

ANGUS COUNCIL – 14 DECEMBER 2023

STORM BABET – FINANCIAL ISSUES & IMPLICATIONS UPDATE

JOINT REPORT BY THE CHIEF EXECUTIVE AND THE DIRECTOR OF FINANCE

**ABSTRACT**

This report provides members with an update on the main financial issues and implications arising from Storm Babet as they are currently known. It also provides an update on additional funding being offered to the Council from the Scottish Government and seeks authority to utilise funding set aside in the 2023/24 budget to assist people in need. The report should be viewed as an interim position which will need to be updated as more information becomes available and actual costs begin to be confirmed. Work to assess the financial implications will continue over the next couple of months and in the lead up to the Council's 2024/25 budget setting in February/March 2024.

**1. RECOMMENDATIONS**

It is recommended that the Council:

- (i) notes the update set out in this report and the interim nature of it at this time;
- (ii) notes that work to assess the financial implications will continue over the next couple of months and in the lead up to the Council's 2024/25 budget setting in February/March 2024;
- (iii) notes that engagement with the Scottish Government at Ministerial and Official level is continuing; and
- (iv) approves use of £100,000 from monies allocated to the hardship fund as part of the 'Proposed Use of Uncommitted Reserve for Specific Purposes in the 2023/24 Revenue and Capital Budgets' for flood response as per paragraph 3.3 of this report.

**2. ALIGNMENT TO THE COUNCIL PLAN**

2.1 This report is relevant to the following priorities as set out in the Council Plan:-

- Reduce inequalities in all our communities.
- Improve physical, mental health and wellbeing.
- Protect and enhance our natural and built environment.
- Enable inclusive, empowered, resilient and safe communities across Angus.

**3. BACKGROUND**

3.1 As members are all too well aware Storm Babet has had a significant and devastating impact across many parts of Angus. The Storm has affected families, businesses, communities and infrastructure and will take many months, and for some things, years to recover from.

3.2 This report provides members with an update on the main financial issues and implications arising from Storm Babet as they are currently known. The report should be viewed as an interim position which will need to be updated as more information becomes available and actual costs and additional funding are confirmed. In particular it will be necessary to assess the financial implications in more detail as part of the Council's 2024/25 budget setting process.

- 3.3 As part of the special council budget setting meeting on 2 March 2023, a small number of high priority one-off projects were approved as part of the 'Proposed Use of Uncommitted Reserve for Specific Purposes in 2023/24 Revenue and Capital Budgets'. [Appendix A to Report 57/23](#) refers. One of these projects was allocation of £275,000 for the Hardship Fund/Continuation of some LACER funded projects. It is recommended that Council approve use of £100,000 from this budget for flood recovery response to support those in Angus that require additional support and who are ineligible for other types of support such as Community Care Grants. Use of the funding will be managed through the Council's Welfare Rights team in liaison with our Vibrant Communities and Housing teams.

#### **4. SCOTTISH GOVERNMENT BELLWIN SCHEME**

- 4.1 The Scottish Government Bellwin Scheme (the Scheme) is a discretionary scheme which exists to give special financial assistance to local authorities who would otherwise be faced with an undue financial burden as a result of providing relief and carrying out immediate work due to large scale emergencies. Such emergencies have, over the years, tended to be weather related but could be for any significant emergency event.
- 4.2 There is no automatic entitlement to financial assistance - the key criterion of the Scheme is to safeguard life and property and prevent suffering or severe inconvenience in a local authority's area or among its inhabitants. The purpose of the Scheme is not to put right all the ill effects resulting from an emergency incident but to provide a degree of financial protection to both local authorities and their local council taxpayers as a result of having to deal with an emergency situation or situations over and above what could reasonably have been budgeted for.
- 4.3 The Scheme assumes that each Council should be able to provide 0.2% of their total net revenue budget towards the initial costs of emergency events over the course of a financial year. This is known as the annual threshold and for Angus Council in 2023/24 the threshold is £573,240. This means the Council must meet the first £573,240 of costs that would have been eligible under the Bellwin Scheme. The threshold applies to the financial year not each individual emergency.
- 4.4 The Scheme addresses revenue and uninsurable expenditure incurred within a two month period from the date of the incident (or such later date as agreed between the Government and the local authority). In relation to Storm Babet it has already been confirmed by the Scottish Government that an extension of the two month period to four months will apply for the Council to make its claim to the Bellwin Scheme. Bellwin Scheme Grant is paid at a rate of 100% of eligible expenditure above each local authority's annual threshold.
- 4.5 Council officers have been in regular dialogue with Scottish Government officials in relation to the activation of the Scheme, the Council's potential claim, the likely value of the claim and to seek clarification on eligible costs. There is no guarantee that all of the costs the Council will claim under the Scheme will be paid but officers have sought to mitigate the risk of this scenario by clarifying how the Scheme guidance is applied and keeping a detailed audit trail to support the claim.

