

Agenda Item	6
Report No	HC/13/20

## HIGHLAND COUNCIL

**Committee:** The Highland Council

**Date:** 25<sup>th</sup> June 2020

**Report Title:** Annual Accounts 2019/20 and Revenue Budget 2020/21

### 1. Purpose/Executive Summary

- 1.1 This report is intended to provide Members with an update on the Council's current financial position.
- 1.2 The report provides a link to the Council's annual accounts for 2019/20 and provides an overview of financial performance in the past year. Both the revenue and capital near final monitoring positions, as reflected in the accounts, were reported to the Corporate Resources Committee on the 3<sup>rd</sup> June. For 2019/20 the Council recorded a surplus on its revenue budget of £7.526m. Non-earmarked general fund reserves now stand at £15.451m. A further £20.255m is held in earmarked reserves.
- 1.3 The positive position reported for the previous financial year is however overshadowed by the financial outlook as a result of the Covid 19 pandemic that has so significantly affected all aspects of society.
- 1.4 A report was provided to the Corporate Resources committee at the start of June outlining the potential range of impacts of the Covid 19 crisis on the Council's budget- a link to that paper is provided in the background papers section of this report. This report builds on the previous report by providing more detail of the budget gap the pandemic and subsequent recovery may cause. It should be made very clear that due to the extreme uncertainties about what the future may hold there can be no guarantee of the accuracy of any forecasts. An extract from the Scottish Government's Chief Economist's April 'State of the economy' report can be seen at **Appendix 1** outlining the severity and uncertainty of the situation.
- 1.5 The report also provides an outline to Members of the budgetary control actions that have already been taken to try to offset the impact of Covid 19. Additionally, Members are provided with a range of other options that are being explored to close the budget gap.

- 1.6 The report also provides some detail of specific funding streams received by the Council from Government and provides an update on how those funds have been used.
- 1.7 The report provides information on the Council's capital programme and provides a summary of capital projects underway that will shortly be recommencing on site. It also seeks approval for some essential capital works, already included in the approved capital programme, which require urgent contractual commitments in order to meet specific project requirements.

## 2. Recommendations

### 2.1 Members are asked to:

- i. Receive the unaudited Annual Accounts for the Highland Council, Highland Charities Trust, Highland Charitable Trust and the Highland Council Pension Fund for the year ended 31st March 2020 and note that these will be presented to the appointed auditor by the prescribed date of the 30th June 2020.
- ii. Note the assumptions used, the budget gap figures, and the potential mitigating actions for 2020/21;
- iii. Agree, in the light of (ii) above, that the budget set in March 2020 needs to be reviewed, with recommendations coming forward in June, July and August 2020;
- iv. Note the use of stringent budget controls, adopting a prudent approach to spend whilst recognising the need to deliver essential services and agree the continuation of these controls until a clear plan for addressing the budget gap is identified;
- v. Agree that the full value of planned investment fund for rural transport is repurposed in financial year 2020/21 to help reduce the sizeable budget deficit facing the Council;
- vi. Agree that in light of the current crisis the approved rebuilding of balances by £4.909m does not take place with that money instead used to mitigate the 2020/21 budget gap;
- vii. Agree to cease all additional Covid response services, unless directly funded by government, at the end of July;
- viii. Agree to lobby UK and Scottish governments as appropriate for:
  - additional funding
  - flexibility in the use of funding to help address the budget gap.
  - a relaxation of the restrictions around the income from second homes Council Tax with flexibility in 2020/21 to use this income to help reduce the pressure on the general revenue budget;
  - and to apply a holiday to interest payments for all PWLB loans.
- ix. Approve that the DSM balances held at the end of 2019/20 are used to mitigate the financial gap.
- x. Request that the Scottish Government gives early notification on funding levels for 2021/22 and beyond to allow future years' financial planning;
- xi. Approve the award of contracts for the capital projects as outlined in **Appendices 5 and 6**;
- xii. Agree that a budget update is presented to every Council meeting in the financial year 2020/2021

## Implications

- 3.1 Resource- As outlined in this report the Covid 19 crisis is expected to impact significantly on the Council's budget. The estimated negative impact is expected to be in excess of the Council's general fund non-earmarked reserve
- 3.2 Legal- In March 2020 the Council set a balanced budget for financial year 2020/21 as is required by statute. Although not a clear legal requirement the significant changes to that budget as a result of Covid 19 will require ongoing reassessment which will be presented to subsequent Council meetings.
- 3.3 Community (Equality, Poverty, Rural and Island)- This report does not identify any specific impacts of this nature however the financial, economic and social crisis facing the Council will impact on spending which in turn will significantly affect services, and demand for services, across the Council. The fabric and sustainability of some of our most fragile communities will be called into question as a result of employment, economic and care issues arising from this crisis.
- 3.4 Climate Change / Carbon Clever - It is critical that all of the capital projects highlighted in this report contribute as far as possible to the Council's climate change agenda. Efforts to reduce spend, whether as a result of reducing travel, enhancing opportunities for staff to work from home, or delivering energy savings will be critical for this agenda. The delivery of future projects will have to be positioned to fit with the Scottish Government's approach to green recovery.
- 3.5 There are no specific Gaelic implications arising as a direct result of this report.
- 3.6 At this time the level of risk the Council faces is greater than ever before. The risks cover those to our staff and their health and wellbeing, to the health, safety and wellbeing of our communities and risks to the provision of essential Council services. This report focuses specifically on the potential financial impact of the Covid 19 crisis and there are so many variables and future uncertainties that forecasting, and modelling is impossible to do with any accuracy. There is a significant risk that any particular scenario that the Council chooses to plan for may be significantly different from what actually transpires, with the Council likely to face a financial deficit that significantly outweighs its reserves.

#### **4. Annual Accounts 2019/20**

- 4.1 The Annual Accounts summarise the transactions and provide the year end position for financial year 2019/20- the year ended 31st March 2020. Accounts are produced for the Highland Council, Highland Charities Trust, Highland Council Charitable Trusts and the Highland Council Pension Fund.
- 4.2 The Council is required to prepare annual accounts under the Local Authority Accounts (Scotland) Regulations 2014 and in accordance with proper accounting practices. The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (The Code). The Code is based on International Financial Reporting Standards (IFRS).
- 4.3 The Regulations require the unaudited accounts to be submitted to the appointed auditor no later than the 30th June and require elected members to consider the unaudited accounts at a meeting no later than the 31st August. Once audited, the accounts will be taken to the Audit and Scrutiny Committee, along with the auditor's report, in September 2020.
- 4.4 Due to their size the accounts documents have not been appended to this report but can instead be found on the Council's website:  
[www.highland.gov.uk/accounts](http://www.highland.gov.uk/accounts)
- 4.5 The Council's accounts show that as at the 31st March 2020 the general fund non-earmarked reserve stands at £15.451m, an increase of £7.526m over the year. A summary of all reserves can be seen in the management commentary section of the accounts.
- 4.6 Near-final corporate revenue and capital monitoring statements were presented to the Corporate Resources Committee on the 3rd June 2020. Links to those reports can be found in the background papers section of this report.
- 4.7 At 31st March 2020 the Pension Fund had net assets of £1.885bn as can be seen in the Net Assets Statement in the Pension Fund accounts. The decrease in the value of net assets in the year was principally due to investment market volatility as a result of the Covid 19 pandemic.

#### **REVENUE BUDGET 2020/21**

#### **5. Impact of Covid 19 on 2020/21 revenue budget**

- 5.1 Just over three months ago Members approved a budget for financial year 2020/21. In order to provide a balanced budget and allow for investment in Council priorities a suite of savings proposals were approved, along with an increase in the rate of Council Tax.
- 5.2 That approved budget forms the baseline against which this report is written. Areas where significant variances against that budget are expected are listed immediately below. Subsequent sections of this report, and various appendices, provide additional information on these key areas:
- Requirements to provide new services
  - Requirements to enhance, or an increased cost of providing, existing services
  - Increasing demand for certain services

- Reductions in service income from fees and charges
- Reduced collections of council tax
- Increased support required for partner organisations
- Challenges in delivery of planned budget savings
- Savings in certain areas where services have stopped or reduced.
- Inability to recharge revenue costs to capital or other non-general fund budgets as a result of normal work not being undertaken.

5.3 An initial assessment by officers of the actions that can be taken to mitigate the budget gap can be seen in the later sections of this report. Many of the options presented will require Members to make some very difficult choices which may mean withdrawing funding allocated to particular spending priorities. The stark reality of this situation is that without making these very difficult decisions the Council will not be financially sustainable. Those actions can be summarised into the following areas:

- Curtailment of spend through management action
- Use of additional government funding
- Repurposing of budgeted investment funds
- Not rebuilding reserves as budgeted
- Repurposing of ring-fenced funding
- Lobbying government for additional funding or increased flexibility
- Use of Reserves

5.4 A report provided to the Corporate Resources Committee on the 3<sup>rd</sup> June highlighted a potential worst-case scenario impact of Covid 19 on the Council's budget of £96.9m, representing an effective full-year lockdown. A mid-range scenario of a £65.7m gap, reflecting a second lockdown later in the year was also presented. In light of the changing national picture a revised set of core assumptions, as detailed in section 6.1, are being used to inform the latest workings.

5.5 The Council is required to submit periodic reports to COSLA containing estimates of the financial impact of Covid 19. The latest update is due for submission to COSLA later this month. To ensure Members have the most up-to-date figures available to them the COSLA submission will be made available to the budget recovery sub group of the Corporate Resources Committee in advance of the July Council meeting.

5.6 If the Council is not able to match expenditure to income for the year it would need to fund any excess expenditure from its reserves. As detailed earlier in this report the non-earmarked general fund reserve stands at £15.451m which equates to 2.7% of our annual revenue budget. Although a significant improvement on previous year's it remains below the approved 3% target.

## **6. Factors contributing to the budget gap**

6.1 As summarised in section 5.2 the contributory factors to the anticipated budget gap are many and varied. This section of the report provides further explanation of those factors.

For the purposes of the modelling exercise currently underway a number of key assumptions have been made including:

- There will be no second wave/second lockdown
- A gradual move through the lockdown phases- phase 3 by the end of July with a move to phase 4 in January 2021
- New internal budget control measures remain in place for the full year
- Enhanced Recruitment Controls

- At this stage of ongoing discussions, no further funding from government (either general or for specific initiatives)

Any change in these assumptions will have a material impact on the budget gap.

In addition to these high-level assumptions each service is making its own assumptions specific to their particular service area to determine what the anticipated impact on income and spend will be. All of these will be kept under regular review and it is intended that updated figures are provided to every meeting of the Council. Information on the key variables will be presented, where possible, in graphical/tabular format with comparative figures for last year to allow for easier understanding.

- 6.2 As part of the immediate response to the Covid 19 crisis the Council is providing new services. The most significant of these include the provision of Humanitarian Assistance Centres, Food provision for vulnerable people, and Childcare provision for Key Workers. In addition, the Council is administering the business grants scheme and scheme around rateable relief. Some of these services have been funded directly by specific additional government funding whereas the Council has provided others from within its own resources. To date many of these services have been provided by existing Council staff who have been deployed from their normal duties. As such there have been limited additional staff costs.

