



City of Westminster

Cabinet Member Report

Decision Maker:	Cabinet Member for Finance, Property and Regeneration
Date:	15 th May 2020
Classification:	General Release
Title:	Financial Framework to respond to COVID-19
Wards Affected:	All
Key Decision:	Yes
Financial Summary:	This report sets out the financial framework within which the Council will operate in order to respond to the coronavirus pandemic. The report outlines the potential financial pressures the Council will face arising from this pandemic, the funding the Council has been allocated to date from the government, what this is proposed to be utilised for and the financial governance that has to be followed to ensure a co-ordinated Council response to the crisis.
Report of:	Gerald Almeroth, Executive Director of Finance and Resources

1. Executive Summary

- 1.1. The coronavirus pandemic has had a profound impact on all aspects of life in Westminster. The Council have adopted a pro-active evidence led approach to ensure that it responds to the immediate and emerging needs of residents and businesses. Strong financial management, governance and controls are necessary to ensure strategic and operational effectiveness as set out in this report.
- 1.2. The report outlines the financial support the Council has received from the government to support residents and businesses. This includes the allocation of

£16.4m of emergency funding for the Council's respond to COVID-19 and £2.2m of hardship funding through additional council tax support.

- 1.3. The report also outlines the financial measures the Council has taken to support businesses, residents and suppliers during the crisis. This includes rent free periods for some of the Council's commercial tenants, the easing of debt management policies during the crisis, shopping services through Westminster Connects and supplier resilience support.

2. Recommendations

That the Cabinet Member for Finance, Property and Regeneration approves:

- 2.1. The financial governance related to COVID-19 expenditure as per section 7 and the revised approval routes to ensure a co-ordinated consistent response to the operational needs that arise from the pandemic.
- 2.2. The allocation of any COVID-19 government funding is delegated to the Executive Director of Finance and Resources, in consultation with the Cabinet Member for Finance, Property and Regeneration.
- 2.3. The financial support measures for the Council's commercial tenants as noted in paragraph 6.7 and delegated authority to the Executive Director of Finance and Resources to extend this in line with the financial governance as noted in section 7.
- 2.4. The brokerage facility as part of the Westminster Connects platform, as per paragraphs 6.9 to 6.12.
- 2.5. The continuation of immediate payment terms, even as the Council enters BAU with the IBC.
- 2.6. The income and debt management policies and delegations of these policies during the current crisis as per section 8.
- 2.7. Westminster City Council acting as the lead borough for the London Strategic Coordination Group for the provision of additional mortuary space across London, incurring all initial expenditure on the instructions of the mortuaries planning group and subsequently recovering this from the other London boroughs – section 9.
- 2.8. The types of relief (as outlined in section 10) the Council may offer to suppliers in line with the financial approval limits set out in section 7.

3. Reasons for Decision

- 3.1. COVID-19 is impacting everything the Council does and is having an adverse effect on the economy and the resident and business communities that the

Council serves. The Leader, Cabinet, Executive Leadership Team and other council officers are responding to this crisis daily.

- 3.2. In the current circumstances where the Council is functioning outside of business as usual it is important to have an agreed financial framework within which the Council operates. This report sets out how the financial framework can be adapted within the boundaries of the financial regulations and the scheme of delegation. This ensures financial decisions are linked to operational and strategic needs specific to the Council's response to the crisis, with decisions being made at the appropriate level and by the appropriate individual or group.
- 3.3. The recommendations as set out in section 2 and the Council's financial management of the situation as outlined in sections 6-8 are considered to be the most appropriate and efficient way to assist the aforementioned groups to respond to this international pandemic.

