

BUDGET UPDATE 2020-21

1. INTRODUCTION

- 1.1 This purpose of this report is to outline the financial risks for the Council in the 2020-21 financial year due to additional costs as a result of the immediate response to the COVID-19 pandemic as well as estimated ongoing additional costs and lost income over the remainder of the financial year.
- 1.2 The report also explores some identified funding options and mitigations to deal with the in-year funding gap and proposes that a Budget Working Group is established to give consideration as to the best way to deal with the estimated in-year funding gap.

2. RECOMMENDATION

- 2.1 The Business Continuity Committee is asked to:
 - a) Note the current Td (of)Tj ()Tj 13.34199524 0 Td (the)Tj91b 27GETBusin

course of the year as the Council changes and adapts to some of the
measures that will need to be implemented in order to operate safely. The
estimated costs over the 60.8993as #358 (need)Tjby8003199373 (

pressure on revenue. There is also an estimated £0.425m contract inflation pressure on the capital programme.

Recovery Costs £2.032m: This includes £1.789m for blended education approach including school transport reconfiguration, £0.193m in respect of Waste services and cost of social distancing and £0.050m in respect of changes required to re-opening buildings and offices.

Reduced Costs £1.943m: There is some reduction in expenditure including lower provision of school meals £0.767m, reduction in travel expenses £0.295m, £0.346m in connection with waste.

3.8 The figures above do not include the potential lost income from Council Tax collection. As at the end of June, Council Tax collections were down by 1.56% on collections this time last year which equates to a circa £0.865m reduction in income. Some of this reduction has already been rescheduled to be repaid over the remainder of the year. It is very difficult to estimate what the lost income will be by the end of the year; at this stage it has been estimated that it could be in the region of £0.555m equivalent to a 1% reduction in collections and this will be kept under review.

3.9 The figures above also do not include the estimated additional costs for Social Work Services that are part of the Health and Social Care Partnership (HSCP). The HSCP has been required to contribute to a local mobilisation plan cost return on a regular basis, submitted to Scottish Government through NHS Highland. The next return is due mid-August and the draft estimates as at 24 July total £14.016m for the Partnership of which £7.203m relates to Social Work Services. The Scottish Government has “in principle” approved all mobilisation plans but no individual lines within the plan have been approved. Nationally the Scottish Government funding is short of the total submissions to date, however, the revised returns due mid-August could be less and, of course, actual costs may also prove to be lower. There remains a risk that the HSCP could revert back to the Council to fund some of the additional costs.

Funding Options

3.10 The Scottish Government funding that has been received to date totals £4.413m and is noted below.

- ABC Share of £50m Hardship Fund - £0.895m
- ABC Share of £155m Consequentials - £2.776m
- ABC Share of £30m Food Fund - £0.440m
- Allocation for Registrars of Death - £0.009m
- Additional funding for Scottish Welfare Fund - £0.293m.

The funding in relation to the Scottish Welfare Fund is to be used for that purpose and the additional costs have not been included within the cost template return. For that reason, this funding will not be included within the calculation of the funding gap.

- 3.11 Additional flexibilities have been announced by the Scottish Government in relation to some ring-fenced funding. The flexibility is aimed at assisting Councils in meeting relevant financial impacts of COVID-19. The rules around the application of ring-fenced funding under Early Years Expansion and Attainment Scotland Funding have been relaxed in order that critical childcare can be provided to key workers and other vulnerable groups and in order to support the education, health and wellbeing of children and young people, retaining a focus on children from the most deprived backgrounds. The revenue funding that has not already been committed for staffing and other commitments amounts to £0.616m.
- 3.12 Further funding was been announced in relation to providing Free Schools Meals until 11 August (£12.6m Scotland wide, £0.146m ABC) and Access to Food for the vulnerable until 30 September (£15m Scotland wide, £0.266m ABC). This will be distributed on a ring-fenced grant basis and a final grant claim form will have to be submitted outlining our expenditure before the funding is paid. Our estimated costs included in the cost template for Free School Meals and Access to Food are £0.320m which is under our allocation of funding and, therefore, in calculating the funding gap only £0.320m grant has been estimated.
- 3.13 On 23 June the Deputy First Minister announced £100m of new funding over the next two years to help support the return to school. The Scottish Government has now confirmed the first £50m of funding that is to be used for additional teachers and education support staff. The total funding for Argyll and Bute is £0.748m over 2020-21 and 2021-22. The costs for these additional staff were not included within the cost template and therefore this funding will not be used in the calculation of the funding gap. An initial assessment suggests that the funding should be sufficient for the additional teachers, however, the service have still to finalise what additional support staff are required.
- 3.14 On 2 July the UK Government announced a new support package to help Councils respond to the pandemic:
- Councils in England will now receive a further, un-ringfenced £500 million to respond to spending pressures they are facing. The consequentials for Scotland are £49m and if this is distributed in the same way as the £155m consequentials, our share would be £0.878m.
 - A new scheme to help reimburse lost income during the pandemic and boost cash flow. Where losses are more than 5% of a council's planned income from sales, fees and charges, the government will cover them for 75p in every pound lost. The Scottish Government has indicated a willingness to agree a scheme appropriate for Scotland.
- 3.15 On 2 July the Scottish Government issued a circular outlining the allocations of the Scottish Crown Estate Net Revenue Allocations relating to 2018-19 that will be paid in this financial year. The allocation for Argyll and Bute Council is £1.504m and the Fund should be used for coastal community benefit. The Scottish Government have confirmed that there is flexibility in the use of the funding particularly in the light of COVID-19 and therefore it has been support

assumed that this funding could be used towards the additional COVID-19 costs.

