

DATA LABEL: PUBLIC



**COUNCIL EXECUTIVE**

**COVID 19 UPDATE ON THE ESTIMATED FINANCIAL IMPACT ON THE COUNCIL**

**REPORT BY HEAD OF FINANCE AND PROPERTY SERVICES**

**A. PURPOSE OF REPORT**

This report provides Council Executive with an update on the financial impact of Covid-19, including an initial estimate of the net additional costs on the council's 2020/21 General Fund revenue budget and General Services capital programme. It also provides an update on the additional support the council is delivering to communities and businesses across West Lothian to help alleviate the impact of the pandemic.

**B. RECOMMENDATION**

It is recommended that Council Executive:

1. Notes that the council has invested considerable expenditure to deliver additional urgent support to communities and businesses across West Lothian;
2. Notes that the anticipated additional net cost in 2020/21 as a result of the implications of Covid-19 is £13.472 million for the general fund revenue budget, with an underlying increase in costs of £5.125 million for the general services capital programme;
3. Notes that COSLA leaders agreed on 15 May 2020 that additional government funding of £155 million should be distributed to individual councils using the normal local government distribution formula and that funding of £1.629 million is being provided via the health budget for West Lothian to assist with the health and social care response;
4. Notes that even after the anticipated additional funding is accounted for, there is an estimated revenue pressure of approximately £6.9 million in 2020/21;
5. Agrees that officers should continue to monitor the financial impact of Covid-19, including identification of potential options to manage the financial pressures outlined in this report, which would include possible use of balances to mitigate pressures;
6. Agrees that further updates should be provided to Council Executive around the financial impact of Covid-19 on the council, the first of which will be the month three budget monitoring exercise to be reported to Council Executive after the summer recess;
7. Agrees that officers should continue to engage with Scottish Government and COSLA around further government funding for the council to fund the significant additional costs being incurred by the council.

**C. SUMMARY OF IMPLICATIONS**

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|---|---|
| <b>I Council Values</b>   | Focusing on customers' needs, being honest, open and accountable, making best use of resources, working in partnership. |
| <b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b> | None.   |

<b>III</b>	<b>Implications for Scheme of Delegations to Officers</b>	No implications at this stage.
<b>IV</b>	<b>Impact on performance and performance Indicators</b>	The financial and operational impact of Covid-19 will have implications for performance during 2020/21.
<b>V</b>	<b>Relevance to Single Outcome Agreement</b>	None.
<b>VI</b>	<b>Resources - (Financial, Staffing and Property)</b>	As a result of Covid-19, additional net costs of £13.472 million are anticipated on the General Fund revenue budget for 2020/21, with a further £5.125 million underlying increase in costs for the General Services capital programme. The allocation to the council from funding of £155 million is still to be confirmed. After accounting for the anticipated West Lothian share of this, and the funding via the Health and Social Care Mobilisation Plan, there will still be a significant remaining net revenue pressure of around £6.9 million in 2020/21.
<b>VII</b>	<b>Consideration at PDSP</b>	A financial performance report will be presented to PDSPs twice yearly on an ongoing basis.
<b>VIII</b>	<b>Other consultations</b>	Depute Chief Executives and Heads of Service

## **D. TERMS OF REPORT**

### **D.1 Background**

Covid-19 represents an unprecedented challenge for delivery of council services and, as part of this, it is evident that there will be material financial implications for many council services and activities. An initial report on the financial implications and issues arising from Covid-19 was due to be considered at Council Executive on 24 March 2020. This meeting was cancelled as a result of the Covid-19 situation and the report was approved under Standing Order 31. As agreed in that report, officers have undertaken an exercise to identify the initial financial implications of Covid-19 and have actively liaised with COSLA and the Scottish Government on relevant financial issues, including the cost collection exercise co-ordinated by COSLA.

An assessment of the financial implications to the council has been undertaken so that an initial estimate of the net additional 2020/21 General Fund revenue budget costs and the additional costs for the General Services capital programme can be identified.

The general assumption used in estimating the financial implications is that the current lockdown restrictions will be largely in place until the 30 June. It should be noted that this is an initial exercise to produce a high-level estimate of the 2020/21 financial implications for the council. Events continue to be fluid, and ongoing detailed review and monitoring will be required over the coming weeks and months.

The report also provides an update on the support that the council has delivered to communities and businesses across West Lothian to help alleviate the impact of the pandemic.

Further updates will be provided to Council Executive to allow consideration of the latest position and any actions required to manage the financial impacts of the virus.

