

## Report to the Cabinet

Meeting to be held on Thursday, 6 August 2020

### Report of the Chief Executive and Director of Resources

Part I

Electoral Division affected:  
(All Divisions)

### Covid-19 Financial Update

(Appendix 'A' refers)

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#### Executive Summary

The effects of the Covid-19 crisis will have a significant impact on the finances of the Council in the current and forthcoming years.

At the time of writing the Q1 forecast is not finalised, with the draft position showing that treasury management gains are mitigating a large proportion of the current estimated unfunded Covid pressures of £22.602m, leaving a forecast overspend of £3.737m.

Given available reserves and currently lower levels of demand for a number of services due to lockdown and social distancing measures, the authority will be able to manage in year pressures for 2020/21 without recourse to an emergency budget.

Estimated ongoing financial pressures suggest that without significant high level intervention, possibly from the proposed Comprehensive Spending Review in the autumn, action will need to be taken to reduce net expenditure to meet the potential funding gap for 2021/22 and beyond.

Revised forecast funding gaps of £44.555m, £54.325m and £71.703m for 2021/22-2023/24 represent a cumulative funding gap of £170.583m which is an increase of £105.092m from the cumulative funding gap of £65.491m last reported to Cabinet. Based on this forecast there are sufficient reserves to support the revenue budgets for 2021/22 and 2022/23 which allows time for the necessary actions to be taken in a planned way to address the financial gap.

To address the forecast pressure officers, working with our national professional organisations, will develop an evidence base and narrative to influence the forthcoming Comprehensive Spending Review. We will also look to maximise efficiencies across services and commence work to identify potential savings should

a poor settlement arise.

### **Recommendation**

Cabinet is asked to note the content of the report including the financial forecasts and approve the proposed next steps.

### **Background and Advice**

The effects of the Covid-19 crisis will have a significant impact on the finances of the Council in the current and forthcoming years.

The situation remains fluid and precise impacts are unclear, however in its monthly returns to Government, the council has estimated a pressure for the current financial year of circa £100m as a result of a number of factors including demand pressures, emergency funding for adult social care providers, the costs of reacting to the emergency such as the purchase of significant volumes of Personal Protective Equipment and creation of a temporary mortuary, delayed savings and lost income.

There will be financial impacts for the authority which continue beyond the current financial year. As an example there is a forecast council tax and business rates collection fund deficit of circa £30m by the end of 2020/21 attributable to the county council. This will need to be met over the next three years at least. There remains significant uncertainty around the ongoing impacts across all council services and funding sources.

Government has provided a range of grant funding initiatives in response to the crisis. The county council has to date received £65m of emergency funding in support of Covid-19 pressures and we are evaluating the recently announced income guarantee scheme. Further guidance is anticipated to clarify the uncertainty with regard to the income losses that are covered and the detailed operation of the scheme.

At the end of March 2020 the county council had circa £150m of reserves available to support future budgetary pressures. Given the available reserves, treasury management gains and the currently lower level of demand for some services due to lockdown and social distancing measures, the authority will be able to manage in year pressures for 2020/21 without recourse to an emergency budget. However any unplanned call on reserves will mean they will not be available for expected service transformation and infrastructure improvements.

The ongoing financial pressures suggest that without significant high level intervention as a result of the recently announced Comprehensive Spending Review, action will need to be taken to reduce net expenditure to meet the potential funding gap for 2021/22 and beyond.

As our next steps to address the forecast pressure officers, working with our national organisations, will develop an evidence base and narrative to influence the

forthcoming Comprehensive Spending Review. The county council will also look to maximise efficiencies across services and commence work to identify potential savings should a poor settlement arise. A full report outlining the position is attached at Appendix 'A'.

### **Consultations**

N/A

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

The ongoing nature of the financial impacts will require regular review and updating of the council's medium term financial strategy.

Officers will continue to explore all opportunities to manage and mitigate the risks.

### **Financial**

There remains a significant level of uncertainty around the full financial impact of Covid-19. As a result we have had to make assumptions with a limited evidence base in assessing our financial position.

As further information and guidance becomes available it is likely that the county council will see volatility in our future forecasts, both positive and negative.

The county council will continue to monitor and assess the financial implications of the pandemic and report to future cabinet meetings.

### **List of Background Papers**

Paper	Date	Contact/Tel
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Reason for inclusion in Part II, if appropriate

NA