



**Renfrewshire  
Council**

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**To: Audit, Risk and Scrutiny Board**

**On: 22 August 2022**

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**Report by: Director of Finance & Resources**

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**Heading: Audit Scotland report – Scotland’s Financial Response to Covid-19**

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## **1. Summary**

- 1.1 Audit Scotland published Scotland’s Financial Response to Covid-19 on 16 June 2022, outlining the financial context of how the Scottish Government, councils and other public bodies have been operating during the pandemic, and analyses their financial response.
- 1.2 Audit Scotland reports that the Scottish Government managed its overall budget well, but struggled to maintain transparency, which limited scrutiny. The initial response required large amounts of additional public spending. As the pandemic progressed, the Scottish Government monitored expected funding and spending closely, allocating available funding while keeping within overall budget limits.
- 1.3 The main areas of Scottish Government spending on the Covid 19 response were:
  - Business support (including sectoral support) – £3.4 billion in 2020/21 and £1.2 billion to December 2021/22
  - Health and social care – £2.8 billion in 2020/21 and £862 million to December 2021/22
  - Local government – £1.2 billion in 2020/21 and £502 million to December 2021/22
  - Transport – £646 million in 2020/21 and £247 million to December 2021/22
- 1.4 The Accounts Commission concludes the Scottish Government worked collaboratively and at pace with local and UK government to direct significant public spending in difficult circumstances. It offers recommendations to improve transparency, records management and plans for the future

- 1.5 This report summarises the Audit Scotland Report of the financial response to Covid-19 and outlines their recommendations.
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## **2. Recommendations**

- 2.1 It is recommended that the Audit, Risk and Scrutiny Board:
- Note the contents of this report.
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## **3. Background**

- 3.1 Audit Scotland has published a series of reports since 2020 assessing the impact of Covid-19 on public finances, beginning with a report on emerging implications for public finances published in August 2020, and most recently the report assessing Scotland's financial response.
- 3.2 The latest report considers how decisions were made about where Covid funding should be spent, the challenges of fast-paced and high-volume decision making about public spending, the effectiveness of the governance and management of the response, and how money flowed through different levels of government and public bodies throughout the pandemic.
- 3.3 Audit Scotland touches on the fact that priorities that are being targeted to recover from the impact of the pandemic, such as mental health, the economy and poverty, and intertwined with existing priorities for Councils. Audit Scotland believe that consideration will need to be made going forward about how unspent Covid-19 budgets are used to tackle these issues in relation to existing funding.
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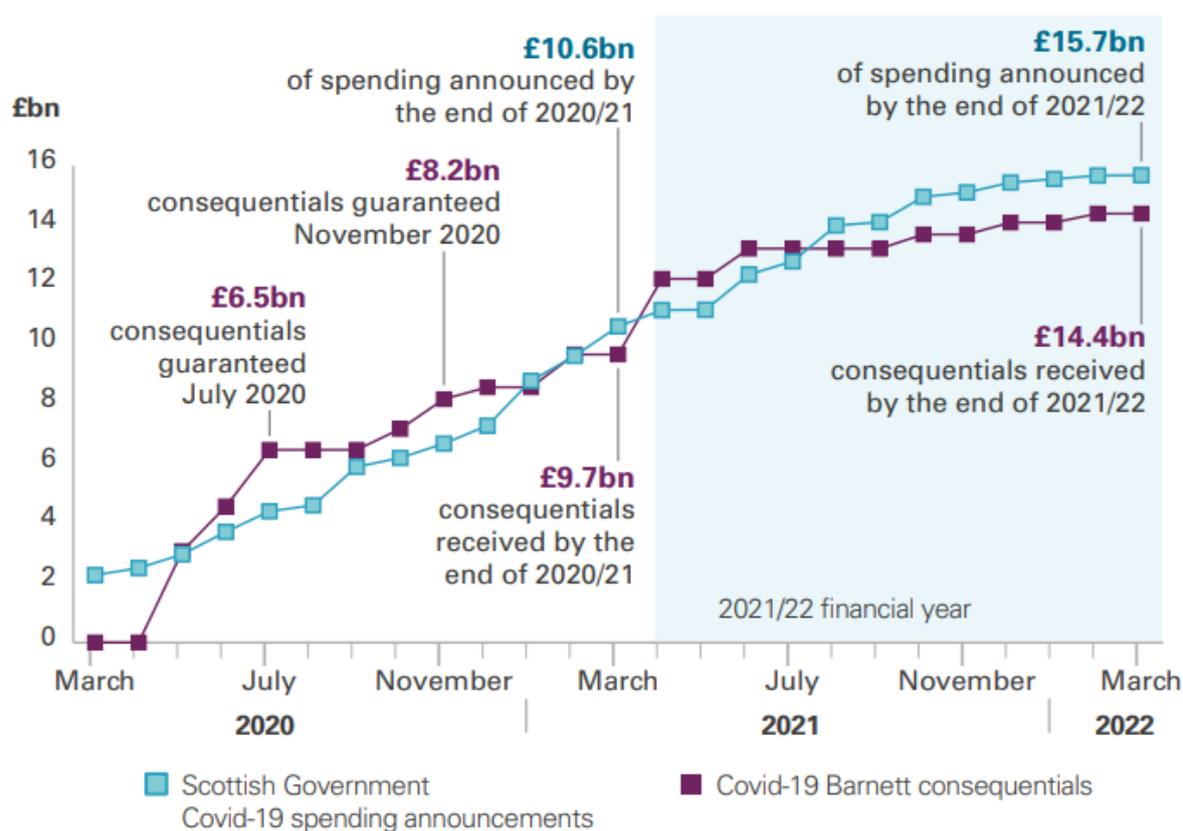
## **4. Financial Response to the Pandemic**