## **D.2 Financial Implications at Scottish Level**

Covid-19 continues to present financial challenges for local government that are changing and emerging every day. As well as directly dealing with the impact of the virus and protecting communities, councils must continue to deliver a wide range of services which are all being impacted by the current situation.

COSLA and all 32 local authorities in Scotland have been working together on coordinating cost templates from councils to understand the scale of the pressures faced. At this stage, the Scotland wide cost estimates have been established up to the end of June.

After reduced costs of £40 million and Scottish Government financial support of £80 million are accounted for, the additional cost for local government in Scotland is estimated to be in the region of £0.25 billion.

The most significant area is loss of income. In addition, Council tax will continue to be monitored closely, particularly collection rates but also the impact of a reduction in housebuilding.

The Cabinet Secretary for Finance announced on 4 May 2020 that £155 million consequentials for Scotland would be passed to councils to provide support during the coronavirus pandemic. COSLA leaders agreed on 15 May 2020 that the £155 million should be distributed to councils based on the percentage share generated by using the standard distribution formula, and confirmation is awaited of the final allocation to councils. On 12 May 2020 initial funding of £50 million was announced for the health and social care response intended to support the immediate challenges in the social care sector, as identified in Health and Social Care Mobilisation Plans submitted to the Scottish Government. Distribution is based on the National Resource Allocation Committee formula which is similar to GAE. The amount for West Lothian is £1.629 million. Councils will also receive £600,00 of funding for providing a death registration service seven days per week, though the allocation to each authority is still to be confirmed.

In terms of short, medium, and longer-term strategy, given the impact of the pandemic, the Scottish Government intends to present a Summer Budget Bill revision which will be laid in the Scottish Parliament in the final week of May, with the following stages of the Bill in June. The Bill will include allocation of all consequentials and will result in a finance order that will allow additional commitments to be paid to local authorities. Only the social security and council tax reduction scheme funding of £50 million will remain unallocated at that time. It is understood by COSLA that no material changes will be proposed within the Bill, but the Scottish Government has stated that the financial commitments made rely on full consequentials being passed from UK Government, and that commitments made to date go beyond consequentials. This presents a potential risk across the public sector as to how any shortfall might be addressed over the medium term.

The major challenge over how to address any current in-year budget pressures will be a key priority for all councils, as will funding any additional Covid-19 related costs not covered by the Scottish Government. Longer term financial strategies will also require attention. The Scottish Government is currently establishing its recovery priorities, which will in turn impact on local government priorities. This must all be set against a backdrop of sustainable funding to allow local government to focus and play its key part in longer term recovery

The separate cost collection exercise for all local authorities in Scotland will continue to fully understand the total additional costs to local government. Initial information on this has and will continue to be shared with the Scottish Government to facilitate discussions on funding for the overall additional costs faced by Scottish councils

### D.3 Financial Implications for the council

#### D.3.1 Summary Position

The council agreed a balanced three-year revenue budget for 2020/21 to 2022/23 on 28 February 2020. This included allocation of £7.8 million of one-off resources over the three years for investment in priority areas. Much of the core revenue budget and the additional spending has and will be of direct benefit in responding pro-actively to the challenges presented by the Covid-19 situation, including the extra budgets for school holiday provision and the jobs task force. It is undoubtedly the case though that the current situation will have a major impact on the council's approved budgets.

To begin to assess this impact, an initial exercise has been undertaken to determine the anticipated financial implications of Covid-19 on the 2020/21 general fund revenue budget and general services capital budget. For the revenue budget this includes an early assessment of additional spend, any areas where costs may be reduced, and the impact on income generation as a result of changes to service provision during this unprecedented period. The anticipated net cost pressure for the council resulting from the impact of Covid-19 is estimated to be around £13.472 million for the 2020/21 General Fund revenue budget. After accounting for the anticipated funding from the consequential and social care, there remains an estimated cost pressure of around £6.9 million for the full year in 2020/21.

In terms of the capital programme, an underlying cost pressure of over £5 million is anticipated as a result of the enforced delay in delivering the projects within the approved capital budget.

It should be noted that the additional revenue costs identified takes account of the Hardship Fund and the Food Fund. In West Lothian, all of this funding has been utilised to deliver additional expenditure on support packages to individuals, families, businesses and third sector partners. In addition, it has been assumed that HRA will continue to meet costs that were budgeted for during the period where services cannot be delivered such as building maintenance.

