

# City of Edinburgh Council

10:00am, Tuesday 30 June 2020

## Revenue Budget 2020/21 Update – referral from the Policy and Sustainability Committee

Executive/routine  
Wards  
Council Commitments

### 1. For Decision/Action

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The Council is asked to approve the recommendations by the Policy and Sustainability Committee on the Revenue Budget 2020/21 Update.

**Laurence Rockey**

Head of Strategy and Communications

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# Referral Report

## Revenue Budget 2020/21 Update

### 2. Terms of Referral

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- 2.1 On 25 June 2020, the Policy and Sustainability Committee considered a report which provided an update on the current assessment of approved savings delivery, management of service pressures and, most materially, the emerging cost and income implications of the coronavirus pandemic on the Council and its ALEOs' activities.
- 2.2 The report set out an overall reduction in the in-year funding gap from £56.5m to £29.9m, mainly through management of savings delivery shortfalls and residual pressures, use of reserves and corporate budgets. Given the potential for this gap to increase further based on the pace of the city's recovery, however, action was urgently required, with the enduring impacts also likely to require a re-assessment of both the content and affordability of the 2020/23 revenue budget framework and ten-year capital budget strategy.
- 2.3 The Policy and Sustainability Committee agreed:
- 2.3.1 to note the updated estimated expenditure and income impacts of the COVID-19 pandemic on the Council and its ALEOs' activities and the potential sources of funding identified to address them;
  - 2.3.2 to note the extent of progress to date in identifying measures to mitigate both anticipated shortfalls in the delivery of approved savings and residual Directorate pressures;
  - 2.3.3 to note the significant remaining projected in-year shortfall and associated risks linked to further service disruption or slower-than-assumed recovery, with a resulting urgent requirement for increased control to be exercised over all aspects of Council expenditure;
  - 2.3.4 to note that the use of reserves other than for the intended purpose was not sustainable and reduced the ability to make available resources to facilitate economic recovery within the city;
  - 2.3.5 therefore to agree, as an initial step, earmarking the remaining £4.830m of unallocated funding provided as part of the 2020/21 Scottish Budget's Stage One Parliamentary consideration to address expenditure and income pressures arising from the pandemic;

- 2.3.6 to confirm the allocation of the previous in-principle £2m contribution to the Edinburgh Integration Joint Board;
- 2.3.7 to agree that any subsequent expenditure requests be considered only in cases where a specific funding source had been identified and expressly brought to the Policy and Sustainability Committee for scrutiny and political decision-making.
- 2.3.8 To refer the report to the Council for approval.

### **3. Background Reading/ External References**

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Minute of the Policy and Sustainability Committee of 25 June 2020.

### **4. Appendices**

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Appendix 1 – report by the Executive Director of Resources

# Policy and Sustainability Committee

10.00am, Thursday, 25 June 2020

## Revenue Budget 2020/21 Update

Executive/routine Wards Council Commitments	Executive All
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### 1. Recommendations

- 1.1 Members of the Policy and Sustainability Committee are asked:
- 1.1.1 to note the updated estimated expenditure and income impacts of the COVID-19 pandemic on the Council and its ALEOs' activities and the potential sources of funding identified to address them;
  - 1.1.2 to note the extent of progress to date in identifying measures to mitigate both anticipated shortfalls in the delivery of approved savings and residual Directorate pressures;
  - 1.1.3 to note the significant remaining projected in-year shortfall and associated risks linked to further service disruption or slower-than-assumed recovery, with a resulting urgent requirement for increased control to be exercised over all aspects of Council expenditure;
  - 1.1.4 to note that the use of reserves other than for the intended purpose is not sustainable and reduces the ability to make available resources to facilitate economic recovery within the city;
  - 1.1.5 therefore to agree, as an initial step, earmarking the remaining £4.830m of unallocated funding provided as part of the 2020/21 Scottish Budget's Stage One Parliamentary consideration to address expenditure and income pressures arising from the pandemic;
  - 1.1.6 to confirm the allocation of the previous in-principle £2m contribution to the Edinburgh Integration Joint Board; and
  - 1.1.7 to agree that any subsequent expenditure requests are considered only in cases where a specific funding source has been identified and expressly brought to the Policy and Sustainability Committee for scrutiny and political decision-making.

