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**Cardiff Council's Response to the COVID-19 Crisis from a Financial Management Perspective.**

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**Purpose of the Report**

1. To consider the Council's financial management response to the COVID-19 crisis, examining urgent work undertaken, financial management arrangements in place to support decision making, the assessment of impact on expenditure and income, and financial challenges ahead.

**Structure of the Papers**

2. To facilitate the scrutiny the following appendices are attached to this report:

**Appendix A – Cabinet report**

Cardiff Council's Response to the COVID-19 Crisis from a Financial Management Perspective.

The following 4 appendices are attached to Appendix A:

- Appendix 1: Personal Protective Equipment (PPE)
- Appendix 2: Domiciliary Care
- Appendix 3: Residential Care
- Appendix 4: Homelessness

**Scope of the Scrutiny**

3. At its meeting on 11 June 2020 the Cabinet will take a report on the financial management implications of the Council's response to the current emergency situation. The report sets out the financial challenges that have been addressed,

financial challenges ahead as services restart, and indicates how the Council's financial position will be reported going forward.

4. Members will have an opportunity to scrutinise
  - i. How the Council has responded financially to the COVID-19 crisis, the issues logged and decisions made during this period.
  - ii. The assessment of expenditure and impact on income for the Council's budget during the first quarter of the 2020/21 financial year.
  - iii. Support for expenditure and income impacts available from Welsh Government.
  - iv. Future financial reporting arrangements proposed, in respect of
    - a. the budget outturn position of council services for 2019/20,
    - b. further updates on the budget monitoring position of council services for 2020/21, and
    - c. an updated Medium Term Financial Plan reflecting changes in service delivery as a result of COVID-19.

## **Background**

4. The COVID-19 Scrutiny Panel was established following a change to Council governance arrangements agreed by full Council on 21 May 2020. The new arrangements apply until 30 September 2020, and will be reviewed in September.
5. The Terms of Reference for the Panel request that a new measured and proportionate scrutiny, tailored to meet the emergency situation, should consider all Cabinet decision making reports.
6. The Panel will meet remotely when required, be recorded and made available to the public. It will consider any scrutiny that has previously been undertaken relevant to the Cabinet decision being made, and seek further information or clarification from the Cabinet Member Portfolio Holder and relevant Senior Officers. Its deliberations and recommendations will then be formally relayed to the Cabinet Member in time to inform Cabinet decision taking on the matter scrutinised.

7. In advance of this meeting all scrutiny committee members have been e-mailed, their comments/enquiries collated by theme and passed to Panel members to follow up, in line with the Terms of Reference.
8. An essential services model for Council services has been in place since the announcement of lockdown on 23<sup>rd</sup> March 2020, delivered under emergency governance arrangements. Formal Cabinet meetings will resume on 11<sup>th</sup> June 2020 supported by bespoke Scrutiny arrangements.
9. The report attached at **Appendix A** is the first report on the Council's response to the crisis from a financial management perspective.

### **Issues identified in the Cabinet Report**

10. The report states that from the outset a Financial Log has been used as a key tool to ensure effective control and management during the crisis, capturing all issues on a daily basis to ensure that all financial impacts and key decisions are appropriately documented.
11. The impact of the crisis on estimated expenditure and income is fully explained at points 11- 14. Expenditure is currently £18.4 m (see breakdown at point 12) and loss of income is estimated to be in excess of £11.4m to the end of June 2020 (see breakdown at point 14).
12. The report provides details of the funding arrangements currently in place. Welsh Government has made a Covid-19 Hardship Fund of £110m available to local government. Cardiff Council's claim for March was £0.465m, and for April £5.201m. A fund of £78m for loss of income has also been more recently established.
13. The section on budgetary and decision-making framework lists the principles on which decisions during the crisis have been taken. Some decisions to date have necessarily been taken under the Council's Scheme of Delegations. The report clarifies that, where this is the case, actions taken have been on the basis that the expenditure is directly attributable to intervention responses to the crisis, and are re-claimable from the Welsh Government Covid-19 Hardship Fund. These would therefore have no impact on the Council's budget.

14. The key financial issues faced by each Directorate are set out as follows.

<b>Directorate</b>	<b>Point in Cabinet Report</b>	<b>Page in Cabinet Report</b>
Corporate/Authority wide	29	6
Adult Social Care	30	6
Childrens Social Care	31	7
Economic Development	32	7
Education	33	9
Housing & Communities	34	10
Planning, Transport & Environment	35	11
Recycling & Neighbourhood Services	36	12
Resources/Other services	37	12

15. The report highlights the following further financial challenges ahead in coming months:

- a. The implementation of service restart requirements
- b. The impact of Council tax collection rates
- c. Increased demand for the Council Tax Reduction Support scheme
- d. Establishing local contact tracing and testing services
- e. Prioritising the mitigation of the Council's income loss
- f. Implications for the Council's Revenue and Capital budgets
- g. Re-prioritisation of existing Council finances
- h. Financial implications of specific interventions/exit strategies

16. The above will be addressed by:

- Reporting to Cabinet on the impact of the crisis on the 2019/20 budget as a part of the outturn report for 2019/20.
- Close monitoring of the 2020/21 budget to confirm additional Covid and non-Covid costs and savings

- Capturing the Restart, Recover, Renew phases in the Medium Term Financial Plan report to Council in the summer of 2020.

### **Proposed Recommendations to Cabinet**

17. The report recommends that Cabinet:

- Note the action taken by the Council to date in response to the COVID-19 crisis and the financial issues logged and decisions made during this period.
- Note the assessment of expenditure and income impacts arising from COVID-19 during the first quarter of this financial year (to 30<sup>th</sup> June 2020).
- Note that expenditure and income impacts arising from actions taken in response to COVID-19 are claimable from Welsh Government and as such any decisions are considered within the existing budgetary framework.
- Note that a further report is being prepared setting out the budget outturn position of council services for 2019/20.
- Agree to receive further updates on the budget monitoring position of council services for 2020/21 as appropriate.
- Agree that a further report is prepared setting out an updated Medium Term Financial Plan that reflects any changes in service delivery as a result of COVID-19 as well as the usual updates of key financial assumptions.

### **Way Forward**

18. Councillor Chris Weaver, Cabinet Member, Finance, Modernisation and Performance, Christopher Lee, Corporate Director Resources, and Ian Allwood, Head of Finance, will be in attendance to answer Members' questions.

### **Legal Implications**

19. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are

implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers of behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

## **Financial Implications**

20. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

## **RECOMMENDATION**

21. The Panel is recommended to:

- i. Note Cardiff Council's response to the COVID-19 crisis from a financial management perspective;
- ii. Consider whether it wishes to convey any comments, observations or concerns to the Cabinet for consideration at its meeting on 11 June 2020.

**DAVINA FIORE**

Director, Governance & Legal Services

5 June 2020