



CABINET – 23RD JUNE 2020

**CORONAVIRUS (COVID-19) IMPACT AND RESPONSE OF THE
COUNTY COUNCIL – RECOVERY AND FINANCIAL IMPACT**

**SUPPLEMENTARY REPORT OF THE CHIEF EXECUTIVE AND
DIRECTOR OF CORPORATE RESOURCES**

PART A

Purpose of the Report

1. This supplementary report outlines the work being undertaken within the County Council and with partners:
 - a) to address the on-going impact of the coronavirus (Covid-19) within the County;
 - b) to plan the recovery and reinstatement of services linked to the gradual lifting of lockdown restrictions by the Government;
 - c) the latest statistics which show the economic impact of the pandemic particularly on levels of unemployment;
 - d) to outline the financial impact of the pandemic in the current financial year and the medium-term impact on the Council's finances.
2. This report is also being circulated to the Scrutiny Commission which meets the day before the Cabinet, on 22nd June. Its comments will be reported at the Cabinet meeting.

Recommendations

3. The Cabinet is asked to:
 - a) Note the actions taken to date in response to the pandemic;
 - b) Note the work that has commenced on recovery including the outcomes from the initial meeting of the cross-party Member Working Group;
 - c) Note the financial implications for the County Council and the actions proposed to begin to address the impact on the Council's finances.

Reason for Recommendations

4. To advise on the current position on the response to the coronavirus pandemic, the County Council's Recovery Plans, and the financial implications for the current and future years' budgets.

Background

5. Coronaviruses are a family of viruses common across the world in animals and humans. Covid-19 is the illness seen in people infected with a new strain of coronavirus not previously seen in humans and began in Wuhan Province in China in December 2019. This has since spread to most parts of the world. The Cabinet has considered reports on the matter at its meetings in March, April and May.

Circulation under the Local Alerts Procedure

6. This report has been emailed to all members of the County Council.

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PART B

County Council and Partnership Response Structures

7. The LRF (Local Resilience Forum) continues to co-ordinate the response to Covid-19 across Leicester, Leicestershire and Rutland (LLR). A Gold Command Group, the Strategic Coordinating Group or SCG, is leading the response and is chaired by the Deputy Chief Constable. The SCG is supported by a Tactical Co-ordination Group (TCG) and a number of topic and task-specific cells (officer groups). As the local situation has stabilised it has moved from twice-weekly to weekly meetings. If the current trend in the reduction of cases continues and as the focus switches from response to recovery it is anticipated that the Chairmanship of the LRF SCG will revert to the County Council. A Strategic Recovery Co-ordination Group, chaired by the Council's Assistant Chief Executive, is meeting weekly.
8. The Council's Crisis Management Group (CMG), chaired by the Chief Executive, has reduced the frequency of its meetings from daily to three-times weekly reflecting the relative stabilisation of the situation locally. CMG is supported by a corporate Resilience Planning Group (RPG) which is meeting four or five times a week with up to two of these meetings focusing specifically on recovery planning. The CMG continues to oversee the Council's response across the key issues relating to the coronavirus and the Council's relationship with, and input to, the LRF.

Member Updates on Service and other issues

9. Daily updates are provided to the Leader of the County Council. There are separate updates to Cabinet Lead Members and Cabinet members have virtual meetings each week to review the position. A weekly briefing is also held (currently via Skype) for all members of the County Council. These briefings have been well received with attendance ranging between 39 to 52 members. Electronic updates from the Chief Executive to all members of the County Council covering service and other issues are provided at least weekly; there have been 22 updates as at 17th June. For the public record, the updates provided to members can be accessed at - <https://bit.ly/3cKMPgg>. Examples of the issues covered in the weekly update include (not a comprehensive list)
 - Health update – Level of Infection, Death rates and new arrangements for death registrations; Covid-19 Test and Trace – Good Practice Network
 - Domiciliary, Residential and Nursing Care Capacity and issues faced
 - Protective Personal Equipment (PPE)
 - Support to people Shielding including distribution of food
 - Support to local community and voluntary groups including the establishment of a £1.5million support fund
 - Support to schools and early years settings
 - Arrangements put in place to support vulnerable children
 - Reordering of priorities in the Environment and Highways Department