- 4.1. Between March 2020 and March 2022, the Scottish Government has made more than 300 spending announcements. It allocated a total of £15.5 billion to its Covid response in 2020/21 and 2021/22. £14.4 billion of this was from Covid-19 Barnett consequentials from the UK government. The remaining £1.1 billion has been funded by redirecting existing budgets and from the Scotland Reserve. Audit Scotland estimate that the Scottish Government has spent £11.8 billion between March 2020 and December 2021.
- 4.2. Audit Scotland's data shows that the UK Government's schemes have supported Scottish businesses and citizens, including:
- 911,900 Scottish jobs through the furlough scheme,
  - 175,000 people through the self-employment income support scheme,
  - £4.1 billion of loans to 99,792 businesses in Scotland through business interruption and bounce back loan schemes,

- 23 loans valued at £8.3 million to businesses in Scotland through the Future Fund.

4.3. Audit Scotland note that, through the pandemic, the Scottish Government had to consider the UK Government schemes in order to decide how to respond financially, and amended some schemes to better suit Scotland's needs, such as how Scottish Councils were able to use funding. It also developed specific schemes to fill gaps, such as the Pivotal Enterprise Resilience Fund for enterprise agencies to deliver to businesses, and the Moray and Glasgow Localised Restrictions Funds for their longer periods of lockdown.

4.4. The Scottish Government published the coronavirus framework for decision making in April 2020 which outlined the four harms of the pandemic, and in 2020/21 spent £635m on direct health, £265m on indirect health, £130m on societal, and £3.839bn on economic harms.



Report Exhibit 3: Scottish Government spending announcements and Covid-19 Barnett Consequentials

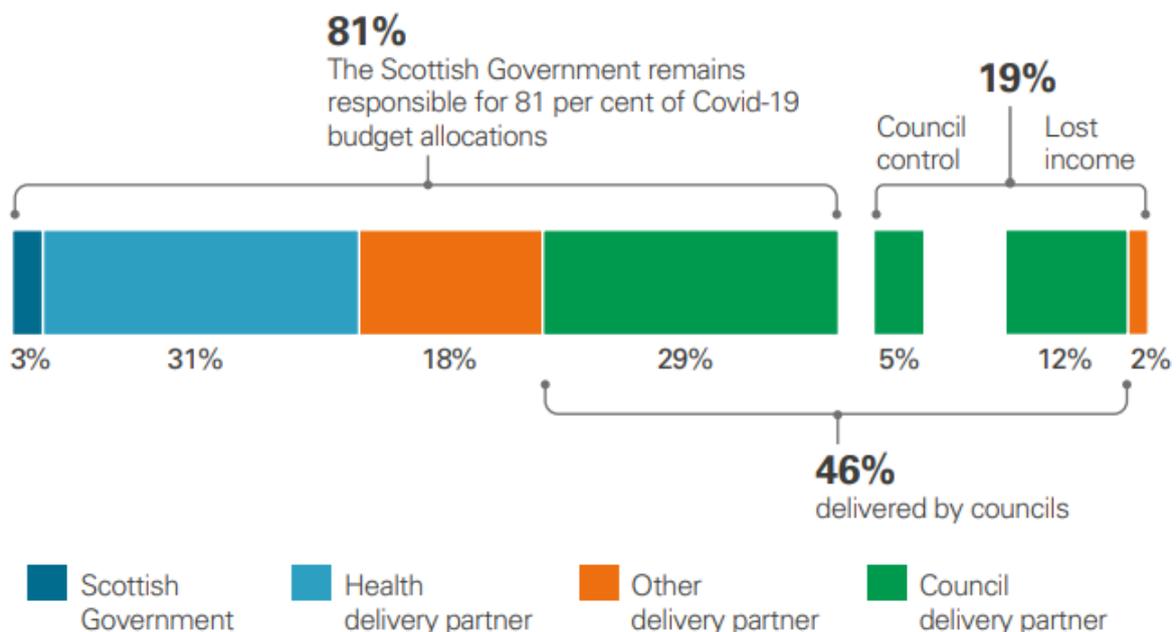
4.5 Between March 2020 and December 2021, the Scottish Government estimates it has so far spent:

