

Report to	Corporate Governance and Audit Committee
Date of report	9 th September 2020
Lead Member / Officer	Julian Thompson Hill / Steve Gadd, Head of Finance and Property
Report author	Head of Finance and Property
Title	Denbighshire County Council Coronavirus Response: Financial Strategy

1. Purpose of the Report

1.1 To update Corporate Governance and Audit Committee on the progress of the Financial Strategy recovery theme as set out in the ‘Denbighshire County Council Coronavirus Response: Planning for Recovery’ report agreed by SLT and Cabinet.

2. What is the reason for making this report?

2.1 To outline progress of the Financial Strategy in response to the impact of the Covid 19 pandemic.

2.2 To enable Members to fulfil their scrutiny role by examining these issues.

3. What are the Recommendations?

3.1 For the contents of the report to be discussed.

4. Report details

4.1 It became clear very early in the crisis (from late March) that the financial impact of the Covid 19 pandemic would be severe and pose a threat to the sustainability of local government across the country. It was clear that emergency measures would be required, but also that the medium and long term financial outlook would be impacted and would need to be planned for.

4.2 A full report was presented to Cabinet in May which detailed the possible financial impact and the financial strategy setting out how the Council will cope with these pressures. This is included as Appendix 1. In summary the strategy involved two stages:

Short Term Response Phase - DCC have worked in partnership with all Welsh Local Authorities, the WLGA and Welsh Government in order to help define the scale of the problem and develop solutions to how the public sector in Wales can work through the problems. In essence this has involved the Council quantifying the problem and lobbying WG for the funds for Local Authorities in order to help the sector through this crisis while delivering major grant schemes on behalf of WG.

Medium Term Response and Recovery Phase - This is difficult to undertake without a clear signal from WG that funds will be forthcoming in order to help the sector through the initial emergency stage. However the Council has a legal duty to set a balanced budget for each financial year and assumptions will need to be made as we plan to embark on the process for agreeing next year's budget proposals. Key outcomes of this phase will be agreeing the Medium Term Financial Plan and setting out the Budget Setting Process and Timetable.

4.3 A lot has happened since May when the strategy was approved and updates have been provided to SLT, SEMT, Group Leaders and of course formally through the monthly Finance Cabinet Report. A summary update for both phases is included below:

Short Term Response Phase

The current short term strategy of working with Welsh Government has helped secure the following funding:

- Major Grants for Wales as a whole have been announced – all claimed through the same process (smaller specific grants have also been announced):
 - £30m initial Hardship Fund – working well (for Q1)
 - £40m Social Care Grant (April to June) Plus additional £22.7m (July to September)
 - £33m additional Free School Meal Grant (to end of August) Plus additional £2.8m for 2 weeks in September
 - £10m Homelessness Grant for accommodating and supporting rough sleepers

The table below summarises the position of the claims for DCC. The 'Holding' column indicates items that WG are requesting further information on:

Month	Original total claim	Disallowed	Previous month adjustment	Holding	Partial payment (50% ICT costs)	Net Claim paid to date
March 2020	£61,701	£0	£0	£0		£61,701
April 2020	£666,927	0	(£8,865)	£0		£658,062
May 2020	£1,200,170	(£10,157)	(£54,538)	(£147,999)		£987,476
June 2020	£1,027,489	(£14,586)	£1,301	(£362,514)	(£14,640)	£637,050
Submitted to date	£2,956,287	(£24,743)	(£62,102)	(£510,513)		£2,344,289
July 2020	£608,569					£608,569
Grand Total	£3,564,856	(£24,743)	(£62,102)	(£510,513)	£0	£2,952,858

- Up to £78m announced in Supplementary Budget for losses of income in Quarter 1. An initial payment of £2.6m has been received to cover losses of income relating to Leisure, Car Parking, Waste and School Meals. A further claim for the remaining items for Q1 amounting to £1.4m (for a diverse range of losses from childcare to rental income and planning fees). It is unknown whether this second tranche will be paid in full as WG are emphasising the need for consistency across councils and the need to avoid subsidising local choice.
- There have been further funds received by Local Authorities to administer schemes on behalf of Welsh Government (eg Business Grants and £500 payments to Social Care Workers) however these should have, at best, a net nil effect on council finances, although do impact on non-financial resources such as staff time and a risk to reputation if not delivered successfully.
- Following submission of estimates of pressures going forward WG have announced a further £264m “for local authorities to support them with the additional costs and loss of income suffered as a result of the COVID-19 pandemic for the rest of the financial year”. Details have yet to be announced, however a brief written statement indicates that it includes £25m for additional school cleaning until the end of March 2021 and it will be claimed using the existing procedures set out above. It is hoped further announcements will be made following the end of recess.

Medium Term Response and Recovery Phase

The Budget Board has been meeting regularly since June to oversee this Phase. The following key points should be noted:

- Revised Terms of Reference agreed to reflect the need to address Covid 19 position (see Appendix 2).
- Medium Term Financial Plan initial planning assumptions agreed (3.8% Council Tax and 0% Revenue Support Grant)
- Initial gap of £4.5m – however this assumes that Phase 1 leaves the Council Finances in a sustainable position. This means that services will be asked for 4% saving proposals.
- Welsh Government have given no indication of the possible settlement for next year and this will be impacted by the UK Government's Comprehensive Spending Review and Budget Statements. Initial indications are that the Draft Settlement will be announced in December, with the Final Settlement in March. Like last year this is extremely late and means that we need to be prepared for a wide range of possibilities.
- Based on these assumptions a Budget Timetable has been agreed and is included as Appendix 3. However due to the uncertainty around government announcements, which we are dependent on, this is likely to be subject to change.

5. How does the decision contribute to the Corporate Priorities?

Effective management of the council's revenue and capital budgets and delivery of the agreed budget strategy underpins activity in all areas, including corporate priorities.

6. What will it cost and how will it affect other services?

The financial impact is detailed in the body of the report (see Section 4).

7. What are the main conclusions of the Well-being Impact Assessment?

No Well-being Impact Assessment has been undertaken for this strategy. Specific decisions resulting from this strategy are likely to require a WIA especially ones that impact on service delivery or future budget flexibility.

8. What consultations have been carried out with Scrutiny and others?

The contents report has been discussed with the Lead Member, SLT and Informal Cabinet and Trade Unions during May 2020. The Budget proposals will be the subject of consultation with Members, Corporate Governance and Audit Committee, staff and Trade Unions.

9. Chief Finance Officer Statement

The attached Cabinet Report (Appendix 1) includes a CFO statement which remains relevant. This report includes updated information which indicates that the strategy of partnership and collaboration with Welsh Government, the Welsh Local Government Association and other Local Authorities is mitigating the risk to the financial sustainability of the Council.

10. What risks are there and is there anything we can do to reduce them?

The risks identified in the Cabinet report attached remain in place as long as the financial settlement in year and for future years remain unknown and the course and future impact of the pandemic still remains uncertain.

11. Power to make the decision

Local authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs.