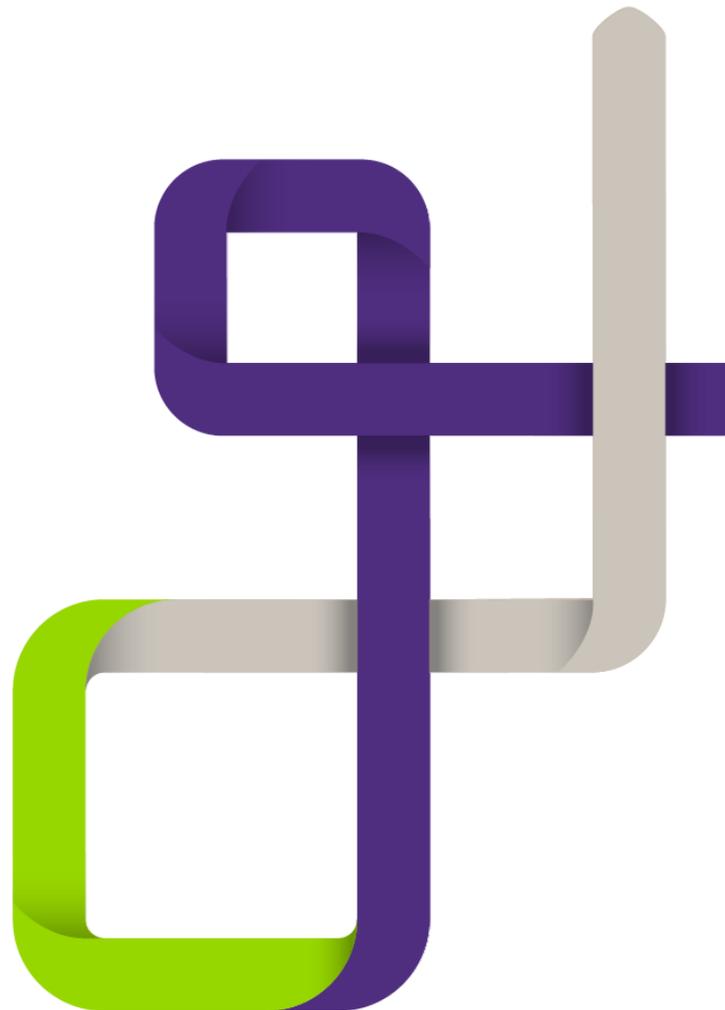




Islington Scrutiny Meeting

Insights from Grant Thornton
4th Nov 2021



Covid-19 Vulnerability and Recovery Indices

Understanding the impact of Covid-19

The social and economic impacts of Covid-19 will be profound, affecting all elements of our business communities

And, with the response to and recovery from, Covid-19 now expected to take months, if not years. It's even more critical that places take an insight-led approach to their response.

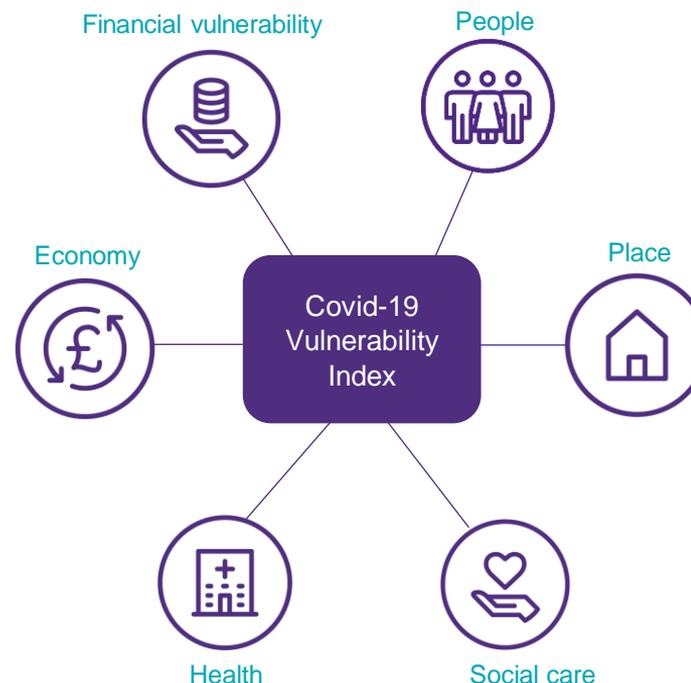
It is obvious, given the different socio-economic characteristics of local authorities, that some places will be more vulnerable to the immediate impact of the pandemic. Equally, the measures that have traditionally created and defined places in terms of economic growth or health, wellbeing and happiness will have to be reassessed alongside the UK's lockdown exit strategy. While for other places or parts of the local economy Covid-19 will have provided a unique catalyst for growth.

