

Item 2

9th September 2020



Glasgow City Council

Finance and Audit Scrutiny Committee

Report by Director of Financial and Business Services

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Covid-19 Financial Implications – Update Report

Purpose of Report

This report provides an update on the most recent assessment of financial implications resulting from Covid-19.

Recommendations

It is recommended that the Finance and Audit Scrutiny Committee note the content of the report.

Ward No(s):

Citywide: x

Local member(s) advised: Yes No

consulted: Yes No

1. Introduction

1.1 The Council's response to Covid-19 has incurred additional costs. Also, there have been a number of areas suffering from reduced income resulting from lockdown restrictions. The purpose of this report is to provide information on the latest assessment of these financial implications including funding allocated by the Scottish Government. An initial report was presented to the Finance and Audit Scrutiny Committee meeting of 24 June 2020 with a forecast to the end of June. This report provides an updated forecast to the 31 March 2021.

2. Monitoring Process

2.1 When lockdown commenced financial monitoring arrangements were put in place for all services and ALEO's to capture the financial implications of Covid-19 response. This included direct costs incurred, other cost implications, reductions in income generation and also areas of reduced spend. This process has been updated on a number of occasions to simplify data capture. It has also allowed the completion of a number of returns to COSLA, completed by all local authorities, on the financial implications. For simplicity the headings used in this report are based on the headings used in the returns to COSLA.

2.2 The previous assessment of costs was to the end of June and forecast total net expenditure of £41.2 million. Estimates have now been updated to the end of this financial year and are noted in the table below. These now include Recovery costs.

	Total (£'000)		
	Recurring	One-off	Total
Children's Services (non delegated) and Early Learning & Childcare	100	0	100
Criminal Justice Social Care (non delegated)	0	0	0
Other (non delegated) Social Care costs	0	0	0
Total Social Care Costs Outwith Remit of IJBs	100	0	100
Housing and Support to Vulnerable Communities	6,255	0	6,255
Workforce Costs (excl IJB workforce)	4,358	0	4,358
Non-Workforce Costs	2,433	1,725	4,258
Total LG Mobilisation Costs	13,146	1,725	14,871
Closures	48,982	0	48,982
Fees and Charges	39,408	0	39,408
Other Costs and Lost Income	11,449	0	11,449
Savings not achieved	4,884	0	4,884
Total Lost Income & Other Costs	104,723	0	104,723

RECOVERY	26,706		26,706
Education	11,140		11,140
Early Learning and Childcare	3,572		3,572
Waste and Environment	1,285		1,285
Culture and Leisure	302		302
Property Estate including Office	8,763		8,763
Test, Protect and Shielding	1,644		1,644
Overall Total Cost & Lost Income	144,575	1,725	146,300
Less			
Reduced costs	10,518	0	10,518
Net Additional Cost Before Government Funding	134,057	1,725	135,782

2.3 Some further information in respect of each of the headings is provided below.

Total Social Care Costs Outwith Remit of IJBs: The information noted above excludes costs incurred by the IJB in line with Scottish Government guidance. Their costs are being reported separately however further information is noted in Section 3. The costs included in this line relate to additional costs for mobilisation of educational establishments to receive children of key workers.

Housing and Support to Vulnerable Communities: This mainly relates to the costs of providing food vouchers to families with children entitled to free school meals and also emergency food to vulnerable citizens.

Workforce Costs (excl IJB workforce): mainly additional staffing costs previously funded by projects now delayed.

Non-Workforce Costs: this relates to costs of setting up a temporary morgue and IT related costs.

Closures: Lost income resulting from closure of Glasgow Life venues. Also includes loss of income from school lets, school meals and reduced rental income for JBG and City Property.

Fees and Charges: Loss of income from on and off-street parking, waste collection, planning and licensing

Other Costs and Lost Income: Other commercial income, registrars, early years and loss of City Building return

Savings not achieved: Includes impacts of delays to various efficiency programmes, review of single persons discount entitlement and increasing charges in line with approved 2020-21 budget

Recovery Costs: these are analysed over various headings and reflect the additional costs of providing services post lockdown restrictions but meeting government guidelines eg. increased cleaning regimes, increased staffing levels to meet government guidelines

Reduced costs: Savings mainly in food purchase and utilities. This also includes income from the Job Retention Scheme for furloughed ALEO workers.

2.5 An initial assessment of additional capital costs of £5.4 million was provided in the previous report to FASC. Work has been continuing to update this estimate now that construction works are back on-site and contractors have the opportunity to assess additional costs from physical distancing. However the

estimate remains unchanged for the moment. It may also be possible to contain some costs within existing project contingencies, review existing scope or from virements from other projects.

