

Cabinet – 19 May 2020

Covid-19 and Corporate Financial Performance 2019/20 to 2021/22

Portfolio: Councillor M Bird – Leader of the Council (Lead Portfolio)

Related Portfolios: All

Service: Finance – council wide

Wards: All

Key decision: No

Forward plan: Yes

1. Aim

- 1.1 To report on the impact of Covid-19 on the draft 2019/20 revenue outturn, the known and potential impact on the 2020/21 revenue and capital position and risks to the 2021/22 budget, and to seek approval for a number of actions and amendments to the 2020/21 revenue budget.

2. Summary

- 2.1 The council is playing an active role in the overall national response to Covid-19, including the administration of business rate reliefs and grants, supporting households through the council tax reduction scheme, supporting the care market and other initiatives. Government committed to fully compensating councils for the costs of authorities' responses to Covid-19 and has to date allocated £21.36m (£17.48m unringfenced S31 grant and £3.88m hardship funding ringfenced to council tax payers) of funding to help support those costs. However, as well as the initial costs of funding the council's response, the impact of Covid-19 includes significant loss of income following closure of services and facilities and Covid-19 has also indirectly impacted on the delivery of approved budget savings as the council has refocused its resources on its response to Covid-19.
- 2.2 This report provides a summary position on the financial impact of Covid-19 on the revenue position for 2019/20 to 2021/22 and the potential impact on the capital programme, based on best available data, including:
- (i) A draft revenue outturn for 2019/20 of £242k *under budget*, after taking into account £269k of additional costs and loss of income as a direct result of Covid-19. This is subject to final entries and external audit.
 - (ii) Anticipated additional costs / loss of income of £9.51m to June 2020 (quarter 1) and £3m per month thereafter beyond June 2020.
 - (iii) Further risks of £1.8m per month.
 - (iv) The known impact on the 2021/22 budget and risks to that.
- 2.3 There is considerable uncertainty at this point as to how long the current lockdown and associated impact will last, however it is expected that, after the initial crisis is over,

the subsequent impact on the national and local economy and on public finances will have implications into the medium term, impacting the council's reserves and budgets into 2021/22 and potentially beyond. This will require Government to review the now delayed Fair Funding proposals (originally expected to be consulted upon over the summer) and in particular the quantum of funds made available to council's to ensure their continued financial stability.

- 2.4 In summary, the council is able to manage the financial impact in the short term, however should the crisis continue to have such significant impact in quarter 2 and beyond, then additional actions may need to be considered, including supplementary budget savings, should Government not fully recompense councils for their losses. During this evolving period, regular updates will be reported to Cabinet on the financial implications for Walsall council, including any recommendations for additional actions to be taken to manage the evolving situation.

3. Recommendations

That Cabinet:

- 3.1 Note the draft revenue outturn for 2019/20 of an underspend against budget of £242k, after taking into account £269k of additional costs and loss of income as a direct result of Covid-19, noting that this may change as entries are finalised and that this is subject to external audit of the accounts,
- 3.2 Delegate approval of final carry forwards and transfers to and from reserves to the S151 Officer, in consultation with the Leader (portfolio holder for Finance).
- 3.3 Note the additional funding allocated to Walsall as set out in section 4.4 and 4.5 of this report, and that this will be insufficient to cover the additional costs of supporting the Council's Covid-19 response beyond the short term.
- 3.4 Note and endorse the financial governance arrangements (Silver and Gold reporting) put in place to manage the allocation of funds and approval of additional costs during Covid-19.
- 3.5 Approve that new funding allocations, where there are specific terms and conditions directed to specific functions or services (such as the emergency funding for rough sleepers to self-isolate) will be passed through to these services, and will be managed within existing grant rules.
- 3.6 Approve that un-ringfenced allocations (such as the S31 Covid-19 Response funds) will be pooled and subject to existing finance rules, and administered by the council's S151 Officer, with additional Covid-19 related reporting to Silver and Gold Command and Cabinet, as set out in this report.
- 3.7 Approve that, as a contingency measure, any unbudgeted windfall income/grant is pooled to provide additional funds should they be needed, to be administered by the council's S151 Officer.
- 3.8 Note the forecast impact of Covid-19 to the end of quarter 1 (June) and per month thereafter as set out in section 4.13 and the reasonable worst case costs set out in 4.14.
- 3.9 Note the loss of income as set out in sections 4.15 to 4.18.

