

SUBJECT: SECTION 151 OFFICER COVID-19 UPDATE

MEETING: COUNCIL

DATE: 16th July 2020

DIVISION/WARDS AFFECTED: County wide

1. PURPOSE:

- 1.1 To provide an update on the financial impact of COVID-19 on the Council.
- 1.2 To outline the timetable for a budget recovery plan to be developed.

2. RECOMMENDATIONS:

- 2.1 To receive an update and recognise the significant uncertainty surrounding the Council's financial position.
- 2.2 To recognise the need to limit spending wherever possible until such time that financial uncertainties become clear and a budget recovery plan is agreed.

3. KEY ISSUES:

- 3.1 Since entering 2020 the Council has faced significant and unprecedented challenges notably:
 - The flood response and recovery resulting from Storms Ciara and Dennis in February 2020;
 - The COVID-19 pandemic and the impact of the lockdown restrictions that were put into effect on 23rd March 2020
- 3.2 Each of these draws significantly on the Council's resources, both in terms capacity and finances and places an unprecedented strain on the Council.
- 3.3 As the Council transitions from the response phase of the pandemic it is important that members are kept informed as impacts are being assessed.
- 3.4 Putting the Council's finances into context, pre COVID-19 pandemic, the Council had:
 - Brought forward budget savings proposals for 2020/21 of £8.5m to manage budget pressures of £9.5m and alongside a disappointing Welsh Government settlement where the extent of pressures on services were not recognised;

- To benefit from a significant one-off VAT receipt and flexible use of capital receipts to arrest a £3.76m net over spend against services in 2019/20; and
- Finalised its draft accounts for 19/20 with useable capital receipts of only £3.2m, a Council Fund balance of £8.5m and useable earmarked reserves of £6.4m (of which there is planned use that will reduce earmarked reserves to £5.4m at the end of 2020/21).

3.5 The Council was already facing financial challenges. The pandemic has accentuated the challenge:

- Services and existing capacity has been redirected and redeployed to ensure that the Council met its core purpose of protecting life. This has seen additional unbudgeted costs being incurred.
- Many income generating services have had to stop in order to comply with UK and Welsh Government guidance. The income loss and shortfall is significant and ongoing.
- There is delay in the implementation of some budget savings proposals for 2020/21 as a result of people directed elsewhere to respond to the pandemic.

3.6 A report will be considered by Cabinet at its meeting on the 29th July that will provide a 'point in time' assessment and forecast for 2020/21. Forecasts are being prepared on assumptions that are uncertain. The forecasts will be supplemented by sensitivity analysis and risk assessments. In order to highlight the extent of the financial challenge, the range is anywhere between a £3 million and £10.4m over-spend for 2020/21.

3.7 The key risk and uncertainty continues to be the amount of compensatory Welsh Government funding that the Council will receive. Announcements by both Welsh Government and UK Government have been made and have confirmed levels of commitment to support local authorities. There is a lack of clarity as to when Welsh local authorities will have certainty around the level of funding to be received.

3.8 Council is unlikely to have all of its costs and pressure met by Welsh Government. The question therefore become one of how significant is the shortfall that needs to be managed in year and will Welsh local authorities obtain any flexibilities to spread the burden over more than one financial year.

3.9 Beyond Welsh Government funding an assessment is also being undertaken of reserve balances and available capital receipts. Clearly this will require a review of the Council's existing reserve strategy and regard will not only need to be given to the current year situation but also to the medium and long term. Reserve balances are finite and act as only a limited buffer to fund one-off costs.

3.10 Cabinet has asked officers to bring forward a budget recovery plan together with a proposed set of budget savings proposals. Draft proposals will be taken through select committees for scrutiny in September before being considered by Council in October.

- 3.11 It should finally be noted that local authorities have a statutory duty to balance their budgets and, under the framework set out in the Local Government Finance Act 1988, the S151 officer, needs to issue a S114 notice if she / he thinks spending is likely to exceed resource levels.
- 3.12 COVID-19 strategic aims approved by Cabinet at its meeting on 1st July commits Council to remaining financially sustainable. Officers have every intent to develop a budget recovery plan and subsequent budget savings proposals to deliver against that strategic aim. However, Welsh Government plays a pivotal role in this in ensuring that the financial challenge faced by the Council is surmountable rather than insurmountable. Recourse to application of a S114 notice should be and will be seen very much as a last resort and is not considered necessary at this time.

4. EQUALITY AND FUTURE GENERATIONS EVALUATION (INCLUDES SOCIAL JUSTICE, SAFEGUARDING AND CORPORATE PARENTING):

- 4.1 This report is an information update report and carries no decisions. There are no resultant equality or future generation impacts to be considered.
- 4.2 Any such impacts will be fully considered subsequently when Council receives the budget recovery plan and revised budget proposals.

5. OPTIONS APPRAISAL

- 5.1 This report provides an update on the current financial situation and the challenges facing the Council now and over the medium term.
- 5.2 Options will be considered when determining the appropriate response to addressing the budget shortfalls contained in the report. These will be subsequently considered by Council and upon receipt of the budget recovery plan and revised budget proposals for 2020/21.

6. EVALUATION CRITERIA

- 6.1 This report provides an update to Council and is not requiring a decision. As a result there is no decision to subsequent evaluate.

7. REASONS:

- 7.1 To provide Council with a timely update on the current financial circumstances and challenges resulting from the COVID-19 pandemic and that will in turn lead Council in needing to plan and plot a revised course to ensure it remains financially sustainable into the future.

8. RESOURCE IMPLICATIONS:

- 8.1 The resource implications are contained in the body of the report and throughout.

- 8.2 A fuller detailed forecast and assessment of the in-year financial position will be provided to Cabinet on 29th July. And subsequently a budget recovery plan and revised budget savings proposals brought back to Council in October.
- 8.3 There are resultant consequences for the MTFP and the budget process for 2021/22 and these will be developed in parallel in the coming months and to feed into the normal budget cycle and process.

9. CONSULTEES:

Cabinet
Strategic Leadership Team

10. BACKGROUND PAPERS:

None

11. AUTHOR:

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12. CONTACT DETAILS:

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