- Refocusing the Trading Services staff on protecting the public particularly the vulnerable from scams
 - The development of on-line library, museum and cultural resources to support people during the lockdown
 - Investment in IT, HR and Wellbeing services to enable staff to work at home to ensure that where possible services to the public continued.
10. Reports to the Cabinet in April and May covered some of the service issues outlined above. The aim of this report is to focus on Recovery and Finance. As we move from responding to the pandemic to recovering from the pandemic, service issues will be reported to the Member Working Group and then onto the Cabinet and Scrutiny bodies where decisions are required.

Recovery

11. “Recovery is the process of rebuilding, restoring and rehabilitating the community following an emergency.” (Emergency Response and Recovery Guidance, 2010). Recovery can take years rather than months to complete, as it seeks to address the enduring human, physical, environmental, and economic consequences of major incidents. Effective recovery will involve the cooperation of many organisations.
12. The recovery process aims to reduce demand on services to the level at which they were before the incident occurred. However, it is likely that the recovery process will need to assess and respond to different levels of ‘normality’ as the Government eases restrictions on behaviour and movement. As such, recovery will be a complex social and developmental process rather than just a remedial process and the manner in which recovery processes are undertaken is critical to their success. Recovery is usually best achieved when those affected are able to exercise a high degree of self-determination.

Deliberations of the Member Working Group

13. Member involvement in the recovery process is crucial and following discussions with Group Leaders a cross-party Working group was established to provide high-level direction and political perspective to the County Council’s Recovery Plans.
14. In moving forward with proposals for recovery the Group recognised that whilst it had a key role it is not a decision-making body. As such, operational decisions which are not considered ‘key decisions’ will, as usual, be taken by the relevant Chief Officer and/or Chief Executive. Key decisions and those considered sensitive will be referred to the Cabinet for consideration and there will be engagement with scrutiny members as is usually the case.
15. The Working Group at its meeting on 16th June considered a draft of the County Council’s Covid-19 Recovery Strategy, a copy of which is attached as an appendix to this report. The Working Group endorsed the following drivers which will guide the approach to service design and delivery:

- a) The need for financial stability – recognising that the impact on the Council’s finances has been severe there needs to be a particular focus on costs/income reductions. This in turn may require some service reductions and an increase in the current saving requirement. In this regard there was a clear view from all members that pressure needs to be brought to bear on Government to meet the full cost of the pandemic and to continue to press the case for Fair Funding, recognising that any reductions in service would likely have severe impacts on residents and service users.
 - b) Changing ways of working – the response to the pandemic has seen some significant shifts in ways of working and in some areas of service delivery. At the heart of such changes will be the ongoing safety and wellbeing of Council staff and service users.
 - c) Environmental Sustainability and Carbon Neutrality – recovery efforts should not come at a cost to the environment and that wherever possible the changes in practice which have reduced the Council’s carbon footprint should be embedded as part of the recovery process.
 - d) Digital Value – wherever feasible more modern and efficient ways of working should be explored and digital technology should be embedded in service design and delivery.
16. The Working Group recognised the significant challenges posed to the Council and its partners and agreed there needs to be a renewed emphasis on the Strategic Change portfolio, part of the Council’s Transformation activity. It also recognised that the Council will need to work closely with the LRF on the economic and community recovery. The Group was of the view that it should also look at lessons learnt during recent months so that the Council and its partners can be better prepared for any future crisis, and if there were to be a further increase in Covid-19 cases leading to another national or local lockdown.