**Stephen S. Moir**  
Executive Director of Resources

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## Revenue Budget 2020/21 Update

### 2. Executive Summary

- 2.1 Following the earlier assessments considered by the Leadership Advisory Panel and Policy and Sustainability Committee on 23 April and 28 May respectively, the report updates members on the current assessment of approved savings delivery, management of service pressures and, most materially, the emerging cost and income implications of the coronavirus pandemic on the Council and its ALEOs' activities.
- 2.2 The report sets out an overall reduction in the in-year funding gap from £56.5m to £29.9m, mainly through management of savings delivery shortfalls and residual pressures, use of reserves and corporate budgets. Given the potential for this gap to increase further based on the pace of the city's recovery, however, action is urgently required, with the enduring impacts also likely to require a re-assessment of both the content and affordability of the 2020/23 revenue budget framework and ten-year capital budget strategy.

<b>Additional net expenditure pressures:</b>	<b>£m</b>	<b>£m</b>
Estimated COVID-19-specific expenditure and income		85.7
Net residual pressures/anticipated shortfalls in savings delivery		3.0
		<b>88.7</b>
<b>Potential funding:</b>		
Confirmed COVID-19 related funding	(18.2)	
2020/21 budget - unallocated additional monies	(4.8)	
Use of earmarked reserves	(19.6)	
Further potential timing-related and corporate savings	(16.2)	
	<b>58.8</b>	
<b>Remaining shortfall</b>		<b>29.9</b>

### 3. Background

- 3.1 On 20 February 2020, Council approved a balanced revenue budget for 2020/21 and indicative balanced budgets for the following two years, based on assumptions around future grant funding levels. The approved 2020/21 budget is underpinned by the delivery

of £34.9m of savings, as well as the management of around £15m of residual pressures once account is taken of the additional investment included within the budget framework.

- 3.2 As in previous years, Finance staff have undertaken an assessment of the implementation plans in place both to deliver approved savings measures and manage residual pressures. Based on this assessment, the report to the Committee's previous meeting on 28 May indicated that some £15.5m of savings and/or required mitigating measures were at risk of non-delivery and Executive Directors were therefore requested to bring back, to this meeting, proposed measures to address these in full.
- 3.3 In view of the profound and still-emerging impacts of the COVID-19 pandemic, however, the report's primary focus was on updated estimates of the related cost and income implications for the Council and its ALEOs. Based on an assumed six-month period of disruption, total expenditure and income estimates of £85.9m were identified which, when added to the £15.5m above, resulted in a need to identify internal and external funding and savings totalling £101.4m, primarily in 2020/21. Against this, confirmed or anticipated savings of £44.9m had been identified, leaving an overall shortfall of £56.5m.
- 3.4 The report therefore updates members on main three areas:
- (i) progress by Directorates in identifying additional offsetting measures to address, in full, projected shortfalls in savings delivery and/or management of pressures;
  - (ii) updated expenditure and income estimates of the impacts of the pandemic on the Council and its ALEOs' activities; and
  - (iii) based on the above and best indications of available external and internal funding, the extent of the remaining funding gap and identification of proposed further measures to ensure the Council's financial sustainability in both the immediate and more medium term.

