
COVID-19 RESERVE / RECOVERY FUND

Report by Director of Finance & Procurement

SCRUTINY & PETITIONS COMMITTEE

17th August 2023

1 PURPOSE AND SUMMARY

- 1.1 **This report provides members of the Committee with detailed financial information showing the funding received from Scottish Government and that allocated from within the Council budget to the COVID-19 reserve / Recovery Fund, the criteria for its spend and the actual spend and outcomes achieved.**
- 1.2 From the outset of the COVID-19 pandemic, in March 2020, the Council took a very proactive and prudent approach to the management of the Council's finances during this very challenging period. The Council's 2020/21 budget had already been approved by Council at the start of the pandemic. During the early months of financial year 2020/21 detailed work was undertaken by the finance team in partnership with service managers to review both existing budgets and initial 2020/21 forecasts, including best estimates of the impact of COVID-19 on Council finances.
- 1.3 At the end of financial year 2020/21, the COVID-19 reserve was created to allow the carry forward of available budget to be earmarked from 2020/21 into 2021/22 to allow the Council to continue to respond to the impact of the pandemic. In August 2022, in recognition of wider pressures from the operating environment, the COVID-19 reserve, previously held to provide one-off funding to support the impacts of COVID-19, was re-designated as a 'Recovery Fund' to support pressures including impacts of COVID-19 recovery, inflation pressures and wider operating constraints including staffing challenges.
- 1.4 Appendix 1 provides an audit trail of movements in the COVID-19 reserve / Recovery Fund from the initial Council report in August 2020 through to the most recent financial monitoring presented to the Executive Committee on 15th August 2023. Appendix 2 provides this same information but at a more detailed level, tracking funding and expenditure from August 2020 to date.
- 1.5 Appendix 3 specifically details Scottish Government funding provided to Local Authorities, showing the initial national allocation, the Scottish Borders Council share of this and then the funding received shown over the 3 financial years. Included within this appendix is a breakdown of COVID-

19 business grants, of which the Council administered £74.3m, supporting 5,770 businesses. The Council administered and accounted for these grants on an agency basis where Scottish Government funding was passed through the Council to intended businesses and recipients in communities. There was no financial cost or benefit to the Council as a direct result of these grants ie the amount paid out was received in full from Scottish Government. There was, however, a significant administrative burden on the Council in resourcing this activity for which administration funding was received.

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2 RECOMMENDATIONS

- 2.1 **I recommend that the Committee notes the detailed financial information provided showing the funding received from Scottish Government and that allocated from within the Council budget to the COVID-19 reserve, the criteria for its spend and the actual spend and outcomes achieved.**

3 BACKGROUND

- 3.1 From the outset of the COVID-19 pandemic, in March 2020, the Council took a very proactive and prudent approach to the management of the Council's finances during this very challenging period. The Council's 2020/21 budget had already been approved by Council at the start of the pandemic. During the early months of financial year 2020/21 detailed work was undertaken by the finance team in partnership with service managers to review both existing budgets and initial 2020/21 forecasts, including best estimates on the impact of COVID-19 on Council finances.
- 3.2 This detailed work culminated in an in-year budget review report being approved by Council in August 2020. This budget review reflected known Scottish Government commitments at that stage but also, crucially, reflected the redirection at that point of £8.862m of Council budgets to ensure local resources were available rather than placing full reliance on central Scottish Government funding.

4 COVID-19 RESERVE / RECOVERY FUND

- 4.1 Following the report to Council in August 2020, the normal quarterly financial monitoring to Executive Committee resumed from November 2020. These reports included specific information each quarter on the COVID-19 funding available from both Scottish Government and that allocated from the Council and also the pressures arising as a result of the pandemic which required to be funded. At the end of financial year 2020/21, the COVID-19 reserve was created to allow the carry forward of available budget to be earmarked from 2020/21 into 2021/22 to allow the Council to continue to respond to the impact of the pandemic.
- 4.2 The quarterly monitoring to Executive Committee continued during 2021/22 where each quarter detailed financial information was provided showing the COVID-19 related resources available and how this funding was being spent.
- 4.3 As part of the first quarterly monitoring to the Executive Committee in August 2022, it was recognised that the Council was experiencing continuing impacts from the COVID-19 recovery period and unprecedented inflation levels in the wider economy causing both internal Council pressures and also pressures on critical service delivery partners. As a result, the COVID-19 reserve, previously held to provide one-off funding to support the impacts of COVID-19, was re-designated as a 'Recovery Fund'. The Council contribution to the COVID-19 reserve over the period was £11.884m, therefore assuming the Council deployed the Scottish Government funding first, the Recovery Fund of £11.215m was established from redirected Council budgets.
- 4.4 This Recovery Fund has supported the Council, and where appropriate its partners, through deployment of one-off funding to support the operating environment including impacts of COVID-19 recovery, inflation pressures and wider operating constraints including staffing challenges. At the end of the first quarter in 2023/24, the balance in the Recovery Fund is £1.187m pending a decision by the Executive Committee on deployment of part of

