

Name of meeting: Corporate Scrutiny Panel Date: 6 August 2020

Title of report: Council Financial Management Update

Purpose of report

High level Council financial management update incorporating 2019/20 financial outturn, current financial position 2020/21, including COVID impact, and early consideration of the Council's Medium-Term Financial Strategy for 2021/22 and future years

| | |
|---|---|
| Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards? | No |
| Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)?</u> | No |
| The Decision - Is it eligible for call in by Scrutiny? | No |
| Date signed off by <u>Strategic Director</u> & name | Rachel Spencer-Henshall : 28 July 2020 |
| Is it also signed off by the Service Director for Finance IT | Eamonn Croston : 28 July 2020 |
| Is it also signed off by the Service Director for Legal Governance and Commissioning | N/A |
| Cabinet member <u>portfolio</u> | Cllr Graham Turner |

Electoral wards affected: All

Ward Councillors consulted: N/A

Public or private: Public

Has GDPR been considered? Yes

1. Summary

Council Financial Outturn 2019/20

The 2019/20 financial outturn and rollover report was considered at Cabinet on 28 July 2020, and will be presented to full Council on 2 September. The link to the report can also be found below, for reference:

[Agenda for Cabinet on Tuesday 28th July 2020, 3.00 pm | Kirklees Council](#) (Item 9)

Key highlights from the 2019/20 financial outturn report are set out below.

- i) General fund revenue outturn spend 'break-even' (rounded) against a net revenue budget of £287.1m;
- ii) Actual delivery of £6.5m savings in-0year against planned target of £7.7m (84%);
- iii) COVID-19 related cost pressures identified through March at just over £1m; offset by equivalent use of Government un-ringfenced funding applied at year end;
- iv) No revenue rollover proposals as no overall underspend;
- v) General Fund reserves at year end (31 March 2020) at £113.4m (£112.5m at 31 March 2019);
- vi) Year-end reserves net of £14.4m Dedicated Schools Grant 'deficit reserve' rolled forward into 2020/21;
- vii) Housing Revenue Account overall 'break-even' net of planned transfer from HRA reserves of £763k;
- viii) HRA reserves at year end £61.0m (£61.8m at 31 March 2019);
- ix) Collection fund year end surplus £2.5m rolled forward into 2020/21;
- x) Capital spend £81.2m (compares with £68m in 2018/19); and
- xi) Capital rollover proposals £17.8m (contractually committed / other deferred spend tied to specific funding sources)

Overall, the 2019/20 financial outturn was largely in line with the Quarter 3 forecast as reported to Cabinet on 25 February 2020, and subsequently discussed at Corporate Scrutiny Panel on 28 February 2020, other than the emerging impact of COVID during March 2020.

The next Section focuses on the current financial position for 2020/21, COVID impact on Council finances and future outlook for the Council's Medium-Term Financial Strategy.

2. Information required to take a decision

2020/21 - emerging financial position

2.1 Introduction

- 2.1.1 Budget plans for 2020/21 were approved at Budget Council on 12 February 2020, including a net revenue budget of £302.3m for the general fund, £93.3m operating budget for Housing Revenue Account, and a capital plan of £183m.
- 2.1.2 The approved budget plans also included £3.2m planned savings requirement for 2020/21.
- 2.1.3 While the 2019/20 general fund and HRA financial outturns achieved an overall 'break-even' position, there are a number of underlying and potentially recurrent unfunded budget pressures and risks carried forward into 2020/21. These include

continuing and growing schools transport cost pressures and the likely national pay award for 2020/21 of 2.75% (yet to be confirmed nationally), which compares to a budgeted assumption of 2%.

2.2 High Needs

- 2.2.1 As previously reported extensively to Cabinet, Council and Corporate Scrutiny Committee, High Needs costs continues to be a significant and growing pressure for the Council. The total negative DSG reserve balance as at 31st March 2020 was £14.4m. Alongside £12.9m High Needs pressure was a £2.2m deficit relating to the Council's general fund base budget annual contribution to Schools PFI not being applied in 2020/21. New Department for Education (DfE) guidance implemented from 2019/20 now requires Councils to seek express permission from the secretary of state for Education for any general fund resources used to offset DSG related spend.
- 2.2.2 A matching £2.2m transfer from the Council's general fund base budget, rather than being applied in year in 2021/20 similar to previous financial years, was instead transferred to reserves at year end and set aside in a separate Schools PFI earmarked reserve to cover this cost when the appropriate permissions have been applied for and received. The remaining DSG balance reflects net underspends elsewhere of £0.7m; mainly due to underspending on the Early Years block.
- 2.2.3 Government did acknowledge the extent of current and growing spend pressures on high needs through the 2019-20 Spending Round (SR2019) announcement in September 2019, and included £700m additional national funding for high needs in 2020-21. This was subsequently confirmed through the Local Government Finance Settlement in December 2019, with the Council's share at £6.1m for 2020-21.
- 2.2.4 This includes the minimum £1m annual uplift for Kirklees Council as part of transitional arrangements to mitigate the £7m baseline 2018-19 under-funding.
- 2.2.5 The transitional arrangements are a consequence of the National Fair Funding (NFF) regime which was implemented by Government from 2018-19. Government's own funding calculations for this Council's High Needs block acknowledged the level of previous under-funding, and Government intention was to increase the Council's annual funding allocation by £7m in comparison to the 2017-18 baseline. Due to transitional arrangements, this was subsequently phased over a 7 year period, at about £1m per annum.
- 2.2.6 It is anticipated that the in-year spend for High Needs in 2020/21 in excess of the DSG High Needs funding allocation from 2020/21 could be up to £8m in 2020/21 (compared to £12.9m in 2019/20). Latest DfE guidance for Local Authorities is set out in the web link below for reference :

[Pre-16 schools funding: local authority guidance for 2021 to 2022 - GOV.UK](#)

- 2.2.7 Appendix 1 attached includes an extract from the DfE 2021-22 operational guidance, specifically with regard to DfE expectations for Councils rolling forward DSG deficits in excess of 1% of DSG annual funding allocations.
- 2.2.8 The intention is for the Council to engage DfE in accordance with the guidance to set out our plans with regard to how the accumulated DSG deficit may be mitigated over future years, in line with the guidance.

2.3 COVID-19 impact on Council finances

Introduction

- 2.3.1 Appendix 2 attached includes for reference the 'COVID-19 impact on Council finances' report that was presented to Cabinet on 21st May 2020. The report set out the chronology of the emerging global pandemic, and consequential Government, Council, Partner and Community responses, forecast financial impacts on Council finances and emerging Government financial support packages.
- 2.3.2 The report set out 3 broad categories of COVID-19 financial impact on the Council :
- i) Additional spend
 - ii) Irrecoverable service income loss
 - iii) Council tax and business rates income loss
- 2.3.3 The cumulative forecast financial impact of COVID-19 was estimated to be in the range £34m to £65m additional cost pressure. The extent of the range reflected the fluidity of emerging Government measures to mitigate the spread of infection, and subsequent timing of easing of social distancing measures.
- 2.3.4 The report also noted that Government had allocated £3.2 billion nationally to date to the local government sector in acknowledgement of the financial challenges facing Councils. Our share of this funding was £24.3m at the time of writing the report.

Monthly financial returns to the Ministry of Housing, Communities & Local Government (MHCLG)

- 2.3.5 In order to provide the most robust evidence to government on the financial challenges they face, Councils have been completing detailed monthly returns to the Ministry of Housing, Communities and Local Government.MHCLG since April. In turn, Government has used this emerging intelligence to monitor Council cost pressures, and Government funding mitigations.
- 2.3.6 The most recent monthly return to MHCLG in June 2020 reflected changing national and local intelligence to help inform the forecast financial impact of COVID-19 on Council finances. This is summarised at Appendix 3.
- 2.3.7 Across all categories, updated forecast full year COVID-19 cost pressures as at June 2020 were £49.1m. This compares with £34m to £65m ranged forecast impact included in the May 21st 2020 Cabinet report.
- 2.3.8 Forecast spend pressures total £23.3m. Within this total, temporary payment uplifts to adult social care providers account for £13.8m (58%). The next highest is 'Cultural and related' at £4 in relation to forecast cost pressures on leisure services.
- 2.3.9 Council discretionary income has also come under pressure as a consequence of COVID-19. To put this into context, total budgeted income from fees and charges, sales income in 2020/21, Council wide, was £52m. This excludes means tested income e.g. social care fees & charges.
- 2.3.10 The June 2020 monthly MHCLG return indicates forecast full year income loss of £9.5m; equivalent to 18% against budgeted income. The two single biggest areas of income loss are car parking and schools catering. To put this into context, these two income sources combined accounted for £4m income over over the first full quarter

of 2019/20 , compared to £0.9m collected over the same period in 2020/21.

- 2.3.11 Tax income loss is forecast at £11.1m. There was a significant uptake in claimants eligible for Council Tax reduction in Kirklees by 2.6k, from 35.2k to 37.8k between 22 March and 7 July 2020. The March 2020 figure had largely been steady state through 2019/20. The sudden increase reflects locally what happened nationally with a sharp uptake in Universal Credit claimants resultant form the immediate economic impact of COVID-19.
- 2.3.12 The Government furlough scheme is due to end by 31 October 2020, and it is anticipated that there is likely to be further wave of redundancies over the coming months. Illustratively, if this was on a similar scale as above, by the start of 2021/22, the number of additional council tax reduction scheme claimants in Kirklees could be in excess of 5k. The consequential impact on the Council Tax Base (Band D equivalent) is likely to be upwards of £4m plus.
- 2.3.13 In addition to the above, any significant increase in council tax arrears due to the current economic climate and pressure on vulnerable households will put added pressure on income collection rates. To put into context, just a 1% reduction in income collection performance from the current 98.5% target is equivalent to just under £2m additional income loss. The Council Tax Base for 2020/21 also included an assumed overall growth in housing supply by 1,100 Band D property equivalents; which converts to £1.7m additional Council Tax income. Given the significant impact of COVID-19 on housing development activity currently, there is likely to be a significant slowdown in housebuilding for some time.
- 2.3.14 The current forecast assumptions on business rates income loss are a combination of assumed economic impact on collectible business rates in-year. This is notwithstanding the extension in business rates reliefs implemented by Government across retail, nursery and hospitality sectors, and other significant financial support packages available for business since the start of the pandemic.

Sectoral comparisons

- 2.3.15 The Local Government Association (LGA) has undertaken a sectoral analysis of the June 2020 financial returns to MHCLG, across all Council categories. A high level summary of the analysis is included at Appendix 4. The LGA analysis of the June returns is that :
- i) the overall financial impact of COVID-19 could be as much as £11 billion. This figure will need to be kept under review and is subject to change depending on how the pandemic develops;
 - ii) around 60 per cent of the financial challenge related to lost tax income (council tax and business rates) and non-tax income (mostly sales, fees and charges). The rest would be needed to cover extra cost pressures as a result of the pandemic; and
 - iii) different councils will face a different mix of pressures, but overall the majority of the cost pressures, and the largest part of the spending is related to adult social care.
- 2.3.16 The LGA's commentary on the June returns to MHCLG maintain our call to Government to meet all extra cost pressures and income losses from fees and charges and other sources, including taxes and commercial activity, in full if councils

are to avoid having to make tough decisions on in-year cuts to services to meet their legal duty to set a balanced budget this year.