## 4. Main report

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### **Delivery of approved savings and management of residual pressures**

- 4.1 Since 2012/13, the Council has approved for delivery over £350m of savings, equivalent to around a third of its current net budget. This level of savings has been required as a result of cost pressures arising from increasing, mainly demographic-led demand, legislative reform, inflationary uplifts and rising expectations and a level of available grant funding, Council Tax and other income that has not kept pace. The cumulative impact of successive years' savings requirements has inevitably made the delivery of further incremental reductions and management of pressures increasingly challenging.
- 4.2 Based on an assessment undertaken by Finance staff, the report to the Committee's previous meeting on 28 May highlighted a potential combined shortfall across approved savings and residual pressures (under an assumed six-month service disruption scenario) of £15.547m. While this sum is much smaller than the Council's financial exposure to the impacts of the pandemic, effective management of pressures and shortfalls in savings delivery is nonetheless fundamental to the sustainability and integrity of the budget framework.

- 4.3 As a result, in addition to seeking to maximise levels of external funding and identify available contributions from non-service budgets and reserves to address COVID-related costs, the report indicated that Executive Directors would be asked to initiate reviews to include rigorous scrutiny of discretionary expenditure, overtime and agency spend, together with an enhanced focus on identifying additional savings resulting from the Council's current reduced scale and prioritisation of activity in both the immediate and medium term. The proposed measures would be reported to the Committee's next meeting on 25 June.
- 4.4 Good progress has been made across all three Directorates affected, with a summary of the position shown in the table below. Of the estimated £11.070m of residual pressures and shortfalls within services, net potential mitigations totalling £8.070m have been identified, leaving a need to develop £3m of further measures.

Directorate	Gross pressures and unrealised savings per P&S report, 28 May (£m)	Net actual or potential mitigations identified (£m)	Remaining unmitigated pressures and shortfall (£m)
Communities and Families	2.854	(2.854)	0.000
Place	6.085	(3.085) <sup>1</sup>	3.000
Resources	2.131 <sup>2</sup>	(2.131) <sup>3</sup>	0.000
	<b>11.070</b>	<b>(8.070)</b>	<b>3.000</b>
Council-wide savings	3.623	(4.477)	(0.854)
Fees and charges income uplifts	0.854	0.000	0.854
<b>Total</b>	<b>15.547</b>	<b>(12.547)</b>	<b>3.000</b>

- 4.5 This sum assumes full mitigation of pressures and savings delivery shortfalls in both the Communities and Families and Resources Directorates, albeit each is dependent on tightened recruitment controls and, in the case of Resources, a vacancy freeze for the remainder of the year across the majority of the service. Within Place, while potential measures have been identified to address the majority of the previously-estimated level of pressures, work is continuing to identify additional newly-required actions to offset £1.6m of other pressures emerging from detailed analysis of the 2019/20 service outturn.
- 4.6 Of the measures identified by Executive Directors, the majority represent savings resulting from reduced levels of activity linked to decisions already taken as part of the city's pandemic response and, as such, do not require explicit approval. Further

<sup>1</sup> While £4.717m of potential mitigations have been identified, detailed analysis of the service outturn indicates an increase in underlying pressures and projected non-delivery of savings of some £1.6m, primarily in Waste, Fleet, Transport and Scientific, Bereavement and Registration Services.

<sup>2</sup> The target issued for Resources also reflected the need for full mitigation of a COVID-related pressure, estimated at £1.1m, relating to delayed implementation of staffing- and ICT-related measures within Customer and Digital Services. Corresponding measures to address this target in full have been identified.

<sup>3</sup> The net mitigations identified for Resources also reflect the emergence of additional pay-related pressures within Property and Facilities Management of £0.530m.

measures identified within the Place Directorate will be reported, as appropriate, to members for consideration.

