

ABERDEEN CITY COUNCIL

COMMITTEE	Urgent Business
DATE	20 March 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Financial Resilience – Covid-19
REPORT NUMBER	RES/20/077
DIRECTOR	Steven Whyte
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Jonathan Belford
TERMS OF REFERENCE	1

1. PURPOSE OF REPORT

- 1.1 To describe the initial financial measures that the Council is putting in place to support the resilience of the city , by supporting the financial resilience of the cities businesses as well as individuals, citizens and families. In addition, the report considers the financial resilience of the council, the group family and our supply chain during this constantly changing and evolving operating environment.

2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Note the Financial Resilience Plan at Appendix 1;
- 2.2 Instruct the Chief Officer - Customer Experience to implement the relief / grant schemes announced for businesses in line with Scottish Government guidance;
- 2.3 Instruct the Chief Officer – Customer Experience to suspend new recovery activity for unpaid debts across all Council accounts i.e. Council Tax, rents, sundry debts, for businesses and individuals until 1 May 2020, and delegate authority to the Chief Officer – Finance to extend this suspension, following

consultation with the Convener of the City Growth and Resources Committee, should circumstances require it;;

- 2.4 Instruct the Chief Officer – Customer Experience to delay Non-Domestic Rates annual billing as appropriate, following consultation with Convener of the City Growth and Resources Committee;
- 2.5 Instruct the Chief Officer – Customer Experience to provide businesses with flexible payment terms on Non-Domestic Rates and sundry debts as appropriate, following consultation with Convener of the City Growth and Resources Committee;
- 2.6 Delegate authority to the Chief Officer – Finance to, following consultation with the Convener of the City Growth and Resources Committee, take any necessary steps to support the Council Group entities and Tier 1 ALEOs.
- 2.7 Instruct the Chief Officer – Finance to prepare a report for the Urgent Business Committee on proposals for use of the additional funding expected to be received by the Council, as part of the Scottish Government support to Communities announcement; and
- 2.8 Instruct the Chief Executive, through the CMT Strategic Group, to monitor the development of, and the actions arising out of the financial resilience plan at Appendix 1, and for the Chief Officer – Finance to report as appropriate to the Urgent Business Committee.

3. BACKGROUND

- 3.1 The final quarter of the financial year has been marked by an escalating global response to the Coronavirus (Covid-19) pandemic. This is having an enormous impact on society and the Council and partners have been responding in line with government guidance.
- 3.2 To sustain critical frontline services to our city the Council has to ensure that it is sustainable and is resilient to address the issues that are arising, while flexible to deliver national schemes of support in a timely and accurate way.
- 3.3 The Scottish Government have announced national schemes of financial support to assist the economy and also to support communities and local government is at the centre of delivering on these obligations. The detail of the schemes are still being prepared and it is only by having this, including the necessary legal power's, will the Council be certain about what it is it has to do and the powers to do it.
- 3.4 The Council, through COSLA, is participating with the Scottish Government in ensuring that guidance is prepared as soon as possible. A summary of the schemes announced is as follows, and implementation is subject to the detailed scheme guidance.

3.5 Support to Businesses:

Non-Domestic Rates relief

- a full year's 100% non-domestic rates relief for retail, hospitality and tourism from April 2020; and
- 1.6% relief for all properties from 1 April 2020, effectively freezing the poundage rate next year

Business Grants

- £10,000 grants for small businesses in receipt of the Small Business Bonus Scheme or Rural Relief; and
- £25,000 grants for hospitality, leisure and retail properties with a rateable value between £18,000 and £51,000.

3.6 Other statements included in the announcement by the Cabinet Secretary for Economy, Fair Work and Culture on 19 March 2020 urged Councils to relax planning rules to allow pubs and restaurants to operate temporarily as takeaways; and extending the go-live date for the deposit return scheme until 2022.

