Extremely Vulnerable, Winter Support, Home to School Transport)
£1.4m	Hospital discharge
£46.3m	Surplus from 2020-21
£150.4m	Net funding available
£142.8m	Forecast additional spending (including spending from ring-fenced grants)
£5.9m	Forecast loss of income
£148.7m	Total change in KCC spend and income
£1.7m	Net surplus

4.1 The latest MHCLG 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 July 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 more than the additional actual/forecast costs including delayed savings and income losses leaving a forecast net surplus of £1.7m.

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.

5.1 The council tax precept is agreed each year as part of the annual budget. The precept is based on the estimated council tax base notified by the 12 district councils in Kent (expressed as the net number of band D equivalent properties) and the County Council's share of the band D council tax charge for the year. The tax base is determined from the number of dwellings recorded on the valuation lists maintained by the valuation office agency less the impact of exemptions, discounts, premiums and estimated new dwellings during the year and collection rates. Any variations in the amount collected (due to changes from the estimated tax base) are recorded in a district's local collection fund account. At year end the county's share of any over collection from the collection account is accrued as a surplus (or any under collection accrued as a deficit).

5.2 Table 2 shows the composition of the 2021-22 tax base and council tax precept.

Table 2

	Band D Equivalent	Total Precept @ £1,418.76 £m
Number of Dwellings (684,240)	676,913.44	960.4
Less Exemptions & Disabled	-15,070.89	-21.4
Less Single Persons Discount	-49,938.11	-70.9
Less Council Tax Reduction Discounts	-56,027.89	-79.5
Less Other Discounts	-2,617.35	-3.7
Add Premiums, New Builds, etc	7,982.71	11.3
Less Collection Losses	-12,377.44	-17.6
Net Tax Base/Precept	548,862.48	778.7

5.2 Table 3 shows the changes in in the council tax base since 2015-16. In most years we have seen increases ranging from 2.4% to 1.5%. For 2021-22 we had a reduction in the tax base of 1.04% (equivalent to reduction in the precept of £7.8m).

Table 3 – Council Tax Base Changes since 2015-16

Financial Year	Band D equivalent taxbase	Change on previous year	
		Band D	%
2021-22	548,862.48	-5,736.13	-1.04%
2020-21	554,625.61	8,230.80	1.51%
2019-20	546,394.81	8,505.10	1.58%
2018-19	537,889.71	11,493.15	2.18%
2017-18	526,396.56	11,923.26	2.37%
2016-17	514,473.30	10,767.76	2.14%
2015-16	503,704.54		

5.4 The main reasons for the reduction in the council tax base for 2021-22 are due to fewer new dwellings than in previous years, significant increase in the number of households eligible for low income discounts under council tax reduction schemes (CTRS), and a significant reduction in estimated collection rates. These are related to the Covid-19 pandemic and economic recession. A more detailed breakdown of the changes in the council tax base 2021-22 and 2020-21 is shown in table 4.

Table 4 – Composition of Council Tax Base 2021-22 and 2020-21

	2020-21 to 2021-22 Band D equivalents	2019-20 to 2020-21 Band D equivalents
Previous year final taxbase	554,625.61	546,394.81
Change in number of dwellings	+5,991.33	+6,976.23
Change in CTRS discounts	-5,221.15	+1,548.95
Change in estimated collection rate	-5,358.41	-541.59
Change in single person discounts	-1,336.36	-853.18
Changes in exemptions	-563.78	-1,157.56
Changes in other discounts, premiums and adjustments	725.4	2,257.94
Current taxbase	548,862.48	554,625.61

5.5 We will be closely monitoring council tax collections during the course of 2021-22. This will be included in the budget monitoring report to Cabinet. Initial analysis has shown that the number and value of Council Tax Reduction discounts has continued to increase since the original tax base estimates in most districts, peaking at the end of April. Since April the number and value of council tax reductions has started to decline but as at end of June were still higher than the fifty six thousand band D equivalents (£79.5m reduction in precept). At this stage we do not have sufficient information to forecast the recovery of council tax reduction discounts due to the lifting of Covid-19 restrictions, economic recovery and phasing out of Furlough Scheme.

5.6 In the first quarter of 2021-22 collection rates have improved by 0.5% to 1% in most districts compared to quarter 1 in 2020-21, but are still around 0.5% lower than collection rates in quarter 1 of 2019-20. As monitoring progresses we will be estimating the impact of lower council tax reduction discounts and improved collection rates on the collection fund balance and estimated tax base for 2022-23. The pace and level of recovery of council tax losses will be crucial to 2022-23 budget strategy.