4. Background, including Policy Context

- 4.1. This council, London, the UK, Europe and the rest of the world are facing the first global pandemic in over 100 years. This has led to significant economic and social issues which has meant the national government, the NHS and local authorities have had to work in tandem and take a leading role ensuring stability is maintained, both economically and socially.
- 4.2. This pandemic has led to significant economic repressions, as people are asked to stay at home and practice social distancing. This has meant that businesses across the country are seeing a significant drop in demand for their products and services as the public takes heed of government advice.
- 4.3. As a result of this the government have announced significant packages of support for individuals and businesses. More information on these can be found in appendix A. Some of the key measures include:
 - Business rates relief for a significant number of businesses
 - Cash grants for all small business in retail, hospital and leisure and for the very smallest businesses across all sectors
 - A loan guarantee facility for small, medium and large companies
 - Assistance for employees through a job retention policy and similar measures for the self-employed
 - Changes to universal credit
 - Hardship funding for Councils to support residents through increased Council Tax Support

5. Impact on the Council

5.1. The Council has had to respond to this emergency by making some key operational changes. First amongst these is enacting the business continuity plan and putting in place the silver and gold command structures to review and make informed decisions on Westminster response to the pandemic, but also working across London with other boroughs.

5.2. The Council has closed all its libraries (bar two, to enable internet access for the public) and leisure centres in line with government advice - to safeguard the public and council officers. Additionally, the Council's response to the pandemic is to focus on key frontline services that support the most vulnerable in our community. These are Adult Social Care, Children's Services, Housing and Rough Sleeping, along with key support functions that will enable them to run efficiently. Furthermore, local authorities have been given the responsibility of administering business rates reliefs and cash grants to all eligible businesses, as well as support to individuals through council tax reductions. These are policies that have been put forward by the government to support people during this time.

5.3. This has placed a financial burden on the Council:

- Additional costs specific to COVID-19: The Council will incur costs that are specific to the response to this pandemic. This includes placing rough sleepers in hotels and the cost of extra care packages for vulnerable older people.
- On-going financial impact of COVID-19: As well as one-off costs the Council will see a drop in commercial income in the short to medium term. This will be from income in areas from parking to planning and many more until the country's economy recovers and consumer confidence is re-established. Furthermore, as with any recession, the Council may see greater demand on its services as residents require more support due to loss of income. This in turn could create greater demand for some of the Council's frontline services such as Adults, Children's and Housing.

5.4. The government have supported local authorities by offering additional funding:

- £3.2bn of funding for local authorities to be spent on supporting vulnerable adults and children, as well as rough sleepers and alleviate against the impact of lost commercial income. **Westminster has received £9.3m and is to receive a further £7.1m during May.**
- £500m hardship fund for the residents who are facing financial hardship as a result of this pandemic. **Westminster has received £2.2m.**

- £3.2m to support rough sleeps off the street and into accommodation.
Westminster is to receive £0.250m.

6. Financial Measures Proposed by the Council

Emergency Funding from the Government

- 6.1. The Council has been allocated £16.4m from the government as part of its COVID-19 emergency funding for local authorities. In line with government advice it is proposed that the allocation of this funding is put towards addressing pressures the Council is facing in response to the COVID-19 pandemic.
- 6.2. It is recommended that the allocation of this funding is delegated to the Executive Director of Finance and Resources, in consultation with the Cabinet Member for Finance, Property and Regeneration.
- 6.3. The allocation of the funding will be determined according to the demands and pressures on the Council but to be used primarily for the purposes of:
- Increased costs for adult social care and care homes
 - Increased cost and demand of providing children's social care
 - Providing additional support for the homeless and rough sleepers
 - Supporting those at highest risk from severe illness from COVID-19
 - Meeting other pressures across all council services including reduced income, increased cost and greater demand

Hardship Funding from the Government

- 6.4. The Council have also received £2.2m from the government's hardship fund to support residents who are facing financial hardship as a result of the pandemic.
- 6.5. The government has provided the fund primarily to assist residents who are of working age, in receipt of Council Tax Support and have a balance to pay on their Council Tax. The support consists of an additional allowance of up to £150 per claimant. Due to the Council having a low council tax and a Council Tax Support (CTS) scheme that has not been reduced, even with an increase in new CTS claims, the Council should have a significant element of funding left to support residents outside of CTS.
- 6.6. The Council plans to use the excess funds within its Local Payment Support Scheme (the replacement of the previous DWP Social Fund). The scheme can provide payments via the Post Office, food vouchers and furniture. New eligibility criteria for the scheme is currently being held in reserve to ensure that

all residents initially use the correct route to obtain support, i.e. by making claims for Universal Credit to the DWP.