- 3.10 Note the £1.7m additional costs approved through Silver and Gold Control between 20 March and this report despatch date and approve the allocation of additional budgets as set out in section 4.20 and Appendix 1, funded from the Covid-19 grant.
- 3.11 Note the additional estimated costs to June 2020 as set out in section 4.21 and 4.22.
- 3.12 Note the estimated financial impact on the delivery of 2020/21 approved savings, as set out in sections 4.26 to 4.29 of this report and the potential impact on 2021/22.
- 3.13 Delegate authority to the S151 Officer, in consultation with the Leader, to allocate unringfenced Covid-19 funds to manage the forecast impact of income losses, additional costs, and delays in delivery of savings, as set out in this report, once actual figures are finalised.
- 3.14 Note the potential monthly cost of Covid-19 beyond quarter 1, and that should no further Government funding be provided, then the council may be required to start utilising its general reserves during quarter 2 to fund Covid-19 costs and take further action to address funding shortfalls.
- 3.15 Note the additional financial and non-financial risks to the council as set out in section 4.34 onwards.
- 3.16 Note the potential impact of Covid-19 on the capital programme as set out in section 4.30 to 4.32.
- 3.17 Note that an update report will be presented to the next meeting of Cabinet.

4. Know – Context

- 4.1 Councils are operating in an emergency response situation which is unprecedented. The lockdown and associated measures are having a significant impact on the services that the council provides to its residents and services users and how it provides them, and has required implementation of a number of new support measures. It is unclear how long the lockdown and associated measures will be in place or the cost of Recovery. There are substantial known and unknown costs. Regular conversations are being held with MHCLG officials to identify the issues facing council's and seeking Government support to fund the full cost of the response.
- 4.2 A national Covid-19 Response Fund has been made available, however initial allocations are unlikely to be sufficient to manage the costs of local authorities' beyond the short term. The current advice from Government is to 'continue to spend', however this is without the certainty that costs will be fully covered by Government.
- 4.3 In the meantime, the council is still legally required to operate within a balanced budget, to operate within financial controls and to deliver approved budget savings. Inevitably, in order to do this and if Government funding is not provided to fully cover Covid-19 shortfalls, then council's will need to consider other actions short of, and in some cases, including issuing of S114 notices.

Government's financial response to Covid-19

- 4.4 At Budget 2020 the Chancellor announced a Covid-19 response fund, initially set at £5bn, to fund local authority actions to support social care services and vulnerable people; alongside the need for the NHS to treat Coronavirus patients including maintaining staffing levels; and funding to ensure other public services are prepared and protected. The Department of Health announced on 19 March part of this allocation, with further details and guidance being released over the last few weeks. The first tranche of £1.6bn, handed out at the end of March, was distributed largely on the basis of the relative needs formula for adult social care. A further release of £1.6bn of funds to local authorities was announced on 18 April, the allocation of this being based on population.
- 4.5 The following table summarises funding announced by the Government towards associated costs for Walsall in the management of Covid-19 with more detail provided in the following paragraphs.

Available Funding – as at 30/04/2020		
Funding source	National share £bn	Walsall share £
COVID-19 Response Fund – LA element (announced 19 March) <i>confirmed and unringfenced</i>	£1.6bn	9,609,338
COVID-19 Response Fund – LA element (announced 18 April) <i>confirmed and unringfenced</i>	£1.6bn	7,871,766
COVID-19 Response Fund – NHS element (TBC)	£1.3bn	c7,500,000
Hardship Fund	£0.5bn	3,879,239
Emergency fund for rough sleepers to self isolate (£3.2m)	£0.0032bn	4,501
<i>Total to date, of which:</i>		28,864,844
Walsall Council Funds		21,364,844
Grants to Businesses		53,554,000

- 1) *£1.6bn unringfenced grant to LA's to help respond to COVID-19 pressures across all services delivered.*

Walsall's first allocation was confirmed on 20 March as £9.6m, being un-ringfenced and this has now been received. The funding is aimed at:

- Meeting the *increased demand for adult social care* and enable councils to provide additional support to social care providers,
- Meeting the cost of *extra demand and higher business-as-usual costs of providing children's social care*, including as a result of school closures and the need for increased accommodation to address the need for isolation, including for unaccompanied asylum-seeking children,
- Providing *additional support for the homeless and rough sleepers*, including where self-isolation is needed. This is on top of the £3.2m emergency fund announced on 17 March, from which Walsall received £4,501.
- Supporting *those at higher risk of severe illness from Covid-19* who may be asked to self-isolate in their homes for the duration of the pandemic. To support initial costs incurred by local authorities in their critical role in supporting those within the most clinically high-risk cohort who also have no reliable social network (i.e. who are both at high risk clinically and socially).

