



Guidance on Accounting for Coronavirus (COVID-19) Grants / Funding Streams

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LASAAC [The Local Authority (Scotland) Accounts Advisory Committee] is constituted of volunteer members, including representatives of the three funding bodies: CIPFA, Audit Scotland and the Scottish Government. LASAAC is primarily concerned with the development and promotion of proper accounting practice for Scottish local government. A key task in achieving this is LASAAC's representation on CIPFA-LASAAC which produces the UK-wide 'Code of Practice on Local Authority Accounting in the United Kingdom'.

Further information about LASAAC can be obtained at:

<http://www.cipfascotland.org.uk/technical/lasaac.cfm>

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1. Purpose and Background

- 1.1 The purpose of this guidance is to inform local government finance practitioners on the accounting and disclosure considerations for Scottish Government Coronavirus Grant Funding. The accounting considerations will be required for transactions in the 2020/21 financial year.
- 1.2 The Scottish Government have a range of COVID-19 support funding in place. These include and are not limited to:
- The Coronavirus (COVID-19): Restrictions Fund¹ to support employees and businesses impacted by local COVID-19 restrictions. This fund closed for application on 3 November and was replaced by the Coronavirus (COVID-19): Strategic Framework Business Fund² published in November 2020.
 - The Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund.³ This is in place to help with non-domestic rates in Scotland during coronavirus.
 - Funding of anticipated spend incurred by Integration Joint Boards (IJBs) and/or Health and Social Care Partnerships (HSCPs) as notified to the Scottish Government via the Local Management Plan (LMP) submission process. This process has been in place since the start of the pandemic with the final LMP for 2020/21 to be submitted by 23 April 2021.
 - A more comprehensive funding list is provided in [Appendix 1](#), which includes an initial assessment from a sub-group of LASAAC of the accounting treatment for each funding stream. This initial assessment is intended to inform councils' judgements, but councils are responsible for making their own assessments.

2. Classification of agent or principal

- 2.1 The main consideration for Councils and IJBs is to assess the nature of the transactions that are taking place. Application for grants are made to the respective Council and the funding for the grants paid is received from the Scottish Government.
- 2.2 The financial support directed towards IJBs are not grants but funding of anticipated costs submitted as part of the regular LMP process. The main consideration for IJBs / HSCPs is to assess the nature of the expenditure being incurred such as spend directly incurred on HSCP goods/services (such as PPE, costs of running Community and Mental Health Assessment units and increased care providers staff costs) and spend incurred to support social care providers (such as care homes).
- 2.3 The nature of these transactions requires a Council and IJBs to assess if it is acting as a Principal or Agent in the process. Under the *Code of Practice on Local Authority Accounting in the United Kingdom*⁴ (the Code), principal and agent are defined as:

¹ [Scottish Government: Coronavirus COVID-19 restrictions fund](#) This fund ran from 9 October until 1 November, with applications closing on 3 November 2020.

² [Scottish Government: Coronavirus COVID-19 Strategic Framework Business Fund](#)

³ Scottish Government: Local Government Finance Circular No. 08/2020 (updated 4 May 2020), 09/2020 (Phase 2) and 11/2020 (Phase 3) refers.

⁴ CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (The Code) – Section 2.6

Agent: is where the authority is acting as an intermediary.

Principal: is where the authority is acting on its own behalf.