#### D.3.2 Financial Implications on the 2020/21 General Fund Revenue Budget

The anticipated net cost pressure for the council resulting from the impact of Covid-19 is estimated to be around £6.9 million. The table below shows how the net anticipated costs have been calculated:

	£'000
Additional Staff and Non-Staffing costs:	7,679
Loss of income	7,812
Reduced Costs	(2,019)
<b>Anticipated additional net costs</b>	<b>13,472</b>
Further anticipated funding	<b>(6,600)</b>
<b>Net cost pressure in 2020/21</b>	<b>6,872</b>

The following section of the report provides for each service a summary of the areas with net additional costs as well as other relevant factors. In many cases, council services have acted to support communities, families, individuals and businesses in West Lothian.

#### Education

- Partner providers for Early Learning & Childcare continue to be paid for funded places to ensure they remain financially sustainable;
- Provision of Early Learning & Childcare to children of key workers;
- The closure of West Lothian Leisure facilities has significantly reduced income, and the council has agreed a £801,000 support package with West Lothian Leisure to mitigate the impact of this pressure via reprofiling management fee in 2020/21;
- Loss of net income from Burgh halls, school lets and sports income

### **Planning, Economic Development and Regeneration**

- Reduction in pest control income;
- Reduction in planning fee and building warrant income;
- Economic Growth fund available to support local businesses

### **Social Policy**

- Additional social care costs;
- Reduced income from contributions for non-residential care and reduced resident recoveries income for residential care;
- Increased care and respite costs for community-based care;
- Additional care home provision costs;
- Additional spend on section payments;
- Potential increase in cost of Child Disability service due to additional support and inability to deliver approved budget reduction measure;
- Increased residential costs for Looked After Children for additional places or delayed leavers;
- Additional costs on external foster placements to cover sickness;
- Reduced ability of Occupational Therapy team to assess and have equipment installed with social distancing measures will result in lower expenditure

### **Chief Executive, Finance and Property Services**

- An anticipated increase in awards for Council Tax Reduction Scheme where significant additional expenditure is being incurred to support council tax payers experiencing financial hardship;
- The impact of house building on Council Tax income, as the budget assumes that 900 new houses will be built in West Lothian in 2020/21;
- Reduction in overpayments from Housing Benefits as DWP and HMRC not prioritising processing requests for deductions to benefits or overpayments during this period;
- Deferred rental income from commercial tenants;
- Increase in Scottish Welfare Fund crisis care grants and Education benefits including clothing grants and Education Maintenance Allowance;
- Likely reduction in spend on non-essential property maintenance

### **Operational Services**

- Reduced staffing levels and variable costs, including fuel within NETS, land and countryside services;
- Reduced income from visitors at country park;
- Increased demand for Cemetery Services;
- Net cost implications from changes to the school meals service, including additional payments to support children and families;
- Impact of changes to school transport;
- Saving in concessionary travel costs;
- Additional staff costs from reduced capital allocations for Roads and Transport partially offsets savings in variable spend, including fuel;
- Reduction in roads and transport income from permits and inspections;
- Increased staff costs required to continue waste collection of and lost income from bulky uplifts and metal collection at CRC sites

### **Housing, Customer and Building Services**

- Additional staff costs to provide Registration services seven days a week;
- Reduced income from marriages and civil partnerships;
- Loss of income at Fauldhouse Partnership Centre from the pitch and swimming pool;

- Potential for additional overtime costs at Customer Service Centre to cover increased demand;
- Possible adverse effect on homeless budget due to reduction in secondary lets to homeless;
- Saving of estimated Homeless transport costs during school closure period

### **Corporate Services**

- Impact on rebates from suppliers;
- Reduction in licencing income for one off events;
- Savings from printing costs which mainly relate to schools;
- Additional IT costs

### **D.3.3 Financial Implications on the General Services Capital Budget**

The anticipated net cost pressure for the council resulting from the impact of Covid-19 is estimated to be around £5.125 million for the General Services capital programme and this includes additional costs relating to project contract inflation due to delay, additional insurance and contingencies that may be factored in by bidders, and the cost of the impact on current contractors invoking insurance clauses and seeking delay payments.

This will be an underlying pressure to be managed next year as the overall spend on the capital programme will be reduced in 2020/21 as a result of slippage after the enforced closure of construction sites.

### **D.3.4 Funding Required to Fund Significant Additional Pressures**

The council has provided details of the initial estimate of the anticipated financial implications of Covid-19 to COSLA who have been in discussions with the Scottish Government to outline both the significance of the cost pressures being faced by councils as a result of this pandemic and to present the case for additional financial support for councils to fully fund them.