#### **5. ISSUES & IMPLICATIONS – HOUSING & COMMUNITIES**

##### **A) Short to Medium Term Issues & Implications**

###### (i) Housing

- 5.1 The Housing Service is in the process of arranging accommodation for 67 households who need to be re-housed by the Council, predominantly Council tenants, but also including housing association tenants, private tenants, and homeowners. A further 20 housing association tenants have also been rehoused by their landlord. In total over 400 households were impacted by the flooding, most of them severely with many of these people out of their homes.
- 5.2 The Scottish Government's "More Homes" Division has offered flexibility in the grant levels awarded to properties purchased through our Open Market Acquisition Strategy to help meet the needs of people displaced because of the flooding. This is welcomed and will be used specifically for those households with more complex needs, such as a need for ground floor accommodation, which we do not have available within our existing stock.
- ###### (ii) Humanitarian Response

5.3 A people-focused approach has been adopted in our emergency response to and the commencement of recovery from Storm Babet. The costs associated with the emergency response prior to and immediately after the Storm are estimated to be £0.160 million and will be included in the Council's Bellwin Scheme grant claim. Costs associated with the drop-in centre and other support provided in the immediate aftermath of the Storm will also be included in the Bellwin claim.

(iii) Scottish Welfare Fund

5.4 The Council administers this fund on behalf of the Scottish Government and provides crisis grants and community care grants to Angus citizens from the funds allocated to the Council for that purpose. The Scottish Welfare Fund has provided such grants for a number of years – it is not a new source of funding for Storm Babet. At the time of writing 57 Crisis Grants (£8,194) and 9 Community Care Grants (£3,989) have been approved along with 5 Discretionary Grants (£1,600). A number of further applications are being processed.

5.5 Officers anticipate a significant increase in applications for community care grants in the next few weeks from people affected by the Storm and who are being re-housed. The Welfare Fund budget is therefore at risk of being in an overspend position for the year. Without additional funding it would have been necessary to re-prioritise the remaining funding for the year which will have a detrimental impact on the ability of other citizens in Angus to apply for community care grants and crisis grants. The continued impact of the cost-of-living crisis, rising energy and food costs is creating significant challenges at local level in this regard. Additional funding of £50,000 from the Scottish Government (see paragraph 9.2 below) will be used to support the Welfare Fund budget and this should mitigate the risk of overspend or impact on provision of grants to other citizens for the remainder of this financial year. A further £50,000 is also being provided for housing purposes.

**B) Medium to Longer Term Issues & Implications**

(i) Housing

5.6 Consideration needs to be given to the future of housing in the areas affected by the flooding, not least because around 70 tenants remain in flats above those that were flooded. This needs to consider the technical assessments around flood risks, climate change and potential mitigation, and the social, economic and community impacts in one of the most deprived areas in Angus. Revisions to the Housing capital budget will be necessary once a fuller assessment of the future options has been completed.

**6. ISSUES & IMPLICATIONS – BUSINESSES**

**A) Short to Medium Term Issues & Implications**

6.1 Many of the businesses impacted by Storm Babet were in Brechin at Eastmill. The majority of these are small, micro businesses who were unable to get flood insurance due to their location and the cost of premiums. One of the biggest employers in Brechin is Matrix International, employing around 120 staff in highly skilled jobs. Its premises has been fully inundated with water. Initial support from the Council saw the company provided with vacant warehouse/industrial space at Brechin and Montrose to allow operations to continue.