Understanding vulnerability and recoverability

The Grant Thornton Covid-19 Vulnerability and Recovery Index provides a nationwide view of how different places are positioned to respond and recover from Covid-19.

Using lenses such as People, Place, Economy, Health and Social Care, the **Vulnerability Index** assesses over 40 different indicators to quickly understand the specific strengths and challenges that places may encounter as they emerge from their immediate response and begin to think about the future needs of their place.

The **Recovery index** can be used to understand the more long-term implications of Covid-19 and how well placed an area is to 'bounce back' from the impacts.



Indicators overview

Covid-19 Vulnerability Index

Financial

- Year at risk
- Level of reserves as % of total expenditure
- Covid-19 grant as % of total expenditure

People

- Population density
- Pop 65+ (%)
- Pop 65+ (no.)
- BME (%)
- Working age population
- Claimant rate (%)
- % of employment with disabilities or long term health conditions
- % employed in 'lower level' occupations (%)*
- Average income

Place

- Household overcrowding (%)
- Social rented (%)
- Rough sleepers (rate per 10,000 households)
- % of premises that don't meet USO (broadband)
- Average time in minutes to access nearest food store (PT/walk)

Economy

- % of businesses in 'at risk' sectors
- % of employment in 'at risk' sectors
- GVA - Covid-19 impact on growth
- Self-employment (%)
- Economically active (%)

Health

- Life expectancy at birth (years)
- Under 75 mortality from rate for all causes (per 10,000)
- Percentage of adults (aged 18+) classified as overweight or obese
- Estimated diabetes diagnosis rate
- Excess Winter Deaths Index
- Mental health disorders (%)
- Smoking Prevalence in adults (18+) - current smokers (APS)

Social care

- Children in need per 10,000 children
- Child protection
- State-funded schools- all pupils free school meals (%)
- Looked after children per 10,000 children
- Older adults admissions to care homes (per 10,000 adults)
- Learning disability: QOF prevalence

Covid-19 Recovery Index

- Year at risk
- Level of reserves as % of total expenditure
- House price recovery
- % of businesses in 'at risk' sectors*
- % of employment in 'at risk' sectors*
- GVA - Covid-19 impact on growth
- Business size (mixture/variance)
- Reduction in business rates - scenario: all shops and restaurants closed for a year
- Housing Delivery Test: 2019 measurement

