
NORTH AYRSHIRE COUNCIL

15 November 2022

Audit and Scrutiny Committee

Title:	Accounts Commission's Report: Scotland's financial response to Covid-19
Purpose:	To inform the Audit and Scrutiny Committee of the findings of the recently published report.
Recommendation:	That the Committee (i) notes the findings of the Accounts Commission report, (ii) notes the recommendation contained therein; and (iii) notes North Ayrshire Council's approach in relation to these.

1. Executive Summary

- 1.1 The Accounts Commission recently published its national report 'Local Government in Scotland: Overview 2022'. This report reflects on the impact of the Covid-19 pandemic on the Scottish Government, Councils and other public sector bodies including fiscal context in which these bodies operated and the ongoing development and implementation of plans for financial recovery. A link to the full report is attached as follows:

[Scotland's financial response to Covid-19](#)

- 1.2 Throughout the report, the Accounts Commissions has identified a number of key messages in relation to the financial response to the pandemic and made recommendations for the Scottish Government, Councils, NHS Boards and integration authorities.
- 1.3 North Ayrshire Council received total Covid related financial support of £126.943m over 2020-21 to 2021-22. At 31 March 2022, North Ayrshire Council retained £23.767m across a number of reserves to support services and communities recovering from the ongoing impacts of the pandemic.
- 1.4 The Health and Social Care Partnership (HSCP) received Covid related financial support of £35.255m over the same period. At 31 March 2022, the HSCP reported a Covid-19 reserve of £13.321m to support ongoing covid related expenditure.

2. Background

2.1 In June 2022, Audit Scotland published a report entitled 'Scotland's Financial Response to Covid-19'. This report reflects on the impact of the Covid-19 pandemic on the Scottish Government, Councils and other public sector bodies including the fiscal context in which these bodies operated and the ongoing development and implementation of plans for financial recovery.

2.2 The report identifies a number of key messages which have been summarised in the report as follows:

- The Scottish Government worked collaboratively and at pace with local and UK government to direct significant public spending in difficult circumstances. It is critical that lessons are learned about what worked well, and what did not to improve the public sector response to any future crises;
- The Scottish Government streamlined governance arrangements to direct funds quickly, but it is hard to see how some financial decisions were reached;
- The Scottish Government directed a large proportion of funding to councils and other public bodies who had existing systems and local knowledge to enable them to spend quickly;
- The Scottish Government has managed its overall budget effectively but some Covid-19 funding remains unspent;
- It is vital for transparency and financial planning that the Scottish Government and other public bodies are clear about how one-off Covid-19 funding has been spent, including where spending commitments may last for several years; and
- More work is needed by the Scottish Government to show how the wide range of Covid-19 spending measures have worked together to address the harms caused by the pandemic.

2.3 The report makes a number of recommendations in relation to the Scottish Government, Councils, NHS Boards and integration authorities, including:

- Improve the transparency of public finances to support scrutiny of Covid-19 funding and spending measures by:
 - collecting, drawing together and analysing Covid-19 funds data to establish how much money was spent, where, and how quickly it was issued and received;
 - reporting through their accounts and management information how Covid-19 funding held in reserves has been spent, and the extent to which Covid-19 funded spending commitments will exist in future years;
 - reviewing their medium-term and longer-term financial plans to reflect the ongoing impact and financial consequences of the pandemic. This should include the longer-term impact on resources and potential costs of continuing to support citizens and restore lost income;

- Continue to monitor and report on fraud and error arising from Covid-19 business support payments to ensure that processes are working in practice, funds are allocated correctly, and steps are taken to recover funds paid in error;
- Work together to learn lessons from the financial response to the pandemic by:
 - collecting and sharing findings from their response, including financial information to demonstrate the impact the spending has had and to allow others to benefit from good practice;
 - considering what systems should be in place to enable consistent spending information to be collected while minimising the administrative burden;
 - collectively understanding the ongoing challenges and longer-lasting impacts of the pandemic which will allow them to work together to recover;
 - developing robust processes which will improve the public sector response to future crises or other cross-cutting issues, such as climate change and child poverty; and
 - evaluating whether Covid-19 spending delivered the desired outcomes.

2.4 In response to the specific recommendations contained within the report, it is noted that within North Ayrshire:

- The level of Covid-19 funding and expenditure has been regularly reported to elected members throughout 2020-21 and 2021-22 as part of the periodic financial reports of both North Ayrshire Council and the Health and Social Care Partnership;
- The economic, service delivery and funding impacts of the Covid-19 pandemic across North Ayrshire were considered as part of the Medium Term Financial Outlook reported to Council in February 2022;
- The levels and applications of Covid related reserves have been reported to elected members throughout the period;
- Additional control mechanisms to mitigate, detect and prevent fraud in relation to grant awards to businesses were put in place, including a pan-Ayrshire data matching exercise;
- Elected members receive regular updates on the delivery of our Council Plan objectives through our 6-monthly Council Plan Progress Updates which includes information on the impact of Covid-19 on service delivery across the Council and highlights areas of good practice being developed to support recovery and renewal; and
- Our Recovery & Renewal Strategy set out a series of key principles and themes to enable North Ayrshire Council to recover and renew its services in a prioritised way, ensuring that they met resident needs and addressed key areas including economic recovery, financial recovery and education recovery.

2.5 During 2020-21 and 2021-22, North Ayrshire Council received Covid-19 related financial support of £126.943m with £103.176m of this utilised in the delivery of services and the provision of direct support to businesses, families and individuals during this period.