- 4.7 The report to the Committee's last meeting also highlighted a potential shortfall of £4.477m in non-service areas, linked to cessation of, or reductions in demand for, chargeable Council services and enforced delayed implementation of Council-wide reviews. As noted in the Capital Update report included elsewhere on today's agenda, in view of confirmed expenditure slippage of £18.6m in 2019/20 and estimated further slippage of £161m in 2020/21, these shortfalls are now expected to be managed through related reductions in loans charges.
- 4.8 While a full assessment will only be possible after the detail of the Council's revised operating model is available, the one-off nature of the majority of the measures identified thus far (mainly savings linked to reduced in-year levels of activity, with the additional costs and income losses separately captured as part of the Council's COVID impacts monitoring) means that they are unlikely, of themselves, to address the longer-term sustainability of the budget framework, with more fundamental service prioritisation required to address the unaffordability of current activity.

#### **COVID-19 expenditure and income impacts – all services (including Council companies and Arm's Length Organisations)**

- 4.9 An interim update has also been provided by service areas and the Council's ALEOs on COVID-related expenditure and income impacts, based on a three-month shutdown period and a gradual resumption of services over the following three months. While the overall position is largely unchanged, a number of elements have been updated and are shown in Appendix 1. **A more detailed update, including an assessment of the impact on the Council's ALEOs, will be provided to the Committee's meeting on 23 July.**
- 4.10 It is likely, however, that these estimates will increase further as the timing and nature of the recovery phase becomes clearer, particularly in respect of phased school re-opening and the associated implications for additional teaching and other support staffing costs, ICT, increased cleaning regimes and PPE. At this stage, it is being assumed that these costs, estimated at £12.7m for the period until the end of December 2020 (and not included in the above estimates) will be addressed through a combination of available flexibilities in the application of Early Years expansion, Pupil Equity and Scottish Attainment Challenge funding, alongside redirection of savings in Devolved School Management (DSM) budgets. Work is continuing, in partnership with the Scottish Government, around modelling a range of further re-opening scenarios.
- 4.11 There is a risk, however, either that costs increase or the full assumed flexibilities are not available, adding further to the funding requirement noted above. In addition, due in part to the impacts of continuing social distancing on the timing and costs to completion of relevant projects, a shortfall in available capital resources for the early years expansion programme is now anticipated.
- 4.12 The First Minister confirmed on 16 June that an additional £12.6m would be made available across Scotland to ensure the continuing provision of free school meals for eligible pupils during the summer holidays. While Edinburgh's precise allocation remains to be confirmed, it is being assumed that this funding will address, in full, previous cost

estimates included in this area. In addition, £15m of further funding will be made available to ensure continuing support to a range of households experiencing difficulty in accessing or affording food during the pandemic. The implications of this announcement for the support of wider food distribution within the city are being clarified and an update will therefore be provided at the Committee's meeting on 23 July.

- 4.13 On 16 June, the Cabinet Secretary for Finance also announced a £230m Scotland-wide Return to Work package of measures intended to stimulate the post-pandemic economy. The initiative covers construction, low-carbon projects, digitisation and business support and will provide a flow of work for businesses and support jobs. The package includes a number of elements (including funding for roads maintenance, regeneration projects, social distancing adaptations for buses and digitisation for education services) that may result in the provision of additional funding to local government. An update will be provided to the Committee at its meeting on 23 July.
- 4.14 At the meeting of the Policy and Sustainability Committee on 11 June, members agreed to the phased reintroduction of parking charges and associated enforcement with effect from 22 June. While this will clearly result in a decrease in overall income lost relative to the preceding three-month period, given uncertainty over levels of short-term demand once charges are reintroduced, no material change is proposed at this time to the current assumption of bringing in 50% of budgeted income over the period from July to September. As with all assumptions, the accuracy of this will be reviewed in light of actual expenditure and income levels.
- 4.15 Given the number of variables involved, no detailed financial modelling has yet been undertaken to assess the impact of any repeat waves of infection and associated lockdown. It seems safe to assume, however, that such events would only increase the overall funding gap, underlining the importance of identifying additional savings as a matter of urgency. Greater insight into the precise cost impacts of service resumption will also be obtained as the detail of the Council's recovery plan and, in particular, the Service Operations work programme, becomes available. More generally, while the expenditure and income impacts in the preceding sections are best-estimates, there are clearly downside risks should the city's recovery be slower than assumed and a number of variant scenarios are therefore also being considered.