Government funding

- 2.3.17 To date, Government has allocated £3.7 billion nationally to help offset forecast Council COVID-19 cost pressures. The Council's share of this is £28.2m. Government intention is that this allocation will primarily offset spend pressures.
- 2.3.18 Government is also intending to introduce an income loss support scheme for Councils. The detail of the scheme is being formed up, but Government intention is to provide significant support for irrecoverable Council service income loss as a result of COVID-19. The support will be up to 75% of income loss, above a threshold minimum (equivalent to 5% of the Council's overall budgeted service income).
- 2.3.19 Illustratively, based on our current interpretation of the Government calculation, the Council could receive up to £5.2m additional funding support towards the Council's total forecast service income loss as set out at Appendix 2 at £9.5m.
- 2.3.20 Government has also indicated through the forthcoming CSR 2020 announcement later this year its intent to support all Councils facing forecast tax income losses which through Council Collection Funds will roll forward into 2021/22 by default. The extent of any support will be set out as part of the CSR 2020 announcement.
- 2.3.21 Appendix 5 sets out a range of specific Government funding streams allocated to Councils in-year. These relate to a number of targeted measures across a range of activity, to support vulnerable individuals, households, communities, social care providers and businesses. Spend relating to all these funding streams is being separately identified and accounted for as part of overall Council financial monitoring and reporting through 2020/21.

2.4 Quarter 1 financial monitoring 2020/21

- 2.4.1 Quarter 1 financial monitoring will be reported to Cabinet on 1 September 2020. The intention is to incorporate 'business as usual' monitoring. (however we define this under living with COVID currently). It will also overlay COVID-19 financial impact monitoring so both are in view as part of the overall emerging picture.
- 2.4.2 The above will also be informed by the updated monthly financial return to MHCLG as at July 2020, including consideration of the Government service income loss scheme. At this stage of the financial year, forecasts remain especially fluid and will continue to be shaped by further emerging local, regional and national intelligence as the UK and global measures continue to take effect as a result of the continuing global pandemic.

2.5 Medium Term Financial Plan (MTFP) review for 2021/22 & future years

- 2.5.1 The annual re-refresh of the medium term financial plan or MTFP will set out the financial planning framework or forecast resources available over the Council's forward plans. This in turn will inform consideration of budget proposals through the remainder of the forthcoming budget round, to deliver a 'balanced budget' requirement in 2021-22 and updated spend and funding forecasts for the following 4 years.

2.5.2 The financial planning framework underpinning the forthcoming budget strategy update report to Cabinet/Council on 20/21 October 2021 will take into account the following in setting out updated spending plans :

- i) updated Corporate Plan, Strategies and Priorities
- ii) Current year 2020-21 performance
- iii) COVID-19 impact on current year and future years resourcing and spend forecasts
- iv) demographic and other key service pressures over the medium term
- v) Government Comprehensive Review 2020 (CSR 2020)
- vi) key assumptions relating to inflation, borrowing costs, pay award, national living wage impacts, minimum revenue provision flexibility
- vii) review of existing planned savings over the 2020-23 period
- viii) emerging local, regional (e.g. Devo deal), and national intelligence
- ix) multi-year capital plan review and alignment to economic recovery plan presented to Cabinet on 13 July 2020
- x) scenario/sensitivity modelling against volatile activity
- xi) corporate risk assessment review including adequacy of reserves requirements in light of COVID-9 impact on Council finances.

2.5.3 For reference, the most current corporate risk register is attached at Appendix 6, along with the 31st March 2020 general fund reserves position. Both are extracts from the 2019/20 financial outturn report.

2.5.4 Government announced on 21st July 2020 that the forthcoming CSR 2020 in Autumn (assumed to be anytime from late October onwards) will cover a 3 year period for revenue and 4 years for capital. The link to the Chancellor's announcement is included below for reference.

<https://www.gov.uk/government/publications/comprehensive-spending-review-2020-representations-guidance/comprehensive-spending-review-2020-representations-guidance>

The above link includes the following Government statement :

“Due to unprecedented uncertainty, the Chancellor did not fix a set spending envelope, but confirmed that departmental spending (both capital and resource) will grow in real terms across the CSR period and that the government will deliver on the commitments made at Budget to level up and invest in the priorities of the British people.

Given the impact COVID-19 has had on the economy, the Chancellor was clear there will need be tough choices in other areas of spending at the review. As part of their preparations for the CSR departments have been asked to identify opportunities to reprioritise and deliver savings. Departments will also be required to fulfil a series of conditions in their returns, including providing evidence they are delivering the government's priorities and focussing on delivery.”

Government Business Rates consultation

2.5.5 Government has also announced a call for evidence for a fundamental review of the business rates system in England. The government launched its fundamental review of the business rates at Budget 2020 by publishing its Terms of Reference. The link to the terms of reference is included below for reference :

- 2.5.6 As set out in the terms of reference, the Government's objectives for the review are: reducing the overall burden on business; improving the current business rates system; and considering more fundamental changes in the medium-to-long term. The review will not consider residential property taxes.
- 2.5.7 Similarly, the review will not consider the structure of the local government funding system. Government is seeking views from businesses and business representative organisations, local authorities, rating agents, others involved in the operation of the system and anyone interested in the business rates or wider tax system. The consultation runs to 31 October 2020.
- 2.5.8 Budget assumptions underpinning the updated financial planning framework to be presented to Cabinet/Council in October 20/21, will continue to be reviewed and refined through the remainder of the current budget round, alongside emerging budget proposals for member consideration in due course.
- 2.5.9 Appendix 7 attached sets out headline budget milestone dates for the remainder of this budget round.

3. Implications for the Council

- (i) Working with people
- (ii) Working with partners
- (iii) Place based working
- (iv) Climate Change & Air Quality
- (v) Improving outcomes for children
- (vi) Other Legal, Financial or other implications

- 3.1 Given the unprecedented global and national situation, which remains fast moving and volatile, beyond the immediacy of the current COVID-19 crisis, the longer term prognosis for the economy, future tax revenues, Government fiscal policy and public services funding is particularly uncertain, and is likely to remain thus for some considerable time, and certainly beyond autumn 2020.
- 3.2 The medium and longer-term economic and societal impact and implications for the Council's Medium-Term Financial Strategy, revenue and budget plans, will be reviewed over the coming months, acknowledging the fluid and volatile environmental context within which said plans will be reviewed, and as transitional arrangements start to be rolled out by Government as part of the national recovery plan.

Statutory responsibilities of the Council's Chief Financial Officer (CFO)

- 3.3 There are a range of safeguards in place that mitigate against local authorities over-committing themselves financially. One of the safeguards currently under scrutiny nationally are CFO s114 statutory powers. This refers specifically to s114 of the Local Government Finance Act 1988 which requires any CFO in England and Wales to report to all the authority's Councillors if there is or is likely to be unlawful expenditure or an unbalanced budget.
- 3.4 This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year. The issue of a s114 notice cannot be taken lightly and has

serious operational consequences. The authority's full Council must meet within 21 days to consider the s114 notice and during that period the authority is prohibited from entering into new agreements involving the incurring of expenditure.

- 3.5 In practice, s114 notices have been relatively few and far between; the most recent example being Northamptonshire County Council back in 2018. There has been discussion recently across the local government sector about how COVID-19's financial impact might play out in relation to potential s114 notices being issued more extensively within the next 12 months. CIPFA's COVID-19 Financial Bulletin issued on 15 April 2020 includes the following helpful and measured advice:

"We (CIPFA) are also in discussion with government on the present risk that some local authorities may not be able to reach a balanced budget position.

To that end, we urge any authorities alive to the possibility of an unbalanced budget position due to COVID-19 to alert MHCLG (Ministry for Housing, Communities & Local Government) at the same time as the Council executive.

Any prohibitions on spending should not be imposed until MHCLG have responded with what support and advice they are able to offer. At this difficult time, section 114 notices should continue to be used only as a last resort."

- 3.6 CIPFA and MHCLG have subsequently jointly re-affirmed the above advice.
- 3.7 The financial management issues set out in this report will continue to be reported regularly to Corporate Scrutiny Panel for discussion, challenge and suggestions for improvement.
- 3.8 The broader future financial planning framework proposals outlined in this report will be factored as appropriate into the annual budget strategy update and financial planning framework re-refresh, no later than early Autumn 2020.

4. Consultees and their opinions

Not applicable

5. Next steps and timelines

The Quarter 1 2020/21 financial monitoring report will be presented to Cabinet on 1 September, and thereafter detailed preparation for the forthcoming budget strategy update report to Cabinet/Council on 20/21 October 2020.

6. Officer recommendations and reasons

For Corporate Scrutiny panel to note and discuss the contents of this report.

7. Cabinet Portfolio holder's recommendations

As above

8. Contact Officer

Eamonn Croston, Service Director - Finance

eamonn.croston@kirklees.gov.uk Tel: 01484 221000

9. Background Papers and History of Decisions

Annual budget report 2020/21 and future years – Budget Council 13 February 2020
Financial outturn & rollover report 2019/20 - Cabinet 28 July
COVID-19 impact on Council finances report – Cabinet 21st May 2020
Economic Recovery report – Cabinet 13 July 2020
Monthly financial returns to MHCLG
Government CSR2020 announcement 21 July 2020
HM Treasury Business Rates review

10. Service Director responsible

Eamonn Croston, Service Director for Finance
Eamonn.croston@kirklees.gov.uk
01484 221000

Extract from the ESFA document “Schools Funding 2021 to 2022 Operational Guide” published 20th July 2020...

High Needs Safety Valve Funding

269 On 30 January 2020 the department published the government response to the consultation undertaken in Autumn 2019 about clarifying the specific grant and ring-fenced status of the DSG.

270 The department has made changes to the School and Early Years (Finance) (England) Regulations 2020, in regulation 8, regulation 31 and schedule 2, to give statutory backing to a new process for handling DSG deficits.

271 A local authority must now:

271.1. Carry all of the deficit forward to set against the schools budget in the next financial year; or

271.2. Carry part of the deficit forward to set against the schools budget in the next financial year and carry the rest of it forward to the following financial year; or

271.3. Not set any of the deficit against the schools budget in the next financial year, but carry all of the deficit forward to the following financial year.

272 These provisions will be repeated in future regulations so that part or all of the deficit can be carried forward further a year at a time, to be dealt with through DSG that will be received in future years.

273 If the local authority sets any part of the deficit against the schools budget for the next financial year, it must plan to eliminate that part of the deficit through funding from the DSG that it will receive during that financial year.

274 If the local authority carries any part of the deficit forward to the following financial year, that means it is not planning to eliminate that part of the deficit from DSG received in the next financial year, but will need to eliminate it from DSG received in future years.

275 Beginning in the financial year 2020-21, if an authority with a DSG deficit wishes to use general funds to eliminate any part of the deficit, or otherwise to add general funds to its schools budget, it must apply to the Secretary of State under regulation 31(1)(b) to disregard the requirement to carry deficits forward under regulation 8(7), to the extent of the amount of general funds that it wishes to use. Such disapplication requests should be sent to LA.DISAPPLICATIONS@education.gov.uk.

276 CIPFA issued guidance on 30 April 2020 about local authority accounting for the financial year 2019-20, which covers the issue of DSG deficits as its first item.

277 The bulletin suggests that local authorities should include a narrative in their accounts about any DSG deficit balance, including how the balance is to be

recovered through future DSG funding and/or explicit recovery plans agreed with the department. It will be for local authorities to write this narrative.