This will require ongoing review as the current exercise has identified only the impact of the emergency response to the current situation but there will inevitably be additional cost implications over the subsequent period after the current lockdown is eased.

A separate ongoing exercise is being undertaken by West Lothian Health and Social Care partnership, to identify the additional social care costs which are delegated to them, using Local Mobilisation Plans. Costs relevant to council revenue budgets have been included within the figures contained within this report.

The council, in liaising with COSLA, will continue to lobby the Scottish Government to provide additional resources to the council to ensure that the financial implications of Covid-19 are fully funded, both in relation to the initial costs being incurred during the lockdown period, and over the coming months when current restrictions are relaxed.

### **D.3.5 Further Cost Implications Following Lockdown Period**

In addition to the various costs being incurred by the council currently, there is a high risk that further significant costs will continue to be incurred during financial year 2020/21 and this will need to be closely monitored to ensure costs are fully identified. This will inform discussions with the Scottish Government over funding for the increased level of costs.

Officers will review and develop plans to allow services to be delivered in line with Government recommendations around preventative measures, such as social distancing, and it is anticipated that this will likely result in further costs being incurred across the council. These areas will include school transportation, social care provision and homelessness.

#### D.4 Additional Support being provided

The council has made good progress in providing a number of support packages to communities and businesses across West Lothian to help alleviate the impact of the pandemic, particularly those most vulnerable. The table below outlines funding to assist in the delivery of support to the community.

Fund	£'000	Purpose
Hardship funding	1,687	Allocated to local authorities to tackle hardship within communities
Food fund	1,045	To address food insecurity including children entitled to free school meals, vulnerable groups and investment in the third sector.
Scottish Welfare Fund	712	Additional Scottish Welfare Funding to ensure availability of funds to meet needs of vulnerable individuals
Self Employed Crisis Grants	674	Support for self-employed or other small businesses not covered by other support measures
Small Business Grants	23,032	Support for small businesses to assist with cashflow and other additional cost pressures

An update is provided in Appendix 1 on the progress to date for the hardship fund.

#### Food Fund

In terms of the food fund, the council is providing support to the shielded group of persons deemed to be a highest clinical risk, and is the local point of contact for co-ordination and delivery of all other food requirements, medication and other support. This includes a dedicated contact number for anyone within the shielded group to contact the council for support.

The council is also delivering a service for key workers who have no alternative childcare, with a hot lunch provided each day Monday to Friday. At the same time, the council has continued to provide all children entitled to a free school meal with the choice of a packed lunch or a takeaway hot meal and a breakfast bar / cereal. Where required, third sector partners provide home delivery.

For non-shielding households, including people with Covid-19 symptoms, vulnerable people, financially at risk households, and marginalised households, the council is providing further support. All eligible households are receiving a £10 per week per child payment directly into bank accounts and £150,000 of funding has been agreed with a consortium of third sector community food groups to provide a wide range of food support to the relevant non-shielding households.

#### Scottish Welfare Fund

There has been a significant increase in applications for crisis grants since the start of the Covid-19 situation. These are being processed within required times and customers can now access payments at Pay Point facilities throughout West Lothian. The additional budget agreed by the council in February will assist with the other sources of funding to ensure people in crisis in West Lothian will be supported throughout the financial year.

#### Self employed and business support

As at 19 May 2020, 1,845 business support grants totalling £20.960 million had been paid to business in West Lothian, consisting of 1,667 small business grants of £16.547 million and 178 retail, hospitality and leisure grants of £4.413 million. Additionally, 101 payments totalling £202,000 have been made for the self-employed hardship fund.

**E. CONCLUSION**

The anticipated net cost pressure for the council resulting from the impact of Covid-19 is estimated to be around £6.9 million for the 2020/21 General Fund revenue budget. If further funding is not received from the Scottish Government, there will be a significant pressure to be funded.

Despite the financial and operational challenges, the council continues to provide support to communities and businesses across West Lothian to help alleviate the impact of the pandemic.

Updates will be provided to Council Executive allow further consideration of the latest position and any actions required to manage the financial impacts of the virus.

**F. BACKGROUND REFERENCES**

Revenue Budget 2019/20 - 2022/23 - Report by Head of Finance and Property Services to West Lothian Council on 28 February 2020

Covid-19 Potential Financial Implications and Issues – Report by Head of Finance and Property Services approved under Standing Order 31

Appendices/Attachments: Appendix 1 – Hardship Fund

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**26 May 2020**



## **APPENDIX 1 - HARDSHIP FUND – UPDATE ON PROGRESS**

The table below shows the allocation of the £1.687 million hardship fund over nine programmes and provides an update on action taken.