- £3.6 billion of £6.2 billion (59 per cent) of Covid 19 Barnett consequentials related to UK Government health and social care spending directly to health and social care budget lines
- £4.5 billion of £4.5 billion (100 per cent) of Covid 19 Barnett consequentials related to UK Government business support schemes directly to business support funds.

- 4.6 The full year data for 2021/22 is not yet available, but the Scottish Government has allocated a total of £6 billion in Covid 19 funding for the whole financial year; it therefore had £3 billion left to spend between January 2022 and March 2022
- 4.7 Some of the estimated £8.8 billion that the Scottish Government spent on Covid 19 programmes in 2020/21 will be held in reserves to be used in 2021/22 and later years. For example, £145.5 million of Covid 19 funding announced by the Scottish Government for additional teaching capacity to support Covid 19 would be recorded as Scottish Government spending when it is passed to local councils, albeit that some councils might not spend it until a later date. As a result, Audit Scotland cannot confirm that all Covid 19 funding was spent on the Covid 19 response.

## 5. Role of Partners

- 5.1 The Scottish Government allocated significant additional funding to public bodies to enable key front-line services to keep operating. It protected existing budgets throughout the pandemic which meant that public bodies retained most of their capacity as restrictions eased. The Scottish Government gave funding to councils and other bodies to allow them to keep operating despite losing income because of the pandemic, for example from leisure centres or parking. Councils could then direct this funding towards their operating costs.
- 5.2 The Scottish Government directed a large proportion of funding to partners who had the existing systems and local knowledge to deliver funds e.g., the NHS for PPE expanded to social care, business support managed through Local Government, charities for supporting communities.



Report Exhibit 4: who controlled the Covid-19 financial response in 2020/21?

- 5.3 Scottish Councils played an important role in delivering grants on behalf of the Scottish Government, putting significant strain on their resources. Although the Scottish Government provided support to help cover the cost of administering the funds, the large volume of work required during some stages of the pandemic resulted in a significant increase in councils' workload. The need to issue funding quickly meant reporting requirements were lessened and decided upon by different parts of the Scottish Government. This led to differences in the type of management information available.
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## **6. Governance and Frameworks**

- 6.1 The Scottish Government introduced a process to inform financial decision-making, the Finance Accountability Framework (FAF), in mid-March 2020, but Audit Scotland does not believe it was used consistently nor was the information collated. It applied to the Scottish Government and public bodies but not councils, which have their own governance arrangements. Auditors found that it provided detailed information that supported good financial decision-making and budget management but does not include a prompt on how the proposal would address the four harms or contribute to National Outcomes that would demonstrate a clearer link between spending and priorities.
- 6.2 The Scottish Government had no overall Covid 19 expenditure governance board to collate and review the collective impact of financial decisions. Financial decisions were considered through existing governance structures such as management teams, assurance committees and the Scottish Government audit and assurance committee. The audit team felt it was not always possible to follow how decisions were monitored and scrutinised.
- 6.3 The Accounts Commission's Local Government in Scotland Overview 2021 found that councils made swift changes to governance arrangements at the start of the pandemic. This involved some councils suspending meetings and others creating specific Covid 19 committees. Since then, councils have continued to adapt and now offer online and hybrid meetings.
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## **7. Audit Findings**

- 7.1. Scottish ministers' overarching commitments that all funding derived from Covid 19 Barnett consequential allocations would be applied to Covid 19 spending, made budget management more complex. It meant the Government needed to understand the details of the Barnett consequential allocations and the speed of change of the pandemic and timing of announcement meant they had to make some decisions based on figures that were provisional or lacked detail.
- 7.2. The scale, breadth and pace of funding announcements created challenges for the Scottish Government in maintaining a clear audit trail of decisions. For many of Audit Scotland's sample funds, it found it difficult to see how some financial decisions were reached because information is held across different parts of the organisation and was not always recorded consistently. It was noted that the necessity of redeploying staff rapidly to new roles had an impact.