#### **Other changes since report to Policy and Sustainability Committee on 28 May**

- 4.16 In addition to the changes outlined in the preceding sections, work has continued to identify additional funding sources to offset the expenditure impacts of current service disruption.

#### **Furloughing application**

- 4.17 On 10 June, the Council applied to HM Revenue and Customs to furlough some 430 staff roles in areas meeting the principal requirements of the Coronavirus Job Retention Scheme (CJRS), namely that:
- (i) service costs are mainly financed through fees and charges income;
  - (ii) current COVID-19 related activity has resulted in a significant loss of service income that has not been offset, or addressed, through grant or other funding;

(iii) the staff concerned cannot be redeployed to assist with the organisation's COVID-19 response; and

(iv) without financial support, the staff could be at risk of redundancy.

4.18 The staff for whom furloughing support has been sought are employed across the areas of outdoor education, corporate catering and the Council's cultural venues. As the Council will top up the employees' pay and all current terms and conditions are maintained, there will be no detriment to those in scope and a memorandum of understanding with the joint trade unions has been agreed and signed.

4.19 The employees' participation in the scheme will initially be for three weeks and subject to on-going review thereafter. Assuming approval by HM Revenue and Customs, accessing the scheme provides access to potential furlough income of more than £500,000 between June and, at the latest, October 2020.

#### **Review of earmarked reserves and timing-related and other corporate savings**

4.20 In view of the fragility of the Council's current-year financial position, a **further review of its earmarked reserves** has been undertaken to identify any sums that could additionally be applied in 2020/21. While this review has identified sums totalling **£8.35m**, it should be emphasised that application of these sums may expose the Council to increased risk, thus reinforcing the pressing need for recurring savings to be identified in the current and future financial years so as not to compromise its financial sustainability.

4.21 In addition to these sums and as noted at Paragraph 4.7, continuing low interest rates, confirmation of the capital outturn for 2019/20 and levels of projected slippage for 2020/21 have allowed, besides the £4.477m used to mitigate in-year shortfalls in Council-wide savings and fees and charges delivery, a further **£2.5m** in loans charge savings to be made available to address other pressures. These savings, along with **£2.65m** of anticipated recurring savings in Council Tax and past service pension costs (informed by analysis of the 2019/20 outturn), are also available to contribute towards the overall shortfall.

#### **Updated overall position**

4.22 The combined impact of the management of residual savings and pressures (£12.5m per Paragraph 4.4) and identification of additional potential contributions from reserves and other corporate savings (£13.5m per Paragraphs 4.20 and 4.21) has offset the influence of increased COVID-19 impacts in reducing the overall funding gap from £56.5m to £29.9m as shown in the following table:

<b>Additional net expenditure pressures:</b>	<b>£m</b>	<b>£m</b>
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Estimated COVID-19-specific expenditure and income		85.7
Net residual pressures/anticipated shortfalls in savings delivery		3.0
		<b>88.7</b>
<b>Potential funding:</b>		
Confirmed COVID-19 related funding	(18.2)	
2020/21 budget - unallocated additional monies	(4.8 <sup>4</sup> )	
Use of earmarked reserves	(19.6)	
Further potential timing-related and corporate savings	(16.2)	
	<b>58.8</b>	
<b>Remaining shortfall</b>		<b>29.9</b>