6.2 Council staff continue to work with Scottish Enterprise/Scottish Government to seek financial support in the short to medium term to help secure the long-term future of Matrix to remain in Brechin. Initial support has also seen teams engage and meet with around 52 impacted businesses, the majority of these located at Matrix and Eastmill. Business impact assessments have been undertaken to collate information on the impacts and the short and medium term challenges.

6.3 Remaining Local Authority Covid Economic Recovery (LACER) funding which was allocated to town centre support work of £0.070 million has now been reallocated to provide a package of initial emergency support of £1,000 to businesses who have been categorised as:

- Category 1 – cannot operate, immediate concern of business failure – requires financial support.

- Category 2 – Sustained significant damage, limited work can be delivered, and some financial support required.

6.4 The Council is also assisting with waste disposal for businesses. This is challenging and costly given the nature of the waste, much of which is classed as hazardous and therefore requires specialist disposal. These disposal costs will be included in the Council's Bellwin Scheme claim.

### **B) Medium to Longer Term Issues & Implications**

6.5 Longer term funding to support future proofing of businesses is required. As outlined in relation to housing, consideration needs to be given to the future of the business units and resilience measures that would need to be put in place. Financial support to businesses to implement flood resilience measures will be required e.g. to help future proof units, install flood barriers etc. The Storm has highlighted the lack of provision and high demand for similar types of premises within the immediate area and therefore the construction of new industrial units will form part of a wider longer term Angus Council report seeking assistance from the Scottish Government.

## **7. ISSUES & IMPLICATIONS – INFRASTRUCTURE & ENVIRONMENT**

### **A) Short to Medium Term Issues & Implications**

#### (i) Roads and Structures

7.1 Following site assessments by engineers, the estimated cost of immediate repair works to roads and structures identified so far is approximately £3.906million. This includes the cost of repairs to some significant structures including the Bridge of Dun. Nearly all of these works are expected to qualify under the Bellwin Scheme and will be claimed by the Council on that basis. Plans are in place to have all of these Bellwin eligible works completed or committed within the 4-month Bellwin Scheme claim timeframe.

7.2 There are also repair works to roads and structures which are more substantial in nature and need to go beyond simply repairing and reinstating the existing infrastructure and which are therefore not eligible under the Bellwin Scheme. The cost of such works is still being assessed but is likely to be significant. No funding source has so far been identified for the cost of these works but in the absence of any additional Scottish Government financial support they would need to be prioritised alongside all other repair works across Angus and funded through the limited resources available in the Council's capital budget.

#### (ii) Waste and Contamination

7.3 Clean up across Angus is extensive, with the provision of skips, removal of waste, and the impacts from further rainfall and winter weather. It has been confirmed with Scottish Government these costs are eligible under the Bellwin Scheme and a provisional estimate for these costs is £20,000.

#### (iii) Parks

7.4 Clear up works such as fallen trees and other damage which required urgent repairs by the Council's Parks team are estimated to cost £69,000 and are to be claimed under the Bellwin Scheme.

### **B) Medium to Longer Term Issues & Implications**

#### (i) Montrose Links

7.5 The Council's existing capital budget includes the Montrose Coast Protection – Preliminary Works project at a net cost of £1.063 million. That project assumes funding of £3.2 million towards the £5 million gross cost will be able to be secured from the Scottish Government as part of national funding arrangements for such schemes where government grant covers 80% of the cost. That government grant funding has not been secured at this stage and nationally bids for funding for flood defence works significantly exceed the funding currently available.

7.6 [Report 411/22](#) to the Policy & Resources Committee of 6 December 2022 authorised the procurement of consultant services to complete an Environmental and Options Appraisal based on the concept design to rebuild the damaged dunes.

7.7 The Storm caused significant damage and further erosion to the dunes which are an essential defence against flooding from the sea for the town. An options appraisal on the sourcing of material to renourish the dunes is nearing completion alongside environmental screening. At the time of writing this report a firm cost estimate is not available but costs are likely to be several £millions. The only funding source for these works at this time is the existing capital budget provision referred to above.

(ii) Montrose Splash Seafront

7.8 Part of the promenade, sea defences and road at Montrose 'Splash' seafront collapsed due to the impact of the storm. The Council's current Shoreline Management Plan specifies that we will 'hold the line' to protect assets at this location. Immediate works to prevent further erosion and repairing the road to enable access to the car park and HM Coastguard station are being undertaken at an estimated cost of £0.250 million. These costs are to be claimed under the Bellwin Scheme and are included in the total in paragraph 7.1.