278 Authorities with DSG deficits of more than 1% of DSG at the end of 2018-19 were required under the DSG conditions of grant for 2019-20 to draw up recovery plans. Authorities will be updating those plans in the light of experience in 2019-20, their latest spending projections and the higher levels of grant for the high needs block that they will be receiving from 2020-21. Under the DSG conditions of grant for 2020-21, any authority with a DSG deficit of any size, or that is likely to fall into a DSG deficit in the near future, should have a plan for managing its DSG account going forward, and must keep its schools forum regularly updated about its plan, including high needs pressures and potential savings. It must also respond to enquiries from the DfE about the plan.

279 Plans will need regularly reviewing as further information becomes available. In 2020-21 the high needs block of the DSG has increased by an average of 12%, and in 2021-22 it will increase by an average of 10%. Overall funding for schools and high needs, compared with 2019-20, is increasing by £2.6bn in 2020-21, £4.8bn in 2021-22 and £7.1bn in 2022-23.

280 The government response to the consultation indicated that the DfE recognises that there may well be some authorities which, despite their best efforts, will still not be able to pay off their historic deficit from the DSG over the next few years. In these cases, the DfE expects to work together with the local authority to agree a plan of action to enable the local authority to pay off its deficit over time. The department will need convincing evidence from the local authority that it would be impracticable to pay off a historic deficit from the DSG it would expect to receive in future years. The department will discuss the evidence requirement with selected local authorities and provide a template to assist all local authorities report their DSG balance.

281 The agreed action plan would be designed to secure the most efficient use of resources, and depending on the situation and context could include – for example – changes to local SEND policy or practice; additional challenge and support to the local authority in its management of high needs and/or management change; sign off of budget plans by the DfE; and additional conditions of grant. It would also cover any movement of DSG from the schools block. As part of an appropriate agreed package of measures, the department will, if necessary, make funds available from within the overall total of DSG so that the local authority can pay off its deficit over time.

282 The department expects to approach selected local authorities to begin discussions with them during 2020. These discussions are likely to be detailed, and in order to make this process manageable it will be necessary to limit discussions during 2020-21 to a fairly small number of authorities. The department expects to expand the discussions to other authorities during 2021-22 and subsequent years.

283 The department will use relevant information about local authorities' financial position and other circumstances to select those local authorities where discussions will begin in 2020. If local authorities have queries about this process, they should write to: Financial.MANAGEMENT@education.gov.uk.

284 The government response also acknowledged that local authorities could experience cash flow difficulties in actually financing in-year spending as a result of a DSG deficit. By this, the department means that the local authority has actual difficulty in accessing cash, not that it has incurred loss of interest because it has had to make use of the cash. If a local authority is able to prove that it is facing such cash flow problems, specifically because of the DSG deficit, the department will consider providing funding which would then be subtracted from future years' DSG allocations. Again, this would be subject to appropriate additional conditions of grant to secure the most efficient use of resources. Adjusting the timing of funding in this way would not improve the local authority's accounting position since it would have to make provision for the future reduction in DSG. If an authority thinks it may be eligible for this kind of arrangement, it should write to: Financial.MANAGEMENT@education.gov.uk.

DSG Balances

285 An increasing number of local authorities have been incurring a deficit on their overall DSG account, largely because of overspends on the high needs block.

286 In 2019 to 2020, local authorities with a cumulative deficit of 1% or more at the end of the financial year (31 March 2019) were required to submit a recovery plan to the department to outline their plan to manage their DSG spend.

287 In 2020 to 2021, the DfE extended the rules under the DSG conditions of grant so any local authority with an overall deficit on its DSG account at the end of the 2019 to 2020 financial year, or whose DSG surplus has substantially reduced during the year, must co-operate with the department in handling that situation by:

- providing information as and when requested by the department about its plans for managing its DSG account in the 2020 to 2021 financial year and subsequently
- providing information as and when requested by the department about pressures and potential savings on its high needs budget
- meet with officials of the department as and when they request to discuss the local authority's plans and financial situation
- keep the schools forum regularly updated about the local authority's DSG account and plans for handling it, including high needs pressures and potential savings

288 DSG management plans will need to be discussed with the schools forum and should set out the local authority's plans for bringing the DSG spend back into balance. The department expects the chief financial officer (CFO) and appropriate SEN colleagues to review and sign off the report periodically.

289 Where a local authority has a substantial in-year overspend or cumulative DSG deficit balance at the end of the financial year, its management plan should look to bring the overall DSG account into balance within a timely period.

290 The department recognises that this may prove difficult for some local authorities; particularly where they are accelerating moving their schools to mirror the NFF allocations in full.

291 Where this is the case, the department would be open to receipt of evidence explaining the pressures and will consider management plans that leave some or all of the deficit accumulated to date outstanding.

292 In all cases, the department expects local authorities' management plans to focus on how they will bring in-year spending in line with in-year resources.

293 The DfE expects a range of evidence to support local authority management plans. The department will continue to review the management plan process and provide a template for local authorities to use. The DfE expects all evidence to have been presented to schools forums.

294 The department is aware that DSG deficits are usually caused by high needs pressures, and in these cases the evidence required in the management plans will typically include what the department already looks for in block movement disapplication requests.

295 Local authorities will, however, need to address whatever the main causes of overspending on the DSG have been.

296 The evidence should include:

296.1. A full breakdown of specific budget pressures locally that have led to the local authority's current DSG position. Where this has resulted from high needs pressures, information should include the changes in demand for special provision over the last three years, how the local authority has met that demand by commissioning places in different sectors (mainstream and special schools, further education and sixth form colleges, independent specialist provision and alternative provision), and if there have been any reductions in the provision for mainstream school pupils with high needs.

296.2. An assessment and understanding of the specific local factors that have caused an increase in high needs costs to a level that has exceeded the local authority's high needs funding allocations; and a plan to change the pattern of provision where this is necessary, as well as to achieve greater efficiency and better value for money in other ways; together with evidence of the extent to which the plan is supported by schools and other stakeholders.

296.3. Evidence of how the local authority intends to bring its DSG account back into balance within a timely period, showing clearly how expenditure will be contained within future funding levels. This should also show how the additional funding provided in 2020 to 2021 is intended to be spent to support the local authority to balance its in year spend.

296.4. Details of any previous movements between blocks and any proposed block movements. A detailed explanation of why these have not been sufficient in the past and why they will be needed going forward to meet the local authority's high needs pressures is required. Further information is included in the movements between blocks section of this guidance

Name of meeting: Cabinet

Date: 21st May 2020

Title of report: COVID-19 impact on Council finances

Purpose of report:

To update Cabinet on the impact of COVID-19 on the Council's finances, broader local government sectoral impact, national Government financial support to date, and emerging actions taken/required in light of the above.

| | |
|---|--|
| Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards? | No. The report is for information only |
| Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)?</u> | Key Decision – N/A Private Report/Private Appendix – No |
| The Decision - Is it eligible for call in by Scrutiny? | Yes |
| Date signed off by <u>Strategic Director</u> & name | Rachel Spencer-Henshall – 13 May 2020 |
| Is it also signed off by the Service Director for Finance? | Eamonn Croston – 12 May 2020 |
| Is it also signed off by the Service Director for Legal Governance and Commissioning? | Julie Muscroft – 13 May 2020 |
| Cabinet member portfolio | Cllr Graham Turner |

Electoral wards affected: All Ward councillors consulted: None

Public or private: Public

Has GDPR been considered? Yes

1. Summary

- 1.1 The Council has responded rapidly and effectively over the past 8 weeks to the COVID-19 crisis. It has put in place an organisational wide range of measures in collaboration with key partners, and taking on board Government direction to spend 'whatever it takes' in priority areas to support and protect the borough's most vulnerable residents, and support the national effort to protect the NHS and businesses.
- 1.2 These measures, alongside other financial impacts from Government social distancing measures, is having a significant impact on the Council's finances as illustrated at Appendix A attached; illustratively a forecast cost impact of between £34m and £65m over the short term (upto 12 months). The range of potential cost impacts reflects two illustrative scenarios. The first is an accelerated easing of current national lockdown measures (6 month scenario) versus a more extended transitional phase (12 month scenario).
- 1.3 The potential range illustrated at Appendix A is consistent with early sectoral benchmarking of the financial impact of COVID-19 across comparable Councils, informed by emerging local, regional, national and international societal and economic impacts, and emerging national Government measures in response to this. To date, Government has implemented an unparalleled level of individual and business financial support following on from the initial package of measures set out as part of the 11 March 2020 budget announcement.
- 1.4 Government has committed to compensating Councils, and has allocated some £3.2 billion COVID-19 funding to date to the local government sector nationally. The Council's share is £24.3m. All Councils are also now submitting monthly financial impact returns to help Government assess both the emerging monthly impacts, and full year forecasts.
- 1.5 The impact of the funding allocations to date would adjust the cost impact on the Council to between £9.4m and £40.4m, and emphasizes the consistent local government sectoral message back to Government that more funding to Councils will be needed in due course in 2020/21.
- 1.6 The Council is taking early measures where it can to release further revenue resources to financial resilience reserves in light of the predicted global economic recession and longer-term impact on Council Medium Term Financial Strategy, and this will be subject of a separate report to Cabinet in early June setting out in more detail, specific measures being taken as part of the closure of accounts process for 2019/20.
- 1.7 COVID-19 financial impacts will continue to be reviewed in light of further emerging local, regional and national intelligence through 2020/21, as part of overall in-year financial monitoring reported in the corporate member arena through established annual Council planning cycle and governance processes.
- 1.8 This will also include a more I review of current approved multi-year Council revenue

and budget plans, including early preparation for the forthcoming 2021/22 budget round.

2. Information required to take a decision

2.1 Council response to COVID-19

- 2.1.1 The chronology of the emerging global pandemic crisis dates back as recently as December 2019 following official reports of a COVID-19 outbreak in Wuhan, China. By January 2020, UK had reported its first two officially confirmed positive cases, originally contracted from outside the UK. The first confirmed COVID-19 transmission within the UK was early February 2020, and at this time Government introduced a range of voluntary restrictions.
- 2.1.2 The Budget announcement on 11 March included measures intended to offer an unparalleled range of financial support to individuals and businesses in light of the emerging global and UK economic impact being felt from the pandemic crisis. By 20th March, Government ordered all pubs, cafes, restaurants, bars and gyms to close and further financial support measures were announced at the same time, including the furloughing scheme to support 80% of the wages of employees temporarily sent home from firms hit by the crisis.
- 2.1.3 On 23 March, Government announced a nationwide lockdown, including the identification of about 1.5 million vulnerable people who would likely need hospital treatment, to 'shield themselves' by voluntarily staying at home for 12 weeks to avoid getting the virus.
- 2.1.4 The above measures were followed up with emergency primary legislation passed by Parliament on 25 March through the Emergency Coronavirus Act, to give UK Government unprecedented powers to in its bid to curb the coronavirus pandemic. The legislation lasts for 2 years and is subject to 6 monthly review.

A link to the detail of the Emergency Coronavirus Act can be found here :

[Coronavirus Bill: what it will do - GOV.UK](#)

- 2.1.5 The Council has responded swiftly and effectively in light of the above, and has been front and centre of the local response to the emerging pandemic crisis, ensuring the continued provision of essential services, support and protection to the borough's most vulnerable residents and households, alongside the Council's commitment to support the national effort to protect the NHS and support businesses.
- 2.1.6 The Council has taken on board early Government direction for local authorities to spend 'whatever it takes' on priority services where COVID-19 measures were impacting on the most vulnerable; including social care, housing, rough sleeping and education, and that the Council would be financially compensated in due course.
- 2.1.7 This has entailed a significant short-term re-configuration of Council service activity, and temporary revisions to corporate/member governance arrangements using executive powers to enable quick and effective decision making and timely operational implementation in response to the rapidly developing COVID-19 crisis.

