

Policy and Sustainability Committee

10.00am, Thursday, 23 July 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 to:
- 1.1.1 note the further update of the 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 note the significant remaining projected in-year shortfall and associated risks linked to further service disruption and/or slower-than-assumed recovery;
 - 1.1.3 note that updates on expenditure and income impacts, and the confirmed and potential means to address them, will continue to be reported to elected members on an at-least monthly basis until greater certainty is obtained in these areas;
 - 1.1.4 note that further representations will be made through COSLA regarding the need for full pass-through of Barnett Consequentials resulting from the provision of relevant additional funding in England;
 - 1.1.5 note, nonetheless, that there remains a significant risk around receiving additional funding sufficient to address the remaining deficit, particularly in the event of any further lockdown, and thus further actions on service prioritisation are urgently required; and
 - 1.1.6 approve, subject to onward ratification by Council on 28 July, the use of up to £0.295m from the former Central Energy Efficiency Fund (CEEF) to enable investment in key energy efficiency initiatives.

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Report

Revenue Budget 2020/21 Update

2. Executive Summary

- 2.1 Following earlier assessments considered by the Leadership Advisory Panel and Policy and Sustainability Committee on 23 April, 28 May and 25 June, the report updates members on the estimated cost and income implications of the coronavirus pandemic on the Council and its Arm's-Length External Organisations' (ALEOs') activities.
- 2.2 The report sets out the potential for the overall shortfall between net costs and available funding to reduce from the previously-reported £29.9m to £19.7m, albeit this is dependent upon both confirmation of the implications for local government in Scotland, and in turn the Council, of a number of recently-announced funding streams by the UK Government and full funding of the schools re-opening programme. Given the potential for this gap to increase further based on the pace of the city's recovery, however, action remains urgently required, with the enduring impacts also requiring a re-assessment of both the content and affordability of the 2020/23 revenue budget framework and ten-year capital budget strategy.

Additional net expenditure pressures:	£m	£m
Estimated COVID-19-specific expenditure and income		87.9
Net residual pressures/anticipated shortfalls in savings delivery		3.0
		90.9
Available funding:		
Confirmed COVID-19 related funding	(19.8)	
2020/21 budget - unallocated additional monies	(4.8)	
Use of earmarked reserves	(19.6)	
Further timing-related and corporate savings	(16.2)	
Potential further funding outlined in report	(10.8)	
	(71.2)	
Remaining shortfall		19.7

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 assumed 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 Since the Council approved its budget, however, its activities have been subject to massive disruption and/or modification given the continuing impacts of the COVID-19 pandemic. Given the scale of these impacts, members have therefore already considered a series of revenue budget monitoring forecasts early in the financial year, with the most recent of these reported to the Policy and Sustainability Committee on 25 June.
- 3.3 As the nature of the city's planned recovery becomes clearer, these cost estimates continue to be refined. Recent days have also seen a number of announcements of additional resources at both UK-wide and Scotland level, at least some of which have the potential to result in the provision of further funding to the Council and its ALEOs. Ensuing behavioural change, including attitudes to using public transport and leisure facilities and visiting city-centre attractions, however, remains much more difficult to predict and thus all current- and future-year estimates remain subject to considerable potential variation. In addition, there remains the very real possibility of subsequent waves of infection.
- 3.4 As of the last assessment reported to the Policy and Sustainability Committee on 25 June, an overall shortfall of at least £29.9m between (i) the direct expenditure and income impacts of the pandemic, alongside net residual pressures and anticipated shortfalls in savings delivery and (ii) confirmed or potential external and internal funding, was estimated, based on a six-month disruption scenario.
- 3.5 Given this significant remaining shortfall, members of the Committee agreed to refer to Council for approval earmarking the remaining £4.830m of unallocated funding provided as part of the 2020/21 Scottish Budget's Stage One Parliamentary consideration to address these expenditure and income pressures. In addition, members agreed that any subsequent expenditure requests be 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. Both of these recommendations were subsequently ratified by Council.

