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**Classification:** General Release

**Title:** Impact of Covid-19 on Council Finances

**Report of:** Gerald Almeroth

**Cabinet Member Portfolio** Finance and Smart City

**Wards Involved:** All

**Policy Context:** Medium Term Financial Planning

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## 1. Executive Summary

- 1.1. In March 2020 the UK entered a national lockdown to stop of the spread of coronavirus. The Government advised people to work from home where possible, halted travel both domestically and internationally, and many businesses were forced close.
- 1.2. Over the last two years, the UK has come in and out of lockdowns and restrictions have been imposed when the virus has peaked. These restrictions have led to a significant reduction in commuter, tourist and leisure activities in Westminster.
- 1.3. The impact of this on the Council's finances three-fold:
  - Income from sales, fees and charges have reduced by £20m in comparison to pre-covid levels.
  - Expenditure of c£10m has been incurred to support the most vulnerable in our community and ensure the City is covid safe. This includes the implementation of social distancing measures.
  - A reduction in collection of Council Tax and Business Rates in comparison to pre-covid levels.

- 1.4. Councils lobbied the Government early on about the financial impact of the pandemic on local authorities. Government responded by providing councils with additional funding. Westminster has benefited from this. The Council's general reserve has only reduced by £3.8m since the pandemic.
- 1.5. Longer term the Council continues to face uncertainty. Visitor numbers are still recovering. Without the influx of pre-covid levels of daily commuters and visitors, income from sales, fees and charge might not get back to previous levels. This would present an on-going pressure on the Council's budget.

## 2. Key Matters for the Committee's Consideration

- 2.1. To note the impact of the pandemic on the Council's finances.

## 3. Covid-19 and Westminster Finances

- 3.1. The report summarises the Covid-19 impact on Council finances into four parts:

- Impact on income
- Impact on expenditure
- Funding received from the Government
- Debt management (particularly around council tax and business rates)

### Income

- 3.2. The impact of covid-19 on the Council's income is outlined in the table below:

	A	B	C	D	E
	Pre-Covid Budget £m	2021/22 Budget £m	(Pre-Covid) 2019/20 Outturn £m	2020/21 Outturn £m	2021/22 Forecast £m
<b>Sales, Fees &amp; Charges</b>					
Parking (all)	(87.7)	(84.8)	(86.7)	(66.5)	(84.2)
Commercial Waste	(18.2)	(13.7)	(18.7)	(7.7)	(12.9)
Road Management	(8.8)	(9.1)	(9.5)	(8.6)	(9.4)
Planning	(7.3)	(7.1)	(6.2)	(4.9)	(5.0)
Others Income Streams	(20.4)	(12.1)	(15.4)	(5.0)	(12.0)
<b>Total Income from SFC</b>	<b>(142.4)</b>	<b>(126.8)</b>	<b>(136.5)</b>	<b>(92.6)</b>	<b>(123.6)</b>

- 3.3. Income from sales, fees and charges (SFC) in 2020/21 was **£50m less than budgeted** (A less D). As a result, the Council reduced the 2021/22 SFC budget to £126.8m (B). The forecast for 2021/22 is £123.7m (E). Therefore, in comparison to the pre-covid budget **the forecast income for this year will be £20m less** (A less E).

## Expenditure

3.4. In 2020/21 the Council had to spend approximately £10m more than budget in its response to the pandemic. Broadly this was related to the following areas:

- £1m for PPE
- £2m for short breaks, social care in Family Services and UASC care leavers.
- £1.5m supporting rough sleepers
- c£5m from undelivered savings

3.5. Forecast position for 2021/22 is additional expenditure of £0.5m (within Children's) specifically related to Covid-19. Furthermore, there are also undelivered/re-profiled savings for £5.5m.

## Government Funding

3.6. Over the last two years, the Council have received c£39m of funding from Government to cover general covid expenditure and c£29 to cover income losses. This is summarised below:

<b>Funding</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>Total £m</b>
General Covid Grant	29.2	9.9	<b>39.1</b>
Sales, Fees and Charges Income Compensation Scheme	28.0	2.4	<b>30.4</b>
<b>Total</b>	<b>57.2</b>	<b>12.3</b>	<b>69.5</b>

3.7. Westminster have also received over £20m in specific grant funding to aid its response to Covid. This includes areas grants such as the Contain Management Outbreak Fund, Infection Control and Test and Trace.

3.8. The level of government funding has meant the Council have only needed to use £3.8m of its general reserve in 2020/21 and forecast to use a further £3.4m in 2021/22. Therefore, over the last two years the Council have only used just over 10% of reserves despite gross budget variances of a third.

## Debt Management

3.9. Council Tax and Business Rates are the Council's two main areas of income collection. In both cases collections rates from dropped by 10% in comparison to pre-covid levels. This is after taking account of additional business rates relief.

## Looking Ahead

3.10. The City of Westminster have always had a high day time population with large footfall in the West End and other central areas. This has enabled the Council to collect a large amount of income from Sales, Fees and Charges, particularly from parking, commercial waste, road management and planning. However, as businesses move towards hybrid working and tourism remains low this activity level could permanently reduce. In such a scenario the Council may struggle to achieve the same level of income as pre-covid years. This position will continue to be monitored as part of the Medium-Term Financial Plan.

**If you have any queries about this Report or wish to inspect any of the Background Papers, please contact Rikin Tailor**

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