Given the cost to the Council of providing these additional services and the wider budget context their long-term provision is not deemed affordable. To date the Council has sought to minimise the budgetary impact of providing these services by resourcing them from the existing staffing compliment and using Council facilities/premises wherever possible. This may prove increasingly challenging as staff are required to return to their substantive roles. As such the Council is asked to cease provision of all additional Covid response services, unless directly funded from specific additional government funding, from the end of July onwards.

A paper was presented to the Corporate Resources committee on the 3<sup>rd</sup> June covering the costs of key worker childcare provision. That report identified an additional cost of £0.799m in relation to costs that could be quantified but with potential additional, as yet unquantified, costs associated with break-even payments to existing providers, the provision of new places to meet demand, summer holiday provision for 6–14 year olds and term time provision during the autumn term and beyond. This is one of the areas of new provision that the Council is asked to cease from the end of July 2020, unless new funding is provided by the Government for this purpose. From that date, parents requiring childcare over and above the Council's statutory provision, will need to make their own arrangements.

- 6.3 As a result of Covid 19 the way services are provided has needed to change. In many cases these changes have brought additional cost, with examples including a need for increased levels of PPE for certain staff groups or increased fleet costs associated with waste collections. As further services are reintroduced and facilities reopened it is anticipated that additional costs will be incurred.

Staff absence is currently considerably higher than normal as staff are ill or shielding; not all of those absences may be able to be covered in the longer term without incurring additional cost.

6.4 Certain areas of the Council are already seeing an increasing demand for the services they provide, such as the Welfare Service. Additional Scottish Welfare Fund money has been made available by the Scottish Government to support those families and individuals in the most need. The service area where the largest level of increased demand and cost is expected is children's social work. In May 2020 there were 369 looked after and accommodated children, an increase of 15 from the equivalent period last year. It is expected that this number will increase as the year progresses.

6.5 For 2020/21 the council has budgeted for over £56m of fee and charge income from a variety of sources including marine fuel sales; planning fees and building warrants; ferry, pier and harbour dues; school meal sales; car parking; commercial property rentals; commercial refuse collection; garden waste collection and licencing.

Many of these income streams have dropped to near zero almost overnight and the trajectory of any recovery is hugely uncertain. It is not expected that any 'lost' income will be regained later in the year as pent-up demand is released. In some cases it may take many years for income to return to the currently budgeted level.

Further information will be presented to the budget recovery sub-group to provide details of the Council's most significant income streams and the forecast impact of Covid 19 for the full year. After the first quarter these figures will be updated to reflect the actual income in the quarter. These figures will also be used to inform assumptions for the remainder of the year.

6.6 In the 2020/21 budget the Council has assumed a net Council Tax income of around £130m. This figure takes account of the Council tax increase approved by Members, allows for a growth in the Council tax base (i.e. the number of properties billed), and makes a general provision for council tax bad debts (i.e. Council Tax that will not be recovered).

As a result of the Coronavirus crisis two key impacts are expected. Firstly, the number of new properties being constructed is expected to be below assumptions as building activity has slowed and a general slowdown in the housing market occurs. Secondly the wider economic impact of Covid 19 is expected to result in increased levels of business failure and unemployment- this is expected to lead to a significantly lower level of Council Tax being collected. A linked impact is that the level of previous years' outstanding debt collection will not be as high as budgeted.

The key financial impact to be considered here is not the in-year collection rate, but rather the level of bad debt provision that will be required to be made based on the debts outstanding at year end. Work to look at the impact of historic economic shocks on overall collection levels will inform the projection.

All key metrics on Council Tax collection for first 2 months of the year are showing reduced collection from the equivalent period last year, the collection rate at the end of May was 18.92% compared with 20.03% last year and the percentage of people paying by debit now 73.76% compared with 73.99% at the same time last year. In addition, the amount of Council Tax Reduction awarded by the end of May, £14.137m, has increased by just under £2m from the same period last year.

6.7 The Council has two key partner organisations, HighLife Highland and Eden Court, for whom the Council holds a significant degree of risk if the organisations were to fail. In both cases the Council is landlord to the organisations' properties as well as being the guarantor for any pension fund deficit that the organisations hold. Due to these risks the

continued existence of these organisations as a going concern is key to averting even greater financial pressure on the Council. As both these organisations have been incredibly hard-hit by the Covid crisis- chiefly due to significant, almost total reductions in income, both have approached the Council seeking financial support.

Both organisations face huge uncertainty as to when they can begin to resume operations and exactly how they will be able to provide services.

Eden Court is projecting to lose 80% of its total income up until end of January 2021 when, at this point, it anticipates having significant enough forward income to re-open. It is forecasting an annual deficit of £0.702m. If Eden Court was to fail the Council's pension liability would be in the region of £1.7m

HighLife Highland delivers a number of Public Sector Obligations across Highland communities on behalf of the Council; including: Libraries; Museums; Archives; Youth Work; Adult Learning; Music Tuition; Arts; Leisure; Sport and Culture. Whilst increasing income and reducing costs, HighLife Highland is developing a recovery plan in co-ordination with the Council that will allow the continuation of services across Highland communities, prioritising support to areas of deprivation and vulnerable groups. At the time of writing this report, despite a projected loss of £10m in income, pro-active measures taken by the Highlife Highland Board to mitigate losses, mean that the Charitable Trust's latest forecasts are for a £3.3m deficit in the financial year, within a range of a worst case £4.1m deficit and best case £1.3m deficit. Eden Court is forecasting an annual deficit of £0.702m.

The Council does face a risk that other partner organisations may come to the Council looking for additional funding support to ensure their ongoing sustainability. In a number of cases the Council will be the owner of the building that the partners are tenanting, and the building would revert to Council ownership should the organisation fail.

- 6.8 The approved budget for 2020/21 includes around £16m of planned budget savings in order to deliver a balanced budget. A significant portion of these savings may not be delivered due to a variety of factors outwith the Council's control- whether that be commitments to critical external suppliers to ensure their ability to remain a going concern or Covid response requirements of Council staff diverting capacity away from savings delivery. Planned savings in certain areas such as School Transport have become more challenging to deliver as a result of recent government policy interventions. In addition, the majority of budget savings that relate to increased income generation are unlikely to happen.

All of the approved budget savings have been reviewed by officers and assessed for the likelihood of full delivery. **Appendix 2** provides a list of those savings rated as amber, where there are some challenges to full delivery expected, and red, where delivery of the full saving value is considered highly unlikely. An individual assessment of the deliverable amount for each saving will be included as part of the quarter 1 monitoring.

- 6.9 As a result of lockdown certain services have either stopped or reduced. Some budget savings will arise as a natural result of that, such as savings in the cost of food to provide school meals (albeit this is offset by lost income from the sale of those meals), energy cost savings from closed buildings and reduced costs relating to staff and Member travel. Whilst some costs are expected to reduce as a result of current circumstances a significant number of costs are contractually committed and cannot be reduced.



Significant areas of spend where the Council is not expecting to be able to make any savings at all include contracted staff (permanent employees), adult social care costs paid to NHS Highland, loans charges, PPP contract costs and welfare costs. These areas alone account for well in excess of £500m of spend- meaning that the Council is unable to reduce costs across the vast majority of its overall budget.

As a result of the crisis the number of staff leaving their employment with the Council has reduced substantially as there are limited external job opportunities. The Council's staff are also facing challenges in remaining at normal levels of productivity due to caring responsibilities or staff or their families shielding. These factors, and the response to Covid, mean that the Council's capacity to deliver change is both diminished and diverted from planned improvement activity.

- 6.10 The Council employs a significant number of staff through its revenue budget, the cost of whose work is normally recharged to the Council's capital programme, Housing Revenue Account, Arm's Length Organisations and other non-general fund bodies. Examples of staff for whom such charges are made include our architects, engineers and capital project managers; grounds maintenance staff; and property and maintenance staff. As some of these staff have not been able to do their normal work as they have been involved in the Covid 19 response, are off sick or in the shielding category, or cannot work due to lockdown restrictions, it will not be possible to recharge their costs outwith the general fund. In short this means that there will be a shortfall against budgeted income in the Council's revenue budget.

To mitigate any income losses as far as is possible, those officers will continue to work on their normal activities which will allow recharges to be made. For the relevant staff this will mean that a certain amount of spend against the capital programme will need to be incurred (the capital programme is covered in more detail in a later section of this report). Similarly, work that can be recharged to other organisations will also be prioritised, but their ability to pay may be impacted.

## **7. Mitigating the budget gap**

- 7.1 Section 5.3 of this report highlights 7 key areas where there is the capacity to mitigate the budget gap. Some of these measures can be delivered with relative ease whereas others will require very difficult decisions to be made. As outlined in section 6.9 of the report many areas of the Council's budget reflect fixed contractual costs where the termination of those contracts may either not be possible or may come at a significant cost. The options presented below can, in the main, be delivered without the requirement to break contractual agreements.
- 7.2 There is a very mixed picture in the provision of Council services at the moment. Certain services are being provided 'as normal' whereas others are being provided with very different delivery models. Other areas of service have stopped temporarily as a result of lockdown.

A number of management controls have been put in place to limit spend to items that directly relate to the Covid 19 response or the provision of essential services. In order to reduce spend, the release of the controls and the return to normal levels of service provision will need to be managed very carefully.

Budget holders have been told that budgets are suspended, and budgets will only be released to services to meet essential spending requirements. By this close central control of budgets it is hoped a significant amount of savings will be able to be delivered.

Making savings of this nature in such a short period of time will undoubtedly impact on the levels of service that Members and the public have come to expect. Whilst the exact impacts cannot be articulated at this time they will be felt across all aspects of the Council's operations. The overriding challenge of reducing the budget gap in such an unprecedented context will most likely mean that performance will suffer and spend may not bear as direct a link to Council priorities as might ordinarily be hoped. Regular reports will be brought to the budget recovery group and to Council to enable Members to understand and scrutinise the impact of these measures.

- 7.3 **Appendix 3** provides details of the additional funding government has made available to local authorities in response to the Covid crisis. Much of the funding is only to be routed through local authorities and will be passed to businesses, individuals or organisations in the wider Highland community.

Certain funding streams are able to be used to help with the Council's own budget. The Council received £2.373m from a national £50m Hardship Fund and £0.536m of this has already been committed to the ward discretionary budgets to support community groups across Highland. Other intended allocations of this fund related principally to the provision of food but this has been overtaken by the subsequent Food Fund allocation from government.

The unallocated sum of £1.837m within the Hardship Fund which was provided to support the Council's response to the Covid crisis will be maintained for the moment to deal with the financial impact of any future lockdown.

The Council has also received £7.357m of funding from Government arising from Barnett consequentials. This funding is intended to provide support for local authority budgets at this challenging time. **Appendix 4** provides the letter from the Cabinet Secretary for Finance confirming this funding support. The letter does however make quite clear the Scottish Government's position that *'if there is not further funding made available to the Scottish Government from the UK Government, it will be extremely challenging to offer further funding to local government.'*

- 7.4 When setting the budget for 2020/21 the Council agreed to the creation of a number of specific investment funds to cover roads investment, rural transport, a Highland Deal and play parks. As none of the funds have any contractual legal commitments against them at this point in time any or all of them could be held back until greater clarity emerges on the overall financial position and an assessment of Recovery priorities is made.