7.9 Further and more significant engineering works (not eligible for Bellwin Scheme assistance) will be required to provide long term protection and reinstatement of the promenade. At the time of writing this report a firm cost estimate is not available but costs are likely to be several £millions. No funding source for these works is currently available.

(iii) Brechin Flood Prevention Scheme

7.10 Immediate repairs to the existing flood protection scheme are required. This is limited to the collapse of a section of the flood defence wall (based on assessments to date) and will qualify under the Bellwin Scheme. A provisional estimate for these works is £0.100 million and this is included in the £3.906 million total in paragraph 7.1.

7.11 Specialists have been commissioned to undertake a modelling exercise to calculate the revised annual exceedance probability (AEP) of the existing flood defence scheme. The scheme was designed in 2011 for an AEP of 0.5% (1 in 200 years). It is inevitable that the AEP will have significantly increased due to climate change and an optioneering exercise is required in terms of how we will increase resilience to any flooding in Brechin in the future. There is also correlation with this work in assessing the longer-term options for housing, to restore or consider replacement.

(iv) Brechin Bridge

7.12 At the time of writing the bridge remains closed but a contractor has been appointed to carry out the works to stabilise the bridge. The works are weather dependent and are estimated to cost £0.125 million. These costs qualify under the Bellwin Scheme and so will be claimed by the Council from the Scottish Government.

## **8. ISSUES & IMPLICATIONS – COUNCIL BUDGETS & RESERVES**

### **A) Short to Medium Term Issues & Implications**

(i) 2023/24 Revenue Budget

8.1 It is expected that most of the revenue costs the Council has incurred in responding to the Storm will be eligible to include in the claim to the Bellwin Scheme but this is being kept under review as part of the regular cycle of budget monitoring undertaken by budget holders. Any ineligible costs will need to be funded within existing budgets where possible.

8.2 Of more concern is the latest projected outturn on the Council's overall General Fund Revenue Budget. Report 337/23 to the Policy & Resources Committee of 5 December 2023 identifies a projected overspend for the year of just under £5 million across all service areas. Only a very small element of that overspend is associated with Storm Babet – most of it is due to demand and inflationary pressures within budgets. While remedial action is underway to try to reduce the level of projected overspend such action will reduce rather than eliminate the problem. In the absence of other options it would be necessary to use the Council's corporate contingency allocation within Reserves (£5m) to meet such an overspend. The contingency would however need to be replenished as part of the 2024/25 budget setting.

#### (ii) 2023/24 Capital Budget

- 8.3 The Council's capital contingency budget is intended to cover risks and issues over the 5 year period up to the end of financial year 2026/27. At present the contingency available is £2.5 million and this is the only funding the Council has available to cover all of the projects and risks in the 5 year capital budget. It is very likely that the Council's existing capital budget plans will require to be revised in light of the Storm but the room for manoeuvre is limited given existing commitments including the replacement for Monifieth High School at a cost of £66 million.

#### (iii) Council Reserves

- 8.4 In setting the 2023/24 budget the Council agreed a 5 year Reserves Strategy designed to support change, manage exceptional cost pressures and help with balancing future years' budgets. The Council's total General Fund Reserve at 1 April 2023 was £71.214m, with £68.692m of this committed, thus leaving an uncommitted balance of £2.522m. A number of calls against this uncommitted balance are already evident as follows:-

- £0.250m delegated to the Chief Executive for Council response costs in relation to Storm Babet (Report 300/23 refers);
- £0.573m Bellwin Scheme threshold;
- £1m reinstatement of the Council's Insurance Fund
- £4.971m projected overspend on the 2023/24 revenue budget (referred to above)

In relation to the Council's Insurance fund the Council has a £1m self-insurance excess to meet before a claim against our insurance policies can be made. It is currently projected that this will reduce our Insurance Fund to only £0.4m and it will therefore be necessary to replenish the Fund from other uncommitted Reserves.

