



REPORT TO: EMERGENCY CABINET 21 MAY 2020

SUBJECT: FINANCIAL MONITORING – IMPACT OF RESPONSE TO COVID-19

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

- 1.1 To inform the Emergency Cabinet of the current estimate of the financial impact of the Council's response to the COVID-19 outbreak, as reported to COSLA on 15 May 2020 for remission to Scottish Government as part of an overview of the estimated impact on Scottish local authorities and to raise other issues which will impact on the Council's finances.
- 1.2 This report is submitted to the Emergency Cabinet following a decision of Moray Council on 25 March 2020 to temporarily suspend all delegations to committees as a result of the Covid-19 pandemic (paragraph 2 of the minute refers).

2. RECOMMENDATION

2.1 It is recommended that Emergency Cabinet notes:

- (i) the current estimated financial position for the initial lockdown period; and**
- (ii) the longer term issues which will impact on the Councils finances.**

3. BACKGROUND

- 3.1 The response to the COVID-19 outbreak will have significant financial impact on local authorities. COSLA are lobbying for Scottish Government to meet all costs incurred and as part of the on-going dialogue on this subject have agreed a standard template for gathering financial information. This template will be updated and returned fortnightly. It seeks to gather the gross cost of the response. In the first instance estimates were asked from 24 March to 30 June only. It is recognised that reporting cost estimates is an evolving area and that these current best estimates will change. There are also costs which are specifically excluded from the template and these are identified in paragraph 3.13 to 3.17.

3.2 The summary costs of Moray's COVID-19 response for that period as reported to COSLA on 15 May 2020 are reported in the table below. The response indicated that there are areas where it is known that there will be additional expenditure but we have insufficient information to estimate that cost at present. It should be noted that Integration Joint Boards (IJB) have been reporting estimated costs through the health board since the onset of the outbreak and the costs reported by local authorities therefore exclude any costs on areas within the IJB remit. The net impact of the figures below is anticipated additional expenditure of £2.2 million during the period 24 March to 30 June 2020.

	Para ref	Total (£'000)	
		Recurring	One Off
Mobilisation costs			
Social Care Costs Outwith Remit of IJBs	3.4	131	0
Housing and Support for Vulnerable People	3.5	415	31
Workforce Costs	3.6	30	110
Non-Workforce Costs	3.7	0	10
Total		576	151
Loss of income and other costs			
Closure of facilities	3.8	1,208	50
Fees and charges	3.9	754	0
Other costs		0	0
Savings delayed	3.10	111	0
Total		2,073	50
Overall total cost & lost income		2,649	201
Reduced costs as a result of COVID-19		612	0

3.3 Details of the table above are discussed on a line-by-line basis below.

3.4 **Social care costs:** these costs are for children's services. The main anticipated cost (£90,000) is for Early Learning and Childcare (ELC) for key workers children. The cost included is a very high level indicative estimate and will be refined on a monthly basis. It is also anticipated that changing circumstances for carers and looked after children in residential and foster care arising from response to the COVID-19 may result in increased costs. Individual placements are kept under review and the current likely impact is additional cost of £41,000.

3.5 **Housing and support costs:** the costs of the various strands of response to food need - provision of vouchers to families entitled to free school meals (net

of savings on the cost of food and other catering supplies); Flexible Food Fund (supporting those financially at risk), Community Food Fund (supporting local community and third sector responses to the vulnerable and marginalised) and food support for shielded people – as currently allocated amounts to £415,000. This cost will be met from the Food Fund. There will be other costs to be met from Moray's Food Fund allocation of £448,000. An amount is being retained in reserve to allow for emerging costs. The cost of PPE for Council's non-social care staff has been included here as a one-off cost - although further purchase of PPE is anticipated, it will be on an irregular pattern – as has the cost of a mailing to shielded people.

- 3.6 **Workforce costs:** are primarily one-off costs of provisions of additional ICT, including the extension of access to the VPN. An estimate of additional staff time has been included to cover extension to Contact Centre hours and the Registrars service. These are high level cost estimates.
- 3.7 **Non-workforce costs:** £10,000 non-recurring cost is the cost from the software provider of modifying NDR bills to show the 1.6% rebate on the rate poundage which SG announced as part of its package of support for business.
- 3.8 The bulk of the cost of the COVID-19 outbreak for the Council is anticipated to be from reduced income. During the lockdown the council will have no income from the closure of its leisure facilities, estimated at £590,000 for the three month period. Lost income from school meals is estimated at £618,000. There are associated cost reductions with both of these – recorded in the next section of the return (see paragraph 3.11). The loan of £50,000 to Moray Leisure Ltd is also included in this section as a one-off cost, although it is anticipated that this will be repaid.
- 3.9 Lost income from waste collection fees and sale of recyclates is estimated at £197,000. Lost car parking income is estimated at £242,000 based on budget. An estimate of £60,000 lost income from roads construction consent is based on budget. Licenses have been given a three month extension and therefore budgeted income for three months (£255,000) is assumed to be foregone. It is known that harbour landings and other harbour income generating activity is reduced but the pattern of harbour activity is complex and cost estimates have not yet been developed and so are not yet included in this section
- 3.10 As the Council concentrates its efforts on critical service to respond to the COVID-19 outbreak, some savings approved in the budget will be delayed. The Council approved savings from increased commercialisation of its leisure facilities and clearly this cannot happen during lockdown. £21,000 projected lost income is included. The Council also approved indicative savings of £360,000 from the Improvement and Modernisation Programme and slippage of £90,000 has been assumed for the first quarter.
- 3.11 Reduced costs from four areas have been estimated: savings on catering supplies (£260,000); savings on fuel of inactive vehicles (£51,000); utilities costs for closed facilities (£256,000); reduction in staff travel expenses (£45,000). These are all based on costs incurred in 2019/20 for the first quarter of the year.