- 2.4 In order to assist Scottish Councils in this assessment, the following summary points are drawn from IFRS 15 - Revenue from Contracts with Customers, paragraphs B34 to B38, principal versus agent considerations.
- The Council determines whether it is a principal or an agent for each specified grant or other financial support promised to the recipient.
 - The Council shall determine whether the nature of its promise is a performance obligation to provide the specified grant or other financial support itself (i.e. the entity is a principal) or to arrange for those grants or other financial support to be provided by the Scottish Government (i.e. the entity is an agent in an intermediary role).
 - A Council is a principal if it controls the specified grant or other financial support before it is transferred to another organisation or customer. A Council that is a principal may satisfy its performance obligation to provide the specified grant or other financial support itself or it may engage another party (for example, a subcontractor) to satisfy some or all the performance obligation on its behalf.
 - A Council is an agent if the entity's performance obligation is to arrange for the provision of the specified grant or other financial support by the Scottish Government. An entity that is an agent does not control the specified grant or other financial support provided by the Scottish Government before that good or service is transferred to the recipient.
- 2.5 There are a number of funds where Scottish Councils are generally acting as an intermediary in administering the receipt and payment process to the ultimate recipients of the funding, most notably targeted business support funding such as the strategic framework.
- 2.6 In the case of the funding noted in 2.5 above, no performance obligation exists other than providing the grant to the level and criteria set by the Scottish Government. The Council does not control the grant or support funding provided to the ultimate recipient. It also does not have any discretion over the allocation and use of the funding.
- 2.7 In the case of targeted business support funding such as the strategic framework outlined above, Councils are responsible for making their own assessments. In LASAAC's view this arrangement is likely to represent an agency arrangement.
- 2.8 Other arrangements however can be more complicated. Therefore, it is important that Councils, IJBs and HSCPs assess arrangements for grant funding and expenditure reimbursement schemes noting the points made in paragraph 2.4 above and sections 2.6 and 2.7 of the Code.
- 2.9 Any discretion a Council has in the distribution or retention of funding will play an important role in consideration of whether a transaction is accounted for on a principal or agent basis.
- 2.10 Council Practitioners should refer to the respective Scottish Government funding guidance for information on the nature of funding schemes. It is the view of LASAAC that **Appendix 1** sets out an initial view of the accounting treatment for each grant as to whether principal or agent accounting applies which Councils should consider.

- 2.11 To assist consistency in accounting treatment of funding provided by General Revenue Grant Redetermination in Local Financial Returns, Appendix 1 provides a split between funding linked to service expenditure and that which has no specific spend area. Appendix 1 also contains a summary list of funding supports relevant to IJBs.

3. Agent Transactions - Accounting Treatment

- 3.1 Where a Council is acting as an agent, the Council should not recognise the transactions as income or expenditure in the Comprehensive Income and Expenditure Statement⁵. It may be necessary to recognise a creditor (where funding from the Scottish Government has been provided in advance) or debtor (where funding is provided in arrears) in the Balance Sheet at the year end and the net (NB not gross) cash position will be included in financing activities in the Cash Flow Statement.
- 3.2 Councils will need to assess if there are any liabilities to be recognised or grant receipts to be accrued. For example, where grants are paid to recipients in arrears, Councils will need to consider accruing liabilities for payments due where the conditions of the grant have been met.
- 3.3 An exception is where the Council receives payment for acting as an agent, in which case any amount received, or receivable is recognised as income. Grants received from the Scottish Government to meet the costs of administering the support grants (even those where the council is acting as agent) should be recognised as income by the council.

4. Agent Transactions - Disclosures

- 4.1 There are no specific disclosure requirements relating to principal or agent transactions required by the Code⁶. However, where there are amounts that are considered significant or material, there is nothing preventing councils from making voluntary disclosures. Such disclosures will assist stakeholders in understanding the work being completed by councils during the pandemic and its impact on the financial performance, financial position, and cash flows of the council.
- 4.2 LASAAC expects inclusion of appropriate narrative explaining the council's role in distributing COVID-19 grants in the Management Commentary as a key element of telling its story of the year. This should reflect all such grants regardless of whether the council was acting as principal or agent, but a clear explanation of the difference would be helpful to users. This could include the total value of agency grants.
- 4.3 Councils should consider also disclosing the total amount of COVID agency grants in a note to the financial statements. This could include an analysis of the most significant grants. Inclusion in a note means that disclosure would be covered by the audit opinion on the financial statements.
- 4.4 Councils should discuss their approach to disclosure of COVID agency grants (e.g. no plans to disclose, or disclosure of narrative in the Management Commentary, or disclosure of amounts in the Management Commentary and/or note etc) with their

⁵ The Code – paragraph 2.6.2.4

⁶ The Code – paragraph 2.6.4.1

external auditors as soon as possible as auditors require this information in order to properly plan the audit.