4. Main report

Estimated COVID-19-specific expenditure and income impacts – Council

- 4.1 Since the Committee's last meeting, modelling of the anticipated expenditure and income impacts of the pandemic within service areas has continued, with the results of this updated analysis shown in **Appendix 1**. This modelling is now fully based on a six-month disruption scenario, although in some cases behavioural and other changes are assessed to result in longer-lasting likely impacts. Compared on a

like-for-like basis, the net estimated cost has increased by some £7.5m to £56.9m, with the main changes since the Committee's last report being:

- (i) an increase of £2.8m in the full-year estimate for **temporary accommodation** costs on the assumption that rough sleepers and those with no recourse to public funds continue to be supported for the remainder of the financial year, with a more detailed report to be considered by the Policy and Sustainability Committee by the end of August. It is anticipated that an element of offsetting funding may, however, be received via Barnett Formula Consequentials following the recent announcement of the provision of additional resources in England. As agreed by the Policy and Sustainability Committee on 9 July, the Council will make representations to the Scottish Government, via COSLA, for these extraordinary pressures (created by responding proactively to the pandemic) to be fully addressed;
- (ii) an increase of £1.6m linked to the continuing provision of both **free school meal payments** to eligible families throughout the summer holiday period and **food distribution to vulnerable groups**, including those self-isolating as part of the Test and Protect scheme, until the end of September. Relevant expenditure is being fully funded by means of ringfenced grant by the Scottish Government;
- (iii) an assumed additional spend of £1m by the end of the year on **Personal Protective Equipment (PPE)** given continuing enhanced hygiene regimes;
- (iv) an assumed increase in the full-year loss of **parking income** of £3m (to some £15.4m in total), based on estimated reductions in demand over the period from October to March; and
- (v) a reduction of £1.9m in the assumed pressure in respect of loss of **licensing income**, with the assumption that this be met from relevant ringfenced reserves.

4.2 The remaining net increase of £1m comprises a number of smaller items, including the loss of bus station and other catering income newly incorporated into these forecasts.

4.3 The sums presented above do not include costs associated with either Health and Social Care or schools re-opening, commentary on which is provided later in the report.

Estimated COVID-19-specific expenditure and income impacts – ALEOs

4.4 As with the Council's direct services, detailed modelling work has continued within its arm's-length bodies where, given their reliance on income, the impacts of the pandemic have been particularly acutely felt. In assessing these impacts, due account requires to be taken of sources of external support, particularly for the furloughing of staff through the Coronavirus Job Retention Scheme (CJRS), and internally-available reserves. Taken as a whole, the updated assessment indicates a potential net call on the Council (either in terms of income foregone or support to be provided) of £31m, a reduction of £5.3m from the position reported in June.

- 4.5 For reasons of commercial sensitivity, specific net pressures for each organisation have not been provided below. Factors influencing the overall level of required provision, however, include the following:
- (i) following detailed discussions, the Scottish Government has confirmed the provision of up to £9m of emergency funding to **Edinburgh Trams** and Glasgow Subway, covering the period from July to September, in recognition of the organisations' crucial role in providing essential capacity and connectivity as part of the two cities' emergence from lockdown. The precise level of funding to be provided will take account of actual costs incurred, fare revenue received and existing support available through the CJRS. At this stage, however, no funding has been received, nor support beyond this initial period confirmed;
 - (ii) provisional agreement has also been reached with the Scottish Government to provide financial support to **Lothian Buses**, similarly addressing residual net losses incurred in an eight-week period during which network capacity will be significantly increased but with continuing social distancing in place;
 - (iii) members may be aware that on 5 July, the UK Government announced a package of support aimed towards preventing closure of cultural venues, resulting in the provision of £97m of additional funding to Scotland through Barnett Consequentials. This support complements the earlier separate creation of a £10m fund by the Scottish Government. The Scottish Government has confirmed that the additional resources will be passed on in full to the arts and heritage sector. While eligibility criteria for the fund remain to be confirmed, there may be an opportunity for **Capital Theatres** to receive some financial support. This would be particularly welcome given that the nature of its venues' design makes social distancing very difficult, if not impossible, to achieve, meaning that it is likely to be amongst the last classes of building to re-open, potentially not until the end of the year or beyond. Any opportunities for additional support to Council venues will also be explored;
 - (iv) the financial impacts on **Edinburgh Leisure** will be influenced by the timing of the Scottish Government's routemap and the nature of the associated required hygiene and social distancing measures. Even when restrictions are eased, however, services are likely to resume on a phased basis, with public attitudes, market capacity and competitor reaction all affecting future income forecasts, making financial forecasting particularly challenging. As staff return from furlough, funding deficits are likely to grow as costs increase whilst social distancing requirements constrain income; and
 - (v) the recovery of the business tourism market will be crucial to the **EICC**. The principal risk to the business from the pandemic is the cancellation of business, or the rescheduling of events to subsequent years, resulting in a significant loss of revenues with a corresponding reduction in operating profits for 2020. This is compounded by the uncertainty surrounding the medium-term impact of current restrictions, when they will be eased with