- *Meeting pressures across other services, as a result of reduced income, rising costs or increased demand.*
 - Whilst the funding letter advised that MHCLG expected that the majority of this funding will need to be spent on providing the Adult Social Care services required to respond to the Coronavirus crisis, subsequent discussion with them clarified that it is for council's to determine the appropriate allocation of these funds, in recognition of the council wide impact of the Covid-19 response.
- 2) *A further £1.6bn was announced on 18 April, with Walsall receiving £7.8m, an 18% reduction on our first allocation, largely as Districts have been allocated a larger share of the total funds. This is also unringfenced.*
 - 3) *Clinical Commissioning Groups (CCGs) will separately be receiving funds to pay for the additional costs of discharging and keeping people out of hospital, totalling £1.3bn, including social care costs - commissioned by the local authority unless existing local arrangements suggest otherwise. This is to be used to support the waiving of social care means testing for care placements to work with care partners (estimated at c£7.5m for Walsall, subject to confirmation).*
 - 4) *£500m Hardship Fund for local authorities to support hardship in their local area. Although it is for each authority to make its own determination in respect of any hardship relief scheme the guidelines state that the government expects each local authority to reduce the council tax liability of each working age council tax claimant by £150, or to zero if the total liability is less than £150.*
 - 5) *Business rate reliefs, for which the council will be fully compensated through a S31 grant, estimated at £1.86m.*
 - 6) *Business rates grants - A cash injection of £10k to businesses that are currently eligible for small business rates relief and grants of up to £25k to retail and leisure business operating in premises with a rateable value between £15k to £51k. The council has received a grant of £53.55m. The Government has also stated that it recognises that implementing this new measure will place some additional burden on billing authorities and confirms that it will provide New Burdens funding for this, however the mechanism for this has not yet been published.*
 - 7) *Schools – Government has recognised that schools may face additional costs as a result of Covid-19 and temporary school closures and has stated that it will put in place a new process that allows them to reimburse schools for exceptional costs that they face.*

Draft Revenue Forecast 2019/20

- 4.6 Cabinet have received regular reports on the 2019/20 forecast position throughout the year, and the reasons for variances to budget arising primarily from demand cost pressures in Adult and Children's Social Care. The council has a good track record of managing financial pressures and action has been taken to mitigate these pressures as far as possible.
- 4.7 Table 1 below summarises the draft revenue outturn, an underspend against budget of c£242k, after taking into account draft carry forwards, transfers to and from reserves and the impact of Covid-19. The impact of Covid-19 is estimated at c269k, including loss of income of c£84k and additional one-off costs of c£185k.

- 4.8 The draft outturn is subject to final entries to be completed by the end of May and external audit of the accounts. Approval of final carry forwards and transfers to and from reserves is requested to be delegated to the S151 Officer, in consultation with the Leader, in order to finalise the Statement of Accounts by the end of May.
- 4.9 The draft final outturn indicates an overspend within services, with a corresponding larger underspend on central budgets. The previously reported position to Cabinet in December 2019 was an overspend of £2.78m. The main change relates to movements in central budgets, including release of one off S31 business rates windfall funding received after the 2019/20 budget had been approved of £1.18m and a forecast year-end surplus on pension charges due to the application of a discount from up-front payments of £1.98m.

