
SCOTTISH BORDERS COUNCIL RESPONSE TO COVID-19

Briefing Note by Executive Director, Finance & Regulatory

SCOTTISH BORDERS COUNCIL

25 June 2020

1 Background

- 1.1 The COVID-19 emergency situation, currently affecting the UK, has caused unprecedented pressure to society and the economy with significant financial challenges that are changing and emerging every day. As reported in the press, April 2020 saw a 20% reduction in GDP with this shock being felt throughout the UK economy. The current pandemic is causing a major impact in delivery of public services, with the Council having a key role to play in supporting Borders communities, businesses and residents during this time. As well as directly dealing with the impact of the virus and protecting communities, the Council is now preparing for the re-opening of key public services across the region, in line with the Scottish Government's Route Map.
- 1.2 Funding has been made available from both the UK and Scottish Governments to respond to the immediate crisis. Much of this additional money has been directed through Local Government to provide appropriate local responses over the last few months. The level of support provided has not been sufficient to fund the full financial impact of COVID-19 and there has also been a significant impact on the level of income which funds local services.
- 1.3 The Scottish Government has written to Councils to confirm 'if there is not further funding made available to the Scottish Government from the UK Government, it will be extremely challenging to offer further funding to local government'. This leaves a significant gap between national funding provided and financial impact of COVID-19 currently being experienced and further impacts anticipated throughout the remainder of this financial year and possibly into next.
- 1.4 This situation is not only being experienced in the Borders, and Convention of Scottish Local Authorities (COSLA) has acknowledged that additional financial support from the Scottish Government is critical to ensuring that all Councils remain financially sustainable. Work is now underway nationally to consider financial strategies to redirect resources to address the challenges posed by COVID-19. This includes exploring areas that could be reduced or stopped to free up resources. The Society of Local Authority Chief Executives (SOLACE) and the Directors of Finance Section have been working with COSLA on what further flexibility might be identified in the budget.

- 1.5 The Scottish Government has taken a twin track approach to cost estimate collections and have separated Integration Joint Board (IJB) activities out from impacts on other Council Services. All Councils have consequently submitted cost collection returns both through COSLA and the IJB to feed into a national process to assess the local government financial impact arising from COVID-19.
- 1.6 It should be noted that variables around the opening of key services such as education recovery mean the full year implications may be far greater than estimated in this first quarter of the year. The national and local approach has now turned to assessing the full year projected implications.
- 1.7 The impact of COVID-19 on the Council finances will be prolonged and will require significant action to allow the Council to continue to support those most vulnerable. Current actions around deployment of staff to support key priority service areas has been very successful but may result in challenges when service delivery starts to resume and resources need to continue to be prioritised. The Council will need to make difficult decisions, revise revenue and capital plans and reprioritise expenditure to support those who need it most. The Corporate Management Team (CMT) has commenced an exercise to re-plan the Council's 2020/21 revenue and capital budgets which will be reported to Elected Members as soon as possible in August/September 2020.
- 1.8 Through many years of careful planning and management of resources, the Council is in a position where it can respond to the current challenges both through corporate management of the budget and the use of reserves where necessary to support the COVID-19 response. The pandemic will have a fundamental impact on the way the Council is organised and delivers services going forward, with the Fit for 2024 programme instrumental in ensuring the Council builds on all transformational benefits digital technology can bring in reshaping public service delivery for the future.

2 Funding

- 2.1 The following funding has been confirmed from the Scottish Government (SG) for general use by Councils to support them in delivering the COVID-19 response (further budgets have been identified for specific purposes):

SG Funding	£m	Comment
Council Hardship Fund	1.100	To be used flexibly to support pressures
Share of Barnett consequential funding - national £155m	3.409	To be used flexibly to support pressures
Share of £50m IJB fund	1.078	To support Social Care pressures
Total	5.587	

- 2.2 As well as additional funding Scottish Government has also provided flexibility support, altering grant conditions to broaden the scope of existing specific grants and by assisting the Council with cash flow in the early part of 2020/21.

Flexibility support	Comment
Specific Grant flexibility	SG are allowing Councils to be flexible in the use of grants such as allowing PEF and Early Years expansion funding to be used more widely to support vulnerable children, eg Early Years will fund £0.846m to support external early years providers as reflected in the COSLA return
SG cash flow benefit	Revenue Support Grant (RSG) payments have been adjusted to assist Council cash flow by accelerating funding to the early part of 2020/21

- 2.3 Although a national commitment has been made to fund 'reasonable' expenditure resulting from the COVID-19 response, it is likely the Council will need to fund a significant element of the 2020/21 pressure. Action has already been taken to establish a COVID-19 reserve. To date budget contributions to this reserve are as follows:

Council Funding	£m	Comment
2020/21 Financial Plan	0.500	SG funding following negotiations with the Green Party
Corporate Transformation	0.250	2020/21 budget growth not required, now funded from Earmarked balances
Community Fund	0.340	Earmarked balance from 2019/20
2019/20 underspend	1.458	Net top up to reserves in 2020/21 from 2019/20 underspend
Total Council COVID-19 reserve	2.548	

3 Estimated budget impact

- 3.1 Based on April 2020 month end an assessment of the financial impact of COVID-19 for Scottish Borders Council Budget has been undertaken. Impacts have been collated into the two Scottish Government returns below and fall into the following 3 categories:

- additional unplanned expenditure;
- loss of income; and
- delays in delivery of financial plan savings.