specific reference to the company's operations and what mitigating reliefs will be available (and for how long). As with all of the Council's ALEOs, the position is being actively monitored and appropriate mitigating actions taken as and where appropriate.

Net residual pressures/anticipated shortfalls in savings delivery

- 4.6 Executive Directors continue to develop relevant implementation plans to deliver the savings measures required to mitigate residual pressures and savings shortfalls within their respective service areas. While measures sufficient to address the majority of the £15.5m required have been identified, in view of the remaining overall shortfall, the Executive Director of Place and his Senior Management Team continue to consider potential options and will bring these, as appropriate, to elected members for consideration. In this regard, on 9 July, members of the Policy and Sustainability Committee approved engagement with each of the Council's Transport ALEOs (i.e. Lothian Buses and Edinburgh Trams), the minority shareholders and recognised trade unions on a proposed transition to a single company model. While this may result in the delivery of some in-year savings, at this stage, however, the planning assumption of requiring to address £3m of residual pressures remains unchanged.

Available confirmed funding

- 4.7 Previous reports have identified a range of confirmed external and proposed internal funding sources. These remain largely unchanged from the position reported to the Committee on 25 June and are summarised, for ease of reference, in **Appendix 2** (external) and **Appendix 3** (internal funding). The confirmed COVID-19-related funding total has, however, been updated to reflect the £1.589m of additional support received to allow continuation of the activities supported by the Food Fund as noted at 4.1 (ii).

Potential further funding

- 4.8 In addition to the confirmed sources noted in Appendix 2, there has been a recent further succession of UK-level announcements triggering favourable Barnett Consequentials for Scotland, with the potential for these to result in additional funding for local government. It should be emphasised, however, that discussions concerning the application of these funds remain at an early stage with, under devolution arrangements, the Scottish Government under no obligation to allocate them to the area of spend that triggered them.
- 4.9 As noted at 4.1 (i), on 24 June, the UK Government confirmed the provision of an additional £105m of funding to provide continuing support to rough sleepers once the worst effects of the pandemic have receded, with £85m of this funding triggering Barnett Consequentials for Scotland of an estimated £12m. Based on comparable existing funding streams, this gives the potential for up to £1.5m of additional resources to be provided to the Council, although the Scottish Government may choose to allocate at least some of the funding to provide complementary support in other sectors.