Due to the significant financial gap and the need to prioritise limited staffing resource at this stage it is proposed that the rural transport fund, with a value of £0.5m, is not allocated this year and is used to help bridge the budget gap. Recommendations on the use of the remaining funds will be presented to Council for Member decision later in the year, informed by the evolving situation.

An allocation to the Change Fund was also made and there are a number of commitments already made against this funding. Work is underway to assess the value of funding not currently allocated and whether any planned spend should now be postponed. As part of the recovery process it is inevitable that investment for medium

term financial sustainability will be required and change fund monies may need to be prioritised for this activity.

7.5 The budget agreed in March 2020 allowed for £4.909m to be added to the Council's general fund reserve. In light of the positive position returned in 2019/20 as detailed earlier in this report, and the exceptional circumstances facing the Council, it is proposed that instead of rebuilding balances this sum is used to mitigate the budget gap faced by the Council.

7.6 The Council has received three distinct funding streams around which the Scottish Government is allowing flexibility of use to respond to the Covid 19 crisis. **Appendices 7 and 8** provide the letters from Government confirming the flexibility.

The Scottish Government has relaxed the legislative requirement for 1140 hours of early learning and childcare to be provided to all eligible children. As a result of this the Council can slow down the planned rollout or pause it and maintain existing levels of provision. Such a decision would mean that not all the funding received for this would be used in year. A decision on the rollout of 1140 hours will require to be taken soon. A paper outlining options will be forthcoming at the July Council. Officers will be engaging with ELC partner providers and other stakeholders to ensure their involvement in the development of proposals.

The Council is expecting to receive £4m of Pupil Equity Funding in 2020/21 and again government is allowing limited flexibility on the use of these funds. This funding will focus on continuing to close the attainment gap whilst taking into the account that the context has changed. The Council's focus must also take into account the identification of new or widened gaps caused by the Covid 19 impact upon young people and how these gaps are addressed.

Finally, the Council has received around £1.3m of Crown Estate funding in 2019/20 and expects to receive a similar amount in 2020/21. Again, the Council has certain flexibilities around the use of this funding and for the time being no contractual commitments will be made against it.

7.7 The Council continues to make representation to both UK and Scottish Governments, both directly and through COSLA, to highlight the significant impact the Covid crisis is having on the Council's budget. Whilst the Scottish Government's position has been made clear as described in section 7.3 if the UK government were able to make more funding available for English local authorities it is hoped that this would passport directly to their Scottish equivalents. The Scottish Government will also be asked whether they can reprioritise their own funding allocations between government departments and whether there are any more specific income streams where increased flexibility of use would be permitted.

Previously, when facing extreme financial pressure, the Scottish Government has allowed the Council to repurpose part of the income received from Council Tax on second homes, normally ring-fenced for investment in affordable housing. In light of the current circumstances Members are asked to request the same flexibility from Government this year.

7.8 As outlined previously the Council's unearmarked general fund reserve now stands at £15.451m, still slightly below the target level. Some or all of this funding could be used to balance the Council's budget however any substantial usage would return the Council

to a situation where a very low reserve would jeopardise the ability to fund recovery activity, transformational change or meet unforeseen costs.

The Council has earmarked reserves and in an extreme circumstance it would be possible to review the purpose of these funds and potentially use some to bridge the 2020/21 funding gap. A number of the elements of these funds are however already accounted for in the 2020/21 budget, relate to external funding or have other reasons why they cannot be repurposed. A detailed review of these reserves will be actioned with an update being provided to the July Council meeting.

One of the earmarked funds is the £2.89m school DSM balance, reflecting the year-end funds held by schools at 31<sup>st</sup> March. It is proposed that these funds are used to mitigate the significant budget gap. The removal of these previous year's funds will not impact on core, formula based allocations to schools for financial year 2020/21. In 2020/2021 Schools will receive their DSM on a termly basis as extensive work is required and will be ongoing to assess the financial impact of an Education return which is 'not normal'. Importantly schools must follow all social distancing and health and safety requirements both in, around and on being transported to school. The children and young people will be experiencing a 'blended model' of face to face learning in school and home schooling through Council wide IT learning programmes. In light of this context and expected additional significant costs it will be important to support schools with monitoring of these costs along with the Council's expectations that such additionality requires additional funds from the Scottish Government.

## **8. 2021/22 and beyond**

- 8.1 Given the immediacy of the problems facing the Council the focus to date has rightly been on how the 2020/21 budget will be managed. At the present time it is unclear what might be happening next week or next month, let alone next year.
- 8.2 This paper will not at this stage attempt to look in any great detail at financial years 2021/22 and beyond but simply remind Members that the impacts of Covid 19 are likely to be felt for many years to come on both the Council's income and expenditure streams.
- 8.3 The Council needs to act swiftly and decisively now to take the short-term measures it needs to begin to reduce the current year's budget gap whilst remaining mindful that those decisions may impact on future demand for services or ability to generate income.
- 8.4 Given the Council is so reliant on Government income it is essential now, more so than ever, that the Scottish Government can give sufficient notice of their funding intentions for future years to allow robust medium-term financial planning to take place.

## **CAPITAL BUDGET 2020/21**

### **9. Impact of Covid 19 on the 2020/21 capital programme**

- 9.1 The impacts of Covid 19 on the capital programme can be considered under two main categories, firstly the impact on projects already underway, and secondly on projects not yet contractually committed.
- 9.2 The lockdown period brought about by Covid 19 has seen all on-site work on capital projects cease. The impact on external contractors is significant as they have had to de-

mobilise and will have to remobilise their project staff. This process will add time and cost to capital projects and contractors will also see increased costs from extending equipment contracts or sub-contractors. The cost and availability of construction materials may also be adversely impacted and there is likely to be supply chain disruption. Social distancing on construction sites is also likely to add cost and time to capital projects. There are likely to be many other factors that will also affect a project's ability to be delivered on time and on budget and in many cases the risk of additional contract costs will sit with the Council.

- 9.3 The delivery of capital projects will continue to be a key part of the area's recovery – not just to maintain existing buildings and infrastructure, but also to support the private sector who are contracted to do work and the supply chain. A number of current capital projects have remobilised or are in the process of doing so and onsite work will be back underway shortly. The impacts of the delay on project costs and timescales will need to be determined with each individual contractor. It is estimated that over £28m of general fund expenditure, not including the impact of any delay costs, will be incurred on such projects this year.
- 9.4 The budget controls referred to earlier in the report also extend to the capital programme, and it is important that essential spend is managed. The continued delivery of the capital programme is however also an important part of the wider Highland economic recovery, both in terms of direct works undertaken by the Council, or by contractors and sub-contractors. There are a number of capital projects in the current capital plan that are being brought forward but which are not yet contractually committed. Examples include essential health & safety works on buildings and infrastructure, roads capital projects and projects where funding has been received from external bodies (for example, the Timber Transport Fund, Scottish Government funding for Flood Protection Schemes etc) Member approval to enter into formal contracts is sought for these projects (which are already part of the agreed capital programme). Those projects and the reasons they are deemed essential are as outlined in **Appendix 5** and Members are asked to approve the award of contracts for these projects.
- 9.5 It is intended that a full review of the capital programme takes place over the coming months with the intention to report a proposed capital programme to Members at the end of October. This revised programme will be informed by the Revised Council Programme and also an assessment as to how individual projects meet the Council's aspiration for a low carbon, digitally enabled and partnership driven future. In the interim period it may be necessary for Council to consider a small number of projects for which an early commitment may be required and proposals will be brought to the July and September meetings where appropriate.
- 9.6 Another critical part of the Council's economic recovery is to continue to deliver an ambitious house building programme. Prior to the lockdown beginning, Council had 15 housing contracts on site, at various stages of construction, which will deliver 312 new council homes. All these sites have been left in a safe, secure state and the contractors are currently preparing work plans for their safe return to site whilst complying with all the necessary legislation.

The Council was also about to formally sign contracts to let 10 further contracts to deliver a further 191 new council homes, with letters of intent issued and again the contractors for these contracts are preparing for start on sites as possible. If the Council decided not to proceed with the award of these contracts there is a significant risk of legal challenge by the contractors and loss and expense claims.

A further 7 sites are being prepared for tender stage as part of the approved programme which will deliver another 83 new council homes.

The new council house build programme is funded by a mixture of Scottish Government grant, landbank fund and HRA prudential borrowing. The borrowing is repaid through rental stream on the new homes. The proposed programme of sites with a summary of their funding streams is included at **Appendix 6**. For the sites where there is a legally binding contractual commitment we have already drawn down most of the Scottish government grant and most of the remaining funding will be drawn against the land bank and HRA prudential borrowing.

Members are asked to agree to the awarding of contracts in the 'letters of intent issued' and 'tenders to be let' sections of **Appendix 6** which will bring the overall level of investment for 2020/21 (including Scottish government grant and land bank funding) to over £44 million which is a huge boost for the Highland economy.

Designation: Executive Chief Officer- Finance and Resources

Date: 15<sup>th</sup> June 2020

Authors: Liz Denovan, Executive Chief Officer- Finance and Resources and Edward Foster, Head of Corporate Finance

Background Papers:

[https://www.highland.gov.uk/download/meetings/id/76659/item\\_3\\_corporate\\_revenue\\_near\\_final\\_monitoring\\_report\\_for\\_201920](https://www.highland.gov.uk/download/meetings/id/76659/item_3_corporate_revenue_near_final_monitoring_report_for_201920)

[https://www.highland.gov.uk/download/meetings/id/76660/item\\_4\\_near\\_final\\_corporate\\_capital\\_monitoring\\_report\\_201920](https://www.highland.gov.uk/download/meetings/id/76660/item_4_near_final_corporate_capital_monitoring_report_201920)

[https://www.highland.gov.uk/download/meetings/id/76661/item\\_5\\_covid-19\\_financial\\_resilience](https://www.highland.gov.uk/download/meetings/id/76661/item_5_covid-19_financial_resilience)

[https://www.highland.gov.uk/download/meetings/id/76543/item\\_3\\_revenue\\_budget\\_2021\\_to\\_202223](https://www.highland.gov.uk/download/meetings/id/76543/item_3_revenue_budget_2021_to_202223)

### Extract from 'State of the Economy- April 2020' by Dr Gary Gillespie, Chief Economist, Scottish Government

<https://www.gov.scot/publications/state-economy-april-2020/pages/2/>

#### Overview

The COVID-19 pandemic is a health crisis that has now become an economic crisis. The priority has been to protect public health with social distancing measures quickly introduced to contain the spread of COVID-19. This has necessitated the shutdown of economic activity in many parts of the Scottish economy and we should expect to see economic output fall by around a third during the current period of social distancing.

It is important however to recognise that this is no ordinary economic downturn - many productive, profitable and sustainable businesses have been required to temporarily close bringing immediate financial stress. The policy response to the pandemic has also been unprecedented with a combination of fiscal, monetary and macro-prudential measures to maintain cashflow, incomes, wages and employment across the economy - reflecting both the indiscriminate nature of the crisis and the need to protect productive capacity.