2.1.8 A consolidated report was presented to Cabinet on 1 May 2020 which set out the key decisions taken through the early weeks of the emerging crisis. The relevant link to the Cabinet Agenda is shown below :

[Agenda for Cabinet on Friday 1st May 2020, 3.00 pm | Kirklees Council](#)

(Item 6 – ‘Decisions taken during the COVID-19 Pandemic to date’ report)

- 2.1.9 Council measures to date have been undertaken in collaboration with key Partners, including health, education, 3rd sector leaders, local communities, key providers and suppliers. The Council has also been supported by representative business and community organisations and more broadly by local government sectoral interest groups including Local Government Association (LGA) and the Special Interest Group of Metropolitan Authorities (SIGOMA).
- 2.1.10 There has also been ongoing collaboration at a regional level through the Leeds City Region/West Yorkshire Combined Authority, and the Local Resilience Forum which is part of the national network for ‘top down’ emergency planning from Government.
- 2.1.11 A whole system partnership approach has been paramount to the effective delivery of the local response and support to the national effort to date, and will be going forward. Equally critical has been the effective mobilisation of local community groups, networks and volunteers. This local approach also resonates strongly with the Council’s Partnership and Place agendas, and the role of Councillors as community leaders, with enhanced funding allocated to existing ward Councillor budgets from £20k to £50k per ward in 2020/21, funded from earmarked reserves.
- 2.1.12 Alongside this, Council staff have been flexibly deployed where appropriate into priority activities to support Council activity, in particular to support and protect the borough’s most vulnerable children and adults. This has included collaborative working in partnership with Kirklees Neighbourhood Housing (KNH), and Kirklees Active Leisure (KAL).
- 2.1.13 The Council is also monitoring on a weekly basis the ongoing impact of COVID-19 on overall staff capacity and this is also being factored into Council measures on current staff deployment across the organisation. To put this into context, at any one time currently, upwards of 20% of Council staff (about 1,400 staff) fall within one of the following categories e.g. self-isolation, vulnerability (shielding), or sickness absence directly COVID-19 related, beyond ‘business as usual’. This is being monitored , managed and reviewed pro-actively through the corporate business continuity group, reporting directly to Executive Leadership Team twice weekly.
- 2.1.14 The attached link to the Council’s website illustrates the sheer scale and extent of the Council response to date across the whole breadth of its activities ‘working with’ a plethora of partners, communities and stakeholders :

[Coronavirus | Kirklees Council](#)

Essential guidance for local authorities on all aspects of coronavirus support can also be found on the GOV.UK website. See below link :

[COVID-19 guidance for local government](#)

2.1.15 Government has also issued a number of Procurement Policy notes setting out information and guidance for public bodies on payment of their suppliers to ensure service continuity during and after the current COVID-19 outbreak. A link to the most recent Note 02/20 is included below for reference :

[Procurement Policy Note 02/20: Supplier relief due to COVID-19 - GOV.UK](#)

2.1.16 The Council is working with a range of contracted services and suppliers, to ensure timely and appropriate payments that will deliver service continuity and future sustainability, including the social care provider market, home to school transport, educational including early years provision, and leisure activity. These current arrangements are subject to ongoing review.

2.2 Revenue impact

2.2.1 Revenue budget plans for 2020/21, including indicative plans for following 2 years, were approved at Budget Council on 12 February 2020. The financial impact COVID-19 across the organisation's activities could not have been anticipated at the time the budget plans were approved for the 2020/21 financial year, given the chronology of events set out in paras 2.1.1 to 2.1.3 earlier.

2.2.2 Appendix A attached sets out a high level summary of a potential range of spend impacts in 2020/21, above and beyond approved budget plans, which are specifically attributable to measure taken in light of COVID-19.

2.2.3 Overall, the potential range of revenue cost impacts are indicated in the range £34m to £65m as noted at Appendix A, over the next 12 months.

2.2.4 These are acknowledged to be somewhat fluid forecasts at this time and will remain thus over the coming months; informed short term by transitional arrangements from Government on the emerging national recovery plan, and medium term in light of more structural impacts and subsequent national Government policy informing the 2020 Spending Review in Autumn, which will set out public expenditure intent for 2021/22.

2.2.5 Council officers have implemented processes to capture COVID-19 related costs across the totality of Council activity. In addition, Government has requested monthly returns on the financial impact of COVID-19, starting from April 2020, to help inform Government intelligence on the scale of financial impact on Councils.

2.2.6 There will be some activity that has reduced or temporarily ceased as a result of the national lockdown measures and subsequent local response e.g. premises related non-staffing costs, car mileage and other transport related costs. Any temporary reduction in spend will have some impact in mitigating the overall scale of additional COVID related spend, and this will be assessed in more detail as part of ongoing monthly monitoring through the remainder of 2020/21.

2.2.7 The emerging financial impact on Council finances is also significant across a range of Council income streams. National lockdown measures are having a material short-term impact on fees and charges across organisational service activity. To give some illustrative examples, car parking income losses are currently estimated to be upwards of £90k per week, and education catering income about £80k per week.

- 2.2.8 In addition to the above, there will be emerging pressures on council tax income. Nationally, the number of working age people claiming Universal Credit has doubled since the national lockdown came into force. Overall, national unemployment is currently about 4% compared to 2% pre-COVID. This in turn is anticipated to increase significantly, the number of working age claimants eligible for the Council's council tax reduction (CTR) support scheme beyond budgetary predictions pre-COVID-19.
- 2.2.9 The Council has implemented measures to enhance support to existing and new CTR working age claimants in 2020/21 through the Government Hardship Fund (see also para 2.7.3). However, any underlying growth in working age CTR claimants that would have an adverse impact on the Council Tax Base (CTB). There is also likely to be increased pressure on income collection rates and resultant arrears due to additional volatility on household income for some of our most vulnerable households.
- 2.2.10 Council tax income budgetary assumptions for 2020/21 also reflect underlying growth in the council tax base from a net increase in housing supply across the borough; equivalent to 1,100 Band D properties. Clearly COVID-19 has impacted on the construction industry and at this stage, it is anticipated that there will be an overall slowdown in growth assumptions in-year, from budgeted.
- 2.2.11 The economic impact is also clearly felt across the borough's businesses. And while Government has introduced a number of financial support measures (see also para 2.7.4), it is anticipated that there could be an overall reduction in business rates income in light of current challenging economic conditions over the short and possibly medium term.
- 2.2.12 Any in-year deficit or surplus on council tax income and business rates income is carried forward into the following financial year through the Collection Fund. This means there is a timing delay when the financial impact of COVID-19 on the Collection Fund would hit Council finances; effectively 2021/22.
- 2.2.13 The only exception is the grant compensation the Council receives from Government in relation to national business rate reliefs granted in 2020/21. If business activity reduces in-year, any corresponding reduction in compensating grant will impact on Council finances in 2020/21.
- 2.2.14 The financial impact of any s Collection Fund deficit rolled forward into 2021/22 would also extend to other precepting authorities, namely the Office of Police & Crime Commissioner and Fire & Rescue Authority. This is because the Council also collects and pays over the relevant council tax income relating to these precepting bodies, including their share of the overall Collection Fund deficit rolled forward into 2021/22.
- 2.2.15 The Housing Revenue Account (HRA) is a statutory ring-fenced account which manages all income and expenditure in relation to landlord services to the Council's 22,000 tenants and 1,000 leaseholders. Day to day management of landlord services is provided by the Council's arms length management organisation, Kirklees Neighbourhood Housing (KNH).
- 2.2.16 To date, Government funding support to Councils has concentrated on general fund COVID financial impacts. For Councils with HRA's like Kirklees, there are potential financial impacts on income collection and rent arrears for some of the Council's most

vulnerable tenants who may also be experiencing additional volatility with regard to household income.

2.2.17 The Government has acknowledged this and the monthly Council financial impact returns have been updated now to include specific reference to HRA impacts. This includes COVID financial impacts on arms length management organisations i.e. KNH, as ultimately KNH as a wholly owned company of the Council, and any KNH financial risk is ultimately the Council's HRA financial risk.

2.2.18 The Council is also monitoring closely the impact of COVID-19 on the financial resilience of other organisations that have ongoing financial arrangements with the Council, such as Kirklees College, and joint ventures for which the Council is a part shareholder, namely Kirklees Stadium Development Limited.

2.3 Capital impact

2.3.1 The Council budget plans approved at Budget Council in February 2020 included the recommendation to undertake a more fundamental review of the current 5 year capital planning framework during Summer 2020, and the intention still is to undertake this review, with a view to re-profiling the existing multi-year plans over a more realistic longer time frame. Clearly, emerging COVID impacts will influence some of the re-profiling as well, in conjunction with an overall affordability review as part of the broader annual re-refresh of the Council's multi-year plans.

2.3.2 The Council is continuing to deliver baseline capital programmes across its operational asset base, including highways, education, corporate landlord capital activity. On some baseline activity, current social distancing measures means officers are reviewing how schemes are prioritised. In terms of strategic priorities, programmes and schemes, developer/partner as well as on-house capacity, and emerging local, regional and national economic and infrastructure considerations and funding opportunities and broader economic recovery plans, will clearly be in scope as part of the broader strategic capital plan review.

2.4 Council Treasury Management

2.4.1 The impact of COVID-19 on Council finances has added some volatility and unpredictability on Council daily cashflow management. As the emerging scale of the Government's response to COVID-19 began to materialise, access to short term liquidity in the financial markets was an immediate issue, as inter-authority lending practically ceased overnight. In response, Government implemented a number of early measures to fund Councils 'upfront' at the start of 2020/21 across a range of grant funding streams, and as a result of this, liquidity access in the money markets has eased.

2.4.2 Senior Council finance Officers will continue to monitor and proactively manage the Council's cashflow and treasury management requirements through 2020/21, in conjunction with our external treasury management advisors, Arlingclose, and will set this out in more detail as part of the 2019/20 annual review of treasury management activity report, in due course.

2.5 Sectoral analysis

- 2.5.1 A Yorkshire & Humberside COVID-19 financial impact survey at the start of April summarised the overall forecast cost impact as reported by 21 Local Authorities, including Kirklees at an estimated £900m eventual cost. After factoring in the surveyed Councils local share of the £3.2billion Government COVID-19 funding allocated to date, this was adjusted to about £600m. On average, about 1/3rd of the forecast cost impact was spend related, about 2/3^{rds} was income loss related.
- 2.5.2 The high level analysis also showed the cost impact expressed as a proportion of annual net revenue budgets at an individual Council level. The range was between 9% to 18% across the 8 metropolitan Councils included in the survey (after factoring in local shares of the £3.2bn additional funding to date). Kirklees share was about 15%.
- 2.5.3 The Special Interest Group of Metropolitan Authorities (SIGOMA) analysed the Ministry for Housing, Communities & Local Government (MHCLG) financial impact returns submitted by SIGOMA Councils for the 15 April deadline; 36 metropolitan Councils and 8 unitary Councils. SIGOMA concluded that across the 44 Councils surveyed, after factoring local shares of the £3.2bn funding to date, there would be a shortfall of about £1.35bn. This is consistent with the earlier Yorkshire/Humberside survey.

