

SPECIAL ARRANGEMENTS COMMITTEE

26 MAY 2020

COVID-19 – UPDATE ON IMPLICATIONS FOR COUNCIL PLANS AND BUDGETS

JOINT REPORT BY THE CHIEF EXECUTIVE AND DIRECTOR OF FINANCE

ABSTRACT

This report advises the Committee of initial work carried out by officers to assess the implications for the Council's plans and budgets and those of key partners arising from COVID-19 and the Council's response to this emergency. The report is provided at this point in time to inform and reassure Councillors that work is ongoing to manage the Council's priorities and finances through these very challenging times while acknowledging that COVID-19 has and will continue to have a significant impact on the Council and its services.

1. RECOMMENDATIONS

1.1 It is recommended that the Committee:

- (i) Note the initial nature and estimated scale of disruption arising from the early assessment outlined in this report;
- (ii) Note that COVID-19 is expected to have consequences for our services and finances over an extended period;
- (iii) Review and scrutinise the content of this report and provide any commentary considered appropriate at this time;
- (iv) Note that based on this early assessment work potentially significant revisions to the Council's Plans and budgets will be required; and
- (v) Note the intention to bring further reports with proposed changes to Plans and budgets as set out in paragraph 4.3

2. ALIGNMENT TO THE COUNCIL PLAN

2.1 The proposals set out in this report will contribute to the outcomes outlined in the Angus Council Plan 2017-22, which focus on the Economy, People, Place and our Business.

3. BACKGROUND

3.1 In the last 2 months the Council along with partners have been at the forefront of the response to the COVID-19 emergency. This has led to unprecedented changes in working arrangements and in service delivery all of which has happened at a frenetic pace and put significant strain on many of the Council's service users, partners and staff. The priority during this period has been responding to the many issues and challenges which have arisen to support people and businesses.

3.2 Whilst many challenges still remain it is now possible to begin to make an early assessment of what the COVID-19 emergency could mean for the plans and budgets the Council set in February 2020. Members will appreciate that this is an evolving picture and will inevitably change but this report provides an initial assessment of the impact on the Council as well as identifying issues which will require further consideration and work in the months ahead.

4. STRATEGIC IMPLICATIONS

4.1 Even at this relatively early stage we can anticipate that COVID-19 will significantly affect our local economy, our budgets and financial plans and how we deliver services into the future. This in turn will require us to reconsider our overall priorities and how we deploy our resources.

4.2 The implications of COVID-19 will be far reaching and long lasting and members should be prepared for a lengthy period of disruption to what we would consider normal operating arrangements. Put simply COVID-19 and recovering from it will be as challenging for the Council and its partners as anything we have faced in the last 10 years when financial pressures and increased demand for services have been at their most severe.

4.3 Only 3 months ago in February 2020 the Council considered and approved as a package our Council Plan; our Workforce Plan and our Finance and Change Plan as part of the budget setting process. All 3 of those plans will now require to be reviewed and updated due to COVID-19. Reasons for requiring these plans to be reviewed include:-

- a) to assess whether all of the priorities, projects and actions set out in the various plans are still the right ones to focus our finite resources on or whether we need to change the emphasis of these to better reflect the “new normal” and process of recovery and renewal from COVID-19;
- b) to consider how best the Council can support economic, social and environmental recovery and growth;
- c) to assess whether projects and actions remain achievable both in total and in the original timescales set;
- d) to ensure we maximise the opportunity to retain and extend the benefits of the new ways of working, particularly joint working and whole system approaches, which have been put in place to respond to COVID-19;
- e) to assess whether some actions have already been achieved e.g. acceleration of changes in working practices using digital technology;
- f) to reflect the significant changes in the Council’s costs and incomes compared to those assumed when the budget was set – the Council is incurring additional unbudgeted spend in some areas, making savings in other areas and is receiving additional government funding for some of these pressures;
- g) to recognise that the Council’s Change Programme is no longer deliverable as originally intended – some plans will need to be postponed or amended while others may be capable of acceleration to adopt new ways of working for the Council and partners.

4.4 Any revisions to the Council’s existing suite of plans should still retain the central themes of Economy, People, Place and Our Business. Work is already under way on a number of fronts to review these plans and the budget position as part of our COVID-19 recovery work with timeframes for reporting proposals to members anticipated to be as follows:-

Committee	Activity
Special Arrangements – June 2020	<ul style="list-style-type: none"> • Updated assessment of 2020/21 financial implications from COVID-19 – Council and Key partners • Initial assessment of COVID-19 impact on the Council’s Change Programme for next 3 years • Initial assessment of COVID-19 impact on the people, communities and businesses of Angus
Special Angus Council – August/September 2020	<ul style="list-style-type: none"> • Proposed revisions to Council Plan, Workforce Plan and Finance and Change Plan • Submission of revised revenue and capital budgets for 2020/21 for General Fund and Housing

- 4.5 The position is so uncertain presently and likely to change that members should be prepared for the Council having to revise and update its plans and budgets more than once during the 2020/21 financial year if that becomes necessary because of significant changes in circumstances.

5. ASSESSING THE FINANCIAL CONSEQUENCES

- 5.1 Work is ongoing to assess the financial implications arising from COVID-19 but more time and information about how lockdown will be lifted is required to fully assess what this means for our budgets in 2020/21 and beyond. At present we expect a direct financial impact from COVID-19 under the following broad headings:-

- a) Mobilisation/Immediate Response Costs
- b) Lost Income / Other Costs
- c) Reduced Costs
- d) Key Supplier Support Costs
- e) Capital /Construction Project Impacts
- f) Revised Service delivery arrangements and new duties following lockdown
- g) Test, Trace Isolate & Support (TTSI)
- h) Increased need and service demand from some of our most vulnerable citizens

All Councils are making an assessment of the above as part of their financial arrangements. In addition to the above direct impacts we also anticipate a need for the Council to do what it can to support the process of recovery in the local economy. That will be challenging given the Council's own financial pressures but is considered an essential part of the recovery process.

A) Mobilisation/Immediate Response Costs

- 5.2 This covers a wide range of interventions including:

- Staff overtime and additional hours in some areas
- IT equipment to enable remote working
- Payments to parents with children eligible for free school meals
- PPE costs
- Looked after children – alternative arrangements
- Repurposing buildings
- Arranging deep cleans in specific areas
- Etc.

B) Lost Income / Other Impacts

- 5.3 The following areas are expected to be negatively impacted:-

- School meal income (but see comments under C) below)
- Music instruction income
- Special Uplift income
- School let income
- Car parking income – off- street and on –street enforcement
- Planning fees
- Other fees for chargeable services
- Change Programme savings delivery

- 5.4 A negative financial impact on the Council's income from Council Tax, Housing Rents, Commercial Rents and Sales Ledger invoices can also be anticipated. As members are aware from Report 126/20 formal recovery action on arrears and debts has been temporarily suspended until 30 June 2020 to support the challenging circumstances being experienced by many local people and businesses. While it is hoped that collection of sums due for Council Tax, housing rents and other charges (including commercial rents) will be caught up once the emergency starts to ease it can be anticipated that some taxpayers, tenants and businesses will require longer to pay and that levels of income from these sources in financial year 2020/21 will be lower than budgeted. An increase in the level of bad debt is also likely.

C) Reduced Costs

5.5 While the COVID-19 situation is having a significant impact on the Councils costs and income there are areas of expenditure where savings are expected because services are not being provided at all or to the same extent as normal. The following areas are expected to see savings being made:-

- School meals – materials but not staff costs (see Tayside Contracts below)
- Building closures – schools, offices, etc.
- Staff travel costs
- Facilities management costs – cleaning and janitorial services (but see comments under Tayside Contracts below)
- Non-Domestic Rates – the Council will benefit from reduction in the rate poundage being applied nationally

D) Key Supplier Support Costs

5.6 Report 144/20 which is also on the agenda for this meeting advises members of the support for key suppliers which has been put in place. While the expectation is that most of the support likely to be provided will be able to be funded from existing budgets there will be some additional costs which haven't been budgeted for and these will be an additional cost burden to the Council. At this stage we await applications from key suppliers but some impact is expected in specific areas of the supply chain.

E) Capital / Construction Project Impacts

5.7 With the exception of some emergency repairs all of the Council's capital projects have been temporarily suspended due to the COVID-19 lockdown. Costs caused by the lockdown and subsequent delay are still being assessed and will depend on when and how lockdown is lifted. The economic situation may drive down costs in some areas but additional costs on capital projects are also expected to arise due to inflation, site re-start / re-mobilisation costs and the potential for working practices and therefore productivity and costs to be affected by social distancing measures. Contractual issues and the possibility of some projects having to be retendered will result in delay and changes to originally estimated costs.

F) Revised Service Delivery Arrangements & New Duties Following Lockdown

5.8 Although further details are awaited it is already clear that lockdown restrictions will be eased gradually and different arrangements for service delivery may have to exist for a prolonged period. This may require different approaches to service provision which incur higher costs due to the need for additional staff or additional operating hours.

5.9 There will be a need for social distancing in our delivery of services for the foreseeable future until the Test, Trace Isolate & Support (TTSI) programme (see G below) is complete and a vaccine is fully implemented. At present we expect social distancing to be in place for the foreseeable future and some of our operations, e.g. inspections, site visits, schools and offices will have to operate at very different capacity and in ways we are only beginning to think about. This will be a very significant challenge logistically and will bring its own financial consequences. We can also anticipate increased absence related to TTSI over the next two years and this will have an impact on service delivery for the Council and its partners.

G) Test, Trace Isolate & Support (TTSI)

5.10 Although details are still emerging it is expected that local government will have a key role in TTSI arrangements. This is likely to be a significant draw on staff and management resources and while additional funding from Government may cover some of any additional costs it is too early to know for certain how this will work and this area remains a risk to monitor meantime.

H) Increased need and service demand from some of our most vulnerable citizens

5.11 The Council, AHSCP, Voluntary Action Angus and a number of other partners and volunteers are playing a central role in supporting our most vulnerable citizens presently and that will need to continue for the foreseeable future. TTSI arrangements will mean different groups of people needing support at different times. The social, environmental and economic impact of COVID-19 is also likely to see an increased demand for some services as citizens wellbeing and finances are put under strain.

6. UPDATE ON IMPACTS FOR KEY PARTNERS

6.1 The Council is working with a wide range of partner organisations to deliver the COVID-19 response but for the purposes of this report an update on the following key partners is provided:-

- a) Angus Health & Social Care Partnership
- b) ANGUSalive
- c) Tayside Contracts

Angus Health & Social Care Partnership (AHSCP)

6.2 As members will appreciate the COVID-19 response has had major implications for our partners in the AHSCP and significant additional costs are being incurred as a consequence. Although the AHSCP has its own budget to manage it relies on funding from Angus Council and NHS Tayside as funding partners. Significant financial issues for AHSCP are therefore potentially significant financial issues for the funding partners under the risk sharing arrangements set out in the Integration Scheme.

6.3 Although significant additional costs are inevitable the Scottish Government has given a broad commitment to fund those. The Director General for Health and Social Care and Chief Executive of NHS Scotland advised COSLA on 20 March that “.....subject to any additional expenditure being fully aligned to local mobilisation plans, including IJB responses, we have taken the decision to support reasonable funding requirements on the basis they will be accurately and immediately recorded and shared with the Scottish Government”.