The collapse in economic activity is also steeper and faster than in previous downturns and it has similarly impacted our major trading partners. The latter means many of our external markets both for goods and supplies are also impacted. The sudden cessation of economic activity has focussed the economic policy response on maintaining productive capacity, which in many cases has meant supporting temporarily closed businesses.

Our analysis suggests that there could be a 33% fall in GDP during the current period of social distancing. This mirrors the findings from business surveys in March and is similar to the estimates from the OECD, OBR etc. on the scale of the impact on GDP.

These figures are unprecedented in scale but so is the nature of this crisis and the policy response. Our analysis highlights the economic damage of a scenario where social distancing measures are lifted and then reintroduced, with the potential for a 'W' shaped recovery. As such, the path of the recovery remains uncertain for several reasons.

Firstly, as business and society reopens we will see a reversal of the output contraction for many parts of the domestic economy. However, not all sectors will come back immediately as external demand, consumer tastes, and business models will have changed significantly. This will present challenges and opportunities for different segments of the business base reflecting their exposure to different economic channels - both external and domestic.

Secondly, we will continue to lose productive capacity as the restrictions in economic activity continue and this will lengthen the recovery period. This is mirrored in the labour market as we see significant rise in unemployment and the scarring effects that has on individuals and communities.

Thirdly, the longer the measures are in place, the harder the impact will be on the public finances and the less scope there will be for a fiscal stimulus in the recovery, with a greater risk of wider economic contagion.

## **APPENDIX 1**

Finally, the economy will recover but the path and speed of recovery will mirror our success in managing the health crisis and will require careful planning and management of economic activity so that we can operate in a different but productive manner.



## Appendix 2

Service - New Structure	Budget Area	Savings Description	2020/21 Savings £m	Service Raggng
F&R	Non Domestic Rates	Improved collections (including via the Business Rates Incentivisation Scheme)	1.095	
H&SC / Educ	Procurement	Review of non discretionary spend (lower prices/better VFM)	0.318	
I&E / T&E / P&H	Development & Infrastructure Service Wide	Restructure/Vacancy management	0.300	
H&SC / Educ	Service-wide	Review of Service Support services (£100k saving already approved for 20/21)	0.250	
C&P	Waste Management - Restrictions on accepted waste	Restrictions in place at Household Waste Recycling Centres (HWRCs) to prohibit vans, trailers and other large vehicles from using HC centres. Plus introduction of a charge to take some such goods at our HWRCs.	0.150	
F&R	Service-wide	Corporate services staffing restructure	0.125	
T&E	Funding for external sports culture and leisure organisations	Revised funding for Sports, Leisure, Culture and Community organisations	0.100	
H&SC	PSCP	Review of costs chargeable to HRA (estimate and being investigated)	0.100	
Educ / F&R	Council wide	Review of business support to create an integrated service, reduce duplication and achieve efficiencies.	0.075	
I&E	Street Lighting	In-source all external lighting works	0.060	
I&E	Development & Regeneration	Efficiencies in the management of the Industrial and Investment Portfolio	0.058	
I&E	Development & Regeneration	Reduction in Commitment and Increase in Income	0.057	
C&P	Waste Management - Route Optimisation	Full implementation of Route Optimisation based on reducing the fleet by one vehicle and crew in each of years 2 and 3	0.050	
I&E	Development & Regeneration	Investment Properties - Property Maintenance	0.050	
F&R / C&P	Online Forms Review	Support for online forms	0.050	
C&P	Service points	Review of customer service provision	0.050	
P&G	Policy/CLS	Restructure following ECO appointments	0.050	
P&G	Corporate Governance - Trading Standards	Income from work in support of licensing	0.030	
C&P	Compactors for waste	Compact waste to reduce contract cost	0.026	
Educ / F&R	Council wide	Efficiency savings through review of corporate HR/recruitment/workforce planning process	0.025	
F&R	Council Tax/NDR	Establish an online customer portal	0.023	
Service-wide	Council wide	Efficiency savings through ICT corporatisation	0.020	
C&P / I&E	Community Services Increase all other charges	Graduated % increases in fees and charges within the CS service	0.636	
Service-wide	Procurement	Full year effect of procurement savings being delivered in 2019-20 plus savings from other corporate procurement activity	0.450	
F&R	Council Tax Reduction	Rebasing current Council Tax Reduction budget to match anticipated demand	0.400	
H&SC	Children's Services	Commissioned Children's Services agreed through redesign process	0.399	

Service - New Structure	Budget Area	Savings Description	2020/21 Savings £m	Service Ragging
I&E	Planning & Environment	Planning & Building Warrant Fee Income - Increase income target	0.270	
Service-wide	Property	Property Asset Management - Further review the occupation of all operational assets (both leased and owned) including offices, schools and HLH premises to establish where effective rationalisation can be deployed to allow us to reduce the number of operational buildings across the Council estate.	0.227	
I&E	Development & Regeneration	Increase in estates income	0.175	
I&E	Car Parks	Roll out of car parking charges	0.115	
I&E	Planning & Environment	Planning & Building Warrant Fee Income - Increase income target	0.100	
P&G	Trading Standards	Trusted Trader Scheme (income)	0.095	
I&E	Development & Regeneration	Economy & Regeneration - Efficiencies in annual programmes and services	0.085	
P&H	Property	Catering Review	0.050	
P&H	Property	Review of letting policies and FM provision	0.050	
H&SC / Educ	Service-wide	Review of income budgets level / budget provision	0.050	
Service-wide	Service wide	Full costs recovery on events and festivals	0.050	
I&E	Transport Section	Review of school transport contracts and arrangements - Gaelic medium	0.035	
P&H	Property	Cleaning Team - Additional Cleaning Income	0.030	
I&E	Transport Section	Review of school transport contracts and arrangements - nursery, primary, secondary and special schools	0.025	
P&H	Property	Catering Service - Redesign School Meals	0.025	
C&P	Registrars	Marriage, Civil Ceremonies and Re-naming registration review	0.025	
I&E	Transport - Home/ School Provision	Review provision - better route planning; introduce collections hubs for children and renegotiate with individual operators for revised pricing	0.020	
I&E	Planning & Environment	New fees for new services - Medium-Scale Pre-application Advice & Satisfaction of Conditions	0.020	
C&P	Income from targeting commercial waste customers	Development of business case to maximise income generation opportunities	0.020	
I&E	Planning & Environment	Environment - Increase Environment Advice & Consultancy Team income target	0.020	
I&E	Development & Regeneration	Estates Team - Income generation from submitting NDR appeals on behalf of local authorities	0.020	
I&E	Transport - Review Subsidies	Reduce the cost of the public bus services tender per annum	0.016	
I&E	Radio Masts - Increase Income	Increase income from radio masts and recover costs from third party works	0.010	
I&E	Planning & Environment	Environment - Increase Environment Advice & Consultancy Team income target	0.010	
P&G	Corporate Governance - Democratic Services	Increase income from charge out to ALEOs, ICGF and NHS Highland	0.005	
I&E	Project Design Unit	Flood Risk Management Team - charging for requests for Information	0.004	
			<b>6.499</b>	

## Appendix 3

### Covid-19- additional funding

This paper provides detail of additional funding that has been provided to local authorities in response to Covid 19. Funding is primarily coming through a £350m communities fund (detailed in the first table below). Support for business funding which LAs are administering on behalf of government is included in the second table. Other discrete funding announcements made outside these are covered in the third table.

### £350m communities fund

Element	National Amount	HC share	Administered by:	Notes
Hardship Fund	£50m	£2.373m	HC	Local authorities can use this resource as they see fit to respond flexibly to the COVID crisis to help people and communities.
Scottish Welfare Fund (distributed)	£22m	£0.738m	HC	Added to Council's existing Scottish Welfare Fund budget and to be administered in the same way as existing fund
Scottish Welfare Fund (undistributed)	£23m	-	SG	Held centrally by SG- to be <i>'provided later, to be targeted at where it is most needed.'</i>
Increased Eligibility for Benefits and Increased Council Tax Reduction Scheme	£50m	-	SG (but may come to local authorities)	To provide "extra headroom" for CTR and Social Security payments, undistributed at the moment. This is a 'reserve fund' so will only be allocated by Government if required- they are <i>'putting in place measures to allow us to track CTR caseload and spend for each authority, so we can allocate the funding as appropriate.'</i>
Food Fund- FSM and vulnerable groups	£30m	£1.119m	HC	To support free school meal provision and people and communities at risk (non-shielded).

Food Fund- Third sector	£10m	-	Third sector	For investment in third sector organisations that are responding to food insecurity both at a national and local level
Food Fund- Shielding	£30m	-	SG	For a nationally procured programme to deliver food for those who are unable to leave their homes due to being at highest clinical risk, known as the shielded group
Wellbeing Fund for 3 <sup>rd</sup> sector partners	£50m	-	SG / Third sector	For charities and other third sector organisations to support at-risk people who may be worst affected by the crisis.
Supporting Communities Fund	£40m	-	SG- and HIE locally	This fund is available to community organisations including those that are not registered charities to support small-scale community resilience. The fund will be allocated through community anchor organisations (CAOs) that are already playing a key active role in providing services within the community.
Third Sector Resilience Fund	£20m	-	SG	To support charities, voluntary organisations and social enterprises that already deliver vital services in communities that find themselves in financial difficulties directly as a result of the Coronavirus pandemic.
Scottish Government Reserve	£25m	-	SG	Flexible reserve held by SG

### Support for business funding

Fund	National Amount	Highland Allocation	Notes
Business support fund- phase 1	£1,188.2m (initially only £950.2m allocated to local authorities)	Total allocation £94.7m, Highland share of initial allocation £75.72m	To support grant payments of £10k to eligible small businesses and £25k to eligible larger businesses
Business support fund- phase 2- totalling £220m (individual elements below)			£120m nationally to extend small business grant scheme, £100m to support self-employed people and micro and SMEs
Extension of small business grants scheme	£120m	tbc	For those with multiple properties- receive 75% of grants for subsequent properties

Newly Self Employed Hardship Fund	£34m	£812,433. Initially only 60% of total national amount allocated.	One-time payments of £2,000 to eligible applicants
Creative, Tourism & Hospitality Enterprises Hardship Fund	£20m	-	Managed by the Enterprise Agencies in partnership with Creative Scotland and VisitScotland for creative, tourism and hospitality companies not in receipt of business rates relief
Pivotal Enterprise Resilience Fund	£45m	-	Managed by the Enterprise Agencies for vulnerable SME firms who are vital to the local or national economic foundations of Scotland
Bridging Bursaries	£1m	-	To top up Creative Scotland's Bridging Bursaries in the not-for-profit sector.

#### Other items

Fund	National Amount	Highland Allocation	Notes
Spaces for People	£10m	£0.753m	'Bid-in' funding for temporary active travel infrastructure. Highland successfully submitted a bid for £0.753m for active travel interventions across Highland.
Community Care	£50m	£2.338m (to NHS Highland)	Funding paid directly to NHS Highland in respect of Health and Social care mobilisation plans
Additional Funding Support for Local Government	£155m	£7.357m	Additional funding for Scottish local government via Barnett consequentials. <b>Appendix 4</b> provides further detail.