Support for the Council's Commercial Tenants

- 6.7. In order to support businesses that are most affected by the pandemic and government restrictions the Council is awarding a rent-free period of 3 months to its most affected commercial tenants. These are for certain businesses that have been forced to shut due to government measures.
- 6.8. MHCLG guidance on businesses that have had to close is appended – appendix B.

Westminster Connects – Brokerage Facility

- 6.9. As part of the Westminster Connects platform the Council are providing a brokerage facility for volunteers and residents. The purpose of this is to provide upfront funding for shopping and other essential that might be required for residents that are self-isolating and do not have any local support networks (i.e. family and friends that live locally that are able to help). The brokerage facility created through the Westminster Connects platform will ensure that there is a co-ordinated Westminster wide approach for residents to request this support and to pay for these essential items that are being bought on their behalf.
- 6.10. Following a trial of this facility, payment cards that are topped up by the Council are being used, with a process in place for residents to then reimburse the Council for the cost of their shopping. The cards are being given to “Senior Shoppers” (Council Officers) who will pay for and deliver the shopping to residents and provide receipts as proof of purchase to the Council and the resident. Senior Shoppers are fully DBS checked.
- 6.11. It is proposed that the cards are topped up by £1k at a time. A significant number of people (3,000 +) have volunteered for Westminster Connects, but only a limited number of cards will be needed for the shopping service.
- 6.12. The Council are planning on recouping all costs it incurs as part of the shopping service, although there could be some instances where reimbursement from residents is not possible. Officers will monitor the situation closely and ensure the Council's financial exposure is limited.

Payment Terms for Suppliers

- 6.13. Since the move to SAP in December 2018 the Council has operated immediate payment terms for suppliers. As part of the IBC governance structure the Council had to operate on these terms while in Hypercare and Stabilisation. However, the Council was due to go into BAU from April 2020 which would also mean defaulting to standard payment terms of 28 days or agreed payment terms from receipt of invoices.

6.14. Due to the current circumstances the Council has continued with immediate payment terms to support its suppliers during this time.

7. Financial Governance

7.1. To ensure a co-ordinated response in relation to the current crisis that is in line with Council policies it is necessary to adapt the reporting.

7.2. In line with the Council's financial regulations it is recommended that the following financial approvals are put in place during this pandemic:

Expenditure Approval Level	Financial Regulations	COVID-19 Response Costs	Record of Approval
Up to 10k	Budget Managers	As per fin regs – budget managers	
£10k to £500k	Budget Manager designated by Chief Officer, following procurement code approval (procurement assurance board recommendation for expenditure of £100k or above)	As per fin regs – officer approval as follows: £10k to £100k – approval from S151 Officer/Deputy S151. Over £100k – approval from S151 Officer, in consultation with the Cabinet Member for Finance, Property & Regeneration	Report to SILVER Report to SILVER and GOLD (if related to an emergency response for critical services)
£500k to £1.5m	Head of Service designated by Chief Officer	As per fin regs – officer approval as follows: Approval from the S151 officer, in consultation with the Cabinet Member for Finance, Property and Regeneration	Report to SILVER and GOLD (if related to an emergency response for critical services)
Above £1.5m	Cabinet Member	Cabinet Member for Finance, Property & Regeneration on the recommendation of the S151 and GOLD	Cabinet Member Report

7.3. The above table does not change the financial regulations or the approval levels for expenditure. As per the financial regulations, any expenditure up to £1.5m can be approved by officers, and anything above £1.5m requires Cabinet Member sign off. However, to have a co-ordinated response from the Council to the current crisis it is necessary to ensure the Executive Director of Finance & Resources and the decision-making bodies (SILVER and GOLD) have sight of expenditure commitments in line with operational decisions.

7.4. It is important to note that these amended processes are only for expenditure specifically related to COVID-19. Any financial approvals or decisions that the Council needs to take as part of its normal operations should continue to follow the financial regulations and the procurement code (acknowledging changes as indicated in section 10 of this report).

7.5. At present all funding requirements for expenditure related to COVID-19 are to be met via grant funding the Council has and will receive from government to support its response. However, the Council is likely to incur financial pressures that will not be fully offset by government funding. Any funding gap in this scenario will have to be covered from reserves.