the remaining fund at its meeting on the 15th August 2023. Should the Council Management Team recommendation be approved by the Executive Committee, the fund will reduce to £0.950m.

- 4.5 Appendix 1 provides a high level audit trail of movements in the COVID-19 reserve / Recovery Fund from the initial Council report in August 2020 through to the most recent financial monitoring presented to the Executive Committee on 15th August 2023. All drawdowns from the COVID-19 reserve and the Recovery Fund have been approved by Elected Members through full Council or delegated to the Executive Committee. As can be seen the total reserve was funded £11.884m from Council budgets and £60.821m funding received from Scottish Government resulting in a total reserve over the 3 year period of £72.705m with expenditure to date of £71.518m.
- 4.6 Appendix 2 is a breakdown of the summary information included in Appendix 1 showing a more detailed analysis of funding received and draw downs from the fund. This appendix details both the funding received and also detail on expenditure at each monitoring period.
- 4.7 Appendix 3 specifically details Scottish Government funding provided to Local Authorities, showing the initial national allocation, the Scottish Borders Council share of this and then further funding within this funding stream shown over the 3 financial years. Included within this appendix is a breakdown of COVID-19 business grants, of which the Council administered £74.3m, supporting 5,770 businesses. The Council administered and accounted for these grants on an agency basis where Scottish Government funding was passed through the Council to intended businesses and recipients in communities. There was no financial cost or benefit to the Council as a direct result of these grants ie the amount paid out was received in full from Scottish Government. There was, however, a significant administrative burden on the Council in resourcing this activity for which administration funding was received.
- 4.8 Since April 2020, the Council has administered £74.3m of COVID-19 business grants to 5,770 businesses, spent £71.518m through the COVID-19 Reserve / Recovery Fund supporting key workers, supporting essential partners and service providers such as Live Borders, transport and early years providers to remain sustainable and has ensured the ongoing financial sustainability of the Council during this extremely challenging period.

5 IMPLICATIONS

5.1 Financial

There are no costs attached to any of the recommendations contained in this report.

5.2 Risk and Mitigations

There are no identified risks given this report is a position statement detailing the funding and expenditure accounted for through the Council's COVID-19 reserve and subsequent Recovery Fund.

As indicated within section 4 of the report: All drawdowns from the COVID-19 reserve and the Recovery Fund have been approved by Elected Members through full Council or delegated to the Executive Committee. Information

has been provided to the Executive Committee as part of the quarterly financial monitoring reports. This is ongoing.

Furthermore, Internal Audit assurance work associated with Scottish Government Covid-19 Business Grants administered by Scottish Borders Council were reported within 'Internal Audit Work' reports to the Audit and Scrutiny Committee on 22 October 2020 and 20 September 2021 for governance and assurance purposes. In addition Audit Scotland have reported favourably on the Council's approach to managing the reserve over 2020/21 and 2021/22 annual audits.

5.3 Integrated Impact Assessment

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report.

5.4 Sustainable Development Goals

There are no significant effects on the economy, community or environment.

5.5 Climate Change

No effect on carbon emissions are anticipated from the recommendation of this report.

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

5.8 Changes to Scheme of Administration or Scheme of Delegation

No changes to either the Scheme of Administration or the Scheme of Delegation is required as a result of this report.

6 CONSULTATION

- 6.1 The Director of Corporate Governance, the Chief Officer Audit and Risk, the Director (People Performance & Change), the Clerk to the Council and Corporate Communications are being consulted and any comments received will be reported to the meeting.

Approved by

Name **Suzy Douglas** **Title** **Director of Finance & Procurement**

Author(s)

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Background Papers:
Previous Minute Reference:

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