Recovery Timeline/Departmental Plans

17. The Working Group has recognised that the pandemic has had far-reaching and profound impacts across all sectors of the community and society and has left no-one unaffected. For Covid-19, recovery to either previous routine or a new normality may take considerable time, in some cases years rather than months, given the need to address the enduring social, emotional, physical and economic consequences of the pandemic and acknowledging that some things may have changed forever. For the Council, this will also necessitate a fundamental review of its Strategic Plan 2018 – 22 linked to the review of the Medium Term Financial Strategy (MTFS) and Capital Programme.
18. The Working Group noted there will be many milestones along the route to recovery and the Council’s departments will need to produce a timeline of the expected process that clearly identifies blueprints for transition to ‘normal’

service delivery and an exit point where recovery finally transitions to business as usual. These timelines will be different between services and may require reviews and several iterations of Departmental and Service plans. The first iteration of the of interim Departmental recovery plans will be completed at the end of June and the Working Group will consider the outcome at its next meeting on 14th July 2020.

19. Milestones for Recovery will also be guided by national government and the phases outlined in the UK Government's Covid-19 Recovery Strategy and what is right for the local area. These will include:
 - a. Phased removal of lock down, travel and social restrictions;
 - b. End of shielding and self-isolation;
 - c. Demands on public services stabilising;
 - d. Transport infrastructure running effectively;
 - e. Food being easily available as prior to the pandemic;
 - f. Local businesses trading successfully; and
 - g. Tourism, where applicable, in the area having been re-established.

Economic Impact and Employment Levels

20. The local economic impact can be seen in the increase in the number of people claiming out of work benefits. The latest results show an increase from 7,125 in March to 18,555 at the end of May. This represents an increase from 1.7% to 4.3% of the working age population. These results remain below regional (5.8%) and national (6.5%) levels.
21. The increase appears to affect all age groups in a similar way and the increases were generally replicated across Leicestershire. The majority of new Leicestershire JSA (Job Seekers Allowance) claimants appear to come from 'Elementary' professions (involving simple and routine tasks which mainly require the use of hand-held tools and often some physical effort) and Sales and Customer Services. Other occupations experienced only small changes.
22. HMRC statistics on the Coronavirus Job Retention Schemes indicate that 87,300 employees have been furloughed across the County in the period to 31 May (24.5% of all employment). Leicester City has seen a similar proportion of employees furloughed.
23. The Business Intelligence Service continue to monitor relevant indicators and further information will be made available in future. The LRF's Business Cell, chaired by the local enterprise partnership (the LLEP), is providing advice and support to local businesses. Working with the Recovery Cell, the Business Cell will also be planning for economic recovery. The Council's Economic Growth Team is supporting this work, including providing sector-specific support to the tourism, hospitality and creative sectors.

Financial Impact and Implications

24. The financial impact of the pandemic will be profound. The OECD (Organisation for Economic Coordination and Development) estimates that the global economy will contract by 6% this year. The UK economy is expected to be particularly hard-hit with a forecast contraction of 11.5%. Some economic forecasters expect unemployment to increase from previous lows of just over 1 million to as much as 6 million once the furlough scheme is stopped. Many commentators now believe the recovery will be a slow 'U' shape rather than the hoped for 'V' shape.
25. Local authorities have been required to submit financial returns to the Government on a monthly basis. The summary included in the May central government financial return of the overall impact on the County Council's MTFs is set out in the table below. This is in the process of being updated with the latest data, and the Cabinet will be advised of the latest position at the meeting.

	£ million
Estimated spending pressure	34.0
Estimated income loss	21.8
Total 2020/21 financial pressure	55.8
Share of £3.2bn grant fund	-27.6
Gap	28.2

26. Recognising the significant uncertainty, it is estimated that without further government support the County Council will face a financial gap in the order of £28 million for 2020/21, and the financial implications will continue beyond the current financial year. The impact is across the board covering additional expenditure, reduced income levels and planned savings which are no longer achievable. For example, it includes:

a) Increased expenditure (crisis management)

- The cost of interventions to support the supplier market where Government measures are insufficient or not applicable, including cash flowing providers at risk (potentially of the order £20m).
- Increased costs of equipment and IT infrastructure to facilitate staff working from home during lockdown (£1m).
- Support to community and third sector (voluntary) groups to allow them to continue to provide critical services (£1.5m Community Fund created).

b) Increased expenditure (medium-term, including recovery)