Rùnaire a' Chaibineit airson Ionmhas  
Ceit Fhoirbheis BPA  
Cabinet Secretary for Finance  
Kate Forbes MSP



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Councillor Alison Evison  
COSLA President  
Verity House  
19 Haymarket Yards  
Edinburgh  
EH12 5BH

Copy to Local Authority Leaders

26 May 2020

## COVID-19 – ADDITIONAL FUNDING SUPPORT FOR LOCAL GOVERNMENT

Dear Cllr Evison,

I refer to Cllr Macgregor's letter of 19 May, and thank you for confirming Leaders' view that the allocation of the consequential funding for local government should be based on the normal formula distribution for the local government finance settlement.

As I have recognised previously, and I am very happy to say again, I am in great admiration of the way in which local government has mobilised to support their local communities and businesses in the crisis. I am sure that as we move forward into the recovery phase we can build on that continued support at a local level. I also hope that we can focus on working constructively together as we seek to address the significant challenges ahead.

I have made clear on a number of occasions the Scottish Government is committed to deploying the additional funding in a way that is helpful to supporting local government and the COVID-19 response. Now that the cost collection exercise has concluded, I am therefore pleased to confirm that, in line with Leaders' views, the allocation of the remaining local government consequentials will be based on the normal distribution formula Grant Aided Expenditure (GAE) plus Special Islands Needs Allowance (SINA). Details of the allocations, which will be added to the General Revenue Grants payments to local authorities as soon as possible, are set out in the Annex to this letter.

In addition to the funding and package of measures set out in my letter of 5 May that we have already committed I am sure you will recognise that this amounts to over £300 million and is a significant overall package of financial support for local government in Scotland. This package is now also supplemented by the initial funding confirmed by Ms Freeman on 12 May of £50 million to support the immediate challenges in the social care sector, which will be provided through Integration Authorities, with further work being undertaken across Partnerships to fully understand the financial implications of responding to COVID-19.

Tha Ministearan na h-Alba, an luchd-comhairleachaidh sònraichte agus an Rùnaire Maireannach fo chumhachan Achd Coiteachaidh (Alba) 2016. Faicibh [www.lobbying.scot](http://www.lobbying.scot)

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I note that COSLA view the cost collection exercise as an ongoing process. While having a full picture of the overall costs to local government will undoubtedly be helpful, I would stress again the points I made to Cllr Macgregor in our meeting on 7th May, that, we have now allocated all the additional consequentials at our disposal and more.

We will of course make further representation to UKG on the need for further funding and flexibility and would welcome any support COSLA can provide in this respect, however my sense is that the provision of further resources will be limited. Indeed UKG have already said that the current consequentials are estimates and may be revisited and that they will seek savings from Departments to offset some of the costs of the COVID response, which could result in negative consequentials for the Scottish Government.

I am of course willing to work with you going forward on how we can address any further funding pressures, this includes any costs associated with the strategic framework for the reopening of schools and early learning and childcare provision that has been developed jointly with the Scottish Government and local government. However, if there is not further funding made available to the Scottish Government from the UK Government, it will be extremely challenging to offer further funding to local government.

I will be happy to prioritise any request for a further meeting and look forward to working constructively with you in those further discussions.

**KATE FORBES**

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## COVID-19 – ADDITIONAL FUNDING SUPPORT FOR LOCAL GOVERNMENT

(£ million)

Local Authority	Allocation
Aberdeen City	5.448
Aberdeenshire	7.451
Angus	3.371
Argyll & Bute	2.776
Clackmannanshire	1.442
Dumfries & Galloway	4.588
Dundee City	4.307
East Ayrshire	3.532
East Dunbartonshire	3.229
East Lothian	2.991
East Renfrewshire	3.059
Edinburgh, City of	12.122
Eilean Siar	1.189
Falkirk	4.485
Fife	10.563
Glasgow City	17.347
Highland	7.357
Inverclyde	2.321
Midlothian	2.606
Moray	2.644
North Ayrshire	4.104
North Lanarkshire	9.863
Orkney Islands	1.085
Perth & Kinross	4.272
Renfrewshire	5.059
Scottish Borders	3.409
Shetland Islands	1.204
South Ayrshire	3.265
South Lanarkshire	9.234
Stirling	2.720
West Dunbartonshire	2.729
West Lothian	5.228
<b>Scotland total</b>	<b>155.000</b>

Tha Ministearan na h-Alba, an luchd-comhairleachaidh sònraichte agus an Rùnaire Maireannach fo chumhachan Achd Coiteachaidh (Alba) 2016. Faicibh [www.lobbying.scot](http://www.lobbying.scot)

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Project Name	Description of works	2020/21 spend £000	Comments
Charleston Academy	Refurbishment of PE Changing	400	Initial phase of planned extension/refurbishment of Academy (from overall project allocation in capital programme); existing changing facilities are not fit-for-purpose
Gairloch High	ASN Alterations	80	Essential improvements for pupil moving to High School in August
Golspie High	Installation of Lifts/ Accessibility Improvements	775	Essential improvements to address statutory obligations in terms of accessibility and allowing full access to the curriculum
Invergarry Primary	Refurbishment Phase 2	375	Refurbishment of main building and improvements to nursery accommodation that has previously been identified as high priority (including Care Inspectorate report on nursery); some ELC funding available
Kilchoan Primary	ASN Alterations/ELC Expansion	150	Essential works for ASN pupils combined with improvements to nursery
Lady Lovat Primary	Demolition of Unit	50	Building has been condemned and requires to be removed urgently
Mallaig Primary	Nursery Alterations	50	Required to establish separate English and Gaelic Medium nursery rooms; fully funded from ELC allocation
Plockton High	Extension/Refurbishment of ASN Base	825	A comprehensive business case has been prepared that clearly demonstrates that this scheme is the best value option to avoid out-of-authority placements and associated revenue costs, and to ensure equitable ASN provision for the Plockton ASG
Stratherrick Primary	Relocation of Modular Unit	275	Relocation of a single modular unit from Glenurquhart Primary to provide essential accommodation for ASN pupils (required prior to separate relocation of a two-classroom unit to address roll pressures at Glenurquhart)
Tain Royal Academy	Installation of Ramps and Stair Lifts	250	Essential improvements to address statutory obligations in terms of accessibility and allowing full access to the curriculum
Wick High	Drainage Works/Cycle and Pedestrian Path	225	Essential as linked to a planning condition and to address health and safety issues in existing car park. This work (and completed demolition work) has been taken forward as an in-house project and is being delivered at approximately £300K less that would have been the case if procured through the Hub project.
<b>EDUCATION TOTAL</b>		<b>3,455</b>	
Roads Structural - Overlay/Inlay		2,034	The Condition of Roads in Highland has deteriorated markedly over the last 10 years - In 2011 we had the 11th best road network in Scotland; we are now at 25th place ; a fall of 14 places . In order to prevent further deterioration of the road network , it is essential that we undertake our annual programme of structural surfacing and surface dressing of our roads, which has been approved by Area Committees. It is also essential that we get approval now to undertake this work, because of its seasonal nature. These programmes are mainly delivered between April and September before the start of the winter season. If this decision is deferred, it will impact on our ability to deliver the programme. It is also important to be aware that much of these capital works are delivered by our in-house teams, so if this work is not done, there will be revenue consequences, as there is insufficient resource in the revenue budget alone to cover our staffing and Plant costs. TIME CRITICAL
Roads Surface Dressing		1,690	Justification as above.
Roads Bridge Maintenance (HQ/Structures)		650	Investment in our bridge stock is essential to maintain lifeline routes within the Highlands and numerous bridges in the Highlands are in need of vital capital investment to maintain the integrity of the structure. Repairs and/ or replacements for bridges and culverts , bridge deck replacements, waterproofing and other significant defects are included in this budget line as identified from inspections. It is important that this work is carried out now to address urgent repair need and for the works to be undertaken during the summer season. HEALTH & SAFETY & TIME CRITICAL
Road Markings		60	Renewal of white lining marks at centre and junctions is essential for health and safety of all road users. Due to the seasonal nature of this work, it is important that approval is obtained now for these works to proceed. TIME CRITICAL
Torbreck Bridge		125	Torbreck Bridge crosses the Holm Burn at Ness Side and is a both a traffic route and also a safer routes to school route. The burn downstream of the bridge is very heavily scoured. Historically sheet piling and concrete apron works have been installed to protect the bridge against the scour. This old protection work has now been scored and is collapsing leading to the potential loss of this bridge. These works (in the burn) require a license from SEPA – and the license conditions limit the construction window from June to October. Works are required urgently to protect further scour and the potential loss of the bridge. Delay in award will result in the loss of the environmental window of construction leading to a delay of 12 months and the potential loss of the bridge in storm/spate conditions. The contractor is prepared to start, following award, as soon as construction works can resume – anticipated mid to late June, for completion by October.
Ferries and Harbours (Health and Safety Works)		380	The Council receives significant income from harbour dues and Ferry fares, which are used by private operators and individuals alike. It is important therefore that the infrastructure supporting these services is safe and compliant with health and Safety regulations. There is a significant backlog of maintenance works required. One capital project for the Kyle Fishery Pier refurbishment has been tendered and was at the point of award when CV19 hit. Despite its name, the pier is predominantly used by aquaculture vessels for berthing and the transfer of goods, equipment, bulk liquids. The pier is constructed of steel reinforced concrete which has become so dilapidated by chloride attack that it is becoming unsafe to use and without these works, a weight restriction is inevitable which will curtail much of its usefulness. The works are estimated at £380k, including an optimum bias. In its current condition it poses a significant health & safety risk and approval is sought to award this contract urgently. HEALTH & SAFETY
LED Lighting Enhanced		250	No committed expenditure at present, but budget is required to complete LED Programme which will secure energy efficiency measures and reduced energy costs. However if carry forward from 2019/20 is secured, this year's budget of £2.060M could be re-profiled over next 2/3 years. Delivery of LED programme to date have avoided additional annual energy costs of £1.15m in 2019/20.
Lighting Columns		100	Radio mast replacement 50% funded and delivered in 2019/20 by third party operator, asset is owned by THC and we are awaiting an invoice for 50% of the costs (Cat 1). ESSENTIAL CONTRACTUAL WORKS ALREADY UNDERTAKEN.
Lighting Columns		100	Cat 2/3 expenditure required for replacement of faulty component parts identified through inspections to date. There is a health & safety risk if this work is not undertaken expeditiously. HEALTH & SAFETY
Timber Extraction		420	Match funding of £420,000 is required in order to lever in an additional £980,000 of Scottish Government Grant Money to support road improvements for Timber Transport. It is essential to obtain approval now for this spend in order to secure the grant and to ensure delivery of the projects by March 2021 which is a requirement of the grant award. MATCH FUNDING SECURED
Inverness Castle		164	Initial funding required for hoarding works essential to ensure compliance with property insurance. Funding for hoarding and security works 100% funded through city region deal. Budget required in future years as match funding for the City Region Deal.
<b>ECONOMY AND INFRASTRUCTURE TOTAL</b>		<b>5,973</b>	
<b>Fire Safety</b>			
Abermethy Primary School	Upgrade Fire Alarm and Detection System	27	No auto detection in main building - requirement of FRA
Alvie Primary School	Upgrade Fire Alarm and Detection System	13	No auto detection in main building - requirement of FRA