- 4.10 On 2 July, the UK Government then confirmed the provision of further un-ringfenced funding of £500m for local government in England, resulting in £50m of additional Barnett Consequentials for Scotland. If passed on to Local Government in full and allocated according to earlier needs-based formulae, this would result in the provision to the Council of £3.91m of additional funding.
- 4.11 At the same time, a new scheme will be introduced in England to reimburse councils for 75% of most lost sales, fees and charges income. Based on anticipated income in scope, this may result in the provision of up to £100m of additional Barnett Consequentials for Scotland, of which Edinburgh's share is likely to exceed its allocation under more generic needs-based distributions given the significance of income to its budget. At this stage, however, the implications for, and applicability of, any similar arrangements in Scotland remain to be confirmed. As noted above, the Scottish Government is furthermore not bound by decisions in England as to how it allocates these additional sums, although given that income-related losses account for almost 60% of the total COVID-related costs identified by councils in Scotland, the case seems strong. On this basis, an assumption of £5m of support is reflected in the total funding summarised at 4.14 below.
- 4.12 At its previous meeting, members of the Committee were advised of the Council's application to the UK Government's CJRS on 10 June, following receipt of clarification on eligibility for scheme support. As part of the Chancellor's Budget Statement on 8 July, it was announced that for each employee "returning" from furlough still in employment as of the end of January 2021, a payment of £1,000 would be made. There is, therefore, the potential for around £400,000 to be received, subject to confirmation of the scheme's full applicability to the Council.
- 4.13 In contrast to many of the announcements preceding it, the Chancellor's Budget Statement of itself resulted in a relatively modest additional level of Barnett Consequentials. The Autumn Budget is, however, likely to be more instructive in terms of future levels of public spending, at which point the appropriateness of the budget framework's existing grant funding assumptions will be re-assessed.

Updated overall position

- 4.14 The changes outlined in the preceding paragraphs result in a potential reduction in the funding gap from £29.9m to £19.7m. This does not, however, include any net cost associated with schools re-opening or the Edinburgh Integration Joint Board.

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Available funding:		
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	(71.2)	
Remaining shortfall		19.7

- 4.15 Initial modelling suggest each month's further lockdown would cost of the order of £10m per month. 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.

Schools re-opening

- 4.16 As members will be aware, a report on schools re-opening was considered by the Policy and Sustainability Committee on 9 July. Two broad scenarios have been modelled, based on 50% (i.e. "blended learning") and 100% assumed occupancy respectively. Under the 100% occupancy scenario, additional costs of some £20.2m are anticipated, with this sum rising to £33.6m under the 50% model. The Deputy First Minister is expected to confirm the Scottish Government's final plans on 30 July.
- 4.17 The Scottish Government has indicated that potential additional funding of up to £100m may be available for the 2020/21 *academic* year, of which the Council might expect to receive around £7m. Given apparent expectations that this sum be used first and foremost to support employment of additional probationary teachers (the full academic year cost estimate for which is some £5m) and other "catch-up" support, however, even after taking account of the maximum potential level of

flexibility in redirecting Early Years Expansion monies (£9m)¹, there is likely to be a significant shortfall without the provision of further funding. As agreed by the Policy and Sustainability Committee on 25 June, the additional cost implications of the “blended learning” model will be communicated to the Scottish Government.

Edinburgh Integration Joint Board (EIJB)

- 4.18 On 21 July, the EIJB considered a further update on its 2020/21 financial plan. The current iteration of the EIJB’s mobilisation plan, outlining its response to the pandemic (with a particular focus on reducing delayed discharges, thereby increasing hospital capacity to deal with COVID-19) indicates full-year expenditure of some £58.8m, although the majority of this sum relates to other community care costs. This estimate continues to be refined as the immediate and medium-term impacts of the pandemic become clearer and, as with the equivalent cost estimate collation exercise for other Council services co-ordinated through COSLA, the contents of the template have been the subject of peer review to promote enhanced robustness and consistency across authorities.
- 4.19 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. Confirmed funding to date leaves a shortfall of £3.5m compared to the amount required. Discussions with the Scottish Government on how the shortfall will be addressed are continuing.
- 4.20 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. By use of one-off or non-recurring savings, there is the potential for in-year balance to be achieved but, based on current indications of available resources, longer-term sustainability will only be secured through major redesign and transformation, radical thinking and close working with stakeholders.

Other actions

- 4.21 Work is also continuing, through COSLA, to impress upon both the Scottish and UK Governments the magnitude of the financial impacts facing local authorities in Scotland. The initial full-year cost and income impacts as captured through the template completed by all authorities for this purpose point to an unfunded shortfall between estimated impacts and additional funding of some £504m. When expressed on a like-for-like basis, Edinburgh’s estimated shortfall is around £68m, emphasising its disproportionate exposure to losses of service (particularly parking and property rentals) and ALEO income. A further iteration of template completion will take place in August once further detail of the Scottish Government’s routemap becomes available.