- The costs of recovery are likely to be significant for frontline services. Socially distanced working practices are almost certainly going to be significantly more expensive and inefficient. For example, despite a reduction in the number of locations the extra costs of recycling and household waste sites (RHWS) are expected to be in the order of £10,000 per week ongoing. This will be significantly more initially, as traffic management and booking systems are put in place. Other services that entail close contact with service users, especially social care and school transport will have similar extra costs.
- Increased municipal waste disposal costs as people are spending more time at home. Early signs are that tonnages are up by about 10%. This could be as much as £1m on the assumption that these inflated tonnages continue for 6 months.
- Savings no longer achievable - for example, planned savings linked to changed target operating models in Adult Social Care could be compromised through, for example, increased demand or different service delivery models now being required.

c) Reduced Income

- Reductions in income levels for commercial services (for example, school foods income alone is £1.6m a month).
- Reduced levels of council tax and business rates income affecting the Council's core funding (underlying increases in tax bases generate roughly £10m additional core funding per year – potentially tax bases could reduce depending on the longer-term picture on unemployment and business failure).

d) Increased Project/Capital Costs

- Increased costs of capital projects as work on site has to be put on hold, or delivered incorporating new working practices to ensure social distancing is observed (potentially £2m on some of the current key schemes).
- Additional costs arising from project delays such as Fit for the Future where the planned go-live in April 2020 has had to be put back (estimated overall project delays, circa £2m).

27. Due to the scale and speed with which the virus has affected society and created the financial issues for the Council outlined above, it will not be possible to materially reduce costs or raise new income in the current financial year to address the shortfall. Assuming the financial gap remains at £28 million (and it could easily grow) it is expected to be closed by the following measures:

- £4m from the MTFs Risks Contingency fund;
- £10m from the Council's General Fund (which urgently requires replenishment);

- c. £14m by means of reprioritising the existing capital programme for 2020/21 (noting that there is a potential requirement to replenish in future years to compensate for this).
28. The financial impact for the Council in future years is even more uncertain. Although it is hoped that measures to contain the virus will be greatly reduced, the financial challenge will continue due to:
- a. Reduced growth in development of housing and business premises reducing the amount of new tax income.
 - b. Greater level of tax defaults and reliefs needing to be agreed.
 - c. Replenishment of the Council's General Fund.
 - d. Delays to existing savings programmes.
 - e. Higher service costs due to long lasting changes from the crisis, for example, the care home market will potentially look very different. (A report on the effect of the pandemic on the procurement of Home Care is also on the agenda for this Cabinet meeting).
 - f. Greater support requirements, e.g. social care, arising from higher unemployment levels.
29. The County Council's key income streams are Council Tax and Business Rates, with £390 million of income budgeted for 2020/21. At present it is forecasting a relatively small £10m reduction in income in the current year, but this is being updated on the basis of some figures received from the district councils, and the expectation is the position will worsen.
30. Information from the Centre for Economics and Business Research, an independent economics research, indicates that the economy of the East Midlands is likely to be hit harder than any other part of the UK. The relative impact is higher due to the region's sizeable manufacturing sector, which has largely shut down. This is likely to have significant long term consequences for the County Council's tax base.

County Council Approach

31. The County Council is taking a number of measures to ensure the impact on the financial position is minimised where possible. These include:

In the immediate crisis period

- Balancing adherence to Government advice where possible with protecting the overall financial position.
- Sign post suppliers to significant and wide ranging Government support measures.
- Furlough employees where service is impacted by a full or partial loss of external/commercial income.
- Maintain financial discipline by ensuring senior financial staff are appraised of, and approve, significant additional expenditure.

Medium-term, including recovery

- Minimise recovery and ongoing costs by ensuring a range of options for future service delivery are considered.
- Review and reprioritise the capital programme.
- Accelerate the digital programme.
- Identify new savings and service rationing.
- Identify savings as part of the 'recovery' work.