2.6 Government funding support

- 2.6.1 There have been numerous financial support measures put in place by Government to support individuals and businesses through the emerging COVID-19 crisis. The Council report to Cabinet on 1st May set out a range of national measures implemented locally for 2020/21. This included an extension of 100% business rate reliefs for all businesses with a rateable value of upto £51k, and for specific businesses in retail, hospitality and leisure above £51k rateable value.
- 2.6.2 The report also notes the two COVID-19 related Government grant schemes available to eligible businesses at £10k/£25k. Councils have administered these locally on Government's behalf. To date (as at 13 May 2020), Kirklees Council has paid out in excess of £80m to over 7,000 eligible businesses in just over 5 weeks, which is a significant achievement and testament to the Council's commitment to deliver the grant payments as quickly as possible to support the borough's eligible businesses at this critical time.
- 2.6.3 The report also makes reference to an enhanced £4.9m Hardship Fund scheme for working age residents claiming Council tax Reduction (CTR) support, plus additional funding for the Council's discretionary Local Welfare Provision Scheme.
- 2.6.4 Government has provided two tranches of £1.6 billion COVID-19 funding to local government to date ; £3.2 billion in total. Tranche 1 was allocated largely on the current adult social care formula , and as such was more weighted to Councils with statutory social care responsibilities. The Council's share is £12.2m. The main emphasis at the time was around immediate pressures in social care. It was announced alongside the £1.3 billion national NHS funding allocation to support a range of measures to free up non-urgent bed spaces for COVID-19 patients..

- 2.6.5 Tranche 2, £1.6 billion funding was allocated pro-rata to Council populations and is intended to recognise a broader sweep of financial impacts on universal provision including fees & charges income loss, and explains why district councils received a bigger share this time, overall. The Council's share is £12.1m.
- 2.6.6 Other Government measures include the staff furloughing scheme administered through HMRC which went live on 20th April, compensating businesses for 80% of eligible staff costs up to a monthly salary cap of £2,500; also includes eligible self-employed workers. It is estimated that this will cost Government about £8 billion a month, and at the time of writing this report, was for an initial period covering 19 March to 30 June 2020.
- 2.6.7 The business Interruption Loan Scheme is also now live. This includes an 80% Government underwrite for loans awarded by participating banks. Subsequent to this, Government announced a 100% loan underwrite scheme for eligible small businesses, up to a maximum £50k loan.

The link below to the relevant Government website sets out in more detail, the current range of financial support available to individuals and businesses :

[Support for those affected by COVID-19 - GOV.UK](#)

- 2.6.8 Government also announced £370m funding support to be allocated direct by government departments to charities providing key services and supporting vulnerable people during a crisis. A further £360m was also to be allocated to small and medium sized charities, including through a grant to the National Lottery Community Fund to support organisations working in local communities, including those delivering food, essential medicines and providing financial advice during the current COVID-19 crisis.
- 2.6.9 Government funding announcements are ongoing, such as the very recent 'top up' or discretionary fund; national funding allocation about £650m or 5% 'top up' on the original national £12.3 billion national business grant allocation. The Council's share is anticipated to be about £6m and at the time of writing this report, is waiting on more detailed Government guidance on how it is to be administered locally.
- 2.6.10 Government has also announced schools funding for exceptional costs associated with COVID-19 for the period March to July 2019, and subject to a current proposed funding allowance or cap of between £25k and £75k per educational establishment depending on the number of pupils and nature of provision; mainstream, special and alternative .

3. Implications for the Council

- 3.1 Working with People**
- 3.2 Working with Partners**
- 3.3 Place Based Working**
- 3.4 Climate Change and Air Quality**
- 3.5 Improving outcomes for children**

The issues highlighted in this report are set out in the overall context of the short term impact on current approved Council budget plans.

Existing approved budget plans were developed to ensure that resources were allocated in the areas that would further improve outcomes for individuals and communities as a whole.

To facilitate this, resources were allocated in areas that allowed the Council to maximise contributions to the Council's strategic priorities of working with people, working with partners and delivering Administration priorities with regard to outstanding children's services, tackling climate change and investing in our places.

3.6 Other (e.g. Legal/Financial or Human Resources)

Financial

- 3.7 The Council remains committed to fulfilling its long terms ambitions for Kirklees residents, but needs strong Government backing and support not just for the short term, but longer term as well. This was the key sectoral message to Government, for a longer term and sustainable funding commitment from 2021/22 onwards, even before the COVID-19 crisis. The current crisis and the local government frontline response has brought this message into even starker focus.
- 3.8 Senior officers at both a local and regional level are currently reviewing a whole range of potential and emerging social and economic impacts and what this means for residents, local communities, Council resources and service delivery, partners, supplier and provider sustainability, businesses, health and education sectors.
- 3.9 Government's £3.2 billion COVID-19 funding to date, and the Council's share at £24.3m, is welcome, as is the other financial support. However, Government will need to continue to honour its commitment to compensating Councils that continue to be at the frontline of local support to the national effort during what is an unprecedented global crisis.
- 3.10 Alongside the above, the Council is also exploring other mitigating measures where it can, given the unprecedented circumstances, including early proposals to bolster further the Council's financial resilience reserves as part of the 201920 final accounts process.
- 3.11 Government has also confirmed that the Review of Relative Needs and Resource and 75% business rates retention will no longer be implemented in 2021/22. This will allow Councils to focus on meeting the immediate public health challenge posed by the pandemic. Government will continue to work with councils on the best approach to the next financial year, including the approach to the 2021/22 local government finance settlement.
- 3.12 Given the unprecedented global and national situation, which remains fast moving and volatile, beyond the immediacy of the current COVID-19 crisis, the longer term prognosis for the economy , future tax revenues, Government fiscal policy and public services funding is particularly uncertain, and is likely to remain thus for some considerable time, and certainly beyond autumn 2020.
- 3.13 The medium and longer-term economic and societal impact and implications for the Council's Medium-Term Financial Strategy, revenue and budget plans, will be reviewed over the coming months, acknowledging the fluid and volatile environmental

context within which said plans will be reviewed, and as transitional arrangements start to be rolled out by Government as part of the national recovery plan.

Council Financial Resilience

- 3.14 The Council's budget plans approved at Budget Council in February 2020 included consideration of the Council's key corporate risks, and the overall adequacy of Council financial reserves, and the rationale for holding those reserves. This also included a benchmark using the Chartered Institute of Public Finance & Accountancy (CIPFA) financial resilience index, which indicated that our reserves held, as a proportion of annual net revenue budget, at 34%, (as at 31 March 2019) was largely similar to the majority of the other 35 metropolitan Councils benchmarked against.
- 3.15 This was in a pre-COVID-19 context, and while Government has re-affirmed its commitment to compensate Councils fully in due course, Council officers are taking some early prudent measures as part of the 2019/20 year end accounting process to release more revenue resources into financial resilience reserves.
- 3.16 These measures will be set out in more detail in a forthcoming early 2019/20 closedown review report to Cabinet in early June. The 2019/20 financial outturn position is currently being finalised, and it is anticipated that there will be some element of COVID-19 financial impact on the finalised 2019/20 year end position, albeit at the back end of the 2019/20 financial year.

Statutory responsibilities of the Council's Chief Financial Officer (CFO)

- 3.17 There are a range of safeguards in place that mitigate against local authorities over-committing themselves financially. One of the safeguards currently under scrutiny nationally are CFO s114 statutory powers. This refers specifically to s114 of the Local Government Finance Act 1988 which requires any CFO in England and Wales to report to all the authority's Councillors if there is or is likely to be unlawful expenditure or an unbalanced budget.
- 3.18 This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year. The issue of a s114 notice cannot be taken lightly and has serious operational consequences. The authority's full Council must meet within 21 days to consider the s114 notice and during that period the authority is prohibited from entering into new agreements involving the incurring of expenditure.
- 3.19 In practice, s114 notices have been relatively few and far between; the most recent example being Northamptonshire County Council back in 2018. There has been discussion recently across the local government sector about how COVID-19's financial impact might play out in relation to potential s114 notices being issued more extensively within the next 12 months. CIPFA's COVID-19 Financial Bulletin issued on 15 April 2020 includes the following helpful and measured advice:

"We (CIPFA) are also in discussion with government on the present risk that some local authorities may not be able to reach a balanced budget position. To that end, we urge any authorities alive to the possibility of an unbalanced budget position due to COVID-19 to alert MHCLG (Ministry for Housing, Communities & Local

Government) at the same time as the council executive. Any prohibitions on spending should not be imposed until MHCLG have responded with what support and advice they are able to offer. At this difficult time, section 114 notices should continue to be used only as a last resort.“

4 Consultees and their opinions

Not applicable

5 Next steps and timelines

To present this report to Cabinet on 21 May, and the early 2019/20 closedown review report on 2 June. The finalised 2019/20 financial outturn and rollover report will be considered by members in due course later in June/early July.

Regular financial monitoring reports will be reported to Cabinet monthly, and published quarterly. A review of current multi-year revenue and capital budget plans will commence through early Summer informed by national, regional and local intelligence including COVID-19 impacts, in preparation for the forthcoming 2021/22 budget round.

6 Officer recommendations and reasons

To note the contents of this report which sets out an early high level overview of the emerging COVID-19 impact on the Council's finances.

7 Cabinet Portfolio Holder's recommendations

I would like to thank officers who have worked very hard on this report to ensure we have captured all the relevant data and information that we have at this moment in time.

The Council's financial situation will evolve as time goes on, as the immediate and longer term impacts of the pandemic become clearer.

Whilst this is a high level report, the very nature of the current COVID-19 outbreak means that some assumptions on the impact on the current budget, have to be made, these are based on the best information and intelligence we have at the moment. We will continue to monitor and record all extra spending and falls in income due to COVID-19, and fully expect as promised that these costs will be covered by the government.

