

DATA LABEL: PUBLIC



COUNCIL EXECUTIVE

COVID-19 POTENTIAL FINANCIAL IMPLICATIONS AND ISSUES

REPORT BY HEAD OF FINANCE AND PROPERTY SERVICES

A. PURPOSE OF REPORT

To provide an update on Council Executive on potential financial implications from the coronavirus (COVID-19) including financial announcements by the UK and Scottish Governments, and to outline proposed work to be undertaken by officers to identify and monitor financial risks to the council arising from the coronavirus situation.

B. RECOMMENDATION

It is recommended that Council Executive:

1. Notes the financial support packages announced by the UK and Scottish Governments, including the £1.687 million which the council will receive from the COVID-19 hardship fund which will be funded by Scottish Government;
2. Agrees the £1.687 million COVID-19 hardship fund should be delegated to the Chief Executive to utilise in accordance with the funding conditions and in relation to the urgent action required to address the consequences of COVID-19;
3. Agrees that officers should undertake an exercise to identify the potential financial consequences of COVID-19 for the council in the immediate term and in 2020/21;
4. Agrees that officers should identify proactive options to mitigate the impact of any potential financial risks to ensure the ongoing financial sustainability of the council;
5. Agrees that officers should continue to liaise with COSLA and the Scottish Government regarding announcements and actions relating to the financial implications of COVID-19;
6. Agrees that the Head of Finance and Property Services will provide future updates on the financial implications of COVID-19 both in specific reports but also as part of the council's established quarterly budget monitoring reports.

C. SUMMARY OF IMPLICATIONS

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| I Council Values | Focusing on our customers' needs, being honest, open and accountable, making best use of our resources and working in partnership. |
| II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment) | The Local Government (Scotland) Act 1973 requires councils to make arrangements for the proper administration of its financial affairs. The financial regulations provide the framework for managing the council's financial affairs ensuring that the use of council resources is legal, properly authorised and provides value for money. |
| III Implications for Scheme of Delegations to Officers | Should the delegated power last for more than six months the Scheme of Delegations will be amended accordingly. |

IV Impact on performance and performance Indicators	Unforeseen and unmanaged financial risks could have an impact on the resources available to support service delivery and performance.
V Relevance to Single Outcome Agreement	The revenue and capital budgets provide resources necessary to help deliver the Single Outcome Agreement. Effective prioritisation of resources is essential to achieving key outcomes.
VI Resources - (Financial, Staffing and Property)	The council's uncommitted General Fund Balance is £2 million. The approved general services revenue budget, including time limited spend for 2020/21 is £444 million. The approved general services capital budget for 2020/21 is £69 million.
VII Consideration at PDSP	None.
VIII Other consultations	Governance Manager.

D. TERMS OF REPORT

D.1 Background

Following the announcement by the World Health Organisation (WHO) on 11 March 2020 that COVID-19 is a pandemic, there have been announcements by the UK and Scottish governments regarding the implications of the virus including action plans and support available for businesses. This report provides an update on the proposed work to be undertaken by officers in relation to the financial implications of COVID-19.

This report is an amended and updated version of a report published for Council Executive on 24 March 2020 to take account of the details of the additional funding of £1.687 million announced after the report was published.

D.2 UK and Scottish Government Announcements

UK Government

On 11 March 2020, the 2020 Budget was announced by the Chancellor of the Exchequer in Westminster. The Budget included a number of announcements in relation to the coronavirus. The Office for Budget Responsibility has confirmed that their estimates do not take account of the potential impact of the coronavirus and that this is likely to have a significant impact on the economy and public finances.

In addition to reducing forecast growth for the UK economy, specific measures included:

- Everyone advised to self-isolate, even if they do not present symptoms, will be entitled to statutory sick pay. Self employed workers will be able to claim contributory Employment Support Allowance and this will be available from the first day rather than the current seven days.
- Businesses with fewer than 250 employees will be refunded for sick pay payments for two weeks.
- Small firms will be able to access business interruptions loans of up to £1.2 million through banks.
- £5 billion emergency response fund to support the NHS and other public services.
- A hardship fund for councils to help the most vulnerable.
- Suspending business rates for firms in the retail, leisure and hospitality with rateable values of £51,000 or less for England.