The programmes will be monitored regularly, and the funding will be reallocated where appropriate to tackle any evolving needs. The programmes have been categorised into the following:

- A. Assistance to individuals and families
- B. Assistance to the Third Sector / Community Groups / Community Councils

<b>Ref</b>	<b>Description</b>	<b>Support Provided</b>	<b>Target Group</b>	<b>Value £</b>	<b>Action taken</b>	<b>Update on Spending</b>
A1	Purchase of educational and play materials for identified vulnerable families to support 1,000 families through provision of play materials or, where this is not practical £30 vouchers	This will help vulnerable families to engage, educate and entertain children for long periods of time, via the purchase of materials to help facilitate this.	Kinship carers and other identified vulnerable families	30,000	415 packs for children aged 0-16 years have been provided. This fully utilised online supplier education providers and Pecos suppliers and remaining budget has been used to purchase vouchers for relevant families.	30,000
A2	Increase section payments, under the Social Work Scotland Act 1968.	To meet increased demand for section payments from vulnerable families and individuals over a 24-week period. Section Payments covers a range of needs including food and fuel.	Various families and individuals via the section payment criteria	120,000	This supplements the existing section payments budget to meet increased demand over coming months as people face the economic impact.	Will be fully spent in 2020/21.
A3	Increased self-directed support payments for families with children with complex disability	Increasing self-directed support would enable families to engage with existing personal carers to increase provision.	Families identified to the Child Disability Service	110,000	Support is being provided for families with disabled children, including additional support for 40 families requiring critical additional support, and lower level support for groups unable to operate normally just now.	Will be fully spent in 2020/21.

Ref	Description	Support Provided	Target Group	Value £	Action taken	Update on Spending
A4	Increase Scottish Welfare Fund - General	A further increase to the Scottish Welfare Fund with a view to reducing the qualifying threshold to allow support to be provided to a wider group of people in West Lothian who require crisis support due to Covid-19.	Individuals and families in crisis – to assist the larger number of people in this category	400,000	This has been added to the existing budgets to help meet higher demand, with an increase of 113% in grant applications, with this trend anticipated to continue throughout 2020/21.	Will be fully spent in 2020/21.
A5	Increase Scottish Welfare Fund – Additional Home Items	This will provide a wider range of items, which will assist individuals and families.	Individuals and families in crisis	50,000	This element of the fund will be used for families in financial hardship. These items are currently being purchased from the main Scottish Welfare Fund under current legislation.	Will be fully spent in 2020/21
A6	Additional school clothing grant funding to all families receiving council tax reduction support	Additional support to more families in West Lothian, at a time of need. This will allow families to purchase suitable clothing for undertaking home schooling as well as appropriate clothing for the most vulnerable families in need.	All those families where council tax reduction is being claimed	200,000	The payment of clothing grants has been brought forward to May. Work is being undertaken to identify the extended group of people who would qualify as a result of the extension of the eligibility so that the payment can be made.	200,000
A7	Increase Discretionary Housing Payments	Increase the support provided via DHP Hardship Funding.	Council, RSL and private tenants in receipt of housing benefit or the housing cost element of UC.	300,000	The hardship element is being supported through this additional funding.	Will be fully spent in 2020/21
<b>Sub-Total Individuals and Families</b>				<b>1,210,000</b>		

Ref	Description	Support Provided	Target Group	Value £	Action taken	Update on Spending
B1	Community Food Grant	Provide an initial grant of £5,000 to 15 groups related to community food provision. This will assist in covering increased costs incurred over the next three months. There is potential for a secondary allocation or to vary the grant value depending on the length of the lockdown and the communities the organisations are serving.	Third Sector and Community Groups	327,000	£150,000 has been paid to 28 local groups. £177,000 has been allocated to support a third sector consortium of community food providers.	327,000
B2	Third Sector Hardship Fund to enable the sector to support vulnerable individual and families	This will enable third sector organisations to provide additional support to vulnerable groups, including the elderly and people with disabilities.	Third Sector and Community Groups	150,000	£94,000 has been allocated to local groups, mainly working with elderly people and people with disabilities. A further £56,000 is retained to support further applications for this purpose.	94,000
<b>Sub-Total Third Sector / Community Groups</b>				<b>477,000</b>		