Project Name	Description of works	2020/21 spend £000	Comments
Ardersier Primary School	Upgrade Fire Alarm and Detection System	14	Limited detection - requirement of FRA
Balloch Primary School	Fire Safety Work to Structure & Fabric	10	Statutory Works to improve compartmentation and component integrity
Balnain Primary School	Upgrade Fire Alarm and Detection System	10	Limited detection - requirement of FRA
Carrbridge Primary School	Upgrade Fire Alarm and Detection System	14	No auto detection in main building - requirement of FRA
Cradlehall Primary School	Upgrade Fire Alarm and Detection System	20	Limited detection - requirement of FRA
Dornoch Academy & Primary	Fire Safety Work to Structure & Fabric	25	Statutory Works to improve compartmentation and component integrity
Dornoch Primary School	Upgrade Fire Alarm and Detection System		SFRS Instruction to improve
Dunbeath Primary School	Upgrade Fire Alarm and Detection System	11	No auto detection in main building - requirement of FRA
Grantown Grammar School	Upgrade Fire Alarm and Detection System	75	Limited detection in main school - requirement of FRA
Grantown Primary School	Upgrade Fire Alarm and Detection System	25	Limited detection in main school - requirement of FRA
Keiss Primary School	Upgrade Fire Alarm and Detection System	20	No auto detection in main building - requirement of FRA
Lybster Primary School	Upgrade Fire Alarm and Detection System	33	No auto detection in main building - requirement of FRA - Quotation Received
Marybank Primary School	Upgrade Fire Alarm and Detection System		No automatic detection - requirement of FRA
Miller Academy Primary School	Upgrade Fire Alarm and Detection System	58	Limited detection in main school - requirement of FRA
Nairn Academy	Fire Safety Work to Structure & Fabric	25	Statutory Works to improve compartmentation and component integrity
Tain Royal Academy	Fire Safety Work to Structure & Fabric	25	Statutory Works to improve compartmentation and component integrity
Thurso High School	Fire Safety Work to Structure & Fabric	25	Statutory Works to improve compartmentation and component integrity
Various Sites	Future Fire Risk Assessment Works	100	Future Fire Risk Assessment Works
<b>Water Management</b>			
Invergordon Leisure Centre	Water Safety Upgrade Works	48	Compliance with L8 ACoP
Kilmuir Primary School	Water Safety Upgrade Works	47	Compliance with L8 ACoP
Mallaig Hostel	Water Safety Upgrade Works	100	Compliance with L8 ACoP
Nairn Leisure Centre	Water Safety Upgrade Works	13	Compliance with L8 ACoP
Highland Wide	Highland Wide - Pipework, shower heads and tap replacements	200	Statutory Works Identified during lockdown recommissioning
<b>Engineering Compliance</b>			
Charleston Academy	Gas installation upgrade works	60	Compliance with GSI&UR ACoP.
Dalneigh Primary School	Upgrade of Electrical System	25	Electrical system at end of serviceable life - compliance with BS7671 and EAWR
Dingwall Roads Depot and Street Lighting	Replacement of stores heating	50	Existing heating system has failed. Required to maintain comfortable working environment, equipment and spares
Grantown Grammar Ph1	New Boilers	500	The replacement of the heating source at this site is urgent as the existing boilers have suffered complete failure and are being fed with a temporary (undersized) oil plant. The replacement of the oil boilers with a low carbon energy source will bring significant carbon savings along with a reduction in running cost with improved reliability and efficiency from the heating
Helmsdale Primary School	Heating upgrade works. Partial replacement of heating pipework.	200	Heating pipework has already failed in sections. Further replacement required for continuity of service provision
Kyle Primary School	Switchgear Upgrade	65	Electrical system at end of serviceable life - compliance with BS7671 and EAWR
Miller Academy	Upgrade of Electrical System	20	Electrical system at end of serviceable life - compliance with BS7671 and EAWR
Raigmore Primary School	Boiler replacement and plant room upgrade works	100	Service provision. Boilers expected to fail in near future
St Josephs Primary School	Boiler replacement and plant room upgrade works	120	Service provision. Boilers expected to fail in near future
<b>Structure and Fabric - Buildings</b>			
Arisaig Primary School	Window Replacements	25	Component Failure: End of Service Life
Banavie Primary School	Pitched Metal Roof Replacements and associated works Phase 1.	50	Component Failure: End of Service Life
Dalneigh Primary School	Roof Replacement and associated works	30	Component Failure: End of Service Life
Dingwall Town Hall	Replacement of roof vents.	33	Statutory Works - Listed Building
Dingwall Town Hall	Refurbishment and replacement of structural elements - Dry Rot	25	Statutory Works - Listed Building
Gleneig Primary School	Replacement Skylights, rain screening and associated works	12	Component Failure: End of Service Life
Grantown Grammar School	Roof Replacements and associated works	50	Component Failure: End of Service Life
Holm Primary School	Roof Refurbishment	93	Component Failure: End of Service Life
Inverlochry Primary School	Window Replacements	80	Component Failure: End of Service Life
Kingussie High School	Water Tank Rainscreen and associated works.	10	Component Failure: End of Service Life
Lochaber High School	Roof Replacements and associated works Phase 1.	50	Component Failure: End of Service Life
Lochinver Primary School	Reroofing of annex	30	Component Failure: End of Service Life
Marybank Primary School	Canteen Roof Refurbishment	15	Component Failure: End of Service Life
Plockton High School	Window replacement and associated works Phase 1.	50	Component Failure: End of Service Life
Plockton High School Hostel	Roof Refurbishment and associated works Phase 1. (Link Roof)	25	Component Failure: End of Service Life

Project Name	Description of works	2020/21 spend £000	Comments
South Lodge Primary School	Toilet Refurbishment	40	Hygiene Improvements: End of Service Life
South Lodge Primary School	Roof Replacements and associated works Phase 1.	150	Component Failure: End of Service Life
Ullapool High School	Valley Gutter Replacement and associated works	20	Component Failure
Highland Wide Properties	Various Sites - Component Failure	250	Component Failure: End of Service Life
Highland Wide - Security Improvements	Highland Wide - Security Improvements	100	Essential Security Works
<b>Facilities Management Compliance - Schools</b>			
Schools	Purchase of Access Equipment – MEWPS	60	Required for accessing roof areas safely
Schools & Offices	Purchase of Pressure Washers & Window Cleaning Equipment	10	Essential equipment to enable FM service to carry out core duties
Secondary Schools	Provision of Tractors for grounds maintenance	180	Existing fleet is now obsolete
Service Requirement	Purchase of Trailers	10	Equipment required to transport operational equipment to enable sharing and become more commercial
<b>Catering Compliance - Schools</b>			
Schools	Provision of allergen management equipment	10	To comply with allergen legislation
Schools	Cashless catering - rollout to all primary schools	170	To enable online payments to be made for school meals
<b>Energy Works</b>			
Energy Works	SMART Cities Programme	300	The SMART controls will allow monitoring and management of Council buildings to allow reduction of energy consumption and cost. This is part of an EU funded project with the Scottish Cities Alliance and is part of the overall transformation programme commitments made by the Council. The project has a 70% intervention from ERDF funds and the investment attracts £700k for the project.
Energy Works	Vlan & BMS essential works upgrades	200	The heating control systems have suffered significant barriers from network failures and security of connection. This project is intended to provide a secure and reliable fix for the remote access. As has been demonstrated through the crisis, being able to control and switch heating will be necessary to manage change and reduce the cost and consumption of Council buildings. There is a network security risk if systems are not switched to the VLAN network and this may affect the Council's certification and must be arranged as soon as possible.
Energy Works	LED Lighting	50	This project is to top up Salix funded projects in the LED programme. Some elements of the work do not qualify for Salix funding and to make them viable a top up is required. Major programme of £2m to reduce revenue costs and carbon use by Council. Salix loan which is interest free and needs to be spent within fixed timeframe. Salix funding is already in Council balances may need to be repaid.
<b>HOUSING AND PROPERTY TOTAL</b>		<b>4,206</b>	
<b>TOTAL EXPENDITURE</b>		<b>13,634</b>	

Appendix 6

Project Title	Budget Number Of Houses	20/21 commitment	Future years' commitment	Total Commitment
<b>PROJECTS CURRENTLY ON SITE:</b>				
Inverness, Slackbuie Farm Road	18	280,000	40,000	320,000
Kilbeg, Skye	6	800,000	180,000	980,000
Dingwall, Ross House/Mart Road	30	2,675,000	1,525,000	4,200,000
Inverness, Kinmylies, Achmore Court	28	2,739,000	761,500	3,500,500
Tain, Jackson Drive P3 & 4	32	2,600,000	50,000	2,650,000
Fort William, Former Achintore school	27	2,357,027	817,297	3,174,324
Kingussie North East	14	370,000	1,170,000	1,540,000
Inverness, Wyvern Hse 79 Academy St	23	520,000	80,000	600,000
Inverness, Easterfield	30	2,550,000	1,700,000	4,250,000
Fort William, Glasdrum	6	700,000	66,000	766,000
Inverness, Torvean, Phase 1	35	2,800,000	200,000	3,000,000
Inverness, Torvean, Phase 2	8	1,000,000	120,000	1,120,000
Carrbridge, Main Road	5	255,000	45,000	300,000
Narin, Lochloy Phase 5	29	220,000	53,549	273,549
Strathpeffer, Kinellan	21	2,500,000	600,000	3,100,000
<b>Sub Totals</b>	<b>312</b>	<b>22,366,027</b>	<b>7,408,346</b>	<b>29,774,373</b>

Total project funding		
Grant	Land Bank	Borrowing
-	-	320,000
390,000	120,000	470,000
250,395	420,000	3,529,605
1,109,000	392,000	1,999,500
-	448,000	2,202,000
-	378,000	2,796,324
370,000	196,000	974,000
-	-	600,000
1,495,000	420,000	2,335,000
264,062	84,000	417,938
-	490,000	2,510,000
464,000	112,000	544,000
-	-	300,000
-	-	273,549
370,000	294,000	2,436,000
<b>4,712,457</b>	<b>3,354,000</b>	<b>21,707,916</b>

**PROJECTS FOR WHICH APPROVAL TO ENTER INTO CONTRACTUAL AGREEMENTS SOUGHT:**

**Letters of intent issued**

Dalnain Bridge	4	75,000	425,000	500,000
Dingwall, Commercial Court	6	750,000	350,000	1,100,000
Fort William, Blar Mor Ph 1	87	4,833,333	10,782,051	15,615,385
Grantown, Beachen Crt P2	5	460,000	200,000	660,000
Inverness, Church Street	10	790,000	1,179,000	1,969,000
Inverness, Stratton P1	42	4,442,308	2,386,673	6,828,981
Lochcarron, Kirkton	6	348,000	702,000	1,050,000
Maryburgh, former school site	16	1,623,000	593,511	2,216,511
Portree, Cruachan	15	1,730,000	917,287	2,647,287
<b>Sub Totals</b>	<b>191</b>	<b>15,051,641</b>	<b>17,535,523</b>	<b>32,587,164</b>