Through Report 300/23 members approved that £0.250 million be set aside from the Council's uncommitted reserves as a financial provision to support Storm Babet response measures which were at that time still emerging. To date £23,000 of this funding has been used under delegated authority. Calls on this funding provision may be less now that the Bellwin Scheme has been activated and clarification obtained on costs which will be eligible.

## **9. SCOTTISH GOVERNMENT FINANCIAL SUPPORT**

- 9.1 Discussions between the Council and Scottish Government through the Ministerial Taskforce are ongoing and requests for financial support in relation to the issues and implications highlighted earlier in this report are being made through that process. The context for these requests for support is the very challenging financial position facing the Council itself quite separate to those associated with the Storm – in simple terms the Council's financial resilience was already under significant pressure before the Storm and that means our ability to respond to its affects is severely limited.

- 9.2 Although discussions around financial support are ongoing, at the time of writing the following financial support has been offered by the Scottish Government:-

1. **Bellwin Scheme** – has been activated and the claim period extended to 4 months. The value of claim under the Scheme for works identified so far is £4.155 million. The Council must meet the first £573,240 of eligible costs incurred.
2. **Storm Babet Flood Recovery Grant** - this funding is being made available as a result of the exceptional nature of Storm Babet, where red warnings for rain were issued by the Met Office. It has two aspects as described below:-

#### a) Support Payment to Households – Community Recovery Grant

This is a £1,500 community recovery payment for households whose properties have been flooded. This is a flat rate grant of £1,500 payable per household not per individual affected. Primary residences which were directly affected by the flooding (i.e. which suffered inundation of water within their property including damage to basements) will be eligible to apply for the grant and this is the only qualifying criteria. Properties which suffered inundation of the garden only, will not be eligible to apply. Second homes will not be eligible to apply. It is for the Council to decide whether a property is eligible for grant based on the level of evidence they deem sufficient to prove inundation has taken place.

**b) Support Payment to Businesses – Business Recovery Grant**

This is a £3,000 business recovery grant for businesses impacted by flooding. This is a flat rate grant of £3,000 per eligible business to help support recovery in the immediate aftermath of the Storm and is intended to help small and medium-sized businesses quickly return to business as usual. Eligible businesses will meet one of the following criteria:

- (i) Flooded; Cannot operate causing immediate concern for business failures
- (ii) Flooded; Sustained significant damage and can carry out very limited work

The Government's guidance in this regard is that the Council is best placed to understand the impact of the recent storms on local businesses and make decisions accordingly. Thus, the definition of business can also include community groups (such as rugby clubs, etc), or charitable organisations etc. at the discretion of the Council. The Council may also apply some discretion around whether a business is eligible for grant based on the level of evidence they deem sufficient.

The eligible timeframe for damage is limited to that occurring during Storm Babet only (19 – 25 October) and **claims must be made by affected households/businesses by 19 January 2024**. The application process went live on 25 November and at the time of writing a large number of applications have been made.

**3. Additional Funding from the Homelessness Budget**

On 30 November 2023 the Scottish Government announced that it was “also providing Angus Council with additional funding of up to £100,000 from the homelessness budget to help those families who have lost everything to resettle and rebuild their lives.” A letter confirming the allocation was received on 7 December. This funding will be used to support community care grants through the Scottish Welfare Fund and discretionary welfare payments to people affected by the Storm.

**10. FINANCIAL IMPLICATIONS**

- 10.1 There are no additional financial implications arising from the recommendations in this report beyond the proposed use of £100,000 of funding set aside in the 2023/24 budget (paragraph 3.3. refers). Storm Babet and its impact will however have significant financial implications for the Council as outlined in this report. Work to assess the financial implications will continue over the next couple of months and in the lead up to the Council's 2024/25 budget setting in February/March 2024. The impact on the Council's finances will also depend on the extent to which further financial support beyond that already identified in Section 9 is provided by the Scottish Government.
- 10.2 At the time of writing it is estimated that the Council's Bellwin Scheme claim will be £4.155 million. Funding for flood recovery grants to households and businesses will depend on the numbers eligible who make a claim but a provisional estimate of cost and funding of £0.677 million has been assumed.

**11. EQUALITY IMPACT ASSESSMENT**

- 11.1 An equality impact assessment is not required.

**NOTE:** No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 were relied on in preparing this report.

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