- Plans to make it quicker for those on zero hours contracts to access benefits.
- Benefit claimants who have been advised to stay at home no longer having to physically attend job centres.

Although the specific measures outlined above mainly relate to England, Scotland received an additional £640 million in the 2020 Budget, of which £320 million relates to the non domestic rates Barnett consequentials. The Scottish Government should receive Barnett consequentials related to the £5 billion COVID-19 response fund. As this is a contingency fund at the current time, the Scottish Finance Secretary has sought clarification on what funding Scotland would receive from this source.

On 17 March 2020 the Chancellor made a further announcement outlining financial measures to support the UK economy through the coronavirus pandemic. The measures include:

- Mortgage holidays for individuals in financial difficulty.
- £330 billion in government backed loans or credit on attractive terms, equivalent to 15% of GDP, to be available to all businesses from next week to help pay for supplies, stock, rent and staff salaries.
- £20 billion in other aid to protect small businesses facing losses as a result of the virus through grants of between £10,000 and £25,000.
- Extending business rates holiday relief to all firms in the hospitality sector.

The announcement did not include measures in relation to housing tenants however the UK Government have committed to announcing measures for rent payers and it is anticipated that this will be confirmed in the coming days. A verbal update on any additional announcements will be provided at Council Executive. If more emergency funds are created by the UK Government this would result in additional Barnett consequentials for Scotland.

Scottish Government

Following the UK Budget, the Scottish Finance Secretary announced a £320 million package for businesses on 14 March 2020 to help support them through the COVID-19 outbreak. This package of measures was further updated on 18 March 2020. The following support will be available to businesses during 2020/21:

- 100% business rates relief for retail, hospitality and leisure sectors from 1 April 2020.
- 1.6% business rates relief for all properties across Scotland, effectively reversing the planned uplift in poundage from 1 April 2020.
- A new local government finance order to approve a reduction in the NDR estimate by £1 billion with a corresponding increase in the general revenue grant.
- £10,000 grant for all businesses qualifying for small business bonus scheme or eligible for rural or nurseries relief from April.
- £25,000 grant for businesses in the hospitality sector with rateable values between £18,000 and £51,000 from April.
- £350 million package of measures to support communities including:
 - £50 million hardship fund for local government with full flexibility, of which West Lothian will receive £1.687 million.
 - £45 million additional funding for Scottish Welfare Fund administered through community care and crisis grants.
 - £50 million for increased eligibility for social security benefits and the increased cost of the council tax reduction scheme (CTRS).
 - £70 million food fund for organisations to address food insecurity to be delivered through councils.
 - £50 million wellbeing fund for third sector partners, provided directly to the sector.
 - £40 million supporting communities fund to address social isolation, distancing

- etc to be provided to community groups.
- £20 million for a third sector resilience fund to address the business health of third sector organisations.
- £25 million reserve held by the Scottish Government.

In addition, the Scottish Government intimated that the Finance Secretary will be writing to councils urging them to respond positively to requests from rate payers to defer payment of business rates for a fixed period, although it should be noted that business rates are not subject to recovery actions until after September each year.

The reliefs and grants will be funded by the Scottish Government, however there will be some operational costs for councils as a result of administering reliefs, rebilling etc. For example, although further detail is awaited on the measures, councils will administer the grants to businesses. COSLA has committed to working with councils to identify these costs and liaising with the Scottish Government to ensure appropriate funding is provided. COSLA is also liaising with the Scottish Government regarding the detail and implementation of the measures announced on 18 March 2020.

Although the Scottish Government has made these announcements, detail is not yet available on how these support measures will be deployed, for example the sectors to benefit from the small business grants have yet to be determined. The Scottish Government is discussing with COSLA how these measures will be practically implemented, however it should be noted that the measures above relate to non domestic rates only.

Bank of England

In addition to the announcements from the UK and Scottish governments, the Bank of England announced an emergency reduction in the bank base rate to support the economy during the coronavirus outbreak on 11 March 2020. The bank base rate reduced from 0.75% to 0.25%. Further to this the Bank of England reduced the base rate to 0.1% on 19 March 2020. The Bank of England has also announced that it would release £190 billion to help banks support firms through additional borrowing and would increase its holdings of UK government bonds.

Further Announcement by the Chancellor of the Exchequer

Since the writing was written, a further announcement has been made by the Chancellor of the Exchequer on 20 March 2020 to provide further support including the following measures:

- Coronavirus job retention scheme to offer all employers (private companies, not-for-profit organisations and charities) access to a grant covering up to 80% of the average wage, worth up to £2,500 a month.
- VAT deferral meaning no business will pay VAT until the end of June, deferring tax payments for a quarter and companies will not need to pay what VAT is owed until the end of the year.
- Self-assessment income tax payments for July 2020 will be deferred for six months.
- The coronavirus business interruption scheme will be interest-free for 12 months, instead of the initially proposed six months.
- Universal credit standard allowance will be increased by £1,000 (£20 a week). Tax credit allowance will also be increased benefiting 4 million low-income families with other measures to boost benefit payments costing £7 billion.
- Measures for those self-employed, previously denied payments if they are off work sick, will be able to access sickness benefit of £94.25 each week.
- Rent support of £1 billion will be provided for rent payers following an increase in the housing benefit element of universal credit. This top-up will be received to match the mortgage subsidies announced in the Chancellor's last package of support

measures.

In relation to the hardship fund referenced in section D2 announced by the Scottish Finance Secretary on 18 March 2020, Scottish Government has confirmed that councils will be able to use this money to directly address their local needs in the best way they see fit. It is therefore recommended that this funding should be delegated to the Chief Executive to utilise in accordance with the funding conditions and in relation to the urgent action required to address the consequences of COVID-19. The money could be used to support families and individuals, voluntary and community groups, to allow the council purchase supplies such as food for vulnerable groups or alternatively the council can assist organisations using their procurement procedures to provide support.

D.3 Potential Financial Implications and Ongoing Financial Sustainability

The council has robust budget monitoring and reporting processes, however in these unprecedented times additional action is required to identify the potential financial risks and implications arising from COVID-19. It is proposed that officers undertake an exercise to determine potential financial consequences of the pandemic for the immediate term and 2020/21. This will include consideration of potential areas where spend may increase or income levels may reduce. Although there will be areas of financial pressure, there may also be areas where there is a reduction in spend which could be used to potentially offset any emerging pressures. The review of potential financial consequences would include consideration of both elements.

In addition to identifying the potential consequences, officers will also seek to identify potential mitigating actions to help manage emerging financial pressures. This could include areas of reduced spend, as noted above, but also could include potential proactive options to reduce non urgent expenditure. Officers will also continue to seek to identify for additional sources of funding, whether that be through external sources such as the Scottish Government, or through redirected existing council resources through reducing, deferring or cancelling existing projects and initiatives.

As outlined in previous external audit reports, although the council has one of the lowest general fund balances, it does have extensive earmarked reserves. In the event of a severe financial crisis, the use of these reserves could be reviewed with funds being potentially redirected as necessary.

The COVID-19 position is extremely fluid with regular announcements and changes to circumstances. From the publication of this report to the meeting, there may be changes to the financial outlook and situation and these will be provided verbally at the meeting. Officers will continue to monitor announcements and what they could mean for the council's financial position. In addition, officers will continue to liaise with COSLA, professional bodies such as CIPFA and Directors of Finance and the Scottish Government regarding the potential financial implications of COVID-19.

E. CONCLUSION

This report provides Council Executive with an update on recent government announcements in relation to financial support for COVID-19, including the COVID-19 hardship fund for councils. It also outlines the work proposed by officers to review the potential financial implications from the pandemic. Further updates on the potential financial implications, and mitigating actions to address them, will be provided in due course.

F. BACKGROUND REFERENCES

None

Appendices/Attachments: None

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24 March 2020