3. Scottish Government Funding

- 3.1 The Scottish Government has provided confirmation of a number of additional allocations of funding to support local authorities with the costs associated with Covid-19. The previous report identified the funding streams that had been notified at that time. These are noted below:

Hardship Fund	£5.596 million
Food Fund	£4.799 million
Allocation of Barnett Consequentials	£17.347 million

- 3.2 Since then further funding has been announced and Glasgow allocations confirmed. These are detailed below:

Free School Meal Summer Holidays Provision	£2.181 million
Support for People At Risk to Access Food etc.	£2.111 million
Support for Additional Education Staffing 2020-21	£6.117 million

A further £3.058 million has been confirmed for 2021-22 in respect of Support for Additional Education staffing to the end of the academic year in June 2021.

- 3.3 Further support for Education non-staffing costs is expected but their allocation is not yet confirmed and there may be further funding for teachers. In early July the UK Government announced additional funding for local authorities with an associated consequential for Scotland of £49 million. In addition a scheme to cover approximately 70% of lost local authority income was also announced. The Scottish Government have confirmed that these consequentials will be passed on to local authorities but discussions are ongoing in terms of the approach that will be taken on lost income.
- 3.4 The UK Government have indicated that they may not cover lost income suffered by ALEO's however the Scottish Government have indicated that they will consider a scheme which does recognise ALEO's. More detailed information on values of lost income including support for ALEO's has recently been provided by local authorities to COSLA to help inform the scheme.
- 3.5 Confirmed funding to date that off-sets the net costs set out in the table above totals £38.1 million. A prudent estimate of funding still to be allocated excluding that from the lost income scheme would take the total to £45 million. This leaves an estimated balance of £90 million. As the scheme for lost income is not yet finalised it is the most uncertain to estimate but could provide up to a further £70 million in funding.
- 3.6 The Council continues to engage with COSLA in lobbying the Scottish and UK Governments for additional funding to meet the full financial implications of Covid-19. In the interim net costs are being underpinned by reserves.

- 3.7 The Scottish Government has provided a range of other funding to local authorities to support business and individuals. This includes funding to support the Small Business Grant Scheme and Retail, Hospitality and Leisure Grants Scheme which provides grants of either £10,000 or £25,000 to eligible businesses. To date the council has paid out £118 million which will be funded in full by the Scottish Government. The scheme is now closed to new applications but some residual applications are still being processed.
- 3.8 The Scottish Government also provided funding for a Newly Self-Employed Hardship Fund. This scheme provided grants of £2,000 and to date £1.2 million has been paid out which will be fully funded by the Scottish Government. This scheme is also now closed.
- 3.9 Additional funding of £4.076 million has been received in respect of a top-up to the Scottish Welfare Fund. Further sums have been committed nationally for both Scottish Welfare Fund and the Council Tax Reduction Scheme but their allocation will be considered once more information is available on take-up.
- 3.10 Support for businesses has also been provided through the introduction of a Non-Domestic Rates (NDR) relief for 2020-21 for businesses in the Retail, Hospitality and Leisure sectors. This will reduce the value of NDR to be collected by an estimated £145 million however, due to the pooling arrangements, will have no direct impact on the council's budget as this will be replaced by additional General Revenue Grant from the Scottish Government.
- 3.11 Funding of costs associated with COVID-19, for services delegated to the IJB, will be routed through Greater Glasgow and Clyde Health Board and passed through to the IJB to meet costs. Discussions with Scottish Government continue in relation to this funding. To date the IJB has been allocated a first tranche payment of £5.815m to meet the initial costs of responding to COVID-19 and £1.175m to support a nationally applied increase of 3.3% to support providers to pay the Scottish Living Wage. The Scottish Government have also given a commitment to social care providers in relation to financial sustainability during this period. The IJB has started to consult with providers in relation to these sustainability payments.

4. Monitoring Reports

- 4.1 The costs to date of Covid-19 will be reported in the regular Revenue Budget Monitoring reports. Service budgets will be adjusted for Covid-19 costs so that there is visibility of variances arising from business as usual, as far as possible.
- 4.2 Implications for capital projects will be reported through the quarterly Investment Programme monitoring reports.

5. Policy and Resource Implications

Resource Implications:

<i>Financial</i>	As set out in the report.
<i>Legal:</i>	None
<i>Personnel:</i>	None
<i>Procurement:</i>	None

Council Strategic Plan: Not applicable

Equality Impacts:

<i>EQIA carried out:</i>	Not applicable
<i>Outcome:</i>	

Sustainability Impacts:

<i>Environmental:</i>	None
<i>Social:</i>	None
<i>Economic:</i>	None

Privacy and Data Protection impacts: None

6. Recommendations

- 6.1 It is recommended that the Finance and Audit Scrutiny Committee note the content of the report.