- 7.3. Some Scottish Government directorates and partners have well established processes for understanding the costs they will face, and they used data well to help assess the funding needed through the pandemic, e.g. health finance drew on its financial monitoring of NHS boards. However, for some sample funds it was difficult to see how data was used to determine the overall amount of funding initially directed towards an issue.
  - 7.4. The Scottish Government expressed a clear overarching intention for Covid 19 spending to be aligned with National Performance Framework outcomes. Audit Scotland analysis of sample funds found that while the intended outcomes of individual funds were clear, there was little mention of specific links to the National Performance Framework, the four harms, or equalities priorities.
  - 7.5. Completed FAFs are retained by the directorate responsible for the spending and are not collated centrally. The forms hold a wealth of information about the intention and expected impact of spending programmes. This could have been better used, for example to inform reviews of the overall impact of Covid 19 spending on particular groups and to allow the Scottish Government to learn lessons for future spending.
  - 7.6. Audit Scotland have made a number of recommendations applicable to the Scottish Government and other public bodies which are outlined at page 6 of their report.
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## **8. Renfrewshire Council response**

- 8.1 The Council supported the efforts of the Scottish Government as have been outlined above to provide a range of supports to business, communities and individuals who were impacted by the pandemic. Significant additional funding was provided to the Council to assist in directly delivering services and to address the impact of the pandemic on council services; as well as funds which were administered by the Council in support of businesses and others.
- 8.2 Additional financial monitoring was put in place by the Council over 2020/21 and 2021/22 to ensure adequate visibility of pandemic related spend (eg additional detail provided in finance reports to Policy Boards) and council staff across a range of services – economic development, customer services and finance teams – worked extremely hard to ensure financial support was provided to those business and individuals who were most directly impacted by the pandemic.
- 8.3 Over the course of 2020/21 and 2021/22, in excess of £70 million was administered in payments across a range of support schemes – self isolation grants, business grant schemes, financial hardship and furlough support – by the Council, consisting of thousands of individual payments. Detail on these can be found within the council's annual accounts.
- 8.4 In addition, additional funding of circa £40 million was received by the Council to address service pressures, income under-recovery and to support communities over 2020/21 and 2021/22. Much of this funding was allocated for specific purposes such as education recovery, free school meals, income losses and so forth. It is estimated that up to 100 separate funding streams were received; many with their own administration and monitoring arrangements which placed a large administrative burden on the council.

- 8.5 In some cases, the ability to use this additional resource across financial years was agreed by the Scottish Government which has provided welcome flexibility in addressing financial pressures; however it has also resulted in council reserves increasing as has been reported to Council in the annual accounts. These pandemic-related reserves will be used to address ongoing and enduring financial pressures which have been driven by the pandemic such as increased demand for children and young adult social care, increased costs of household waste services as home working becomes an embedded feature of the work environment; and other inflationary pressures which have resulted from supply issues, particularly in relation to construction.

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## Implications of the Report

1. **Financial** – Recommendations to improve transparency and monitoring Covid-19 funding are included in Audit Scotland’s report.
2. **HR & Organisational Development** – Impact of redeployment of staff to frontline services throughout pandemic is highlighted in Audit Scotland’s report
3. **Community/Council Planning** – Recommendations of how to respond to future crises based on learning from the pandemic and planning to address long-term impacts are included in Audit Scotland’s report.
4. **Legal** – none
5. **Property/Assets** – none
6. **Information Technology** – none
7. **Equality & Human Rights** - The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals’ human rights have been identified arising from the recommendations contained in the report because it is for noting only.
8. **Health & Safety** – none
9. **Procurement** – none
10. **Risk** – Recommendation to continue monitoring fraud and error arising from business support payments included in Audit Scotland Report.
11. **Privacy Impact** – none
12. **COSLA Policy Position** – Audit Scotland’s report references the role of COSLA in supporting the Government allocate funding to local government.

13. **Climate Change** – climate change is mentioned as a crisis that may cause issues that require addressing urgently, and learning from the pandemic approach could support planning for such crises.
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**List of Background Papers:** none

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**Author:** *Seony Ross, Senior Planning & Policy Development Officer,  
Seony.Ross@renfrewshire.gov.uk*