COSLA cost collection return (all non-IJB Council impacts)

- 3.2 The COSLA return reflects anticipated impact to the 30 June 2020. An updated return was submitted on the 15 May 2020. This second COSLA return reports net adverse impact on Council budgets of £6.88m from additional expenditure and loss of income with expenditure and income pressures of £7.257m and off-setting anticipated cost reductions of £0.377m. These impacts cover a 12 week period to the 30 June 2020 as per the agreed national template. It is reasonable to assume that many of

these impacts will, however, continue beyond the 30 June 2020. If it is assumed that 50% of these impacts will be experienced during the second quarter of 2020/21 as the economy recovers gradually and income starts to recover then further net impacts could be around £2m taking the full year adverse effect of COVID-19 for the Council to around £9m.

IJB return (all IJB impacts split between Health and Council impacts)

3.3 A separate return has also been made to Scottish Government based on services delivered via the IJB. The IJB return again based on April 2020 month end, reports full year estimated impact of £6.04m for health and social care including £1.6m of undeliverable savings.

3.4 The total estimated impact for the Council as a whole for 2020/21 is therefore estimated at over £15m, excluding Council Tax impact.

3.5 Council Tax

Council Tax, with assumed funding of £67.1m in 2020/21, is a significant element of the Council's resources. Monitoring of Council Tax income during April 2020 and the early part of May 2020 has indicated that the Direct Debit payments have not, as yet, been materially affected by the pandemic, with payments broadly in line with anticipated income. There has, however, been a decrease in the cash and cheque payments to the value of around £0.600m in the first month of 2020/21. This may be expected considering the current lockdown arrangements nationwide and may result in a cash flow issue rather than a budgetary issue with residents catching up on payments when they are able to. The situation does, however, give the Council an imminent funding issue. If the first month position continues for 6 months, the Council would be £3.6m short of funding, with a 12 month continuation resulting in a £7.2m shortfall. The full year Council Tax income forecast has also been affected by delays in the house building market with an estimated shortfall in income of £0.500m for 2020/21. Council Tax (arrears, non-payment, and increase in Council Tax Reduction) income pressures have not been included in the COSLA return as requested. A modelling exercise is being undertaken nationally to provide Scottish Government with a figure outwith the COSLA return approach outlined above as it is felt it is currently too early for Councils to project the impact.

3.6 Staffing implications

The Council has used a flexible deployment approach to target staff resource at the areas of service most in need during this response period. Due to the continued response requirements it is clear that many staff will need to continue in their redeployed roles for quite some time. This has a significant impact on other services. Combined with the major resource implications across a range of services as some areas move into the recovery phase, for example education, staffing is a major challenge moving forward. For example, we estimate that an additional 1,800 hours of school cleaning will be required. The average weekly hours of our cleaning staff is currently around 20 hours, therefore we may require 90 more cleaners. The following table provides information on the current deployment of staff in place:

<i>Service</i>	<i>Service deployed to</i>	<i>Number of staff deployed</i>
Property Services	Community Hubs/ PPE Distribution	6
SB Contracts and Roads	Refuse and CRCs and Deliveries	70
Parks and Environment	PPE Distribution	4
	Refuse and CRCs and Deliveries	36
Transformation, HR, Business Support, Road Safety, Capital Projects	Community Hubs	32
Education	Education Hubs	120
Across services	Food preparation and delivery	26
Across services	Contacting vulnerable residents who are shielding	45
Across services	SB Cares	16

3.7 SBContracts

The Significant Trading Organisation (STO) is budgeted to deliver a surplus for the Council in 2020/21. This position is dependent upon the ability to deliver capital projects and a range of revenue schemes, both funded by the Council and a range of external customers. COVID-19 has had a significant impact on the ability of SBContracts to trade in the first 3 months of 2020/21 and as such substantive revisions have had to be made to the work programme and associated income assumptions which will be reflected in the budget replanning exercise.

3.8 Included in the two returns above is the likely significant impact on the delivery of Financial Plan savings during 2020/21 as a result of the emergency situation. Following the completion of the 2019/20 outturn position, there are confirmed savings of £2.92m which were delivered temporarily in 2019/20 which are now being carried forward into 2020/21 for permanent delivery. These added to the 2020/21 financial plan savings of £9.171m give total savings to be delivered of £12.091m in 2020/21. Following an assessment of deliverability there are now around £3.5m of savings which are assessed as having issues with deliverability. The £3.5m is split £1.6m to the IJB and the balance to the Council, this will be updated as part of the May 2020 month end monitoring exercise.