- 4.23 It is becoming increasingly clear, however, that without the provision of additional resources at UK level triggering Barnett Consequentials for Scotland, any significant amount of further funding is unlikely to be forthcoming. Spend to date on the Scottish Government's pandemic response has exceeded available funding and is therefore understood to have used, in full, any additional resources relative to its planning assumptions resulting from the original UK 2020/21 Budget announcement in early March.
- 4.24 While the LGA has now chosen to lobby separately, co-ordinated activity across the four nations of the UK will continue, emphasising the need for both additional resourcing and further fiscal flexibilities. With this in mind, discussions between COSLA and the Scottish Government are continuing with the intention of jointly approaching the UK Treasury on these issues. A complementary Scotland-specific lobbying and engagement strategy is also being developed.
- 4.25 COSLA officials and Director of Finance representatives are also examining, with Scottish Government officials, other possible financial flexibilities including a number that, while not addressing the additional costs incurred, would at least spread their impact over a number of years.
- 4.26 If, after some or all of these measures have been applied and further representations made to the UK and Scottish Governments, a shortfall still remained, it would be possible to apply up to £13m from the Council's unallocated general reserve. This action is not recommended, however, due both to current wider risks and uncertainties and the fact that these reserves would then require to be replenished through the identification of further savings in future years and may require unbudgeted costs to be met from core service budgets, leading to reductions in service provision.

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<sup>4</sup> The available sum reflects the decision of the Policy and Sustainability Committee on 28 May 2020 to award continuing funding to a number of organisations previously supported by the Communities and Families grants programme.

- 4.27 As was emphasised in the previous update report to the Committee, given the magnitude of the funding deficit, options to reduce service levels significantly in non-priority areas are increasingly likely to be required.

### **Edinburgh Integration Joint Board (EIJB)**

- 4.28 The cost and income estimates above do not include those for the EIJB which are captured in the Health and Social Care Partnership's (H&SCP) Mobilisation Plan. The current iteration of the plan indicates full-year expenditure of some £57.34m, the majority of which relates to other community care costs, although this estimate continues to be refined as the immediate and medium-term impacts of the pandemic become clearer. The plan also reflects the anticipated additional implementation cost of the 3.3% uplift to contract hourly rates to allow voluntary and independent social care providers to ensure that all social care support workers will have their pay increased to at least the Living Wage Foundation hourly rate of £9.30 from 6 April 2020. The Chief Officer of the H&SCP continues to engage with the Scottish Government on both issues with a view to ensuring that additional anticipated costs are appropriately recognised, although given the extent of the shortfall in funding announced thus far, there is a significant risk that these sums will not be met.
- 4.29 At the request of Local Government, however, an initial first tranche of funding of £50m was released to address expenditure incurred to date. The Edinburgh Health and Social Care Partnership's share of this sum is £4.056m and this has now been received.
- 4.30 The Chief Officer and her team also continue to develop the EIJB plan and associated savings and recovery programme necessary to deliver a balanced budget position for 2020/21. An update report was considered by the Board on 28 April and set out a revised projected savings target of £12.2m. Potential further actions and contributions of £7m have been identified, including the in-principle £2m contribution from the Council earmarked within the additional monies provided as part of the 2020/21 Scottish Draft Budget Bill's Parliamentary consideration, resulting in a residual in-year deficit of £5.2m. An additional range of options will continue to be investigated to address the remaining shortfall, with an update provided at the Board's next scheduled meeting on 21 July. In recognition of likely continuing increased demand and to provide greater certainty for these deliberations, it is recommended that members now formally approve the Council's £2m contribution.

### **Priority actions**

- 4.31 While the report sets out, at Paragraph 4.22, a significant reduction in the residual funding gap, it is clear that the Council's financial position remains fragile and, as such, more urgent action is required, particularly given the potential for disruption to be more long-lasting than currently assumed. Actions taken thus far by Executive Directors have reduced the impact of residual pressures and savings delivery shortfalls to £3m, with an expectation that this sum will be fully addressed in the coming months, consistent with their responsibilities to maintain expenditure within budgeted levels as set out in the Financial Regulations.
- 4.32 Executive Directors will, nonetheless, continue to examine all means to reduce expenditure further by scrutinising all discretionary spend, overtime and agency spend

and re-doubling efforts to identify additional savings resulting from the Council's reduced scale of activity in both the immediate and medium-term. Given the impact of successive years' savings requirements, however, it is highly unlikely that these actions alone will be sufficient to address the remaining gap, either in 2020/21 or subsequent years. In addition, increased reliance on contributions from earmarked reserves for reasons other than they were established is clearly not a sustainable approach over the medium to longer term and restricts the Council's subsequent ability to support economic recovery.