Directorate	Net Budget £m	Year-end forecast £m	Forecast Variation to Budget (Under) / Over £m
Adult Social Care	62.35	62.52	0.17
Children's Services	68.58	69.70	1.12
Economy & Environment	48.07	48.20	0.13
Resources & Transformation	19.76	19.36	(0.40)
Services Position	198.76	199.78	1.02
Capital Financing & Central Budget	(77.40)	(78.66)	(1.26)
Total council tax requirement	121.36	121.12	(0.24)

General Reserves

- 4.10 In being able to release these funds, the council is in a stronger position to manage the impact of Covid-19 in that replenishment of reserves will not be required, which would have created additional financial pressure on top of the unprecedented pressure the council currently faces in relation to Covid-19.
- 4.11 General reserves were £15.67m as at 1 April 2019, which has reduced to £14.09m following the earmarking for specific use during 2019/20 as agreed by Cabinet, including extending the opening hours of the recycling centres (£110k), one-off funding of the falls prevention service whilst a review is undertaken (£139k), home to school transport in year pressures (£560k) and waste recycling contract cost pressures (£773k).

Revenue Budget 2020/21-2021/22 and Impact of Covid-19

- 4.12 Council on 27 March 2020 approved a balanced budget. This is predicated on a number of assumptions that Covid-19 has now put at risk, including the following. Further detail on the impact of these is provided in the following sections.
- Collection of £127.5m of council tax income, with a council tax base of 71,550 households, and collection of business rates income of £74.6m.
 - Receipt of £41.89m of fees and charges to directly offset the gross cost of services and reduce the cost of services to the council tax payer.
 - Delivery of £8.77m of savings through the Proud Programme.

- Investment into services of £26.53m to fund pay, contractual and other known cost pressures.
- A minimum level of reserves required of £13.55m. As stated in 4.11, the actual level of opening reserves is £14.09m, slightly above that required.

4.13 The table below summaries the estimated financial impact of Walsall's Covid-19 response between 1 April to 30 June and for every month thereafter. Further detail on each of these is set out in the following sections.

Covid-19 pressures	April – June 2020	Per Month
Loss of income due to service closures / changes - see 4.15 to 4.18	2,941,243	976,963
Gold and Silver approvals for additional cost pressures - see 4.20 and Appendix 1	1,703,953	-
Forecast additional costs - subject to Gold and Cabinet approval – see 4.21	2,716,252	1,127,127
Additional costs arising from Covid-19 Delay in the achievement of 2020/21 approved savings - see 4.26 to 4.29 and separate Cabinet report	2,145,998	911,888
Total to date	9,507,445	3,015,977
Unringfenced Government allocation less 2019/20 Covid-19 costs of £268,942	(17,212,162)	
Balance of grant uncommitted by End June 2020	(7,704,717)	
Balance of funds uncommitted by Mid-September	0	

In addition to the general Covid-19 Response fund, £3.8m has been provided in respect of the Hardship Fund. See 4.17.

4.14 As set out in the table, the Covid-19 response fund initial allocation is expected to be sufficient to fund the impact of Covid-019 until around Mid-September (should no other pressures arise), however beyond that the council would need to start utilising general reserves. Should the impact of Covid-19 continue throughout the year, an estimated reasonable case cost of Covid-19 would be in the region of £31m. A reasonable worst case would be in the region of £47m. In addition, the council would need to replenish utilised general reserves in year or during the 2021/22 budget setting process, putting finances under even more strain.

Loss Of income

4.15 The council is facing significant reductions in sources of income, for example from currently closed services such as leisure and car parking and traded services income from schools. Given councils' reliance on this income, the ability to balance the budget beyond the short term will be extremely challenging, as whilst Government has made a commitment to funding the full cost of the crisis, it has not yet acknowledged the significance of loss of income on the council's financial position.

4.16 An initial 3 month impact is contained within this report, estimated at £2.94m, with a further impact for every month thereafter of c£977k. A summary is provided below. It is proposed to increase cash limited budgets through the use of the Covid-19 response fund to manage these, once figures are finalised.