3.9 It is crucial, in order to maintain the financial stability of the Council, that delivery of financial plan savings is prioritised and progressed. It is thought likely that Scottish Government funding will focus on additional costs and reductions in income leaving Councils to address shortfalls in financial plan savings internally.

4 Management action instructed by CMT

- 4.1 As well as the established COVID-19 Council reserve above CMT have agreed it is necessary for key decisions to be taken corporately on assessing current budgets with a view to removing any uncommitted budget at this early stage in the year to increase the COVID-19 reserve as follows:

Management action
Review of 3 year operational capital plan
Review of 2020/21 revenue budget:
<ul style="list-style-type: none">• Zero based budgeting for quarter 1 to centralise unspent budget to allow corporate decision making on deployment of resources
<ul style="list-style-type: none">• Review of Earmarked balances
<ul style="list-style-type: none">• Review of 2020/21 Budget Growth to assess impact of delays
<ul style="list-style-type: none">• Maximise delivery of financial plan savings
<ul style="list-style-type: none">• Reinforcement of continued discretionary spend freeze which was very beneficial in 2019/20

- 4.2 The projected financial position as a result of the current pandemic means the Council will need to pull together all available resources as soon as possible to ensure it is as prepared as possible to respond to currently known pressures and increasing financial pressures as 2020/21 progresses. This budget review seeks to identify uncommitted budget and will remove this in 2020/21 leaving budget managers with resources to manage service delivery in the remainder of the financial year.
- 4.3 A mid-year budget exercise based on the 1st quarter of 2020/21 will be undertaken based on the approach above, the outcome of which will be presented to Elected Members at the earliest opportunity in August/September 2020.

5 Scottish Borders Council support to Communities and businesses

- 5.1 The Council is supporting and facilitating significant activity across the region both through funding provided by the Scottish Government for specific activity and through prioritisation of the Council budget. Significant funding is also being provided to organisations in the Borders direct from Scottish Government, there is therefore a need to ensure there is an integrated effort to make best use of resources available. The current support includes the following key aspects.
- 5.2 Business Grants (£39.9m)
The Council is making good progress in the payment of Business Grants with the latest payment details with around 57% of the anticipated eligible grant now paid as shown below:

Local Authority	Total number of Applications	Number of Grants Awarded	Number of Grants Rejected, Referred or Deferred	Value of Grants awarded
Scottish Borders	2,918	2,470	247	£26,596,000

Recent communication from COSLA has confirmed that as applications nationally have slowed down substantially the grants scheme will close on the 10th July 2020 rather than the original end date of 31st March 2021. What this means for any surplus funding from the business grants scheme is yet to be clarified, however the officers have indicated that any surplus sums sitting with Councils are likely to be clawed back.

5.3 Newly Self Employed Hardship Fund (£0.495m)

A Hardship Fund has been set up for those businesses which were set up on or after the 6 April 2019 and therefore did not submit a tax return including income from self-employment for 2018/19. Local Authorities are administering this fund with Scottish Borders Council receiving £0.495m to do so. Progress of payment shown below:

Local Authority	Total number of Applications	Number of Grants Awarded	Number of Grants Rejected, Referred or Deferred	Value of Grants awarded
Scottish Borders	20	132	67	£264,000

Recent communication from COSLA has confirmed that this scheme is being repurposed from the 15 June 2020 which will offer grants to bed and breakfast businesses who were previously unable to access other schemes.

5.4 Food Fund (£0.576m)

The Council has been allocated a share of £30m nationally to support the continued provision of Free School Meals and funding for vulnerable groups along with food support for those on the shielding list. Community Councils and Resilient Community teams are providing significant food security support to communities during this period. As per a return submitted to the Scottish Government at the end of May 2020, 52% of the funding has been committed to May 2020. The fund covers the 12 week period to the 30 June 2020, the current commitment is in line with full utilisation of the funding over the 3 month period. The extension of the scheme over the summer holiday period will require additional funding and discussions are ongoing between COSLA and Scottish Government on this point.

5.5 Childcare Hubs

Childcare Hubs have been provided in cluster areas to provide childcare for children of key workers who do not have access to any alternative childcare and also to vulnerable children. Settings are open 7.30am to 6pm seven days a week with lunches provided each day.

5.6 Support to transport, early years and social care providers

During this first quarter of 2020/21, the Council has worked closely with transport, early years and social care providers to provide cash flow support and maintain funding commitments. These businesses are seen as key suppliers to the public sector. This support has been provided to ensure, where possible, that these businesses remain financially sustainable, can continue to operate and are therefore available to support the Council when lockdown eases.

6 Conclusion

6.1 As the Council moves from the response phase into a tandem approach to response and recovery it is important to note that the road to recovery will be very long and difficult. At each step the Council's response will be guided by the Scottish Government's approach to re-opening public services and social distancing. Social distancing poses significant challenges to the re-opening of schools and the provision of public transport across the region. We are currently in uncharted territory and there is presently no clear road map to recovery. The process is therefore likely to be very long and difficult and the repercussions may be felt for several years to come.

Author(s)

Name	Designation and Contact Number
Suzy Douglas	Financial Services Manager X5881