



RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

CABINET

25TH JUNE 2020

COVID 19 – FINANCIAL IMPLICATIONS FOR THE COUNCIL

REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES IN DISCUSSION WITH THE LEADER OF THE COUNCIL

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1. PURPOSE OF THE REPORT

- 1.1 The report provides Members with an initial assessment of the financial implications for the Council arising from COVID 19.

2. RECOMMENDATIONS

- 2.1 To note the financial implications arising from COVID 19 on the Council;
- 2.2 To agree to receive a Mid-Year Budget Review in September alongside an updated and interim Medium Term Financial Plan; and
- 2.3 To note the arrangements for the preparation and audit of the Statement of Accounts for 2019/20.

3. REASONS FOR THE RECOMMENDATION

- 3.1 The ongoing response to COVID 19 continues with significant disruption across Council Services with many repurposed, reduced or suspended fully. Whilst the assessment of the financial implications is ongoing this report sets out the initial view of the impact upon the Council.

4. BACKGROUND

- 4.1 The Council's Revenue Budget Strategy for 2020/21 and the Capital Programme for 2020/21 to 2022/23 were agreed by Council on the 4th March 2020.
- 4.2 Within a very short space of time the COVID 19 crisis escalated with the subsequent lockdown announced and effective from the 23rd March 2020.

- 4.3 On the 18th March, an urgent decision of the Leader of the Council was made which set out the current emergency planning arrangements for COVID 19 at UK, Wales and locality levels and set out the potential implications for Council services when the outbreak escalated and the action the Council would take.
- 4.4 Since this time, there has been significant disruption across Council Services with many repurposed, reduced or suspended fully. At the time of writing, the restrictions in Wales are beginning to be relaxed, albeit cautiously.

5. **FINANCIAL IMPLICATIONS**

- 5.1 Significant work continues to be undertaken on the assessment of the financial implications across all Council services.
- 5.2 The WLGA have coordinated a survey across the 22 councils in Wales to identify early and initial estimates of the financial implications for the 3 months of April to June 2020. For this Council, the estimated impact for the 3 month period is shown below.

		£M
Expenditure	Net of cost savings	£6.4
Income	Net of cost savings	£7.2
	TOTAL 3 MONTH COST	£13.6
	AVERAGE MONTHLY COST	£4.5

- 5.3 Put into context the all Wales 3 month initial estimated cost is £185M.
- 5.4 The above initial estimate was at a point in time and there are a number of emerging cost pressures which are continuing to arise :
- Supporting the sustainability of the social care sector;
 - Council Tax Collection;
 - Ongoing increases in Council Tax Reduction Scheme claimants;
 - Contractual extension of time claims (capital);
 - Waste Management costs as a consequence of increased volume and changing composition of kerbside waste;
 - Increasing numbers of Children Looked After;
 - Ongoing and longer term PPE requirements;
 - Provision of support (eg food parcels) to the vulnerable;
 - Ongoing cost of cover where staff are “shielding” or have caring responsibilities;
 - Enabling and supporting different ways of working, including ICT costs associated with homeworking;
 - External / Grant Funding risks.

- 5.5 Neither does it begin to factor in the ongoing cost implications arising from

reconfiguring services to adhere to ongoing social distancing requirements (eg Home to School Transport) and ongoing and potentially longer term income reductions across services which cannot be envisaged as returning to “normal” for some considerable time (eg Leisure).

- 5.6 Forecasting the financial implications beyond the short term is clearly dependent upon numerous assumptions which are subject to change on a regular basis as Welsh Government continue to review the restrictions and arrangements within Wales. It is important that we continuously refresh our modelling alongside working with WG to find funding solutions for Wales.
- 5.7 It is also important that we continue to do all that we can locally to mitigate the financial implications and recognise that where services have been and continue to operate at reduced levels that the associated savings are set aside to offset our cost pressures.
- 5.8 In this regard and in line with legal advice, we have taken advantage of the Governments Coronavirus Job Retention Scheme and have registered over 670 staff against this scheme with effect from the dates which they have been stood down from duties. Staff registered have been identified in line with legal advice and are in roles funded in the main from income from fees and charges for services, in particular Leisure and Catering. The value of our claims (March, April and May) amounts to £0.855M, which will partly offset our loss of income in respective services. Importantly, all staff continue to receive full pay and continuity of employment throughout this process.
- 5.9 Equally we are already planning and starting to deliver the recovery phase, as we begin to plan and re-open for example our schools and libraries alongside our already successfully re-opened Community Recycling Centres. All Council services are now preparing Service Recovery Plans, seeking to ensure we take advantage of the position in which we find ourselves.
- 5.10 Local Government is also playing a lead delivery role in the contact tracing process, which has commenced fully with effect from 1st June. Whilst caseload levels can only be estimated at this stage, the Cwm Taf Morgannwg (CTM) region has put in place a scalable model which can be flexed to meet demand over time. Initially resourced from existing resources, as our services are reintroduced there will be a need for staff to return to substantive roles and replaced with new recruits. The cost implication of the Test, Trace, Protect strategy across Wales have been estimated at around £100M, and locally (CTM) approximately £15M subject to requirements of scale. The funding solution for this work remains to be clarified.
- 5.11 The variability of the financial implications on the Council can be clearly seen by the number of variables which are all moving at pace. However, at this juncture, the Council is well placed insofar as we are continuing to mitigate our increased cost base wherever we can and discussions with WG in relation to funding continue to be positive.
- 5.12 Our increased costs incurred to date are being claimed back through the funding already made available and with regard to income loss funding has been identified

and the process for claiming this is currently under consideration.