6.4 Additional funding of £50m to support social care was announced on 12 May 2020 but further funding support will be required. AHSCP are providing to the Scottish Government the mobilisation plan financial detail that has been requested on a regular basis. There remains a risk that some of the financial impact from COVID-19 for the AHSCP may not be covered by Government funding e.g. if some costs are considered ineligible. AHSCP continue to work with the Scottish Government to ensure appropriate funding adjustments are made to reflect COVID-19 as guidance on funding and overall COVID-19 resource implications continues to develop. Within this there is a significant risk to the achievability of the full savings target included in the Council's budget and Change Programme for AHSCP in 2020/21.

ANGUSalive

6.5 Report 126/20 noted that as sole owner of ANGUSalive the Council may need to consider providing financial support to the charity to recognise lost income from charges. More than 50% of ANGUSalive costs are covered by fees and charges and the current shutdown is having a material financial impact on the charity for that reason.

6.6 Investigations regarding the eligibility of the charity for support from the Coronavirus Job Retention Scheme have now been concluded and an application is being made to HMRC to furlough the majority of ANGUSalive's workforce. If successful this would lessen the impact on the charity considerably. The ANGUSalive Board have agreed to pay all furloughed employees their full salary and casual workers 100% of their earnings as defined in the Scheme. HMRC will pay a grant to the charity of 80% (up to a maximum £2,500 per month) of wages for furloughed staff included in the claim and their pay is being topped up by ANGUSalive to the end of the first extension of the Scheme on 30 June 2020. At the time of writing the outcome of the furlough application to HMRC is unknown. The Scheme has now been extended to October 2020 with more specific details and information around its implementation to be made available by the end of May. The ANGUSalive Board will consider future furlough arrangements for the workforce once this is published.

6.7 At this stage, pending the outcome of the HMRC furlough application, no further discussions have taken place regarding the financial impact on ANGUSalive and whether the charity may seek financial support from the Council. ANGUSalive management are also assessing whether the COVID-19 situation affects delivery of the savings required to achieve the reduction in Council management fee which was agreed through the recent 2020/21 budget setting process. All of these matters will be covered in a future report.

Tayside Contracts

- 6.8 As a shared service provider on behalf of the 3 Councils Tayside Contracts has been significantly impacted by the cessation of many areas of service provision. Tayside Contracts is part of the 3 Councils and most of the payments made by the Councils are for services provided. Now that those services aren't being provided Tayside Contracts has minimal income but still has most of its cost base (staff and fixed overheads) to pay. This is similar to the effect that COVID-19 is having on Council departments which in some cases are now unable to deliver all of their services and continue to have their fixed costs paid from Council budgets.
- 6.9 As an interim measure and to protect the Tayside Contracts cashflow Angus along with the other partner Councils have agreed to use their existing budgets for catering, cleaning, road maintenance, etc. to make payment to Tayside Contracts to cover their fixed costs. Members agreed this approach to supporting Tayside Contracts as an interim measure until their eligibility for the Coronavirus Job Retention Scheme is clarified (Report 126/20 refers). To be clear without this support Tayside Contracts would be unable to pay their staff.
- 6.10 Report 126/20 advised that Tayside Contracts eligibility for the Coronavirus Job Retention Scheme was being investigated further. Having reviewed the position in detail an application to furlough some Tayside Contracts staff is being considered and discussed with staff and trade unions. The position is complex and it is by no means certain that any application to HMRC will be accepted but officers from the partner Councils and Tayside Contracts believe a strong argument which will stand up to scrutiny can be made subject to final agreement by all parties including staff and trade unions. The Managing Director has delegated authority to make the application to HMRC and it will be backdated to when the scheme opened and when employees stopped working.
- 6.11 At the moment the Council is supporting Tayside Contracts fixed costs at a value of approximately £1.5m per month excl. VAT. We expect this figure to be refined downwards once a reconciliation between budget and actual fixed costs is undertaken. This figure will reduce further if a furlough application to HMRC is successful. This sum can be contained within the Council's existing revenue and capital budgets. However expending part of some of those budgets where they were intended to see the delivery of physical works such as road repairs is a problem for the Council because the budget will be partly used and the repairs intended will still require to be undertaken, i.e. using the existing budget for some areas of Tayside Contracts service provision does have a negative impact on the Council financially. If an application to furlough some staff is successful the negative impact on the Council's budget would be reduced but it is not yet possible to quantify by how much. The outcome on this matter will be reported to a future Committee.