8. Income and Debt Management - Business Rates, Council Tax, Social Care and other Debtors

8.1. All debt recovery from reminders to enforcement agents have been put on hold for:

- Council Tax
- NNDR (including BID levies)
- Housing Benefit Overpayment
- Sundry Debts

8.2. This position will be reviewed week commencing 25 May 2020 or as the situation develops, and at the end of each subsequent month as a minimum.

8.3. The income and debt management policy for Westminster Connects is currently being developed but it is proposed that approval for this is delegated to the Executive Director of Finance & Resources, in consultation with the Cabinet Member for Finance, Property & Regeneration.

8.4. The income and debt management policy for all areas including housing rents, service charges, parking, CIL and S106 will be kept under regular review. Any changes to the income and debt management policies of these areas in light of the COVID-19 pandemic is proposed to be delegated to relevant directors, cabinet members and the Executive Director of Finance & Resources in consultation with the Cabinet Member for Finance, Property & Regeneration.

9. Temporary Mortuaries

- 9.1. The Council is the lead borough under the London Strategic Coordination group for provision of additional mortuary spaces across all boroughs. There has been an urgent requirement across London to mobilise up to a further 10,000 temporary spaces for body storage. This is being assessed and will be flexed to respond to rising and falling demand where possible.
- 9.2. Following a steer from MHCLG, all boroughs will benefit from discharging their obligations during this pandemic and it is proposed that these costs are allocated across all 33 London boroughs based on population. Each borough will be required to make provision for these costs from their emergency COVID-19 funding.
- 9.3. It should be noted that Westminster will incur any initial costs for the provision of additional mortuary space on the instruction of the Mortuaries Planning Group and will then be reimbursed by each borough.

10. Procurement

- 10.1. The Government has published guidance for those procuring in the public sector PPN 02-20 to take practical steps to mitigate the impact of the current crisis on suppliers in a pragmatic and controlled way.
- 10.2. The types of relief the Council may consider are:
- Accelerated invoice payment
 - Increased frequency of invoicing
 - Redeployment of any currently unrequired services capacity to other areas of need
 - Change to contract requirements including an extension to current agreed end date
 - Change to delivery locations, frequency and timing of delivery
 - Changes to targets and performance indicators
 - Extension of time for contract performance
 - Revised milestones or delivery dates
- 10.3. Other commercial decisions with suppliers will go through the governance route and delegated authority outlined in this report.

11. Financial Implications

- 11.1. Financial implications are as set out in the main body of this report

12. Legal Implications

12.1. The Council has the power under section 2, Local Government Act 2000 to do anything which it considers is likely to promote or achieve the economic, social or environmental well-being of the area. In exercising this power, the Council must take account of its community strategy and consider how the use of the power will contribute to the Council's economic, social and environmental objectives. The Council also has the power, under section 1 of the Localism Act 2011, to do anything that individuals generally may do. The Council must have regard to the principles of the Equality Act 2010 and the Human Rights Act 1998. The recommendations do not require any change to the Councils financial regulations.

13. Equalities Impact

13.1. Financial assistance and relief is being proposed to be provided to business and individuals on the basis of urgent need following government announcements. There is no requirement for an Equality Impact Assessment as part of this report as the decisions being sought are to protect all residents and business, especially the most vulnerable.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:

Rikin Tailor, rtailor@westminster.gov.uk

Background Documents:

Appendix A – HM Treasury factsheet on individual and business support
Appendix B – Government guidance on business closures

For completion by the **Cabinet Member** for Finance, Property and Regeneration

Declaration of Interest

I have <no interest to declare / to declare an interest> in respect of this report

Signed: _____ Date: _____

Councillor Melvyn Caplan, Cabinet Member for Finance, Property and Regeneration
NAME: _____

State nature of interest if any

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(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendations in the report entitled **Financial Framework to respond to COVID-19** and reject any alternative options which are referred to but not recommended.

Signed

Councillor Melvyn Caplan, Cabinet Member for Finance, Property and Regeneration

Date

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:
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If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law,, the Executive Director of Finance and Resources and, if there are staffing implications, the Director of People Services (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.