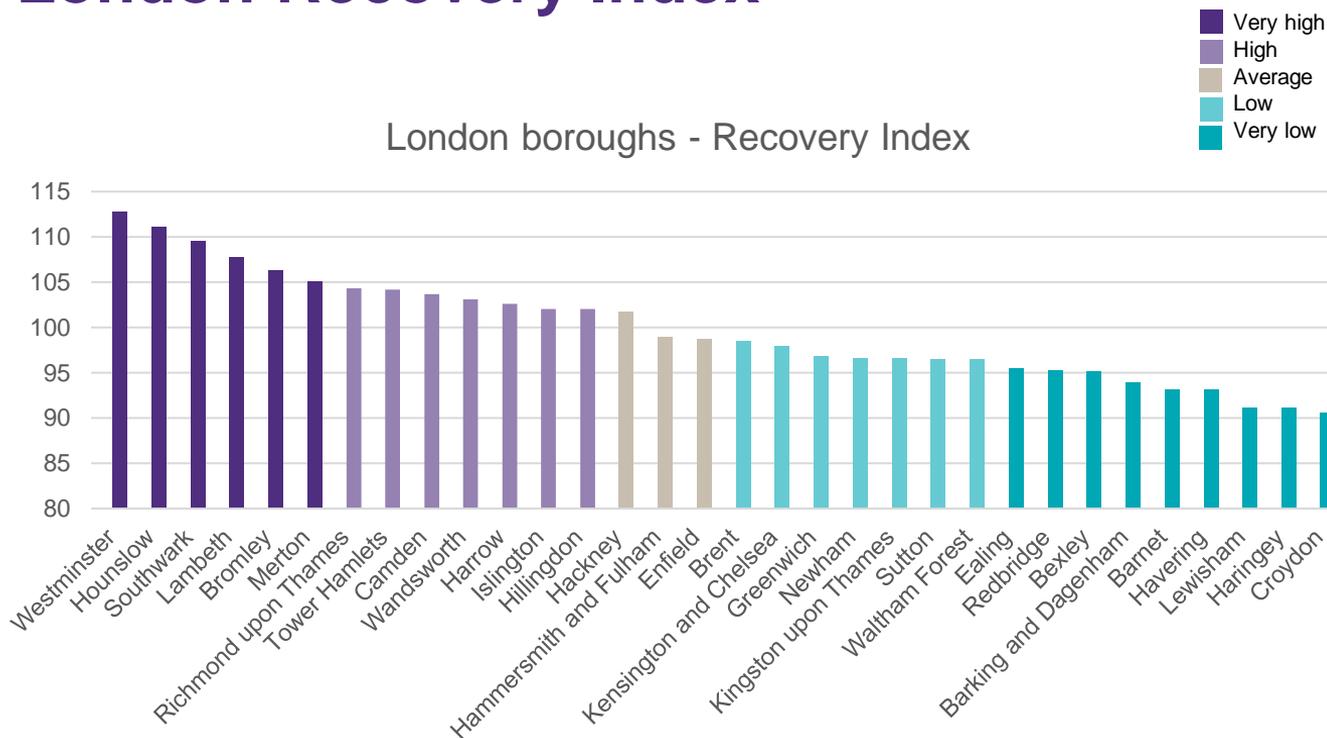
Please note that in calculating the index, these indicator categories are given equal rating



Vulnerability vs Recovery



London Recovery Index



- All London boroughs face significant challenge
- Level of challenge varies greatly across London
- Many boroughs fall below the national median

Please note that in the following slides performance is relative to all other **Upper tier authorities**

Financial Foresight

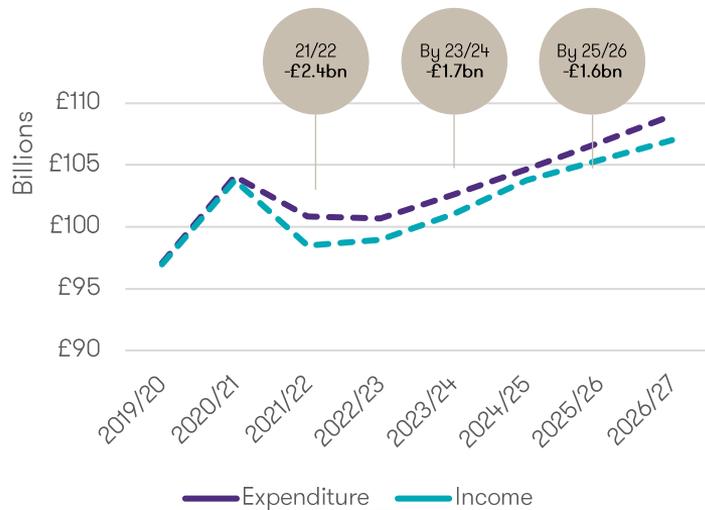
Our headline scenario – pessimistic but possible

- Funding reforms are delayed but 3% annual uplift in central government funding
- Council's unable to maximise council tax increases
- Business rate growth slowed by economic challenges
- Significant collection fund deficits to clear
- Wind down of government support
- Crystallisation of COVID costs (social care, homeless)
- Increased inflation in staffing costs

National perspective

Income & expenditure in a “do nothing” scenario

Historical and forecast income and expenditure



Core assumptions:

75% of tax-raising abilities utilised (ASC levy in full)

One-off COVID impacts + funding support included

In-year savings not reflected

Cumulative gap between income & expenditure (forecast)