Covid-19 Funding Allocations and Accounting Treatment

Council Supports:

Service Funding	£m	Revenue / Capital	GRG / Specific	Reference	or	GRG Redeter Service or GRG	Comments
Communities Fund – Hardship Fund	50.000	Revenue	GRG	FinCirc 1/21	Principal	GRG	
Barnett Consequentials	155.000	Revenue	GRG	FinCirc 1/21	Principal	GRG	
Further Consequentials	49.000	Revenue	GRG	FinCirc 1/21	Principal	GRG	
Non-recurring Covid funding 2020/21 (announced 16 Feb)	275.000	Revenue	GRG	LD2151	Principal	GRG	
General Business Grant Admin Funding	12.000	Revenue	GRG	FinCirc 1/21	Principal	GRG	
Covid Hardship Payment Admin - Winter	0.400	Revenue	GRG	FinCirc 1/21	Principal	GRG	
Covid Hardship Payment Admin - Spring	0.400	Revenue	GRG	LD2118	Principal	GRG	
Unringfenced Total	541.800						
Communities Fund - Food Fund – LA's	30.000	Revenue	GRG	FinCirc 1/21	Principal	GRG	
Additional Scottish Welfare Funds	22.000	Revenue	GRG	FinCirc 1/21	Principal	GRG	
Addressing Financial Hardship	20.000	Revenue	GRG	LD2151	Principal	GRG	
Addressing Financial Hardship	20.000	Revenue	GRG	LD2151	Principal	GRG	
Discretionary Housing Payments	5.000	Revenue	Specific	Letter 24/06/20	Principal	N/A	
Discretionary Housing Payments	3.000	Revenue	Specific	Letter 10/2/21	Principal	N/A	
FSM and Community Food	27.600	Revenue	Specific	Letters 1/7/20	Principal	N/A	
FSM - October, Christmas and February (2021) Holidays	6.950	Revenue	GRG	LD2151	Principal	GRG	

Level 4 Social / Welfare Support	15.000	Revenue	GRG	LD2151	Principal	GRG	
Level 4 Social / Welfare Support - Additional	15.000	Revenue	GRG	LD2151	Principal	GRG	
RRTPs	5.000	Revenue	GRG	FinCirc 1/21	Principal	GRG	
Vulnerable children and young people	22.000	Revenue	Specific	Letter 17/12/20	Principal	N/A	
FSM - January 2021	7.058	Revenue	GRG	FinCirc 1/21	Principal	GRG	
FSM - February 2021	5.800	Revenue	GRG		Principal	GRG	
FSM - Easter	4.290	Revenue	GRG	LD2151	Principal	GRG	
Community Mental Health	15.000	Revenue	GRG	FinCirc 1/21	Principal	GRG	
£100 Hardship Payments - Spring	16.800	Revenue	GRG	LD2151	Agent	Neither as LA Agent	Limited Flexibility - Keep consistent with winter payment
Support to individuals/ families/ communities Total	240.498						
Additional Teachers and Support Staff (Ringfenced)	33.333	Revenue	Specific	Letter 4/8/20	Principal	N/A	
Additional Teachers and Support Staff (21-22 element)	16.667	Revenue	GRG	Letter 2/2/21	Principal	GRG	
Digital Inclusion	3.600	Revenue	Specific	Letter 27/8/20	Principal	N/A	
Digital Inclusion	21.400	Capital	Specific	Letter 27/8/20	Principal	N/A	
Education Recovery Funding (Upfront allocation)	20.000	Revenue	GRG	FinCirc 1/21	Principal	GRG	
Education Recovery Funding	70.000	Revenue	GRG	LD2151	Principal	GRG	
Additional Teachers 2 nd tranche	20.000	Revenue	Specific	Letter 2/9/20	Principal	N/A	
Additional Teachers 2 nd Tranche (21-22 element)	10.000	Revenue	GRG	Letter 2/2/21	Principal	GRG	
School Transport- capital	1.500	Capital	Specific	Cosla email 25/9/20	Principal	N/A	
Education Recovery Funding (Remote Learning)	45.000	Revenue	GRG	FinCirc 1/21	Principal	GRG	
Education Recovery Total	241.500						