7. UPDATE ON ADDITIONAL FUNDING FROM GOVERNMENT TO SUPPORT RESPONSE

- 7.1 At the time of writing the following sources of additional funding for Scottish local government to support additional costs and financial impacts have been announced:-
- Hardship Fund (£50m) – Angus Council share (£1.088m) – can be used at Council discretion
 - Increase in Scottish Welfare Fund administered by Councils by £45m (+129%). First £23m of that increase has already been allocated (Angus Council share £383,000)
 - Additional funding (£50m) for increased Council Tax Reduction (CTR) applications and increased eligibility for social security benefits in Scotland – details of Council allocation on CTR awaited but will be based on take up/caseload
 - £70m Food Fund – £30m initial allocation to Local Government. Angus Council share £602,000
 - Funding to enable weekend death Registration Service £0.6m – Angus Council share estimated at £12,000 – to be confirmed
 - Further Barnett Formula Consequentials:- Confirmed funding of £155m coming to Scottish Local Government. Angus Council share estimated at £3.37m (to be confirmed)
 - £50m support for Health and Social Care Partnerships (announced 12 May)

7.2 The above excludes national support arrangements including business grants which the Council is administering on behalf of Scottish Government. These funds cannot be used to support pressures on the Council's budget

8. FINANCIAL IMPLICATIONS

8.1 Detailed assessment work is ongoing to assess the financial implications for the Council and key partners – this is a difficult process in such a fast moving pandemic and it is inevitable for that reasons that estimates will change in to the future.

8.2 At this early stage and on an indicative basis only officers estimate the impact on the Council's budgets for the period March to June 2020 only could be between £4m and £6m. This figure does not take into account the potential impact of COVID-19 on AHSCP and excludes additional costs funded from Scottish Welfare Fund and CTR resources. The estimate assumes a successful furlough application for ANGUSalve and that the majority of the £10.2m savings in the Council's Change Programme for 2020/21 can still be achieved which is clearly a risk which officers are reassessing for reporting to Committee in June 2020.

8.3 Some of the financial impact on the Council will fall into financial year 2019/20 but the vast majority will affect 2020/21 budgets. It will also be necessary to allocate the impact between revenue and capital and general fund and housing as part of the accounting for COVID-19.

8.4 Assessing what the impact might be over the whole of 2020/21 will be covered by the work to be undertaken over the summer to revise revenue and capital budgets for 2020/21 as part of an overall review of our Plans and budgets. Assessing the implications over the remainder of this financial year will rely on more information becoming available on how lockdown restrictions may be lifted.

8.5 Although it is only an early estimate the £4m to £6m impact for the initial period to 30 June 2020 highlights a significant negative impact on the Council's budgeted position not all of which would be covered by the sources of additional government funding announced so far. The impact on delivery of the budget savings in the Council's Change Programme will also be significant and this is expected to mean the Council will have to use its contingency funds and reserves to cover any shortfalls.

8.6 While both the UK and Scottish Government have been quick to put in place a very wide range of support arrangements which includes additional funding for Scottish Councils there is a very high risk that the impact on the Council's finances will be greater than the support available. The Council, working with COSLA, will continue to make the case for support to be provided but there is no scenario here which will mean the Council's finances emerge unaffected from this crisis. Members should be prepared for large scale revisions to budgets being required which are likely to include having to use the Council's uncommitted Reserves potentially to a significant extent.

9. EQUALITIES IMPLICATIONS

9.1 The recommendations in this report will have no differential impact on persons with protected characteristics.

NOTE: No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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