

APPENDIX 1

1.0 2020-2021 Budget Update

- 1.1 Since the 2020-2021 budget was set in March 2020, Covid-19 was declared a national pandemic. At the time of reporting to Council on 4 March 2020, the full impact of the Covid-19 pandemic was not anticipated and the impact on both the finances and operating environment could not have been foreseen. The financial implications of the pandemic have significantly distorted the 2020-2021 budget.
- 1.2 The Government has announced grant funding to help local authorities address the pressures they are facing in response to Covid-19. Wolverhampton's total confirmed funding allocation from the Covid-19 Emergency Grant is £25.5 million. Funding has also been received to support rough sleepers and to provide food and essential supplies to vulnerable residents. In addition to this, the Government have announced a co-payment mechanism for irrecoverable sales, fees and charges income. This funding is conditional upon grant claims and payable in three tranches. The first claim was submitted in September claiming costs of £2.2 million, but at the time of writing this report the actual amount awarded to Wolverhampton had not been confirmed. Based on current forecasts, the total additional grant that could be claimed under this fund is estimated to be in the region of £5.6 million. It is important to note that this is not confirmed income and is subject to change. A full list of grants awarded to the Council prior to the second national lockdown, during the Covid-19 pandemic, with specific conditions attached are detailed in the table below:

Table 1 – Specific Grants

Grant	Allocation £000
General Grants	
Covid 19 Emergency Grant	25,547
Enforcement Surge Funding	174
Grants with conditions / criteria	
Rough Sleepers (2 tranches announced to date)	209
Reopening of the High Street	234
Test and Trace	1,920
Emergency Food and Essential Supplies	393
Wellbeing for Education Return Grant	37
Active Travel Scheme (revenue and capital)	347
Home to School Transport	117
Grants passported to third parties	
Business Grant	53,518
Hardship Fund	3,272
Infection and Prevention	6,228
Business Improvement Districts	34
Test and Trace Support Payments	274
Estimated Allocation – amounts not confirmed.	
Sales, Fees and Charges	5,599
Contain Outbreak Management Fund (based on tier 2)	789

- 1.3 Under the Council’s emergency decision-making powers, a range of short term initiatives have been implemented including: the distribution of food parcels to the city’s most vulnerable residents, temporary accommodation for rough sleepers, additional financial support for adult social care providers and the procurement of additional personal protective equipment for key staff and partners.
- 1.4 All of these short-term new initiatives required additional investment and have been funded to-date by the funding received from Central Government.
- 1.5 In addition to the short-term initiatives, a number of services were suspended in response to Government requirements. Income streams have been adversely affected from the loss of fees and charges for services, such as car parking, leisure and cultural services.
- 1.6 At the time of setting the 2020-2021 budget, new service budget reduction and income generation targets totalling in excess of £10 million were approved. A number of these planned targets are now at risk because resources that would originally have been focussed on transformation programmes have been redirected to enable the Council to respond to the crisis.

- 1.7 The Council has played a proactive, leading role in responding to Covid-19. Some of the new initiatives implemented to support the City's residents may continue to require financial support. As the situation evolves and restrictions continue to ease, some of the new initiatives will cease entirely, ease or will transition into different services which will require financial support.
- 1.8 Our current projections demonstrate that the estimated grant funding for Wolverhampton will be sufficient to meet the immediate revenue cost pressures and loss of income, including the delivery of budget reduction targets, with a small in-year cost pressure.
- 1.9 The current projections of the cost implications of Covid-19 in 2020-2021 are detailed in Table 2 below:

Table 2 - Projected Financial Implications of Covid-19 in 2020-2021

Category	2020-2021 £000
Expenditure including recovery costs	13,566
Loss of Income	10,416
Budget Reduction and Income Generation targets at risk	1,961
Provision for expenditure on activity to support current and future lockdown measures	6,118
Total potential impact	32,061
Confirmed Government Grant Funding	
Covid-19 Emergency Grant (general)	19,429
Covid-19 Emergency Grant (new allocation)	6,118
Rough Sleepers Grant	198
Emergency Assistance for Food and Essential Supplies Grant	393
Total Confirmed Government Grant Funding	26,138
Potential Shortfall before Sales, Fees and Charges Grant	5,923
Sales, Fees and Charges – claim 1 (April to July)	2,207
Sales, Fees and Charges – estimate of future claims (August to March)	3,392
Potential Government Grant	5,599
Potential Cost Pressure	324

- 1.10 In addition to the costs above, Covid-19 has had an impact on development of capital projects. Given the unprecedented circumstances, there has understandably been some delay on capital projects due to the pandemic. The Council continues to assess the potential implications of Covid-19 on the wider capital programme in terms of delivery timescales and increase in costs. Any additional costs on the capital programme will

result in an increase in the Treasury Management revenue budget. The joint meeting of Cabinet and Cabinet (Resources) Panel on 23 June 2020, received a report on the Covid-19 impact on the Capital Programme. In order to be prudent, additional capital budget has been built into the Capital Programme to cover potential risks associated with the Covid-19 pandemic. The potential annual revenue impact could be up to £430,000 per year, the impact of this will not be seen until after 2020-2021.

- 1.11 It is important to note, that the financial implications detailed above are subject to change and do not include the full cost of recovery work or any provision for changes in light of the national lockdown and the new three tier system.
- 1.12 On 31 October 2020, the Prime Minister announced that England would be entering a second national lockdown from 4 November 2020 until 2 December 2020. It has been announced that local authorities will receive additional funding the costs associated with this lockdown including, support for additional local test and trace operations, support for businesses and those residents who are clinically extremely vulnerable. Full details of these grants were not known at the time of writing this report, but current announcements indicate that all authorities will now receive tier three level funding which is £8 per head of population to support local test and trace operations. In addition, under a new local shielding framework, which councils will be asked to put into place by 4 November, areas will receive £14 per clinically extremely vulnerable person to ensure they have access to essential supplies.
- 1.13 Councils have also been asked to distribute business grants worth up to £3,000 for the 28 day anticipated lockdown period to business premises forced to close, under a new local restrictions support grant. In addition, councils will receive £1.1 billion equating to £20 per head of population, for one-off discretionary payments to support businesses that are affected by the lockdown but which are not legally required to close.
- 1.14 The full details of these grants and the actual allocations for Wolverhampton were not known at the time of writing this report.
- 1.15 In addition, there are longer term implications for the Council's operating model, as the scale of the change post-Covid-19 will place new expectations and demands on service delivery in 2020-2021 and future years. At this stage it has not been possible to fully quantify the potential impact of Covid-19 over the medium term. It is anticipated that pressures will emerge in many areas particularly in relation to adult social care, public health and wellbeing and income generating services.