8 Contact officer

James Anderson – Head of Accountancy
Sarah Hill – Finance Manager

9 Background Papers and History of Decisions

Approved budget plans 2021/22 – Budget Council 12 February 2020
Gov.uk - support for those affected by COVID-19
Gov.uk – COVID-19 guidance for local government

10 Service Director responsible

Eamonn Croston – Service Director- Finance

APPENDIX A

| <u>COVID-19 IMPACT - high level forecasts</u> | | | | |
|---|--|--|---------------|---------------|
| | | | | |
| 2020/21 | | | | |
| | | | £000 | £000 |
| GENERAL FUND (Net Revenue Budget £302m) | | | 6 month | 12 month |
| | | | scenario | scenario |
| | | | | |
| Additional Spend | | | 12,890 | 23,390 |
| Income Loss | | | 10,000 | 20,000 |
| Total cost | | | 22,890 | 43,390 |
| | | | | |
| HRA (Annual turnover £91m) | | | | |
| Income loss | | | 1,500 | 3,000 |
| | | | | |
| 2021/22 | | | | |
| | | | | |
| COLLECTION FUND | | | | |
| Council Tax (£189m annual income) | | | | |
| In-year deficit rolled forward into 2021/22 | | | 6,250 | 12,500 |
| | | | | |
| Business Rates (£51m Council Share) | | | | |
| in-year deficit rolled forward into 2021/22 | | | 3,500 | 6,825 |
| | | | 9,750 | 19,325 |
| | | | | |
| Bottom Line - Council Financial Pressure | | | 34,140 | 65,715 |
| | | | | |
| Government COVID-19 Funding offset to date | | | (24,300) | (24,300) |
| | | | | |
| Council Financial Pressure after funding applied | | | 9,840 | 41,415 |

| COVID-19 IMPACT - high level forecast - June MHCLG Return | | | |
|--|--|---------------|----------|
| 2020/21 | | £000 | % |
| GENERAL FUND (Net Revenue Budget £302m) | | | |
| Additional spend | | | |
| Adult Social Care | | 13,480 | |
| Cultural & related | | 4,029 | |
| Children's Social Care | | 2,385 | |
| Other (includes education. Highways & Transport, public health Housing, Environment & regulatory) | | 3,430 | |
| Forecast Additional Spend | | 23,324 | 47% |
| Irrecoverable service income loss (sales, fees & charges) | | | |
| Car Parking | | 3,530 | |
| Schools catering | | 4,010 | |
| Other | | 1,939 | |
| Total forecast service Income Loss | | 9,479 | 19% |
| Housing Revenue Account (Annual turnover £91m) | | | |
| workforce pressures | | 4,414 | |
| Other (incl. supplies & materials incl PPE) | | 827 | |
| Total HRA cost pressures | | 5,241 | 11% |
| COLLECTION FUND (in-year deficits roll forward into 2021/22) | | | |
| Council Tax (£189m annual income) | | | |
| Forecast in-year deficit rolled forward into 2021/22 | | 8,500 | |
| Business Rates (£51m Council Share) | | | |
| Forecast in-year deficit rolled forward into 2021/22 | | 2,600 | |
| Total Collection Fund forecast pressure | | 11,100 | 23% |
| Grand Total forecast pressures | | 49,144 | 100% |

Local Government Association summary analysis – June MHCLG returns Appendix 4

Total financial challenge in 2020/21 (before grants)

| | Total projected cost pressures, 2020/21 £ million | Total projected income losses (non-tax), 2020/21 £ million | Total challenge before lost tax income £ million | Lost tax income (excludes COVID-19 reliefs) £ million | Total financial challenge (before grants), 2020/21 £ million |
|--------------------------|--|---|---|--|---|
| Total | 4,400.21 | 2,820.70 | 7,220.91 | 3,717.39 | 10,938.29 |
| Shire Counties | 1,338.58 | 270.60 | 1,609.18 | 586.63 | 2,195.81 |
| Unitary Authorities | 1,079.55 | 713.76 | 1,793.31 | 710.92 | 2,504.23 |
| Metropolitan Districts | 1,009.89 | 645.09 | 1,654.98 | 643.52 | 2,298.51 |
| London | 739.96 | 558.49 | 1,298.44 | 1,186.18 | 2,484.62 |
| Shire Districts | 232.24 | 632.75 | 864.99 | 590.13 | 1,455.12 |
| South East | 659.21 | 450.09 | 1,109.30 | 542.51 | 1,651.81 |
| South West | 440.69 | 274.79 | 715.48 | 293.62 | 1,009.10 |
| North West | 688.68 | 463.83 | 1,152.50 | 431.55 | 1,584.05 |
| North East | 215.96 | 134.90 | 350.86 | 111.94 | 462.80 |
| East of England | 415.71 | 297.52 | 713.23 | 369.50 | 1,082.73 |
| London | 739.96 | 558.49 | 1,298.44 | 1,186.18 | 2,484.62 |
| Yorkshire and the Humber | 397.78 | 224.42 | 622.20 | 330.08 | 952.27 |
| East Midlands | 378.02 | 197.21 | 575.24 | 198.61 | 773.84 |
| West Midlands | 464.21 | 219.45 | 683.66 | 253.41 | 937.07 |

| | Projected cost pressures as a share of the total challenge, 2020/21 % | Projected non-tax income losses as a share of the total challenge, 2020/21 % | Projected tax income losses as a share of the total challenge, 2020/21 % |
|--------------------------|--|---|---|
| Total | 40.2% | 25.8% | 34.0% |
| Shire Counties | 61.0% | 12.3% | 26.7% |
| Unitary Authorities | 43.1% | 28.5% | 28.4% |
| Metropolitan Districts | 43.9% | 28.1% | 28.0% |
| London | 29.8% | 22.5% | 47.7% |
| Shire Districts | 16.0% | 43.5% | 40.6% |
| South East | 39.9% | 27.2% | 32.8% |
| South West | 43.7% | 27.2% | 29.1% |
| North West | 43.5% | 29.3% | 27.2% |
| North East | 46.7% | 29.1% | 24.2% |
| East of England | 38.4% | 27.5% | 34.1% |
| London | 29.8% | 22.5% | 47.7% |
| Yorkshire and the Humber | 41.8% | 23.6% | 34.7% |
| East Midlands | 48.8% | 25.5% | 25.7% |
| West Midlands | 49.5% | 23.4% | 27.0% |

Appendix 5

| Funding Stream | National Total | Kirklees Allocation | Description (as per the relevant Gov.uk website) |
|--|----------------|---------------------|--|
| COVID Support Grant | £3,194m | £24.325m | Un-ringfenced grant to help offset Government directed additional Council spend |
| COVID Support Grant | £500m | £3.8m | Supplementary un-ringfenced grant to help offset Government directed additional Council spend |
| Hardship Fund | £500m | £4.956m | The Government has provided billing authorities in England with a £500 million hardship fund to enable them to support economically vulnerable people and households in their local area by providing them with a further reduction in their council tax. |
| Hardship Fund supplementary funding | £63m | £550k | Councils have responded quickly and effectively to the complex challenges faced by local communities and this funding will help them continue to provide much needed crisis support to households who are struggling to afford food, fuel and other essentials." |
| Re-open High Streets Safely fund | £49.964m | £389k | <p>To prepare for the reopening of non-essential retail when the scientific advice allows, to help councils in England introduce a range of safety measures in a move to kick-start local economies, get people back to work and customers back to the shops.</p> <p>It will also support a range of practical safety measures including new signs, street markings and temporary barriers. This will help get businesses get ready for when they can begin trading safely, not only in high streets and town and city centres, but also in other public spaces like beachfronts and promenades.</p> |

| Funding Stream | National Total £m | Kirklees Allocation £m | Description |
|---|----------------------|------------------------------|--|
| Adult Social Care Infection Control Fund | £600m | £3.546m | The Adult Social Care Infection Control Fund was announced in May and is worth £600 million. The primary purpose of this fund is to support adult social care providers, including those with whom the local authority does not have a contract, to reduce the rate of COVID-19 transmission in and between care homes and support wider workforce resilience. |
| Small Business Grant Fund & Retail, Hospitality & Leisure Grant Fund | £12,333m | £113.65m | The Small Business Grant Fund (SBGF) supports small and rural businesses in England with their business costs during coronavirus. The Retail, Hospitality and Leisure Grant Fund (RHLGF) supports businesses in the retail, hospitality and leisure sectors with their business costs during coronavirus. |
| Local Authority Discretionary Fund | £616.65m | £5.244m | Aimed at small or micro businesses who were not eligible for the small business grant fund or the retail, leisure and hospitality fund |
| Test and Trace Service | £300m | £2.381m | Local authorities will be central to supporting the new test and trace service across England. Recognising this, the Government announced that £300 million will be provided to all local authorities in England to develop and action their plans to reduce the spread of the virus in their area |

| Funding Stream | National Total £m | Kirklees Allocation £m | Description |
|---|--|--|---|
| Rough Sleeping contingency fund | £3.196m | £12k | <p>Rough sleepers, or those at risk of rough sleeping have been supported by £3.2 million of initial emergency funding if they need to self-isolate to prevent the spread of COVID-19.</p> <p>This funding was announced in March and has been made available to all local authorities in England and reimburses them for the cost of providing accommodation and services to those sleeping on the streets to help them successfully self-isolate. Funding covers period to 30 June 2020</p> |
| Interim housing for thousands of rough sleepers taken off the streets further Gov't funding allocation | £105m (£85m new and £20m re-directed from existing homelessness/rough sleeping budgets) | Awaiting confirmation on individual LA funding allocations | The £105 million will be used to provide interim support for 15,000 vulnerable people accommodated during the pandemic. It'll be used to support rough sleepers and those at risk of homelessness into tenancies of their own, including through help with deposits for accommodation, and securing thousands of alternative rooms already available and ready for use, such as student accommodation. |
| COVID funding for schools | Not specified | Max funding allowance per school | <p>Schools can claim for specified COVID related costs upto a maximum of the following funding allowances : £25k per school with 250 or less pupils; £30k if 251-500 pupils; £50k if 501 to 1000 pupils; £75k if over 1000 pupils; special schools and alternative provision – all schools £50k.</p> <p>Funding allowance available covers the period March to July 2020.</p> |




| Funding Stream | National Total £m | Kirklees Allocation £m | Description |
|---------------------------------------|----------------------|------------------------------|---|
| Business Improvement Districts | £6.1m | £10.7k | <p>The money will go to Business Improvement Districts (BIDs), local business partnerships that bring local authorities, developers and communities together to provide local leadership, drive regeneration and deliver projects and additional local services.</p> <p>These monies will be distributed via a grant to local authorities to be passed on to BIDs, and will cover funding for 3 months and contribute to their operational costs over a 3 month period.</p> |



CORPORATE RISK REGISTER & RISK MANAGEMENT ACTION PLAN


JULY 2020




(1A2A)



| Risk No | Risk – Description of the risk | Management actions already in place to mitigate the risk | Control Opptnty | Trend |
|---------|--|---|-----------------|-------|
| | Emergency & Immediate Risk | | | |
| 0 | The current national emergency as result of the Covid 19 coronavirus has huge implications on the Kirklees community, and the Council. | There are additional risks and impacts on the council (and community) in the short and medium term, which relate to community, operational and financial impact This is an ever-changing position, which requires regular reconsideration until the current crisis is declared under control/has passed, with a substantial number of areas of uncertainty. | L | ↑ |
| | Community Impacts & Risks | The current national emergency has a serious and significant risk to the community citizens and services users, with particular concerns about the impact on specific user groups. | | |
| 1 | The council does not adequately safeguard children and vulnerable adults, as a result of increased complexity, referral volumes and a lack of service capacity to respond to the assessed need. This risk may have worsened as a result of the full and partial coronavirus lockdown, with reduced referrals, an unwillingness of third parties to make referrals and a reduced ability to investigate. the basic controls described above remain valid | <ul style="list-style-type: none"> • Disclosure & Barring Service (DBS) checking, staff training, supervision, protection policies kept up to date and communicated. • Effective management of social work (and related services); rapid response to any issues identified and from any serious case review work. • Active management of cases reaching serious case review stage, and any media interest • Review of current practices following the child sexual exploitation in Rotherham and the emerging requirements. • Ensure that workloads are balanced to resources. • Staff and skill development to minimise dependence on key individuals. • Use of agency staff and or contractors when necessary • Ideal manager training • Development of market sufficiency strategy; consider approaches to support the development of the available service offer both locally and regionally. • Ensure competence of the Safeguarding Boards and that they are adequately resourced to challenge and improve outcomes • Ensure routine internal quality assessment | H | ↑ |