- 5.13 WG are now reviewing the increased cost of the national Council Tax Reduction Scheme, where we have already seen an increased caseload across Wales of over 9,500. Also under review is the impact of lower Council Tax collection rates already being seen over the initial 2 months of the financial year.

6. WELSH GOVERNMENT FUNDING

- 6.1 Positive discussions continue with Welsh Government on funding in respect of the unprecedented financial pressures which all councils in Wales are facing. To date a £188.5M Hardship Fund has been agreed at an all Wales level, as set out in the WG Supplementary Budget (27th May 2020), which includes :

Support for Homelessness	£10M
Funding for Adult Social Care	£40M
Free School Meal Funding	£40M
Loss of Income	£78M
Support to create temporary facilities to handle the increased number of deaths during the pandemic	£7M

- 6.2 The agreed process for accessing funding is through a monthly claims process, aimed at ensuring that the funding gets to where it is needed. This has been in preference to an allocation basis across councils.
- 6.3 The claims are based on cash paid out during each calendar month and so there is an inherent timing delay between services being delivered and cost being incurred and reimbursed.
- 6.4 The all Wales claims for March and April amounted to £2.4M and £18.8M respectively. This Council's claims have amounted to £0.8M and £1.6M respectively and more recently £4.2M for May.
- 6.5 Discussions regarding the funding arrangements for the period beyond the end of June are ongoing.

7. BUDGET STRATEGY FOR 2020/21 AND MEDIUM TERM FINANCIAL PLAN

- 7.1 We will continue to model and monitor the projected out-turn position alongside confirmed funding sources as and when we have confirmation. Clearly there are many variables and uncertainties at present.
- 7.2 It is clear that the budget as set in March 2020 will not be an appropriate basis against which to deliver our services for the remainder of the financial year and over the next couple of months we would hope to have greater clarity over what the recovery phase and service delivery requirement will be beyond the immediate

term.

- 7.3 Finance officers will work with services across the Council over this period to put in place a revised budget for 2020/21 alongside their Service Recovery Plans and it is proposed that this **Mid-Year Budget Review** be reported to Cabinet and Council in September. This will be alongside and informed by our Quarter 1 Performance Report.
- 7.4 It is further proposed that an updated interim Medium Term Financial Plan is presented alongside this Mid-Year Budget Review in order to begin to inform our budget strategy deliberations for the financial year 2021/22.

8. YEAR END 2019/20

- 8.1 The quarter 3 out-turn position was reported to Cabinet in March 2020, and represented a projected overspend position of £0.539M for the year.
- 8.2 The Councils General Fund Balances at 31st March 2019 amounted to £10.498M. After the £1.5M allocation for Storm Dennis, the remaining balance is £8.998M.
- 8.3 Finance teams are currently working effectively (from home) and compiling the year end position. Whilst we were initially targeting the 31st May to prepare a draft Statement of Accounts (to be audited by July) this target date has been re-set to balance and enable focus and priority to be afforded to assessing the ongoing financial implications on the council as set out above.
- 8.4 In England the Statutory Date for the production of accounts has been relaxed, from the 15th June to the 31st August, to be audited by the 30th November 2020. In Wales there is already provision in the regulations to delay production of accounts and to disclose a reason for doing so on council websites. WG do further recommend Welsh authorities adopt a timetable for the 2019-20 accounts in line with the revised English requirements.
- 8.5 We are currently targeting early July to certify our draft accounts and are working closely with Audit Wales to integrate the audit process as efficiently as possible. The important role of Audit Committee through this process is also being considered, along with the practicalities of making our accounts publicly available for inspection.
- 8.6 A statement has been placed on the Council's website clarifying the above in line with WG and Audit Wales advice.
- 8.7 The Councils year end position will be set out in the quarter 4 performance report which will be reported to the July Cabinet, in line with the normal quarterly reporting timelines.

9. EQUALITY AND DIVERSITY IMPLICATIONS

9.1 There are no Equality and Diversity Implications.

10. CONSULTATION

10.1 There are no consultation requirements arising from this report.

11. FINANCIAL IMPLICATIONS

11.1 The financial implications are set out in this report.

12. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED

12.1 The Council has a legal duty under the Local Government Finance Act 1992 to set a balanced budget.

13 LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT.

13.1 The 2020/21 Revenue Budget Strategy was formulated to support the delivery of the Council’s strategic priorities, as set out within the Corporate Plan 2016 – 2020, and the new Corporate Plan “Making a Difference” 2020 – 2024. These documents are aligned to the goals and principles included within the Well-Being of Future Generations Act.

14 CONCLUSION

14.1 This report sets out the financial issues and implications on the Council arising from COVID 19. There are clearly a large number of variables, including funding sources, which are being monitored on an ongoing basis.