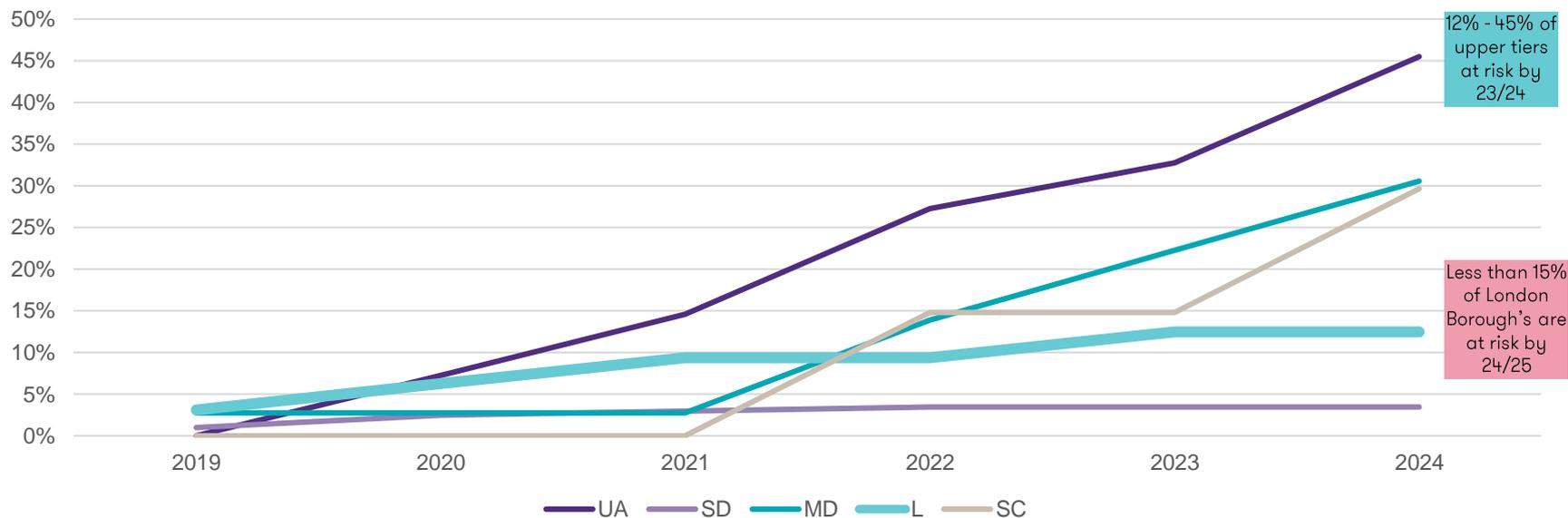


% of authorities at risk by type

Proportion of authorities potentially at risk due to low reserves

At risk = usable reserves depleted to \leq 5% of net revenue expenditure

% of authorities at risk by type

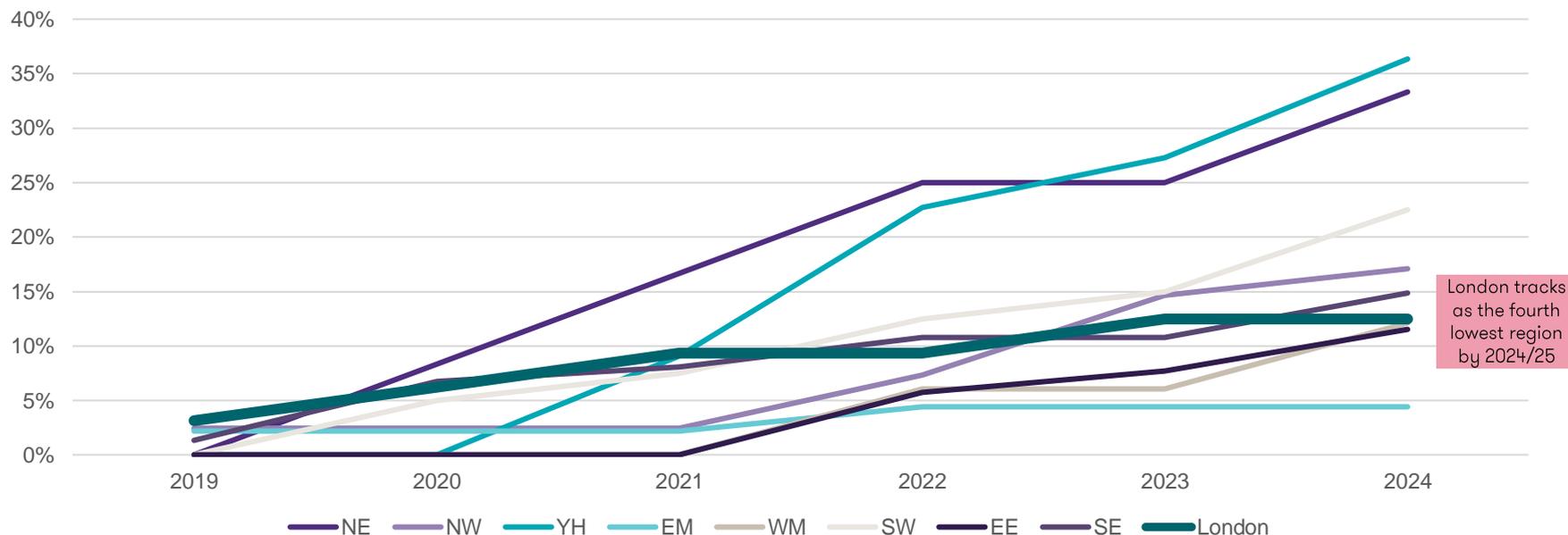


% authorities at risk: all England by region

Proportion of authorities potentially at risk due to low reserves

At risk = usable reserves depleted to \leq 5% of net revenue expenditure

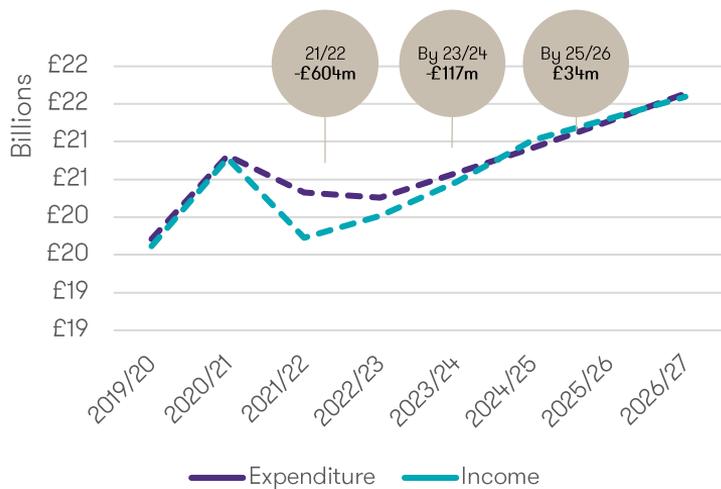
% of authorities at risk by region



London perspective

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Insights: Financial Risks

The impact of COVID-19

The financial year 2020/21 posed a unique challenge, and by and large, Council's stepped up.

However, as the dust settles, the longer term financial consequences are still emerging.

- Respite and a chance to rebuild reserves for some, but...
- Difficult to keep track of the underlying financial position – *but need to make sure this is fully understood.*
- Ongoing cost pressures, crystallising (e.g. social care, children's)
- Impact of heavy borrowing to be felt over the next 5 years
- Implications for funding (e.g. impact on the business rate base and other income generation)
- Wider economic uncertainty – supply chain and inflation, what does levelling up mean for London?
- Traditional financial assumptions and risks need to be re-evaluated rather than reverting to 'normal'.

Insights: Governance

The role of members in financial governance

Every Councillor is responsible for financial control and decision-making at their Council.

Whilst members may not be experts in financial matters, they should all take an interest in financial and best value decisions.

A culture that encourages scrutiny and accountability as a key element of decision-making is critical to successful delivery of services. Constructive challenge and debate from members can enhance performance.

All councillors, not just members of the Scrutiny and/or Audit Committee should be:

- Clear on their role in financial management
- Have access to adequate financial skills
- Be provided with regular and on-going financial training
- Be provided with accurate, complete and timely reports on the financial and non-financial performance of the Council on a regular basis
- Be aware of CIPFA FM Code and Nolan principles

Questions



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