- 3.16 A letter was sent to the COSLA President from the Cabinet Secretary for Finance on 26 May 2020 to advise of the distribution of the £155m consequentials. In that letter it said that “we have now allocated all the additional consequentials at our disposal and more”. It went on to say that “we will of course make further representation to UK

mean that our income is fixed recognising that costs do not necessarily reduce if berthings don't happen. Transport Scotland have asked us to provide some further detail which officers are currently pulling together, however, did indicate that there is currently not any available monies. Officers will continue to pursue this avenue.

- 3.19 Officers have carried out a review of all earmarked balances to identify potential resources that could be released to contribute to the funding gap. The detail of the balances that could be un-earmarked will be submitted to the working group (see paragraph 3.24).
- 3.20 The unallocated General Fund balance as at 31 March 2020 was £1.326m and this could be used, however, as Section 95 Officer, I would recommend this this shouldn't be used in light of the financial risk that the HSCP overspend and seek additional funding from the Council.
- 3.21 As part of the 2020-21 budget set on 27 February, Council agreed a number of new areas of investment and also didn't accept some of the saving options. As a result of COVID-19, the new areas of investment haven't been spent yet, indeed some were planned to be spent over more than one year. Council could re-visit these and also the savings options not accepted, in light of the new estimated financial position. Information will be submitted to the working group for consideration.
- 3.22 The funding options identified to date are summarised in the table below and there remains an estimated in-year funding shortfall of £4.023m.

	£000	£000
Estimate of Additional Costs (para 3.7 & 3.8))		
Mobilisation Costs	2,245	
Lost Income	8,517	
General Fund Capital	1,325	
Recovery Costs	2,032	
Reduced Costs	(1,943)	
Loss of Council Tax Income	555	

Attainment:		
Early Years	350	
PEF	266	
		616
In-Year Savings Identified:		
VAT Reimbursement	570	
Loans Fund Investment Income	300	
Saving on Severance Costs	400	
		1,270
Total Funding Options Identified		8,708
Estimated In-Year Funding Shortfall		4,023

3.23 There are other options that are being explored by COSLA in order to create the opportunity to, in effect, spread the additional costs of COVID-19 over a number of years. The following requests were made to the Cabinet Secretary for Finance on 26 June and at the time of writing there has been no feedback on the requests:

- Council Tax legislation be amended to allow for financial deficit, attributed to COVID-19 to be repaid over a period of time in excess of one year.
- Local Authorities are granted approval to borrow to finance (up to) the full revenue cost of COVID-19. The borrowing would be made during 2020-21 and would therefore avoid any difficulty over the year-end position. A minimum repayment period of 20 years

3.24 There are a number of decisions that will be M4hited y3Tji@16.6739807110
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Members from the imptalsim Members. The term

3.25 It is also suggested that two Members seminars are scheduled to ensure that all Members are advised of the position and options prior to the decision at Committee.

3.26 The proposed timetable is outlined in the table below.

Date	Event	Purpose
10 August 2020	Members Seminar	To present the report to all Members ahead of BCC on 13 August.
13 August 2020	Business Continuity Committee virtual meeting	Report on Budget Update 2020-21 and agreement on Budget Working Group
24 August 2020	Informal Working Group virtual meeting	Initial meeting to discuss options and seek clarity from Officers
7 September 2020	Informal Working Group virtual meeting	Second meeting to finalise options being considered.
14 September 2020	Members Seminar	To advise all Members of current position and options.
24 September 2020	Council Meeting or Business Continuity Committee virtual meeting	Agreement on options to fund the additional costs due to COVID-19

3.27 Officers will continue to refine the total estimated cost of COVID-19 over the coming months as more information becomes available/clearer on the easing of lockdown, however, some of the full year cost will still be based on assumptions and estimates to the end of the year.

4. CONCLUSION

4.1 The scale of the financial challenge as a result of the immediate response to the COVID-19 pandemic as well as the additional costs as a result of the move from lockdown into recovery are significant for the Council. The additional costs are currently estimated to be in the region of £12.7m over financial year 2020-21 and this position will be continue to be closely evaluated and monitored throughout the remainder of the year.

4.2 This report outlines a number of funding options in order to ensure that the Council remains financially sound. It is proposed that Members give consideration to the options contained in this report, as well as others options not currently identified, with a view to a future report being brought forward to Council for agreement on how the additional costs as a result of the COVID-19 pandemic will be funded.

5. IMPLICATIONS