Source of income Loss	April to June Forecast £
Economy, Environment and Communities	
Active living	1,004,293
Leisure Culture & Operations Arts and Events	251,452
Art Gallery	26,050
Leather Museum reduction in shop	4,961
Libraries	9,585
Markets	103,000
MOT income	43,325
Litter enforcement income, waste	29,902
Arboretum visitor centre, Grounds, Parks	79,555
Loss of licensing income due to trading restrictions	9,123
Car parking income – off street	33,000
Car parking income – on street	126,000
Staff parking permit	54,000
Parking penalty notice income	150,000
Various services provided - such as drop kerbs, scaffolding, licences, skip permits etc	88,895
Planning	225,000
Bus lane penalty notice income	64,500
Resources and Transformation	
Box Office Events	22,752
Paid school meals and curatorial services	111,754
Children's Services	
Traded Services /Other Income	209,196
Centrally Held and Capital Financing	
Other losses - investment interest	294,900
Total loss of income	2,941,243

- 4.17 Further to the above, there is a potential risk that the Hardship Fund of £3.88m will be insufficient to fund the loss of income from council tax. Walsall currently has 18,389 council tax reduction scheme (CTRS) working age claimants, so will use £2.76m of the fund to implement the guidance issued by the Government in relation to reducing bills by £150 for each working age council tax claimant. This will leave c£1.12m for the authority to determine its own principles and fund new claim as a direct result of Covid-19. Within 3 weeks, new claimant levels have taken up a further £300k of these funds. It is expected that the number of CTRS claimants will continue to increase, and that the remaining funds will be fully exhausted just on this measure. The government has not indicated if further funding will be made available for this measure where actual claimant numbers increase above the level of Hardship Funds received.
- 4.18 Additionally, we are currently assessing the impact on the collection fund of further claimants and or a reduction in the council tax base, including a potential deficit on the

council tax collection fund should the grant of £3.8m, as is likely, be insufficient to cover the costs of supporting our residents, which will impact on 2021/22 budget setting.

Additional Cost Pressures

- 4.19 On the expenditure side, most costs will remain. For example, the Government's Coronavirus Job Retention Scheme enabling employees to be furloughed, does not in the majority apply to council's as they receive "public funds" which are expected to be used to continue to pay staff. Indeed, there are significant additional costs associated with our Covid-19, including staffing, support to residents and council tax payers and businesses and support to the elderly and vulnerable particularly in relation to adult social care and children's.
- 4.20 Unbudgeted costs incurred or committed to date total £1.7m and are set out in Appendix 1. It is proposed to increase cash limited budgets through the use of the Covid-19 response fund to manage these.
- 4.21 A reasonable cost assumption of a further £2.7m of costs has been forecast until June 2020, with a further £1.1m per month thereafter. This includes:
- ✓ Supplies and services, including PPE, cleaning materials, deep cleans of various premises,
 - ✓ Supplier relief mechanisms to support our providers and suppliers,
 - ✓ Agency to cover sickness/self-isolation,
 - ✓ Additional social worker support, brokerage and administrative costs to support adult social care clients,
 - ✓ Continued support to our staff to work from home,
 - ✓ Support to ensure social care market provision, including the financial stability of providers,
 - ✓ Support to assist those who are in hardship / Hub based support – including food parcel/delivery provision and supporting our communities and community associations,
- 4.22 Costs in relation to adult social care, which may continue for some time, include the cost of maintaining market sustainability in residential and nursing and domiciliary care, as these are likely to fall on the council. A separate report is due to be presented to Cabinet and the figures in this report include a reasonable cost assumption in relation to supporting the social care market.
- 4.23 The additional costs of discharging and keeping people out of hospital are not included within this figure as these costs will be recharged to Walsall CCG and funded from their allocation of the £1.3bn fund to be provided by the Government.
- 4.24 Costs of recovery or "Reset" are not included in the above figures and would need to be covered by Covid-19 Government funds. A separate report is presented on 'Reset' on this Cabinet's agenda.
- 4.25 The council's cash flow is also under daily review, and is currently being supported by Government having made up front payments of the business rates grants and social care grants due to the council.

Walsall Proud Programme Savings

- 4.26 The 2020/21 budget is predicated on delivery of £8.77m from the Proud Programme, with a further £38.36m required to be delivered over the following two years from

adopting new ways of working across the council, significantly enhancing our enabling technology capabilities, and improving our service efficiency and performance.