North Ayrshire Council
Utilisation of Covid-19 Funding 2020-21 and 2021-22

General Services	2020-2021			2021-22			Total
	Funding Received £m	In -Year Expenditure £m	Carried Forward £m	Funding Received £m	In -Year Expenditure £m	Carried Forward £m	Carried Forward £m
Support to individuals, families & communities:							
Council Tax Reduction / Scottish Welfare Fund	1.475	0.690	0.785	-	-	-	0.785
Financial Hardship & Welfare Support	4.290	4.290	-	6.876	3.954	2.922	2.922
Community Food and Free School Meals	2.657	2.512	0.145	-0.145	-	-0.145	-
Housing Support	0.418	0.288	0.130	0.314	0.030	0.284	0.414
Community Mental Health	0.370	0.054	0.316	-	0.305	-0.305	0.011
	9.210	7.834	1.376	7.045	4.289	2.756	4.132
Support for Education:							
Education Recovery and Staffing	6.517	2.137	4.380	2.030	3.217	-1.187	3.193
Digital Inclusion & School Transport	0.583	0.583	-	-	-	-	-
CO2 Monitors in Schools	-	-	-	0.077	-	0.077	0.077
	7.100	2.720	4.380	2.107	3.217	-1.110	3.270
Support For Businesses:							
Business Grants	39.244	39.244	-	13.473	13.473	-	-
NDR Grants and Reliefs	14.804	14.804	-	8.401	8.401	-	-
Discretionary Grants	2.124	0.284	1.840	-	1.834	-1.834	0.006
	56.172	54.332	1.840	21.874	23.708	-1.834	0.006
Other:							
General Covid Support	12.597	5.623	6.974	6.731	0.188	6.543	13.517
Employability Funding	1.153	0.994	0.159	-	-	-	0.159
Loss of Income	2.476	-	2.476	-	-	-	2.476
Miscellaneous	0.453	0.148	0.305	0.025	0.123	-0.098	0.207
	16.679	6.765	9.914	6.756	0.311	6.445	16.359
Total General Services Funding	89.161	71.651	17.510	37.782	31.525	6.257	23.767

2.6 Throughout 2020-21 and 2021-22, North Ayrshire Council has approved the earmarking of Covid-19 funding balances to support the future delivery of specific Covid-19 related initiatives and support strategic investment in recovery and renewal activities across the Council. At 31 March 2022, these included:

Reserve	£m	Purpose
Renewal and Recovery Programme	13.467	Fund to support strategic investment in Recovery and Renewal activities aligned to the priorities in the Council Plan and Community Wealth Building strategy. Investment is targeted across the themes of: Economic Recovery; Environmental Initiatives; Support for Vulnerable Families, Citizens and Communities; Sustainable Investment in physical infrastructure and open space; and Mental Health and Wellbeing Initiatives.
Covid Legacy Fund	3.642	Ongoing support for services impacted by Covid restrictions, including loss of income and adjustments to operating models.
Education Recovery Programme	3.193	Funds to mitigate against the impact of the Covid pandemic and support education recovery for children and young people, including engagement of additional teaching and non-teaching staff and measures to mitigate the impact of the changes in funding in relation to the Scottish Attainment Challenge.
CO2 Monitors in Schools	0.077	Ongoing support for the installation of CO2 monitors across our learning establishments to reduce the spread of COVID-19.
Tenant Grant Fund	0.284	Support for tenants in the private and social rented sectors who are struggling with rent arrears and are consequently at risk of homelessness
Financial Insecurity	2.583	Flexible support for businesses and low income households.
Other Miscellaneous Covid Reserves	0.521	Residual staffing and administrative support across services.
	23.767	

- 2.7 During 2020-21 and 2021-22, North Ayrshire HSCP received additional financial support of £35.255m in relation to Covid mobilisation and staff Thank You payments. £21.934m of this was utilised during this period.

North Ayrshire HSCP
Utilisation of Covid-19 Funding 2020-21 and 2021-22

	2020-2021			2021-22			Total
	Funding Received	In -Year Expenditure	Carried Forward	Funding Received	In -Year Expenditure	Carried Forward	Carried Forward
	£m	£m	£m	£m	£m	£m	£m
HSCP Mobilisation	14.811	10.087	4.724	18.232	9.635	8.597	13.321
HSCP Staff Thank You Payments	-	-	-	2.212	2.212	-	-
Total HSCP Funding	14.811	10.087	4.724	20.444	11.847		13.321

- 2.8 At 31 March 2022, North Ayrshire HSCP reported a Covid balance of £13.321m which was being retained to support ongoing covid-19 related expenditure including mobilisation costs, provider sustainability payments and care home occupancy payments. It is currently anticipated that £4.067m of these funds will be required during 2022-23. However, the Scottish Government has indicated an intention to recoup any surplus funds during 2022-23 for redistribution elsewhere in the health and social care system.

3. Proposals

- 3.1 It is proposed that the Committee (i) notes the findings of the Accounts Commission report, (ii) notes the recommendation contained therein; and (iii) notes North Ayrshire Council's approach in relation to these.

4. Implications/Socio-economic Duty

Financial

- 4.1 None.

Human Resources

- 4.2 None.

Legal

- 4.3 None.

Equality/Socio-economic

- 4.4 None.

Climate Change and Carbon

- 4.5 None.

Key Priorities

4.6 None.

Community Wealth Building

4.7 None.

5. Consultation

5.1 No consultation has been required in the preparation of this report

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For further information please contact **David Forbes, Senior Manager (Strategic Business Partner)**, on **01294 324551** or **DavidForbes@north-ayrshire.gov.uk**.

Background Papers

None