75,000	56,000	369,000
348,000	84,000	668,000
8,376,780	1,218,000	6,020,605
115,000	70,000	475,000
850,000	200,000	919,000
2,478,000	588,000	3,762,981
348,000	84,000	618,000
912,000	224,000	1,080,511
1,005,000	210,000	1,432,287
<b>14,507,780</b>	<b>2,734,000</b>	<b>15,345,384</b>

<b>Tenders to be let</b>				
Dornoch, Elizabeth Crescent	16	2,254,545	763,636	3,018,182
Evanton, Teandallon East	18	1,100,000	1,780,000	2,880,000
Fort Augustus, Fort Augustus HFO	6	500,000	530,000	1,030,000
Fort William, Lochaber House	9	1,000,000	350,000	1,350,000
Inverness, Wester Inshes (Tullochs)	12	348,000	1,332,000	1,680,000
Nairn, Nairn Town centre (social work)	12	400,000	1,520,000	1,920,000
Individual House Purchases	10	1,300,000	-	1,300,000
<b>Sub Totals</b>	<b>83</b>	<b>6,902,545.5</b>	<b>6,275,636.4</b>	<b>13,178,181.8</b>

1,040,000	224,000	1,754,182
1,170,000	252,000	1,458,000
348,000	84,000	598,000
513,000	126,000	711,000
696,000	168,000	816,000
720,000	168,000	1,032,000
450,000	-	850,000
<b>4,937,000.0</b>	<b>1,022,000.0</b>	<b>7,219,181.8</b>

<b>TOTALS</b>	<b>586</b>	<b>44,320,213</b>	<b>31,219,505</b>	<b>75,539,719</b>
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<b>24,157,237</b>	<b>7,110,000</b>	<b>44,272,482</b>
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Deputy First Minister and Cabinet Secretary for  
Education and Skills  
John Swinney MSP



Scottish Government  
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Local Authority Chief Executives and  
Directors of Education

Copy: COSLA  
SOLACE  
ADES  
Teaching Unions

Our ref: DFM/Covid-19/School Closures  
19 March 2020

*L. Meague,*

## COVID-19 – CLOSURE OF SCHOOL AND ELC PREMISES – PROTECTION OF KEY INTERESTS

In response to the escalating Covid-19 outbreak, Scottish Ministers, following consultation with the Chief Medical Officer and Scientific Advisory Group on Emergencies (SAGE), and engagement with COSLA, Education Scotland, ADES, SOLACE and the teaching unions, have taken the decision to advise that all schools and local authority early learning and childcare settings should **close to children and young people with effect from 1700 on Friday 20<sup>th</sup> March 2020**, with the exception of any critical provision to protect the following key interests and groups:

- **Key workers:** to ensure that children of key workers, for example NHS and social care staff, have continuing access to appropriate learning and childcare, potentially beyond the normal school day, that allows their parents/carers to participate in the national response to Covid-19. A definition of key workers is provided in Annex A.
- **Educational continuity:** to ensure S4-S6 pupils can complete course work for national qualifications.
- **Vulnerable children:** to maintain protections and support for children who may be particularly vulnerable in the current circumstances, particularly in respect of free school meals, children with additional support needs and at-risk children.

We are advising private and third sector childcare providers that they can remain open subject to the following:

(i) that they refocus their operating models to support solely the children of key workers and vulnerable children; and

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(ii) that, wherever possible, they do this in coordination with local authorities in their areas, to ensure maximum efficiency.

Childminding services can continue to operate on a limited basis with reference to public health guidance.

Local authorities are asked to give particular weight to the use of private and third sector childcare providers for continued critical provision, to ensure financial support for that sector and to make use of existing expertise and resources.

We are clear that it is for local authorities to make judgements as to how best to protect these interests in their local area, and the extent to which opening of physical settings is required. However, please note that opening of physical settings should be kept to the minimum required, in order to support virus control. Clear prioritisation of critical provision will therefore be crucial.

**Guidance** on some key issues in respect of schools is provided in Annex A to this letter. Issues relating to ELC and childcare settings are covered in Annex B.

All other learning and teaching should continue to be delivered remotely wherever possible, taking account of staff availability and resilience.

I have also felt it necessary to take the difficult and unprecedented decision that the exam diet for 2020 cannot go ahead. To ensure that the awarding of qualifications can continue I have asked the Chief Examiner to develop a credible certification model in the absence of the exam diet. It will be critical that coursework is completed and teachers' professional judgements of estimated grades are made and submitted to SQA to support this process. Further detail is set out in Annex A.

For the avoidance of doubt:

- **term dates have not changed** – for the majority of children, learning and teaching should therefore continue remotely, supported by teachers and other staff who are well and able to continue working.
- precise arrangements for **vulnerable children and children of key workers** will depend on decisions made by local authorities, but we believe it is likely that many will attend a physical setting, whether that be their current school operating in a different way, or an alternative “hub” venue; and
- **senior phase pupils** with coursework for national qualifications to complete should agree with their schools how to complete this.

## Financial support

I fully understand that local authorities, schools and ELC providers will have questions and concerns about the financial and other resource implications of maintaining critical provision.

Responding to Covid-19 must be our priority. I am therefore content to:

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- relax current guidance on Pupil Equity Funding in order that headteachers and local authorities can support our most vulnerable children as part of our Covid-19 response. While we are still in the process of finalising these allocations, Local Authorities have recently been made aware of their schools' proposed Pupil Equity Funding for 2020/21 and 2021/22, which will total more than £250m over the next two years.
- apply the same flexibility to schools and local authorities in receipt of Challenge Authority and Schools' Programme funding.
- relax grant conditions in respect of funding for Regional Improvement Collaboratives, allowing resource linked to this initiative to be diverted to the Covid-19 response.

In light of the expected impact of the Covid-19 pandemic on delivery of our commitment to expand funded early learning and childcare from this August, I will also allow local authorities to deploy that funding flexibly to support families and deliver the critical provision referenced above.

A £350m package of support for our communities was announced yesterday, which includes establishing a £70m food fund to support households who may be worried about accessing food. These additional funds will also support the continued provision of free school meals, ensuring continued support for families who need it within their communities.

Please do not hesitate to contact my officials or your linked Education Scotland Senior Regional Advisor, if you have any questions about the action required to implement this advice.

I will ask my officials and senior Education Scotland staff to engage with you over the course of next week, to offer any assistance in establishing your alternative provision for the three key groups named above. I would hope to see these provisions up and running by the end of next week (Friday 27 March). We will be keen to understand the models and arrangements that you put in place. I will ask officials to build a picture of what this looks like over the country, in partnership with you, in order that we can learn from each other whilst maintaining a national overview.

I recognise what exceptional steps these are, and how disruptive they will be to our society and economy. That is a measure of the extraordinary challenge we face.

I am grateful to you all for your commitment to working in partnership to steer our country through these unprecedented times.

*Y Swinney*

[Redacted signature]

JOHN SWINNEY

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## Annex A – Guidance on protection of key interests

We are clear that local authorities are best placed to make judgements as to how best to protect key interests in their local area, and the extent to which opening of physical settings is required.

However, please note that opening of physical settings should be kept to the minimum required, in order to support virus control. Clear prioritisation of critical provision will therefore be crucial.

Local authorities are requested to have regard to the following key points when implementing arrangements to protect key interests.

### **A. Maintaining critical provision**

#### **1. Daily reporting**

- i. Daily reporting of attendance and absence should continue until 17:00 on 20 March. Thereafter we will work with you to gather data and information on the provision for the three critical groups (vulnerable children, children whose parents/carers are key workers and senior pupils with coursework to complete). Confirmation of school closures is needed in order to confirm the overall picture. This will allow the Scottish Government and key partners to assess where further support may be required to protect key interests.

#### **2. Health and safety and workforce considerations**

- i. The default assumption should be that children and young people outwith the three groups mentioned above will not attend educational settings, and that learning and teaching will be undertaken remotely, supported by those teachers working remotely on an ongoing basis. Schools need to consider communication channels that can be used to enable this to continue over a potentially prolonged period of time.
- ii. Because critical provision and remote learning and teaching are expected to be put in place to maintain educational continuity wherever possible, SNCT Circular 20/74 applies at present.
- iii. Where local authorities judge that it is necessary to open physical settings to make provision for the three key groups and protect key interests, local authorities should take account of the welfare of the children and young people and also the welfare of staff.
- iv. It is vital that the latest Health Protection Scotland guidance on managing Covid-19 in non-healthcare settings is followed to maintain a safe working environment for staff, whether they are attending physical premises or working remotely. This guidance can be found [here](#). It includes clear instructions on cleaning requirements that should apply to any physical premises that require to be kept open to protect key interests.
- v. With regard to pay, COSLA have confirmed to Scottish Government officials that, in the event of school closures, school staff will continue to be paid. Officials will ensure that any other significant national HR issues arising from school closures are logged and

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dealt with in conjunction with unions and employers – for teachers, this will be via regular SNCT joint secretary calls.

- vi. Please ensure that you engage with local trade unions (including LNCTs) when developing and communicating all workforce arrangements in respect of alternative provision.
- vii. When implementing any critical provision to protect key interests, please ensure appropriate engagement with local health protection teams. Contact details are provided in Annex 1 of the [Health Protection Scotland Covid-19 non-healthcare settings guidance](#).

### 3. Statutory requirements

- i. Emergency legislation is being introduced in the UK Parliament this week, and is expected to become law by the end of next week. A Legislative Consent Motion will be considered in the Scottish Parliament in relation to all devolved aspects of the bill. This legislation provides for certain statutory duties placed on education authorities to be disapplied, or any failures to be disregarded, where any breach is attributable to a closure direction being in place.
- ii. The power to make a closure direction also allows Scottish Ministers to make similar disapplication provision in relation to other statutory education duties in addition to those that have been listed on the face of the bill. Scottish Ministers intend to issue a closure direction under the new powers as soon as those powers are available, which is expected to be following Royal Assent. In the meantime we recognise the uniqueness of the circumstances that we are faced with and that education providers are doing their best in these challenging circumstances.

### 4. Communication

- i. Local authorities should ensure that they, and their schools and ELC settings, have in place clear plans to communicate regularly with their families and communities about alternative provision for the three key groups and arrangements for remote learning and teaching.

### B. Supporting key workers

- i. Local authorities should put in place provision to ensure that children of key workers, for example NHS and social care staff, have continuing access to appropriate learning and childcare that allows their parents/carers to participate in the national response to Covid-19. There should be a presumption that, if parents can make their own childcare arrangements within the community, they should do so. If one parent is a key worker and the other is not, the non-key worker should normally be expected to provide childcare.
- ii. A **definition** of key workers is provided here. There should be a particular focus on:

Key workers in posts which ensure that essential services can be delivered and cover tasks within the local community which support the vulnerable and aid community resilience. This may be slightly different in each community to allow the country to

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address local priorities. Whilst decisions will be taken at the local level, we would expect this to include consideration of:

- **Category 1** – Health and Care workers directly supporting COVID response, and associated staff; Health and Care workers supporting life threatening emergency work, as well as critical primary and community care provision; Energy suppliers (small numbers identified as top priority already); staff providing childcare/learning for other category 1 staff.
- **Category 2** – All other Health and Care workers, and wider public sector workers providing emergency/critical welfare services (e.g Fire, Police, Prisons, Social Workers, etc), as well as those supporting our Critical National Infrastructure, without whom serious damage to the welfare of the people of Scotland could be caused.
- **Category 3** – All workers without whom there could be a significant impact on Scotland (but where the response to Covid-19, or the ability to perform essential tasks to keep the country running, would not be severely compromised).