- 4.27 A separate report on Cabinet's agenda provides detail of the impact of Covid-19 on the council's Proud programme. Planned activities within the Walsall Proud Programme (WPP) have been reviewed in order to determine those activities which can continue and those which should be delayed as the council responds to the COVID 19 situation.
- 4.28 As part of this review, an assessment of the financial impact has also been undertaken, the preliminary results of which are set out in the separate Proud Cabinet report in relation to those work streams due to deliver savings in 2020/21 alone. The overall impact is anticipated to be at minimum £2.15m, although clearly should the current Covid-19 situation last longer than the initial forecast, then this could increase by c£912k per month.
- 4.29 Proud savings delivery will be kept under review and reported regularly to Cabinet. A 3 month delay could be accommodated from within the Covid-19 unringfenced funds as this is a clear indirect cost of Covid-19. It is important to note that these savings are still expected to be delivered, however they will now deliver only a part year effect in 2020/21. Additionally, there may be additional one-off costs as parts of the programme are paused and then reset, particularly in relation to any specialist resource required to deliver aspects of the programme. Further to this, there is a high likelihood of a knock on impact to 2021/22, as resource, once the programme is reset, will be focussed on both delivery of 2020/21 savings and implementation planning in relation to the c£20m savings to set a balanced budget for 2021/22. This is currently being assessed.

Capital Programme 2020/21 and Impact of COVID-19

- 4.30 The capital programme approved by Council on 27 February 2020 totalled £98.36m. We are currently assessing the potential implications of Covid-19 on the programme, and will bring a further update once we have fully assessed these, including the impact upon;
- Potential delay in regional and national funding decisions such as the Future High Streets Fund, where decisions on funding approvals have been put back until after the summer, which may result in risk to the authority in undertaking the required land acquisitions
 - Impacts on funding conditions for example for growth deal and ERF
 - Impact on planned school expansions
 - Contractual obligations impacting on the delivery of agreed programme of works e.g. for example payment of any contractual compensation claims, which may result in reduced funding to deliver programmes of work
 - Revisions to the ICT programme to accommodate home working
 - A potential impact on the delay in assessing statutory disabled facilities grants and aids and adaptations – including a potential reduction in requests, our ability to deliver requests, and risks around associated grant conditions.
- 4.31 In addition to the above, further impacts are likely to include:
- Borrowing implications, with interest rates reductions, the authority is reviewing its investment assumptions and corresponding borrowing decisions, which are also affected by cash flow requirements from supporting the Covid-19 response.

- Capital receipts - ability to bring assets to market and uncertainty around valuations.

4.32 Discussions are ongoing with MHCLG about potential impact and areas where the Government can support councils', including:

- Removing conditions from grant funding for a period of time.
- Providing one-off additional funding to support Covid-19 related costs e.g. highways maintenance, ICT costs to assist in home working, similar to one-off grants previously provided by the Government for specific capital programme areas, such as for pot-holes.
- Provision of additional Covid-19 revenue funding to support the borrowing implications of any pressures on the capital programme.
- Or failing, this provision of supported borrowing funding.
- Considering extending the use of the flexible use of capital receipts strategy regulations, to allow capitalisation of revenue expenditure.

Council Corporate Plan Priorities

4.33 The councils financial strategy and annual budget process is designed to ensure that resources follow council priorities as set out in the Corporate Plan. Covid-19 creates risk, in that resources may need to be redirected to support the council's response, if Government funding is insufficient to fully cover both the direct (additional costs pressures, loss of income) and indirect costs (cost of reset and costs arising from delays in savings delivery due to the need to refocus on our Covid-19 response. Regular dialogue is being held with MHCLG officials to seek full recovery of costs.

Risk Management

4.34 The council is having to make decisions that have a significant financial impact without a guarantee that the costs will be fully compensated for by the Government. The most obvious financial risk is therefore that the council will, if is not fully reimbursed for all of its direct and indirect costs, overspend its 2020/21 budget, and deplete its general reserves.

4.35 The 2020/21 budget and level of operating reserves were set following a robust financial risk assessment. The level of reserves can only be set based on a set of realistically foreseeable or predicted parameters, and was judged to be sufficient for all but the most unusual of events. Due regard is made to the strategic and operational risks facing the council. Some of these relate to the current economic condition, others to potential regulatory or national issues, which may have a local impact. A global pandemic was clearly not part of that assessment and therefore our reserves, should Government not fully recompense the council for all the direct and indirect costs of Covid-19, would be insufficient to provide a sufficient cushion to avoid an overspend situation.