| | | | | |
|---|--|--|----|---|
| | | <ul style="list-style-type: none"> • Take effective action after Serious Case Reviews • Effective listening to messages about threats from other parts of the council and partner agencies • Proactive recognition of Members role as “corporate parent” • Childrens Improvement Board to assist governance and quality improvement • Ensure effective record keeping <p><i>Responsible for this risk – R Parry and M Meggs (owners several)</i></p> | | 4X5=20 |
| 2 | Legacy issues of historical childcare management practices, and particularly, the heightened national attention to Child Sexual Exploitation and historical abuse cases leads to reputational issues, and resource demands to address consequential matters. | <ul style="list-style-type: none"> • Additional resources and expertise allocated to new and historical Child Sex Exploitation (CSE) and other legacy work, as required. • Risk matrix and risk management approach implemented with the police and partners. • Understand relationship with the Prevent strategy, and issues linked to counter terrorism • Take steps per risk 7 to seek to avoid ongoing issues • Ensure effective record keeping <p><i>Responsible for this risk –M Meggs</i></p> | LM |  4x4=16 |
| 3 | Failure to address matters of violent extremism and related safer stronger community factors, including criminal exploitation, create significant community tension, (and with the potential of safeguarding consequences for vulnerable individuals). | <ul style="list-style-type: none"> • Prevent Partnership Action Plan. • Community cohesion work programme • Local intelligence sharing and networks. • Status as a Prevent Priority Area provides funding for a Prevent Coordinator Post and enables the development of bids for additional funding. • Counter terrorism local profile. • Awareness that campaigns such as black lives matter may give cause to action and reaction. <p><i>Responsible for this risk – R Parry and M Meggs(owners C Gilchrist)</i></p> | M |  4x5=20 |
| 4 | Significant environmental events such as severe weather impact on the Council’s ability to continue to deliver services. | <ul style="list-style-type: none"> • Effective business continuity and emergency planning (including mutual aid) investment in flood management, gritting deployment plans. • Winter maintenance budgets are supported by a bad weather contingency. • Operational plans and response plans designed to minimise impacts (e.g. gully cleansing for those areas which are prone to flooding.) <p><i>Responsible for this risk – K Battersby (owners S Procter, W Acornley)</i></p> | M |  3x5=15 |



| | | | | |
|------------------------------|--|--|----|---|
| 5 | <p>Risk of infection with a high consequence infectious disease (HCIDs airborne) with the consequent impacts of pressure on services through demand, and a reduced ability to deliver services resultant from staff absences and similar.</p> <p>International transmission of HCIDs issues can also affect supply chains with the consequence of availability of products</p> | <ul style="list-style-type: none"> • National mitigation actions controlled through UK Government and devolved administrations. • Advice/instruction to/from, Chief Medical Officer, PHE, Health and Social care system. and schools (from DfE). • More local mitigations controlled through Public Health, Health protection. • Local lockdown processes in line with statutory positions • Business continuity planning and arrangements invoked. • Preparations for risk of recurrence • Understanding supply change and alternatives, and mitigations to retain essential existing suppliers where appropriate • Appropriate advice and Information cascaded to Kirklees citizens and staff <p><i>Responsible for this risk –Rachel Spencer Henshall & all of ET</i></p> | L |  5x5=25 |
| The UK exiting the EU | | | | |
| 6 | <p>The process of the UK exiting the EU lead to the following consequences and impact:</p> <ul style="list-style-type: none"> • Economic uncertainty impact on business rates and housing growth, with knock-ons to council tax, new homes bonus and business rate income. • The potential for increased cuts in core government funding (as a result of economic pressures) in the context of ongoing increases in demand for council services. • Rising inflation could lead to increased costs (e.g. the cost of raw materials). Interest rate volatility impacting on the cost of financing the council’s debt. | <p>These risks are largely addressed elsewhere in the Matrix, but there is a shortening timescale, and local businesses may consider that coronavirus related risk is a more severe threat now.</p> <ul style="list-style-type: none"> • Monitor government proposals and legislation, and their impact on council, partner services and local businesses • Working with the WY Combined Authority, and other WY local authorities and partners • Continue to lobby, through appropriate mechanisms, for additional resources and flexibilities in the use of existing funding streams to e.g. Local Government Association (LGA) • Be aware of underlying issues through effective communication with partners, service providers and suppliers and other businesses about likely impact on prices and resources. • Ensure that budgets anticipate likely cost impacts • Utilise supplementary resources to cushion impact of any cuts and invest to save. • Ensure adequacy of financial revenue reserves to protect the council financial exposure and that they are managed effectively not to impact on the council essential services • Local intelligence sharing and networks. • Prevent partnership action plan. | LM |  |




| | | | | |
|----------|--|---|----------|---|
| | <ul style="list-style-type: none"> • The general uncertainty affecting the financial markets could lead to another recession. • An uncertain economic outlook potentially impacting on levels of trade and investment. • Uncertainty about migration impacting on labour markets, particularly in key sectors like health and social care • Potential impact on community cohesion, with increased community tensions and reported hate crimes | <ul style="list-style-type: none"> • Community cohesion work programme • Continue to work with local employer representative bodies e.g. FSB, MYCCI to make best use of existing resources and lobby for additional resources to support businesses pre/post EU Exit • Service and financial strategies kept under review to keep track of developments related to the UK exiting the EU. • Working Group established to consider and monitor implications. <p><i>Responsible for this risk –all ET (owner D Bundy, N Parkar)</i></p> | | 4x4=16 |
| | The finances of the Council | The current national emergency has a serious and significant risk to the councils financial position- | | |
| 7 | A failure to achieve the Councils savings plan impacts more generally on the councils finances with the necessity for unintended savings (from elsewhere) to ensure financial stability | <ul style="list-style-type: none"> • Established governance arrangements are in place to achieve planned outcomes at Cabinet and officer level • Escalation processes are in place and working effectively. • Alignment of service, transformation and financial monitoring. • Tracker developed which allows all change plans to be in view and monitored on a monthly basis • Programme management office established and resourced • Monthly (and quarterly) financial reporting <p><i>Responsible for this risk - E Croston & ET (owner J Anderson)</i></p> | H |  4x5=20 |



| | | | | |
|-----------|--|---|-----------|--|
| 8 | <p>Coronavirus has added significant income risks and imposed additional costs (some of which have been met by government funding) which have a current year and likely medium-term continuing impact.</p> <p>The whole horizon risks also remain in relation to a failure to control expenditure and income within the overall annual council approved budget leads to the necessity for unintended savings (from elsewhere)). The most significant of these risks are related to volumes (in excess of budget) of;</p> <ul style="list-style-type: none"> • Complex Adult Care services • Childrens Care Services • Educational high needs & Rent Collection impact of Universal Credit rollout (H R A) <p>And in the longer term, the costs of waste disposal.</p> | <ul style="list-style-type: none"> • Monitor short term loss of income • Monitor additional costs (& be sure they are all captured) • Recognise in budget plans • Scenario plan for reduced level of demand, post current crisis • Scenario plan for recurrences of coronavirus or similar • Scenario plan for default by debtors- council tax and rents (individual citizens), business rates and commercial rents (businesses), sundry debtors (both) • Consider impacts from rent deferrals • Seek to recover additional costs where budgets held by other parties or partners • Significant service pressures recognised as part of resource allocation • Responsibility for budgetary control aligned to Strategic and Service Directors. • Examine alternative strategies or amend policies where possible to mitigate growth in demand or reduce costs • Utilise supplementary resources to cushion impact of cuts and invest to save. • Continue to lobby, through appropriate mechanisms, for additional resources • Proactive monitoring as Universal Credit is introduced <p style="text-align: center;"><i>Responsible for this risk - E Croston & ET(owner J Anderson)</i></p> | H | <p style="text-align: center;"></p> <p style="text-align: center;">5x5=25</p> |
| 9 | <p>Above inflation cost increases, particularly in the care sector, impact on the ability of providers to deliver activities of the specified quality, and or impacting on the prices charged and impacting on the budgets of the Council.</p> | <ul style="list-style-type: none"> • Monitor quality and performance of contracts. • Be aware of underlying issues through effective communication with service providers and suppliers about likely impact on prices • Renegotiate or retender contracts as appropriate. • Ensure that budgets anticipate likely cost impacts • Seek additional funding as a consequence of government-imposed costs <p style="text-align: center;"><i>Responsible for this risk - E Croston & R Parry (owner several)</i></p> | M | <p style="text-align: center;"></p> <p style="text-align: center;">4x4=16</p> |
| 10 | <p>Making inappropriate choices in relation to lending or and borrowing decisions, leads to financial losses.</p> | <ul style="list-style-type: none"> • Effective due diligence prior to granting loans and careful monitoring of investment decisions. | MH | <p style="text-align: center;"></p> |

| | | | | |
|----|--|---|---|---|
| | | <ul style="list-style-type: none"> Effective challenge to treasury management proposals by both officers and members (Corporate Governance & Audit Committee) taking account of external advice <p style="text-align: center;"><i>Responsible for this risk - E Croston (owner R Firth)</i></p> | | 2x5=10 |
| 11 | Exposure to uninsured losses or significant unforeseen costs, leads to the necessity for unintended savings to balance the councils finances. | <ul style="list-style-type: none"> Ensure adequacy of financial revenue reserves to protect the council financial exposure and managed effectively not to impact on the council essential services. Consider risks and most cost-effective appropriate approach to responding to these (internal or external insurance provision) <p style="text-align: center;"><i>Responsible for this risk - E Croston & J Muscroft(owner K Turner)</i></p> | H |  4x4=16 |
| 12 | <p>The financial regime set by government causes a further loss of resources or increased and under-funded obligations (e.g. in relation to social care), with impact on the strategic plans.</p> <p>This relates to the essential dependence on initial and medium-term financial support from government as a consequence of impact on the councils finances from coronavirus.</p> | <p>The current crisis has resulted in some changes to national finance proposals- but major and fundamental changes to national government funding of crisis costs and implications (e.g. loss of tax and trading revenues) impact more heavily. The government has promised continuing resource to meet coronavirus consequence, but it is unclear if this will be adequate, if the government will seek to risk share, and the financial consequence in the medium term. In the longer- term risks remain.</p> <ul style="list-style-type: none"> Monitor government proposals and legislation, and their impact on council and partner services. Continue to lobby, through appropriate mechanisms, for additional resources e.g. Local Government Association (LGA) Be aware of underlying issues through effective communication with citizens, partners, service providers and suppliers about likely impact on resources Ensure that budgets anticipate likely impacts Ensure adequacy of financial revenue reserves to protect the council financial exposure and managed effectively not to impact on the council essential services. <p style="text-align: center;"><i>Responsible for this risk - E Croston & ET (owner J Anderson)</i></p> | L |  5x5=25 |
| | Other Resource & Partnership Risks | <p>The current national emergency has a serious and significant risk to the councils position with regard to commercial and community suppliers, information management /technology/cyber, health and safety- addressed in more detail in the special report</p> | | |

| | | | | |
|------------------|---|--|------------------|---|
| <p>13</p> | <p>Council supplier and market relationships, including contractor failure leads to;</p> <ul style="list-style-type: none"> • loss of service, • poor quality service • an inability to attract new suppliers (affecting competition, and to replace any incumbent contractors who have failed) • complexities and difficulties in making arrangements in respect of significant and long running major outsource contracts, and their extension and renewal. | <ul style="list-style-type: none"> • Avoid, where possible, over dependence on single suppliers • More thorough financial assessment when a potential supplier failure could have a wide impact on the council’s operations but take a more open approach where risks are few or have only limited impact. • Recognise that supplier failure is always a potential risk; those firms that derive large proportions of their business from the public sector are a particular risk. • Need to balance between only using suppliers who are financially sound but may be expensive and enabling lower cost or new entrants to the supplier market. • Consideration of social value, local markets and funds recirculating within the borough • Understanding supply chains and how this might impact on the availability of goods and services • Be realistic about expectation about what the market can deliver, taking into account matter such as national living wage, recruitment and retention issues etc. • Develop and publish in place market position statement and undertake regular dialogue with market. • Effective consultation with suppliers about proposals to deal with significant major external changes • Early consultation with existing suppliers about arrangements to be followed at the end of existing contractual arrangements • Realign budgets to reflect real costs • Commission effectively • Ensuring adequate cash flow for smaller contractors <p style="text-align: right;"><i>Responsible for this risk – J Muscroft (owner J Lockwood)</i></p> | <p>MH</p> | <p style="text-align: center;"></p> <p style="text-align: right;">5x4=20</p> |
|------------------|---|--|------------------|---|