Government Assistance and Potential Future Measures

32. The Government has to date provided £28m in extra grant. This has helped to reduce the expected impact on the County Council's financial position from an estimated £56m in 2020/21 to £28m. Other Government measures that have helped were its instructions to schools and academies to pay for free school meals and the introduction of the Coronavirus Job Retention Scheme.
33. A summary of the grants applicable to the County Council relating to Covid-19 are summarised in the table below.

Grant	County Council Allocation	National share	Conditions	Use
Covid-19 Funding (1)	£15.1m	0.9%	None	Reduce financial deficit
Covid-19 Funding (2)	£12.5m	0.8%	None	Reduce financial deficit
Infection Control	£6.7m	1.1%	Yes + clawback	Pass to providers for transmission reduction measures
Test and Trace	£2.3m	0.8%	Yes + clawback	Mitigation against and management of local outbreaks of Covid-19
Local welfare assistance	TBC	TBC	TBC	Support those struggling to afford food and other essentials
Alternative travel	TBC	TBC	Bid based	Alternative ways to travel, such as walking and cycling
Bus operators				

34. There has been a notable change in approach with the freedom given to local authorities in the initial grants being replaced by greater conditions of use and monitoring in the more recent announcements. This change coincided with Governments narrative, which evolved from "we will do whatever it takes" to "a commitment to support all authorities with the additional cost pressures from the extra work and the specific tasks we have asked you to carry out as a result of the epidemic". The financial implications of Covid-19 extend to many areas beyond the tasks requested by Government.
35. There has been extensive lobbying of Government by the Local Government Association (LGA), County Councils Network and professional networks such as the Society of County Treasurers and Association of Directors of Adult Social Services. In addition, the County Council has lobbied local MPs, providing financial and service information on the impact of the epidemic. The LGA believes the impact on the whole of local government is £6bn this financial year. The impact on County Council's budget, based on work from

Grant Thornton, is expected to be £2.5bn, though under some scenarios this could increase to £4.5bn.

36. It is crucial that further support is provided to local authorities both in the short term and for future years. The Council would encourage the Government to consider further measures to ease the financial burden and ensure the stability of local authorities. A number of proposals have been suggested including a commitment by the Government to underwrite Council Tax and Business Rates income for councils in both 2020/21 and 2021/22.
37. At the time of writing there is an indication that the Ministry of Housing, Communities and Local Government (MHCLG) is in the process of developing a plan to help ensure the financial sustainability of Local Government which is encouraging and much needed.

Summary

38. Leicestershire County Council is in a better position than many. It had a robust financial position going into the crisis as a result of sound management and tough decisions taken since 2010. Notwithstanding this, the crisis will have a profound impact on the County Council's finances and the way in which services are provided. Before the pandemic, reports to the Cabinet and its Overview and Scrutiny bodies highlighted urgent challenges with existing pressures in areas such as social care and Special Educational Needs (SEND). These remain and the pandemic will just add to the already considerable financial difficulties.
39. When the country exits the crisis the financial challenge faced by the County Council is likely to be bigger than at any point during the austerity years.

Equalities and Human Rights Implications

40. There are no equalities or human rights implications arising directly from the recommendations in this report.
41. Although the Council does not have an adopted policy in relation to its approach, the pandemic of the Covid-19 virus has required the Council to be flexible and responsive in the way in which it delivers its services and performs its functions. The Council's Corporate Equalities Board, together with Departmental Equality Groups will play a key role in monitoring the impact of any changes.
42. A high-level Equality and Human Rights Impact Assessment (EHRIA) and improvement plan is in preparation to provide an initial overview of the existing or anticipated equality impacts of Covid-19 and the Council's response. This document is seen as a corporate log of impacts across the organisation/community and is not intended to replace detailed EHRIAs for service changes or easements within departments.

43. The intention is to initiate a corporate log of impacts and actions and to provide information to support departments in meeting the Council's equality and human rights duties.

Appendix

Leicestershire County Council Draft Recovery Strategy

Background Papers

Reports to the Cabinet meeting on 22nd May 2020 "Coronavirus (Covid-19) Impact and Response of the County Council"

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=5995>

Draft Recovery Strategy (appended)