3.6 Support to Communities:

To Local Authorities

- £50 million in Barnett consequentials from the UK Government's hardship fund is being passed direct to local authorities to support their own local resilience, support and hardship plans; and
- £45 million will be added to the existing Scottish Welfare Fund which makes Community Grants and Crisis Grants available to those in immediate need. This more than doubles the current £35.5 million fund. More flexibility is to be provided in how it is used to ensure Councils can fully support people in financial crisis, including workers in the 'gig economy'.

In addition

- a £70 million Food Fund will help organisations in the public, private and voluntary sectors address issues of food insecurity, especially for older people, and families who may not be able to rely on free school meals;
- a £50 million Wellbeing Fund will help charities and others who require additional capacity to work with at-risk people who may be worst affected by the crisis, including homeless people and those experiencing fuel poverty;
- a £40 million Supporting Communities Fund will be used to support the rapidly growing and inspiring community efforts at a local level which will be vital to national resilience, including supporting people at risk because of age, isolation, carers, homeless people and asylum seekers and signposting people to sources of help such as applying for benefits;
- £50 million will go to meet an anticipated increase in applications for the existing Council Tax Reduction Scheme and Scottish social security benefits;
- £20 million will be allocated to a Third Sector Resilience Fund, to help ensure the health and continued viability of the third sector organisations affected by cash flow and other problems, which have a key role to play in our national response; and

- £25 million will be kept in reserve to allow swift and flexible responses to rapidly changing circumstances
- 3.7 The local authority funding that has been announced for communities will fit comfortably into existing service delivery, with the Scottish Welfare Fund processes well established. The further flexibility announced does not yet have any guidance but Scottish Government, in conjunction with COSLA, is working on issuing this.
 - 3.8 Beyond the nationally funded schemes a sum of £50m for Local Authorities to use flexibly is welcome and that means additional funding of approximately £1.7m will be available for Aberdeen City Council.
 - 3.9 There are a number of financial implications facing the Council, its group structure and supply chain arising from the COVID-19 response.
 - 3.10 The additional money, received through the package of measures, provides an opportunity to cover some of the financial implications, but as the epidemic continues to spread we may find that the additional funding is not enough. The Corporate Management Team will keep this under review and will, as appropriate, try to ensure that only essential spend is undertaken as part of the response whilst ensuring financial control of approved budgets is maintained throughout.
 - 3.11 The Council resilience plan, shown at Appendix 1 is the initial working paper of actions to support the measures that are needed to protect the economy, our citizens and the organisation. The report recommends that this continues to be developed based on the latest information and guidance and to undertake the actions that are outlined.
 - 3.12 The future remains uncertain and the Council aims to do what it can to remain in a strong position to deliver critical services, and to support our economy and our citizens, through national schemes or through more local decision making. It recognises the impact that partners have in delivering the outcomes and in particular those in the Aberdeen City Council Group and Tier 1 ALEOs.
 - 3.13 It is clear that cashflow for many is immediately becoming an issue for businesses and individuals. The Council has some options available to it to assist, including reducing payment terms for invoices and delaying the recovery of new unpaid debts for a period. While the Council has time to understand the wider implications and the schemes available it is recommended to take some action now, and this be subject to further review as the circumstances and the government change.
 - 3.14 Already specific requests from the business sector in particular have been received, including a call from hotels to introduce a business rates moratorium for a minimum of three months for hotels; and in the event of hotel closures due to COVID-19, requesting business rates to be abolished for the period of non-trading.

- 3.15 As stated above, the dynamic nature of this epidemic makes it difficult, if not impossible, to anticipate the full impact, particularly in the business sector, which will be worst affected. The work that is being led by the Chief Officer – City Growth will keep the situation under review and where there is scope for more support then recommendations will be brought back to future meeting of the Urgent Business Committee.