Local authorities should be guided by this definition and prioritise provision of arrangements accordingly. They should consider any circumstances that mean that specific classes of worker are critical in their local contexts.

- iii. Local authorities will be best placed to judge what learning and childcare arrangements for the children of key workers are most appropriate for local circumstances.

However, they are asked to give particular weight to the use of private and third sector early learning and childcare settings for continued critical provision, to ensure financial support for that sector. Where possible, they should make provision available that extends beyond the school day, in partnership with providers of out of school care and after school and holiday clubs.

- iv. **NB:** Wherever feasible, we ask that schools continue to allow any blood donor sessions that are arranged in the coming months in a school to continue. This is important as maintaining sufficient supplies of blood for hospitals will be challenging, but essential.

### **C. Ensuring educational continuity**

- i. Local authorities should take appropriate steps to ensure educational continuity, working closely with teaching unions and other key partners. They are asked to ensure a particular focus on S4-S6 pupils preparing for national qualifications.
- ii. The default position for the majority of children and young people is that **learning and teaching should continue remotely**. This may be done by provision of learning packs at the point of school closures and on a regular basis as appropriate, using technological solutions and other forms of communication.

Schools can make use of the free tools available in Glow. The public facing Glow Connect site – [www.glowconnect.org.uk](http://www.glowconnect.org.uk) – includes practical advice, guidance and support for schools in setting up a range of online learning spaces in Glow. It also includes a specific page on Contingency Planning.



It may be important for teaching staff to be able to access pupil records remotely in a secure way, so working arrangements should be discussed to ensure they remain effective.

- iii. As the Deputy First Minister has announced, due to current and likely ongoing circumstances, it will not be able to deliver the exam diet for 2020.

This is an unprecedented step and, in these circumstances, the Deputy First Minister has commissioned Scotland's Chief Examining Officer to develop a credible certification model that can be used to certificate in the absence of the exam diet in order to ensure that young people in our schools and colleges who, through no fault of their own, are unable to sit exams, are not disadvantaged.

The Scottish Qualifications Authority (SQA) will provide further detail in due course but in order for such an approach to be as effective as possible, the Scottish Qualifications Authority will require relevant units to be completed, and coursework and teacher estimates of grades to be submitted, by the agreed deadlines, or indeed sooner where that is possible. Schools should support the completion of units and submit coursework and teacher estimates as soon as they can – and by the dates provided.

- iv. A statement from the SQA has been issued today following the statement from the Deputy First Minister to Parliament.

### **C. Protecting vulnerable children**

- i. Local authorities should ensure they have appropriate arrangements in place to protect children who may be particularly vulnerable in the current circumstances when school closures are in place.
- ii. Local authorities will be best placed to identify and prioritise vulnerable children in their areas, taking into account issues such as child protection, welfare, poverty, children with complex additional support needs and the need to provide access to free school meals for some young people. It is important to note that many more families may become vulnerable (redundancies, zero hours contracts not being awarded hours etc.), and that in terms of health some families may be vulnerable without knowing it (e.g. if both parents suffer underlying health conditions – in such cases having the children in school or a local hub may help the parents rest and keep them at home. In extremis kinship, respite or short term foster care may be needed).
- iii. Yesterday, the Scottish Government wrote to all Chief Social Work Officers to ask that special consideration is given to identifying and supporting vulnerable children at increased risk due to Covid 19, for example, lone-parents who have become too unwell to look after their children.
- iv. With regard to free school meals, it is recognised that authorities will make arrangements which are aligned to local circumstances, which may include the provision of food in schools or alternative settings as appropriate, and including the provision of funding, or vouchers. Authorities may wish to be supported by 3<sup>rd</sup> sector and other community organisations in their approaches.
- v. Education Maintenance Allowances should continue to be paid.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See [www.lobbying.scot](http://www.lobbying.scot)



## Annex B – Childcare provision, including early learning and childcare

### Childcare provision closure

We expect that local authority early learning and childcare services should close along with schools, unless authorities require these to remain open to provide services to critical workers and families most in need of support.

We are advising private and third sector childcare providers that they can remain open subject to the following:

- (i) that they refocus their operating models to support solely the children of critical workers and vulnerable children; and
- (ii) that, wherever possible, they do this in coordination with local authorities in their areas, to ensure maximum efficiency.

These measures apply to all registered daycare of children settings (including after school, breakfast clubs and holiday provision).

**Childminders** will not be required to cease operations at this time, although it is recognised that some may choose to do so. Childminders should continue to have reference to public health guidance. This is because the impact of transmission is more limited in smaller settings. Through the Care Inspectorate, the Scottish Government will write to all registered childminders to advise them of this position.

The Care Inspectorate have committed to providing flexible, quick and pragmatic support to delivery of services, variations to services and the registration of new services where required to support emergency provision. Where there are changes to existing service provision the Care Inspectorate is providing interim registration guidance to support the provision of services. Providers and Local Authorities can also contact the Care Inspectorate for advice and guidance. Inspection and scrutiny work has been scaled down significantly with visits only taking place when absolutely necessary.

The private and third sector will be well placed to support authorities to deliver critical provision as defined in the letter. We strongly encourage authorities to draw on all existing local provision in their planning, and make use of private and third sector capacity where it exists.

### Support for businesses and third sector organisations

The First Minister guaranteed earlier today that Scottish Government will maintain funding streams which allow contractual payments to private and third sector providers, including childminders, for statutory early learning and childcare hours to continue. This is worth around £220 million to the sector in the year ahead. COSLA is actively considering this issue and we are working closely with local authorities to ensure they can adopt this position and provide assurance to providers that funding will continue as we all work together to respond to the pandemic.

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Scottish Ministers are committed to supporting our private and third sector childcare providers to remain viable. We are reviewing the package of general business support measures announced by the UK Government this week and we will continue to work closely with local government partners to identify and implement any further support required.

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### **Financial implications for Authorities**

There will be costs associated with the establishment and delivery of emergency provision. Revenue monies allocated to the phased provision of the Early Learning and Childcare expansion may be used flexibly to support families and the delivery of critical provision.

### **Impact on the expansion of Early Learning and Childcare**

The closure of provision will clearly have an impact on the expansion of Early Learning and Childcare. Scottish Government and COSLA are working to agree a realistic position for the delivery and timetable of the expansion. In the immediate future we expect that recruitment, capacity development and procurement work will be deprioritised to allow a clear focus on delivering critical provision to children and families.

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Cabinet Secretary for Environment, Climate  
Change and Land Reform  
Roseanna Cunningham MSP



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**By e-mail**

**To: Local Authority Directors of Finance  
Chief Executive of Scottish Local**

08 April 2020

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Dear Chief Executive/Director of Finance

**SCOTTISH CROWN ESTATE NET REVENUE ALLOCATIONS 2019-2020**

Michael Palmer at Marine Scotland wrote to you on 28 September 2019 confirming the annual allocations to coastal local authorities arising from the net revenues generated by the Scottish Crown Estate's marine assets out to 12 nautical miles. His colleague David Mallon wrote a further letter to you on 13 January 2020 confirming that we were content for local authorities to carry forward unspent monies from this funding into the financial year 2020/21, recognising the limited time available to invest the monies in 2019/20. In that letter we also confirmed that it will ultimately be for each local authority to decide how they utilise the funds as long as they are appropriately invested to bring benefit to coastal communities. That might include funding for existing initiatives if it is not possible to identify suitable new initiatives.

I am now writing in response to enquiries that we have received in relation the economic shock being experienced by many businesses as a result of the Covid-19 situation. Given the current unforeseen and extraordinary circumstances, I can confirm that we are content for local authorities to use any remaining funds from their allocation, if they so wish, to support businesses, including Third Sector organisations, in genuine need arising from Covid-19. Such support should still align with the general purpose of the funds to deliver benefit to coastal communities.

It is important that any financial support provided to businesses and Third Sector organisations from this funding appropriately complements any other financial support which such operations may receive from the UK and Scottish Governments, ensuring avoidance of inappropriate duplication of funding. You will therefore wish to assure yourselves of the level and timing of support already being received, or expected, by organisations from such sources.

In this regard, you will wish to be aware that the Scottish Government has established a hardship fund for shellfish fishermen to provide them with immediate financial relief over the next few weeks. Details of this fund can be found at <https://www.gov.scot/news/support-for-seafood-fishing-industry/>. In addition, we have also announced support for the seafood processing sector <https://www.gov.scot/news/supporting-the-seafood-sector/> - further details about the fund will be available soon.

We have also been informed of immediate concerns from shellfish growers given that UK

Government support may not begin payments until June, with many businesses in that sector lacking the cash flow to survive until then. The Scottish Government is therefore considering what early support may be possible for this sector. If you have a shellfish growing sector within your local authority area and see this as a priority for immediate intervention you may wish to approach Nick Lake (email: [nicklake@assg.org.uk](mailto:nicklake@assg.org.uk)) at their trade representative body, the Association of Scottish Shellfish Growers, about any financial assistance which might be provided to shellfish growing businesses in your area from your allocation of Crown Estate net revenues.

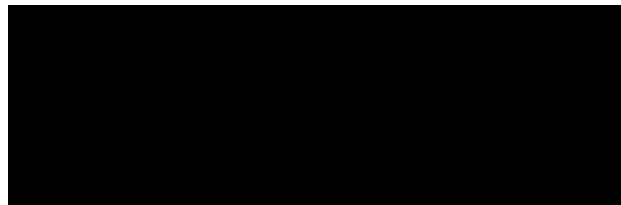
In providing financial assistance to businesses there will be a need to ensure that they stay within their permissible State Aid limits for the total amount of public finance they receive from various sources. In this regard you may be aware that a new Temporary Framework has recently been introduced in response to the Covid 19 pandemic. The total State Aid limit for fisheries and aquaculture undertakings (ie where more than one business is owned by a parent company) within the Framework has been raised to 120,000 euros. Funding will need to be delivered through a scheme and this Framework will be in force until the end of December this year.

It continues to be the case that transparency and accountability should be applied in how these monies are spent and naturally local authorities will want to ensure that any measures taken with this funding are fully documented and accounted for. As you know, more generally we are working with COSLA on establishing proportionate arrangements for reporting on spend from Crown Estate net revenues.

It is our intention to distribute the next tranche of net revenue generated from the Scottish Crown Estate's assets as early as practically possible during the 2020/21 financial year.

Please do not hesitate to contact Nim Kumar ([nim.kumar@gov.scot](mailto:nim.kumar@gov.scot)) at the Crown Estate Strategy Unit if you have any queries.

Yours faithfully



**ROSANNA CUNNINGHAM**