| | | | | |
|----|---|---|---|---|
| 14 | <p>Management of information from loss or inappropriate destruction or retention and the risk of failure to comply with the Council’s obligations in relation to Data Protection, Freedom of Information legislation and the General Data Protection Regulations (GDPR) leading to reputational damage, rectification costs and fines. Cyber related threats affecting data integrity and system functionality.</p> | <ul style="list-style-type: none"> • Thorough, understandable information security policies and practices that are clearly communicated to workforce and councillors • Effective management of data, retention and recording. • Raised awareness and staff and councillor training • Compliance with IT security policy. • Compliance with retention schedules. • Compliance with information governance policy. • Business continuity procedures. • Recognition of increased risk from homeworking (e.g. destruction of paper records) • Comply with new legislation around staff access to sensitive data. • Council has a Senior Information Risk Owner (“SIRO”) officer and a Data Protection Officer (DPO) who are supported by an Information Governance Board • Development of action plan to respond to GDPR requirements and resourcing requirements as appropriate • Increased awareness of officers and members as to their obligations • Proactive management of cyber issues, including additional web controls <p><i>Responsible for this risk – J Muscroft (owner K Deacon) & A Simcox (owner T Hudson)</i></p> | <p>H (INFO) M (CYBER)</p> | <p></p> <p>4x5=20</p> |
| 15 | <p>Health and safety measures are inadequate leading to harm to employees or customers and possible litigious action from them personally and/or the Health and Safety Executive.(and the potential of prosecution and corporate /personal liability)(and in particular issues of fire safety,)</p> | <ul style="list-style-type: none"> • Ensuring appropriate H&S responses re Coronavirus (appropriately balancing statutory obligations, desirable positions and commerciality/business risk) • New Fire Safety Policy approved and being implemented with improved monitoring of fire risk • Prioritised programme of remedial works to buildings to tackle fire safety and other issues • Review work practices to address H&S risks • Monitor safety equipment • Improved employee training as to their responsibilities, as employees and (where appropriate) as supervisors. Improved employee work practices • Approval of additional resources to improve corporate monitoring regime. <p><i>Responsible for this risk – R Spencer Henshall (owner S Westerby)</i></p> | <p>H</p> | <p></p> <p>3x5=15</p> |




| | | | | |
|----|---|--|---|---|
| 16 | Exposure to increased liabilities arising from property ownership and management, including dangerous structures and asbestos, with reputational and financial implications. | <ul style="list-style-type: none"> • Active site management • Routine servicing and cleansing regimes (including coronavirus compliance in both operational and managed tenanted commercial property) • Work practices to address risks from noxious substances • Property disposal strategy linked to service and budget strategy • Review of fire risks Develop management actions, categorised over the short to medium term and resource accordingly. • Prioritisation of funding to support reduction of backlog maintenance • Clarity on roles and responsibilities particularly where property management is outsourced <p style="text-align: right;"><i>Responsible for this risk – K Battersby (owner D Martin)</i></p> | H |  4x4=16 |
| 17 | A funding shortfall in partner agencies) leads to increased pressure on community services with unforeseen costs. | <ul style="list-style-type: none"> • Engagement in resilience discussions with NHS partners • Secure funding as appropriate • Consider extension of pooled funds • Accept that this may lead to an increase in waiting times • Strengthen partnership arrangements to ascertain whether other funding or cost reduction solutions can be introduced. • Assess dependency on voluntary organising, and impacts that coronavirus has on their sustainability, and consider actions. <p style="text-align: right;"><i>Responsible for this risk – R Parry & all ET (owner Various)</i></p> | L |  4x4=16 |
| 18 | The risk of retaining a sustainable, diverse, workforce, including <ul style="list-style-type: none"> • aging and age profile • encouraging people to enter hard to recruit roles (which often have low pay, or challenging hours or tasks) • encouraging entrants to professional roles where pay is often below market levels. • and ensuring that the workforce is broadly content, without whom the council is unable to deliver its service obligations. | <ul style="list-style-type: none"> • Effective Workforce Planning (including recruitment and retention issues) • Modernise Human Resources policies and processes • Increased accessibility to online training managers/ employees. • Selective use of interim managers and others to ensure continuity of progress regarding complex issues • Ensure robust change processes including Equality Impact Assessments (EIA's) and consultation. • Understand market pay challenges • Promote the advantages of LG employment • Emphasise the satisfaction factors from service employment • Engage and encourage younger people through targeted apprenticeships, training, and career development • Ensuring awareness to ensure employees safety and health (including stress) | H |  |

| | | | | |
|----|---|--|---|---|
| | | <ul style="list-style-type: none"> Consider issues about a workforce reflective of the community, inclusion, diversity and coronavirus issues <p><i>Responsible for this risk – R Spencer Henshall (owner D Lucas)</i></p> | | 4x4=16 |
| 19 | National legislative or policy changes have unforeseen consequences with the consequence of affecting resource utilisation or budgets. | <ul style="list-style-type: none"> Reprioritise activities Deploy additional resources Use of agency staff or contractors where necessary Development of horizon scanning service <p><i>Responsible for this risk – all ET (owner Various)</i></p> | L |  5x4=20 |
| 20 | Compliance with the councils own climate change commitments, and or statutory climate change obligations fails to achieve objectives and ambitions, and or causes unanticipated costs or operational consequences | <ul style="list-style-type: none"> Reconsideration of priorities and potential achievability within timescales Monitoring of achievements Effective project planning and costing Awareness of local consequences Awareness of local consequences of national commitments and obligations Lobbying for financial and other government support in relation to the costs of meeting obligations <p><i>Responsible for this risk – K Battersby (owner Various)</i></p> | M |  4x4=16 |

All risks shown on this corporate matrix are considered to have a potentially high probability, or impact, which may be in the short or medium horizon

20200714

TREND ARROWS

| | |
|-------------------|--|
| Worsening |  |
| Broadly unchanged |  |
| Improving |  |

CONTROL OPPORTUNITIES

| | |
|---|--|
| H | This risk is substantially in the control of the council |
| M | This risk has features that are controllable, although there are external influences |
| L | This risk is largely uncontrollable by the council |

Risk Factor

Probability Likelihood, where 5 is very likely and 1 is very unlikely

Impact The consequence in financial or reputational terms

Risk Probability x Impact

General Fund Earmarked Reserves

| | 1st April 2019 (incl. 2019-20 budget report approvals) | Drawdown/ Contribution in-year | Early Closedown Review | Reserves position as at 31st March 2020 | 2020/21 Budget Report Approvals | Reserves position as at 1st April 2020 |
|--|---|--------------------------------------|------------------------------|--|--|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Dedicated Schools Grant (DSG) | (268) | 14,664 | | 14,396 | | 14,396 |
| Schools (other) | (9,476) | (491) | | (9,967) | | (9,967) |
| Total Statutory (School Reserves) | (9,744) | 14,173 | | 4,429 | | 4,429 |
| Earmarked | | | | | | |
| Financial Resilience Reserves | (37,146) | | | (37,146) | | (37,146) |
| Earmarked (Other) | | | | | | |
| Rollover | (2,161) | 223 | 1,282 | (656) | | (656) |
| Revenue Grants (various) | (12,924) | 3,829 | | (9,095) | | (9,095) |
| Public Health | (2,069) | 919 | | (1,150) | | (1,150) |
| Stronger Families Grant | (1,817) | 806 | | (1,011) | | (1,011) |
| Insurance | (1,900) | | | (1,900) | | (1,900) |
| Ward Based Activity | (1,227) | 28 | | (1,199) | | (1,199) |
| Social Care Reserve | (2,496) | 301 | | (2,195) | | (2,195) |
| Property and Other Loans | (3,000) | - | | (3,000) | | (3,000) |
| Adverse Weather | (3,000) | 568 | | (2,432) | | (2,432) |
| Strategic Investment support | (5,400) | 1,421 | | (3,979) | (250) | (4,229) |
| Waste Management | (11,000) | 1,316 | | (9,684) | 4,000 | (5,684) |
| Mental Health | (1,400) | | | (1,400) | | (1,400) |
| Business Rates | (2,000) | | | (2,000) | | (2,000) |
| Covid 19 Response | | | (11,099) | (11,099) | | (11,099) |
| School PFI | | (2,184) | | (2,184) | | (2,184) |
| Demand Reserve | | (5,000) | (6,706) | (11,706) | (4,000) | (15,706) |
| Place Partnership Theme | | | | | (2,000) | (2,000) |
| Other | (5,032) | (1,004) | | (6,036) | | (6,036) |
| Total - Earmarked Other | (55,426) | 1,223 | (16,523) | (70,726) | (2,250) | (72,976) |
| Sub Total Earmarked Reserves | (92,572) | 1,223 | (16,523) | (107,872) | (2,250) | (110,122) |
| GENERAL BALANCES | (10,215) | 216 | - | (9,999) | | (9,999) |
| Grand Total | (112,531) | 15,612 | (16,523) | (113,442) | (2,250) | (115,692) |
| <i>Total usable reserves (excluding schools (other) and public health)</i> | <i>(100,986)</i> | | | <i>(102,325)</i> | | <i>(104,575)</i> |

High Level Budget Timetable 2021-22

Appendix 7

| DATE | Forum | MILESTONE ACTIVITY |
|-------------------|--------------------------|---|
| 21 May | Cabinet | COVID financial impact on Council Finances Report |
| 26 May | Cabinet | Early 2019/20 Closedown Review Report |
| 19 June | ET | MTFS Review |
| 13 July | Cabinet | Economic recovery plan |
| July 28 Sept 9 | Cabinet Council | Financial Outturn & rollover report 19/20 incorporating capital rollover and priority capital plans for 20/21 & treasury mgt review 19/20 |
| 6 Aug | Corporate scrutiny panel | Financial management update (19/20 financial Outturn/20-21 financial position, emerging MTFS) |
| 28 Aug | Cabinet | Quarter 1 financial monitoring 2020-21; revenue/capital |
| Oct 20/21 | Cab / Council | Council Plan update report/Budget Strategy Update Report 2021-22 & future years |
| Oct/Nov | Gov't | CSR 2020 announcement (3 year revenue, 4 year capital) |
| Dec | Gov't | Provisional financial settlement 2021/22 & future years |
| Jan 2021 | Cabinet/ Council | 21/22 Council Tax base incl. CT reduction scheme report, 21/22 Schools funding report, 21/22 HRA rent setting report |
| late Jan | Gov't | Finalised Financial Settlement 2021/22 |
| Jan / Feb | Cab / Council | Council annual budget report 2021-22 & future years |
| Oct 20/21 | Cab / Council | Council Plan update report/Budget Strategy Update Report 2021-22 & future years |