4. FINANCIAL IMPLICATIONS

- 4.1 The schemes backed by Scottish Government funding will provide the significant support to the country.
- 4.2 The Council will receive additional funding, estimated at £1.7m, in its General Revenue Grant to support Council activities for responding to the impact of Coronavirus.
- 4.3 An allocation to local government of £2.2bn of funding announced by the Scottish Government on Wednesday 18 March 2020 will mean a change in the Council's financial position in order to address the switch from Non-Domestic Rates to General Revenue Grant or specific funding allocation. This is designed to protect the Council from cashflow implications of implementing rates relief and paying large sums of money to businesses and the community by implementing the national schemes.
- 4.4 The full extent of financial implications cannot be described as this time due to the developing nature of the situation, and future reports will update the position based on the latest information available.
- 4.5 Further flexibility for the Local Authorities was announced yesterday by the Scottish Government in relation to schools and early learning and childcare providers, and includes:
- Relaxing current guidance on Pupil Equity Funding in order that headteachers and local authorities can support the most vulnerable children;
 - Applying the same flexibility to school and local authorities in receipt of Challenge Authority and Schools' Programme funding; and
 - Relaxing grant conditions in respect of funding for Regional Improvement Collaboratives, allowing resource linked to this initiative to be diverted to the Covid-19 response.

5. LEGAL IMPLICATIONS

- 5.1 The fiscal levers that the UK and Scottish Governments are using to respond to the COVID-19 situation, plus the extremely volatile global financial market could lead to UK sovereign credit ratings being reviewed, and any change in this will have an impact on the Council's credit rating. The resilience plan is designed to ensure the Council remains in a strong comparative rating position to the UK.
- 5.2 The Council will take account of on Scottish Government led guidance in relation to State-Aid in administering relief and grant schemes.

6. MANAGEMENT OF RISK

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
Financial	<p>Loss of income to support the Council budget position.</p> <p>Cashflow / liquidity position of the Council insufficient to meet obligations if additional burdens are placed on the Council or agreed by the Council.</p> <p>Adverse impact on Council credit rating of not managing liquidity and financial position.</p>	H	<p>Actions proposed and being taken per the Financial resilience plan, per Appendix 1</p>
Legal	<p>Financial support conflicts with State Aid regulations.</p>	M	<p>European Commission has adopted temporary framework to enable further support to the economy to be possible during the Covid-19 pandemic.</p> <p>Scottish Government guidance on State Aid will be taken account of.</p>
Employee	<p>Not being responsive to the situation could lead to changes in availability of staff and delivery of services</p>	H	<p>Workstreams in place to monitor and business continuity arrangements activated appropriately</p>
Customer	<p>Service Standards change</p>	H	<p>Ongoing review of critical services by Council and Partners</p>
Environment	<p>No direct implications</p>		

Technology	Failure to maintain the digital infrastructure could lead to service changes	M	Active management by Digital & Technology of the changing situation and work from home arrangements.
Reputational	Failure to make the necessary changes in the face of such a high profile situation could present a reputational risk to the Council.	M	The recommended proposals have been developed in accordance with UK and Scottish Government guidance.

7. OUTCOMES

Local Outcome Improvement Plan Themes	
	Impact of Report
Prosperous Economy	Report supports the economy by recommending a number of immediate actions that the Council can take in the current climate and will implement the government backed schemes as directed by legislation and guidance.
Prosperous People	Report supports the economy by recommending a number of immediate actions that the Council can take in the current climate and will implement the government backed schemes as directed by legislation and guidance.
Prosperous Place	Report supports the economy by recommending a number of immediate actions that the Council can take in the current climate and will implement the government backed schemes as directed by legislation and guidance.

Design Principles of Target Operating Model	
	Impact of Report
Customer Service Design	Recognises that service standards may need to change in response to the changing operating landscape

Governance	Supports maintaining effective financial governance during the pandemic.
Workforce	Reassures the workforce that plans are in place to manage the resilience of the organisation and the wider group/tier 1 aleos during the pandemic.
Partnerships and Alliances	Provides assurance and support to the operation of our partners.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Not required
Data Protection Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. BACKGROUND PAPERS

None

10. APPENDICES (if applicable)

Appendix 1 – Financial Resilience Plan

11. REPORT AUTHOR CONTACT DETAILS

Name Jonathan Belford

Title Chief Officer - Finance

Email Address jbelford@aberdeencity.gov.uk

Tel 01224523127