4.36 The short term risk of this is being managed through close management and reporting of costs, loss of income, and indirect impacts such as the delay in delivery of approved budget savings. Whilst existing finance rules are sufficient to manage the current situation in the short term, it has been considered appropriate to introduce an additional process to ensure that, whilst allowing agile decision making, additional spend is properly authorised, monitored and managed. As such:

- Any new spend up to £50k is reported to Silver Control, Chaired by the Executive Director for Children's Services, via the Head of Finance, for approval.

- Any new spend over £50k is reported to Gold Control, chaired by the Chief Executive, via the Head of Finance, for recommendation to Cabinet. This also requires authorisation by the S151 Officer.
- Following Gold consideration, new spend over £250k were reported to the Leader for approval prior to 19 May and Cabinet thereafter.

4.37 A number of additional financial risks exist, which are not currently included in the above figures, with a reasonable worst case assumption being £1.8m per month (on top of those elsewhere in this report), including:

- Loss of commercial investment income - the council is mindful of the short-term ability of tenants to make agreed rental payments and has introduced a number of measures to support these businesses. A risk remain however that some business may not survive the current crisis, despite the national and local measures put in place.
- Loss of the council tax base and council tax income, arising from new CTRS claimants, over and above that funded via the Hardship Fund.
- Loss of court income due to Government guidance.
- Housing 21 voids
- Additional looked after children and associated social work costs.
- Loss of traded services income.
- Increased bad debts generally.

4.38 As well as financial risk, the council maintains a register that highlights key themes of organisational risk (this is not risks to the community from Covid-19 or Reset) which is reported to Audit Committee as part of their annual work programme. The strategic risk register contains the following organisational risk themes. These are under review, however it should be recognised that during Covid-19, these risks are high, even with the current internal controls and mitigating actions in place. A Covid-19 register is in development and will include additional themes, such as our ability to meet our statutory duties, staff support, and compliance with data protection and governance.

- Threats to the Economic Growth of Walsall are not identified and mitigated, together with opportunities for sustainable growth being missed.
- The Proud Programme does not achieve the outcomes required to ensure that available resources are directed to deliver the greatest outcomes for the community.
- Partnership relationships with other sectors and our major suppliers fail to deliver on shared objectives and therefore outcomes for the community.
- The Council is unable to maintain service standards to support the most vulnerable in society.
- External Changes in Political and/or legislative environment.
- There is a lack of community cohesion and resilience placing increased pressure on public sector resources.
- Failure to achieve the savings required or manage demand pressures to enable a balanced budget and Medium-Term Financial Plan to be delivered.
- Reduction in public health and social care budgets are a risk as preventive services are lost causing increased demand.

4.39 In respect of decision making and governance, a decisive response to the Covid-19 pandemic requires that decisions are made at speed and without complete information, creating the potential consequence that decisions made may have unintended impacts that cause significant harm to individuals or damage to livelihood or property. This places officers and the organisation at risk of future

complaints or litigation. Whilst the Council has done what it can in providing enough information to ensure that informed decision making takes place, this has to be set in the context of the overall emergency situation.

- 4.40 The council has set up a Gold and Silver Control meeting structure to manage the impact of the Covid-19 crisis that meet on a daily basis in order to analyse and respond to issues and information that the council receives both on a local and national basis. In addition to this the council has provided advice to all senior officers regarding lawful decision-making in the current crisis, as a consequence of having to postpone all council meetings to follow government guidance in relation to the lockdown. The council is now rolling out virtual meetings following the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 coming into force on 4 April 2020. This will ensure greater openness and transparency in decision-making and allow for scrutiny of executive decisions. The council carried out a governance view in relation to council meetings in July 2020 to see whether or not further elements of decision-making can be reintroduced on a safe basis.

Financial Implications

- 4.41 The financial implications are as set out in the main body of this report. The total likely cost of Covid-19 is unknown at this stage. It is expected that costs up to the end of August may be accommodated within the initial Covid-10 Response Funds, however should all of the identified risks arise then costs would surpass these funds. The implications of that are set out in the legal implications section of the report. Monthly returns are being provided to MHCLG of high-level projections of costs, however it is unclear whether and how further funding will be made available and how this will be designed to reflect the individual circumstances and financial losses at an individual authority level.
- 4.42 In addition to the implications for the 2020/21 budget, Covid-19 will significantly impact on the council's reserve levels, with knock-on implications on the council's ability to set budgets for 2021/22 and future years. This remains under review. A specific assurance on the Government's plans to compensate for such losses would be welcomed by council's to ease this burden.
- 4.43 Inevitably, if funding is not provided to fully cover shortfalls, then council's will need to consider other actions short of S114 notices, including identifying further alternative savings options, and emergency budgets.

Legal implications

- 4.44 The council is required to set and operate within a balanced budget. Section 114 of the Local Government Finance Act 1988 requires the chief finance officer (CFO), in consultation with the council's monitoring officer, to make a report under this section if it appears to him or her that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure. In practice, this is most likely to be required in a situation in which reserves have become depleted and it is forecast that the council will not have the resources to meet its expenditure in a particular financial year.
- 4.45 This mechanism, however is impractical and should be avoided, as issuing a S114 notice requires all non statutory spend to cease immediately, a situation which would

just exacerbate the current situation. Assurance from Government that it will cover all direct and indirect costs of Covid-19 is therefore essential to allow council's to manage their legal obligations and maintain financial stability going forwards.

Procurement Implications / Social Value

- 4.46 A number of goods and services, such as PPE, are currently being procured and procurement colleagues are working closely with services to ensure this is done in an agile, but compliant manner.

Property implications

- 4.47 Many council premises are currently either closed or open with restricted access to essential workers.

Health and wellbeing implications

- 4.48 This report is prepared with consideration of health and wellbeing implications.

Staffing Implications

- 4.49 There have been significant implications for staff and how they support delivery of services. Many are having to adapt to new ways of working, particularly home working. There are opportunities to review our future ways of working as part of 'reset'.

Reducing Inequalities

- 4.50 The 2010 Equality Act lays a requirement to have due regard to the equality impact when exercising its function. As a public body, the Council is required to comply with the Public Sector Equality Duty (PSED), as set out in the Equality Act, 2010. The PSED requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. Failure to meet these requirements may result in the council being exposed to costly, time-consuming and reputation-damaging legal challenges. The equalities implications of decision made during Covid-19 are assessed prior to decisions being made.

Consultation

- 4.51 The report is prepared in consultation with relevant managers and Executive Directors.

5. Decide

- 5.1 To approve the recommendations as set out in this report.

6. Respond

- 6.1 Following Cabinet's consideration and approval, the S151 Officer will ensure implementation of the recommendations.

7. Review

- 7.1 Regular monitoring reports will be presented to Cabinet to inform them of the impact of Covid-19 and the forecast for 2020/21, including an update on risks and impact on the budget for 2021/22 and beyond.

Background papers: Various financial working papers.

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Deborah Hindson
Interim Executive Director
Resources & Transformation
(Section 151 Officer)

19 May 2020



Councillor M Bird
Leader of the Council

19 May 2020

Gold and Silver Control Approvals

Date	Approval	Additional Costs Approved £
Gold Control approvals >£50k		
06/04/20	Use of Computerised Tomography (CT) equipment for digital autopsies – to be reviewed after initial 6 month period (April – Sept)	95,200
17/04/20	Provision of a temporary site to accommodate people from Gypsy, Roma and Travelling communities (20 April – 17 May 2020)	30,000
22/04/20	ICT to enable business continuity – issue of approx. 100 tablets, 52 monitors, 20 docking stations and 225 mobile phones to enable staff to work remotely. £339k approved, of which £155k relates to 2019/20	184,975
22/04/20	PPE - Cabinet report approved by the Leader 23/4/20 - a rolling monthly sum of no more than £660k over 3 months (£1.98m) – <i>permission has been given by NHS England to charge PPE costs to Walsall CCG, therefore this is assumed to be net nil cost to the councils as at despatch date</i>	0
04/05/20	Support for rough sleepers, victims of domestic abuse and complex young people requiring rehousing (13 weeks)	136,485
Total Gold approvals to date		1,646,660
Silver control approvals <£50k		
15/04/20	Cemeteries – increase in burial standby payments, additional diggers and call out payments – April to June 2020 (13 weeks)	27,143
20/04/20	Family Safeguarding – delay in the implementation of the Social Care locality model over 2 months (04/05/20 – 01/07/20)	30,150
Total Silver approvals to 7 May 2020		57,293
Total Silver / Gold approvals to 7 May 2020		1,703,953