Regeneration Capital Grant Fund	12.000	Capital	Specific		Principal	N/A	
Town Centres Capital Fund	18.000	Capital	Specific		Principal	N/A	
Bus Priority Rapid Development Fund	10.000	Capital	Specific		Principal	N/A	
Economic Recovery Total	40.000						
Death Registration	0.600	Revenue	GRG	FinCirc 1/21	Principal	GRG	
Test and Protect Funding	0.519	Revenue	GRG	FinCirc 1/21	Principal	GRG	
Test and Protect Funding	0.079	Revenue	GRG	FinCirc 1/21	Principal	GRG	
Admin for £500 self-isolation grants	0.906	Revenue	Specific		Principal	N/A	
Outbound calling – to cover up to 11th Jan 2021	2.275	Revenue	GRG	FinCirc 1/21	Principal	GRG	
Outbound calling – 12/1/21 to 31/3/21	1.995	Revenue	GRG	LD2124	Principal	GRG	
Test & Protect/ Public Health/ Supporting People Total	6.374						
Council Tax Reduction Scheme	25.000	Revenue	GRG	FinCirc 1/21	Principal	GRG	
Council Tax Reduction/Social Security Total	25.000						
Loss of Income	200.000	Revenue	GRG		Principal	GRG	
Young Persons Guarantee	30.000	Revenue	Specific		Principal	N/A	
Environmental Health Officers	2.900	Revenue	GRG	FinCirc 1/21	Principal	GRG	
Partnership Action for Continuous Employment (PACE)	3.500	Revenue	Specific		Principal	N/A	
Community Justice	1.000	Revenue	Specific		Principal	N/A	
Parental Employability Support Fund	5.000	Revenue	Specific		Principal	N/A	
Other Total	242.400						

CPP Transitional Funding	0.400	Revenue	GRG	FinCirc 1/21	Principal	GRG	Not on COSLA list
Education Recovery Funding (21-22 Element)	25.000	Revenue	GRG	Letter 2/2/21	Principal	GRG	Not on COSLA list
£100 Hardship Payments - Winter	15.600	Revenue	GRG	FinCirc 1/21	Agent	Neither as LA Agent	Level and Criteria set by SG
Self Isolation Grant Payments	TBC	Revenue	Specific		Agent	N/A	Level and Criteria set by SG
Items not on COSLA List	41.000						
Business Grant Scheme	950.200	Revenue	Specific	Letter 30/3/20	Agent	N/A	Level and Criteria set by SG
Grants for newly Self Employed	20.400	Revenue	Specific	Letter 29/4/20	Agent	N/A	Level and Criteria set by SG
Break Restrictions Fund	28.000	Revenue	Specific	Letter 23/10/20	Agent	N/A	Level and Criteria set by SG
Break Restrictions Fund - Contingency	11.000	Revenue	Specific	Letter 4/11/20	Agent	N/A	Level and Criteria set by SG
Discretionary Fund	120.000	Revenue	GRG	LD2151	Principal	GRG	LA Discretion
Furlough Support	9.000	Revenue	Specific	Letter 10/11/20	Agent	N/A	Level and Criteria set by SG
Strategic Framework	TBC	Revenue	Specific	Letters 11/11/20 & 14/1/21	Agent	N/A	Level and Criteria set by SG
Retail, Hospitality Top Up Support	237.700	Revenue	Specific	Letters 20/1/21 and 21/1/21	Agent	N/A	Level and Criteria set by SG
Taxi and Private Hire Vehicle Driver Support Fund	57.000	Revenue	Specific	Letters 18/1/21 & 19/1/21	Agent	N/A	Level and Criteria set by SG
Self-Catering Accommodation	6.326	Revenue	Specific	Letter 19/2/21	Agent	N/A	Level and Criteria set by SG
B&B and Guesthouse Support	1.000	Revenue	Specific	Letter 10/2/21	Agent	N/A	Level and Criteria set by SG
Contingency Fund Plus	TBC	Revenue	Specific	Letter 20/2/21	Agent	N/A	Level and Criteria set by SG
Grants to Businesses	1,440.626						
ELC Transitional Support Fund	10.555	Revenue	Specific		Agent	N/A	

ELC Transitional Support Fund (Admin element)	0.161	Revenue	Specific		Principal	N/A	
Temporary Restrictions Fund for Childcare Providers	3.735	Revenue	Specific		Agent	N/A	
Temporary Restrictions Fund (Admin Element)	0.075	Revenue	Specific		Principal	N/A	
Grants to Partner Providers	14.526						
TOTAL	2,833.724						

IJB Supports:

Service Funding	£m	Revenue / Capital	GRG / Specific	Reference	Principal or Agent	Comments
Social Care Sustainability Funding – Tranche 1	50	Revenue	Specific	Letter 12/5/20	Principal	Covers provider sustainability and direct costs (staffing, PPE, etc.) incurred within social care based on early Local Mobilisation Plans (LMP) returns
Hospice Funding – Tranche 1	10	Revenue	Specific	Letter 29/6/20	Agent	Covers first payment in recognition of initial financial instability faced by Hospices arising from the pandemic
Social Care Sustainability Funding – Tranche 2	25	Revenue	Specific	Letter 3/8/20 and Email 10/8/20	Principal	Covers provider sustainability and direct costs (staffing, PPE, etc.) incurred within social care based on LMP returns
Social Care Sustainability Funding – Tranche 3	8	Revenue	Specific	Email 27/8/20	Principal	Covers provider sustainability and direct costs (staffing, PPE, etc.) incurred within social care based on LMP returns
Covid-19 Q1-4 Allocation – Tranche 1	47	Revenue	Specific	Letter 29/9/20	Principal	Covers provider sustainability and direct costs (staffing, PPE, etc.) incurred within social care as well as first funding allocation for Health for spend such as CAC, primary care and direct costs (staffing, etc.) based on LMP returns

Service Funding	£m	Revenue / Capital	GRG / Specific	Reference	Principal or Agent	Comments
Primary Care - Tranche 6	5.5	Revenue	Specific	Email 10/12/20	Principal	Top up to funding for primary care costs based on LMP returns
Adult Social Care Winter Plan Funding - Tranche 1	15.8	Revenue	Specific	HB Allocation Letter and Email 22/12/20	Principal	Covers costs related to provider sustainability staff restriction policies and additional administrative support incurred within social care based on LMP returns
Covid-19 Q1-4 Allocation – Tranche 2	81.9	Revenue	Specific	Letter 5/2/21	Principal	Covers provider sustainability and direct costs (staffing, PPE, etc.) incurred within social care as well as first funding allocation for Health for spend such as CAC, primary care and direct costs (staffing, etc.) based on LMP returns
Further Integration Authority Support	100	Revenue	Specific	Letter 5/2/21	Principal	Funding to support the ongoing financial pressures in relation to Covid, along with the need to ensure ongoing financial sustainability across the social care sector.
Adult Social Care Winter Plan Funding – Tranche 2	40	Revenue	Specific	Letter 5/2/21	Principal	To support social care through the Winter Plan
Hospice Funding – Tranche 2	17.8	Revenue	Specific	Letter 31/3/21	Agent	Covers lockdown funding and £500 thankyou payments to Hospice staff
*Coronavirus (COVID-19): £500 payment for health and social care staff ⁷		Revenue	Specific	HB Allocation Letter and Various Emails to Council DoF's	Agent	Covers payments made to HSCP directly employed staff
*Coronavirus (COVID-19): £500 payment for private provider care staff ⁷		Revenue	Specific	Grant offer letter 31/3/21	Agent	Covers payments made to Third party providers with amounts to pay determined by Scotland Excel.
* LASAAC has noted that the Health Boards are likely to consider these payments as principal payments under their governing pay arrangements. However, when local authorities are making payments to their own staff, the situation is different because, in contrast with						

⁷ It should also be noted that cash payments are being made in the 2021/22 financial year.

Service Funding	£m	Revenue / Capital	GRG / Specific	Reference	Principal or Agent	Comments
health boards, pay policy is delegated to local government. Therefore, a requirement placed on local authorities to pay their own staff the £500 is indicative of an agency arrangement.						
<p>The various Covid-19 funding streams that IJBs receive (other than the £500 thankyou payments and hospice funding) are based on local mobilisation plans which set out what funding is required. These plans include all funding required for both direct costs incurred (additional care providers staff costs, PPE, primary care costs, other expenses etc.) as well as supplier sustainability payments. During the year these plans are updated and funding is adjusted as required.</p> <p>IJBs are considered to be acting as principal in relation to all direct costs incurred. The nature and consideration of the treatment regarding the provider sustainability payments are as detailed below.</p>						
Supplier Sustainability Payments to social care providers:						
(1) sustainability for occupancy %		Revenue			Principal	The IJB has control of these payments as although the payments are based on a set % they are not a set amount – providers needed to meet eligibility criteria and evidence occupancy and IJBs therefore had the authority to approve, reject or amend claims
(2) based on local mobilisation plans		Revenue			Principal	The IJB has control over the payments as they are not for any set amount and it is for the provider to submit claims and justify that the spend is additional and Covid-19 related. This second element is at discretion of IJB and claims can be rejected if evidence does not support claims made.
Integration Joint Board (IJB) Supports						