- 3.12 Scottish Government has confirmed initial funding for local authorities to cushion the impact of the COVID-19 outbreak. Moray's share of the general funding (the hardship fund) is £853,000. The position reported above can be summarised thus:

	£000s
Additional expenditure / loss of income	2,850
Reduction in expenditure	(612)
Net additional cost	2,238
To be met from Food Fund	(415)
Hardship fund allocation	(853)
Estimated net cost to the Council (three months only)	970

- 3.13 In addition to the above cost, the Council will see reduced income from Council Tax and rental from the industrial estate. The immediate impact in terms of cash flow can be estimated. Comparing Council Tax receipts to date with comparable receipts in 2019 suggests a shortfall of around £80,000 a month. That is a reduction of around 2%. Council Tax payers who are in financial difficulty as a result of the COVID-19 lockdown have been encouraged to apply for assistance under the Council Tax Reduction Scheme. The caseload for Council Tax Reduction (CTR) rose over March and April by around 5%. This would suggest that the reduction in Council Tax receipts for this period is due to CTR rather than a temporary delay in payment. Cash flow will be reduced by £240,000 and that is likely to be lost income rather than delayed income. This is in line with the model used by COSLA to estimate the impact on Council Tax nationally. Debt on industrial premises rose by £90,000 from the end of March 2020 to the end of April 2020. The impact of this is less susceptible to estimation. The actual shortfall for these receipts will be dependent on the length of the lockdown and the impact on the Moray economy and people's individual circumstances. Cash flow for the quarter is likely to be reduced by £300,000.
- 3.14 There will be a further impact on the Council's finances from the COVID-19 outbreak. Scottish Government gave a concession for local authorities to use capital receipts to fund expenditure to bring about service change and make budget savings. This concession is time limited and ends in March 2022. The Council planned to use £2,000,000 capital receipts in 2020 to fund its Improvement and Modernisation Programme. Only emergency property transactions are being processed by the Register of Sasines. Furthermore, the significant capital receipts which the Council budgeted for are likely to be reduced by the impact of COVID-19 on property prices after the outbreak as the economy recovers.
- 3.15 The Council also budgets to capitalise the cost of staff involved in roads construction work and certain capital projects. This cost will become a charge to revenue in 2020/21 for the duration of lockdown. £6 million is budgeted to be charged to capital for the year, mainly from the roads DLO, and around half of that would relate to staff costs. This work is strongly seasonal and an exercise is being carried out between the roads service and the accountancy service to estimate the impact on the General Fund. COSLA are exploring the possibility of mitigation with Audit Scotland, along with the related issue of Housing DLO recharges to the Housing Revenue Account.

- 3.16 There will be further impacts from the current cessation of construction work. These will not all be evident in 2020/21. For example, the delay to the NESS energy from waste plant will require costs to continue to operate the Council's landfill site for longer than estimated. Those costs are currently estimated to be in the order of £300,000, but will not be seen for three years. Contract inflation is also likely to increase the cost of capital works but again this may not show until future years.
- 3.17 Clearly the longer the lockdown lasts the higher the cost for the Council. The financial impact at present remains a fluid estimate. However, it is important to recognise that final costs cannot be extrapolated from the current estimates of cost for 24 March to 30 June. The cost impact is likely to increase proportionately as time goes on.

4. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

Response to the COVID-19 outbreak is the Council's current priority, with other activities on hold. This inevitably impacts on the Corporate Plan and LOIP.

(b) Policy and Legal

There are no policy and legal issues arising directly from this report.

(c) Financial implications

Financial implications are addressed throughout the report, which indicates a projected gross cost of £2.2 million, which after funding from Scottish Government is taken into account results in a net additional cost to the Council arising from the COVID-19 outbreak of £1 million, plus reduction in Council Tax and Industrial Estates rentals totalling £0.5 million, reduction in capital receipts to fund improvement and modernisation and further impacts arising from the capital programme which are not yet quantified. The impact will extend into future years.

(d) Risk Implications

There are risks to the Council's planned savings noted in the report. The COVID-19 poses risk to the local and national economy which will have wider ramifications for the Council's services.

(e) Staffing Implications

There are no staffing implications arising directly from this report.

(f) Property

There are no property implications arising directly from this report.

(g) Equalities/Socio Economic Impact

There are no equalities issues or impact on the socio-economic duty arising directly from this report.

(h) Consultations

Members of CMT, the Head of Governance, Strategy and Performance and Tracey Sutherland, Committee Services Officer have been consulted in the preparation of this report and any comments incorporated in the report.

5. CONCLUSION

- 5.1 The current estimated financial cost of response to the COVID-19 outbreak by the Council for the period 24 March to 30 June 2020 is estimated at £2.2m. There are areas of known cost not included in this estimate. The current estimate outstrips the funding which has been made available by £1 million.**
- 5.2 Further cost of £0.5 million is being incurred in that period from lost Council Tax income and reduced industrial estate rental.**
- 5.3 In addition to this there will be reduced and delayed capital receipts, and impact on the capital programme which will have revenue consequences.**

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Background Papers:

Ref: