

UPDATE ON COVID-19 FINANCIAL POSITION

1. EXECUTIVE SUMMARY

- 1.1 This paper provides an update on the projected impact of the COVID pandemic on the Council's revenue budget in 2021/22 and 2022/23 and the available COVID funding.

2. RECOMMENDATION

- 2.1 It is recommended that the Policy and Resources Committee give consideration to this report and, in particular that:

- a) Since the report taken to Policy and Resources Committee on 14 October 2021, there has been a decrease to the overall estimated 2021-22 COVID revenue cost pressure of £0.051m and a decrease to the overall estimated 2022-23 COVID cost pressure of £0.048m.
- b) There is currently £7.067m of available COVID funding.
- c) There remains Scottish Government COVID Funding of £1.667m and £5.400m from the Loans Fund Principal Repayment Holiday (if required) which would be ringfenced for COVID purposes as outlined in para 3.9.

3. DETAIL

- 3.1 A detailed report was presented to the Policy and Resources Committee on 14 October 2021 which provided an update on:

- the projected impact of the COVID pandemic on the Council's revenue and capital budgets in the current year (2021/22) and future years
- the current position of the COVID funding and the level of unallocated COVID funding
- update on the latest discussions in respect of the financial flexibilities made available by the Scottish Government.

- 3.2 This report is intended to provide a brief update on revised estimates of the financial impact of COVID on the Council's revenue budget in 2021/22 and future revenue cost pressures beyond 2021/22. It also provides an update on the level of available COVID funding. It is not intended that it will repeat the level of detail contained in the 14 October Policy and Resources report as much of it would be repetition however Members may wish to read this report in conjunction with that October report which can be accessed via the Council's

website ([agenda item 7](#))

- 3.3 The 14 October Policy and Resources report summarised the available COVID funding as £7.084m as summarised in the table below

| | COVID Funding (£,000) | Committed as at end Sept 2021 (£,000) | Available (£,000) |
|--|------------------------------|--|--------------------------|
| 2021-22 Revenue Cost Pressures | 5,101 | 2,984 | 2,117 |
| 2021-22 Capital Cost Pressures | 2,000 | 2,000 | 0 |
| COVID Cost Pressures Beyond 2021/22 | 2,500 | 697 | 1,803 |
| Provision for Capital Contract Increases | 2,500 | 2,646 | (146) |
| Recovery and Renewal Activities Agreed as Part of Budget | 1,939 | 1,939 | 0 |
| Recovery and Renewal Fund | 2,080 | 0 | 2,080 |
| COVID Funding Carried forward from 2020/21 | 13,468 | 12,238 | 1,230 |
| Total | 29,588 | 22,504 | 7,084 |

- 3.4 The 14 October Policy and Resources Committee approved that the
- a) funding uploaded into the 2021/22 budget for COVID related cost pressures that is no longer required (£2.117m) is removed from the 2021/22 budget and transferred into the unallocated COVID funding that is currently held within earmarked reserves.
 - b) cost pressures identified in relation to capital contract increases, £2.646m is added to the capital plan and funded from the £2.5m provision in addition to using a further £0.146m from the unallocated COVID funding in earmarked reserves.
- 3.5 Furthermore there has been two COVID specific expenditure items which have been funded from available COVID monies to reflect decisions taken by the Policy and Resources Committee on 14 October 2021. These are:
- £0.098m made available from the Recovery and Renewal Fund to top up the Council's Discretionary Hardship Fund
 - £0.018m made available from COVID funding carried forward from 2020/21 to keep the six additional seasonal toilet facilities open during the winter season.

- 3.6 Since that October meeting officers have revisited their estimates of the 2021/22 and 2022/23 revenue pressures to reflect actuals. Based on the most recent estimates the net 2021/22 revenue cost pressure has decreased by £0.051m from £2.984m to £2.933m and the revenue cost pressure beyond 2021/22 has decreased by £0.048m from £0.697m to £0.649m.

Appendix 1 and 2 to this report provide further detail on the changes since the October meeting including the reason for any revisions in estimates.

Revised Summary of Available COVID Funding

3.7

| | Available as at end of Sept 2021 (£,000) | Changes Agreed by Oct P&R (£,000) | Changes since Oct P&R (£,000) | Available (£,000) |
|--|--|-----------------------------------|-------------------------------|-------------------|
| 2021-22 Revenue Cost Pressures | 2,117 | 0 | 51 | 2,168 |
| 2021-22 Capital Cost Pressures | 0 | 0 | 0 | 0 |
| COVID Cost Pressures Beyond 2021/22 | 1,803 | 0 | 48 | 1,851 |
| Provision for Capital Contract Increases | (146) | 146 | 0 | 0 |
| Recovery and Renewal Activities Agreed as Part of Budget | 0 | 0 | 0 | 0 |
| Recovery and Renewal Fund | 2,080 | (98) | 0 | 1,982 |
| COVID Funding Carried forward from 2020/21 | 1,230 | (164)* | 0 | 1,066 |
| Total | 7,084 | (116) | 99 | 7,067 |

*£164k is made up of £18k for seasonal toilets plus £146k for capital contract increases.

- 3.8 Although there has been a decrease in the 2021/22 revenue pressure of £0.051m, unlike the 14 October Policy and Resources Report, there is no recommendation to adjust the 2021/22 budget at this time as the movement is fairly minor. Officers will carry out a further review of the COVID funding position and cost pressures as part of the year end process and make any necessary budget adjustments at that stage.

- 3.9 The £7.067m of available funds referenced in the table above are funded as follows:

| Source of Funding | £,000 | £,000 |
|--|--------------|--------------|
| Loans Fund Principal Repayment Holiday | 5,400 | |
| Scottish Government Funding | 1,667 | |
| Available Funding | | 7,067 |

Therefore the availability of £7.067m assumes the Council will take the principal repayment holiday (as was agreed at the budget meeting on 25 February 2021). The Council is able, before the end of the financial year, to agree to a reduced amount of principal repayment holiday which would reduce the recurring revenue cost pressure that is within the budget outlook (£162k in 2022-23). It should also be noted that this is not funding for general revenue purposes, it's funding that the Scottish Government have given (or approved, in the case of the principal repayment holiday) to assist the Council in its response to the COVID pandemic and therefore needs to be used for COVID related purposes.

4. CONCLUSION

- 4.1 This report provides an update on the current available COVID funding position and advises that there is currently £7.067m of uncommitted COVID funding. This funding includes the principal repayment holiday of £5.400m which the Council have to repay over the next 20 years.

5. IMPLICATIONS

- 5.1 Policy – No specific policy implications in relation to this paper however any future budget decisions may affect policy.
- 5.2 Financial – The report outlines the current financial position in respect of the Council's available COVID funding
- 5.3 Legal - None
- 5.4 HR - None
- 5.5 Fairer Scotland Duty - None
- 5.5.1 Equalities – None
- 5.5.2 Socio-Economic Duty – None
- 5.5.3 Islands Duty – None
- 5.6 Climate Change - None
- 5.6 Risk – None
- 5.7 Customer Service - None

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29 November 2021

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Appendix 1 – Changes to Estimated 2021/22 COVID Revenue Cost Pressure

Appendix 2 – Changes to Estimated 2022/23 COVID Revenue Cost Pressure

Appendix 1- Changes to Estimated 2021/22 COVID Revenue Cost Pressure

| Service | Description | 2021/22 Revenue Estimate (Oct P&R) (£,000) | Reason for Change Between October P&R and December P&R | 2021/22 Revenue Estimate (Dec P&R) (£,000) | Improvement (£'000) |
|---|---|--|--|--|---------------------|
| LOST INCOME | | | | | |
| Waste | Reduced commercial waste and recycle income | 70 | Slightly more income now anticipated based on updated actuals. | 12 | 58 |
| Piers & Harbours | Reduced berthing and passenger dues and fish landings | 746 | Projections updated to reflect updated actual income levels as at end of October. Results in lower income than previously anticipated. | 884 | (138) |
| Development Control | Reduced planning fees and pre-application advice | 310 | PreApps are behind and not expected to recover therefore small reduction in anticipated income and increased pressure. | 318 | (8) |
| Education | Reduced school meal income | 416 | Adjustment to SG funding for funds received for the implementation of FSM. Previous estimates incorrectly omitted this funding therefore too much attributed to impact of COVID. | 260 | 156 |
| Building Control | Building warrants | 100 | Actual income to the end of October shows reduced income in excess of what was anticipated in September. | 120 | (20) |
| TOTAL CHANGE IN LOST INCOME ESTIMATE | | | | | 48 |
| COSTS | | | | | |
| Amenity Services | Increased cost to open all public conveniences with enhanced cleaning | 210 | Increase in costs since September mainly due to payroll costs | 214 | (4) |

| | | | | | |
|--|---|-----|--|-----|-----------|
| Amenity Services | Disposal of recyclate in Kintyre | 0 | Additional cost of disposing of recyclate materials in Kintyre. The 3 rd party who undertook the recycling service in Kintyre up to Sept 2021 were unable to separate recyclates for re-sale therefore disposed of in central belt which resulted in tipping costs. | 16 | (16) |
| Council Wide | Additional PPE | 64 | Small increase in anticipated costs since previous estimate based on actual costs incurred since then. | 69 | (5) |
| Council Wide | Net of identified pressures under £100k | 389 | Previous reduction in fish exports income no longer anticipated therefore additional budget allocated no longer required. That improved position slightly reduced by additional costs for social distancing vehicles for waste. | 361 | 28 |
| TOTAL CHANGE IN COST ESTIMATE | | | | | 3 |
| TOTAL CHANGE IN REVENUE COST PRESSURE SINCE OCTOBER P&R | | | | | 51 |

Appendix 2- Changes to Estimated 2022/23 COVID Revenue Cost Pressure

| Service | Description | 2022/23 Revenue Estimate (Oct P&R) (£,000) | Reason for Change Between October P&R and December P&R | 2022/23 Revenue Estimate (Dec P&R) (£,000) | Improvement (£'000) |
|--|---|--|--|--|---------------------|
| LOST INCOME | | | | | |
| Waste | Reduced commercial waste and recycle income | 35 | Now on track to recover full budget in 2021-22 so no longer an expectation that there will be a COVID loss in 2022-23. | 0 | 35 |
| Parking | Reduced parking fines and charges | 14 | Income returned to pre COVID level therefore fines should not be impacted by COVID in 2022-23 | 0 | 14 |
| TOTAL CHANGE IN LOST INCOME ESTIMATE | | | | | 49 |
| COSTS | | | | | |
| Council Wide | Additional PPE | 14 | Minor reduction in anticipated costs. | 12 | 2 |
| Amenity Services | Increased cost to open all public conveniences with enhanced cleaning | 98 | Minor reduction in anticipated costs. | 78 | 20 |
| Council Wide | Net of identified pressures under £100k | 127 | Additional vans have been reintroduced to support refuse collection service therefore small increase to estimated cost pressure. | 140 | (23) |
| TOTAL CHANGE IN COST ESTIMATE | | | | | (1) |
| TOTAL CHANGE IN REVENUE COST PRESSURE SINCE OCTOBER P&R | | | | | 48 |