- 4.33 Elected members have a key role in supporting the Head of Finance as the Council's statutory section 95 officer in all financial matters, including setting the Council's budget and subsequently ensuring that proper control is exercised through regular scrutiny and challenge of spend projections, such that expenditure is maintained within the level of resources available. In view of the seriousness of the current financial position, **as a first step, it is recommended that members now earmark, in full, the remaining £4.83m of monies provided at Stage One of the 2020/21 Scottish Draft Budget's Parliamentary consideration to address the residual funding shortfall.**
- 4.34 It is further recommended that members endorse the principle that any subsequent requests to Executive Committees or Council to incur additional, non-essential expenditure **are considered only in cases where a specific funding source has been identified.** This needs to take place, however, within the context of a more fundamental re-assessment of the Council's services, priorities and operating models as part of the Adaptation and Renewal Programme, informed by conversations with key stakeholders across the city. These conversations will also need to be conducted against a backdrop of on-going affordability, considering both service reduction and possible cessation.

## 5. Next Steps

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- 5.1 The cost and income impacts of the Coronavirus pandemic will continue to be actively tracked and refined as additional clarity is received on the timing and nature of any relaxation of current lockdown restrictions. These estimates will be shared with COSLA and form part of liaison and negotiation with the Scottish and UK Governments around the provision of corresponding funding.
- 5.2 As noted in the main report, Executive Directors have brought forward additional measures to offset savings delivery shortfalls and residual service pressures. The impact of these measures, alongside any further available non-service savings, will continue to be regularly reported to elected members.
- 5.3 While a broad route map for the recovery phase has been set out by the Scottish Government, the speed and nature of this process (including the potential for further lockdowns) remains, by its nature, unclear. A slower recovery is, however, likely to add further to the funding gap due to continuing income losses for a range of Council services and, in particular, its ALEOs.

## 6. Financial impact

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- 6.1 The report sets out a range of significant expenditure pressures, both in respect of Council services and impacts on the activities of the Council's ALEOs. While a number of potential funding sources and other measures have been identified to address, at least

in part, these shortfalls, it is likely that the affordability of the wider budget framework will require to be re-assessed, including the impacts of COVID-19 on the Council's capital investment programme. An initial report on this latter aspect is included elsewhere on today's agenda.

- 6.2 Initial analysis of the underpinning assumptions and savings approved for delivery as part of the 2021/22 and 2022/23 revenue budget indicates a number of measures, delivery of which may now require to be reassessed. These include the assumed on-going receipt of the Lothian Buses dividend, application of an IJB savings target and future increases in Council Tax and other fees and charges levels.
- 6.3 These sums have the potential to increase further should in-year pressures (including greater demand in such areas as homelessness) and shortfalls in savings delivery not be managed on a sustainable basis in future years. In addition, due to the wider economic outlook and consequent increase in public expenditure and reduction in taxation revenues, there may be implications for future years' revenue funding settlements.

## **7. Stakeholder/Community Impact**

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- 7.1 The scale and coverage of the impacts linked to the pandemic will require extensive and continuing engagement with key stakeholders as the city enters the recovery phase.

## **8. Background reading/external references**

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- 8.1 [Revenue Budget 2020/21 Update](#), Policy and Sustainability Committee, 28 May 2020
- 8.2 [2020/21 Financial Plan](#), Edinburgh Integration Joint Board, 28 April 2020
- 8.3 [Revenue Budget 2020/21 Update](#), Policy and Sustainability Committee, 23 April 2020
- 8.4 [Council's Change Strategy: Planning for Change and Delivering Services 2020/23 – Progress Update](#), Finance and Resources Committee, 14 February 2020
- 8.5 [Council Change Strategy 2020/23: Risks and Reserves](#), Finance and Resources Committee, 14 February 2020
- 8.6 [Coalition Budget Motion](#), City of Edinburgh Council, 20 February 2020
- 8.7 [Revenue Monitoring 2019/20 – Month Eight Position](#), Finance and Resources Committee, 23 January 2020

## **9. Appendices**

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Appendix 1 – Revenue Budget 2020/21 – update of key assumptions

## Revenue Budget 2020/21 - update of key assumptions

	£m	£m	£m	
	Per P&S, 28 May	Changes, June 2020	Revised total, June 2020	
<b>Estimated COVID-19-specific expenditure and income</b>	85.924	(0.232)	<b>85.692</b>	Change as comprised below
<b>Increased estimates:</b>				
Property rentals		3.000		Assumed further losses due to voids and/or tenant insolvency, bringing total to £9m
Housing Property Services		2.945		Estimated reduction in sums chargeable to the HRA
Roads		1.820		Reduction in staff salaries chargeable to the Capital Programme
Outdoor centres		0.500		Based on revised January 2021 re-opening date
Customer and Digital Services		0.424		Additional staffing (including overtime) for benefit claims, business grants processing and vulnerable/shielding support
<b>Other changes</b>		0.829		
<b>Decreased estimates:</b>				
Impact on ALEOs		(5.000)		Updated estimate based on revised assessment of available external support and income projections
Parking		(1.200)		Reduction in assumed net loss of income based on parking charge and enforcement reinstatement wef 22 June
Planning and building standards		(1.167)		Revised income forecast based on analysis of April and May income levels
Customer Organisational Review		(1.100)		Full mitigations now identified through recruitment freeze and use of earmarked fund
Food Fund		(0.730)		While allocations remain to be confirmed, following the First Minister's announcement on 16 June, it is being assumed that all costs incurred in continuing FSM provision over the summer holiday period will be addressed through the receipt of additional funding.
Other reductions		(0.553)		
<b>Approved savings - anticipated shortfall in delivery</b>	7.528			
<b>Residual pressures</b>	8.019	(12.547)	<b>3.000</b>	
<b>Potential funding</b>				
Confirmed COVID-19 related funding	(17.740)	(0.500)	<b>(18.240)</b>	Includes estimated furlough income for c. 430 staff roles to end of October
2020-21 budget - unallocated additional monies	(5.008)	0.178	<b>(4.830)</b>	Change reflects net commitment resulting from part-year funding for Communities and Families grants as agreed at Policy and Sustainability Committee, 28 May
Use of earmarked reserves	(11.212)	(8.350)	<b>(19.562)</b>	Please see below for detail
Further potential timing-related and corporate savings	(11.000)	(5.150)	<b>(16.150)</b>	Please see below for detail
<b>Remaining shortfall</b>	<b>56.511</b>	<b>(26.601)</b>	<b>29.910</b>	
<b>Further use of earmarked reserves:</b>				
Council Tax Reduction Scheme		(3.000)		Application of remaining unallocated element of 2018/19 in-year underspend and full 2019/20 underspend. The Scottish Government has confirmed that it will make available additional funding in 2020/21 should take-up exceed budgeted levels.
Risk management		(4.000)		Application of sums previously put aside to smooth changes in grant funding levels, including the influence of stability funding floor
Transformation		(1.350)		Release of uncommitted element of funding approved for previous transformational activity
<b>Further potential timing-related and corporate savings:</b>				
Council Tax		(2.000)		Increase in Council Tax base apparent from analysis of 2019/20 outturn
Past service pension costs		(0.650)		Sums released based on year-on-year reductions in required level of provision
Loan charges		(2.500)		Treasury management-related savings based on updated assessment of in-year funding requirement