¹ This level of funding available for redirection assumes (i) partner providers revert to contractual entitlement levels with effect from 12 August 2020 and (ii) additional funding for key worker provision ceases on 11 August 2020.

- 4.22 Given the range of potential funding sources outlined in Paragraphs 4.8 to 4.11, COSLA's Resources Spokesperson has sought early engagement with the Scottish Government on allocation of Barnett Consequentials resulting from each of these streams, alongside the Culture Fund noted at 4.5 (iii). Discussion will also cover the £230m Scotland-wide "Return to Work" package of measures announced on 16 June.
- 4.23 Recognising that the provision of the additional funding noted above is, of itself, unlikely to address in full the significant gaps outlined in the preceding sections, COSLA and Directors of Finance have now agreed a list of potential financial flexibilities which, while not addressing the underlying shortfall, would at least mitigate its in-year impact by spreading it over a number of years. These suggested measures include potential flexibilities around repayment of in-year deficits, deferrals of repayments of principal and/or interest on borrowing and capitalising (and thus repaying over a longer period or funding by means of General Capital Grant) elements of COVID-related expenditure. Subject to discussion with the Cabinet Secretary for Finance, it is proposed that a joint approach then be made to the UK Treasury.
- 4.24 It has furthermore been suggested that any underspend on the Business Grants scheme, rather than being returned to the Scottish and/or UK Government, instead be made available to local authorities to support flexible, place-based local economic recovery, a role they are ideally placed to lead on.
- 4.25 While, if successful, these measures may contribute favourably to the Council's stability in the immediate term, as emphasised above, they only reinforce the need for more difficult decisions to be taken going forward. 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.
- 4.26 By means of illustration, the unbudgeted use of £13m of reserves in 2019/20 formed part of an in-year reduction of £25m from £145m to £120m. Mitigating actions identified thus far in the current year would see these reduce by around £20m in 2020/21. Should the currently-projected shortfall of £19.7m require to be addressed in full through application of reserves, these would reduce further to around £80m, with the remainder essentially comprising ringfenced sums of £42m, the workforce management reserve (to facilitate service transformation) of £15m, £10m of other earmarked reserves and unallocated general reserves of £13m. There is a risk that this sum increases further due to additional costs and/or losses of income being incurred, including any unfunded element of the schools re-opening programme. This approach is clearly not sustainable and emphasises the need for more fundamental and radical service transformation and prioritisation going forward, including as part of the on-going emergence from lockdown.
- 4.27 In acknowledging both pressures in the current-year and risks to the delivery of previously-approved savings in 2021/22 and 2022/23 (estimated at up to £55m, inclusive of savings being mitigated on a one-off basis in 2020/21), the five Adaptation and Renewal working groups will need to identify areas for

disinvestment, service reduction or reform in order to restore financial balance, maintain reserves at an appropriate level and provide for potential investment in key areas, although these are of necessity likely to be fewer in number.

Former Central Energy Efficiency Fund (CEEF)

- 4.28 From 2004 until 2016, the Council operated a £1.2m Central Energy Efficiency Fund (CEEF). This fund allowed the Council to invest in energy efficiency projects across its operational property estate on a “revolving loans fund” basis, whereby the fund balance was reimbursed from subsequent energy savings. When, in March 2016, the Scottish Government removed the associated conditions around the use of CEEF, the Council approved the transfer of the available balance of £0.8m to create a new SALIX fund which operates under similar terms. The Scottish Government match-funded the Council’s contribution to create a £1.6m ringfenced fund for Council use which was instrumental in taking forward the Re:fit programme across nine of the Council’s schools and operational buildings. Since closure of the CEEF fund, however, £0.295m has accumulated from repayments from supported energy efficiency projects. These funds have been ringfenced in line with the Scottish Government’s request that they be used to support future energy efficiency initiatives.
- 4.29 Approval is now sought to draw down up to £0.200m from the former CEEF funding to support key energy efficiency initiatives. In a report to the Finance and Resources Committee on 6 December 2019, the Executive Director of Resources asked members to consider providing funding for a feasibility study into the deep energy retrofit of Council buildings as part of the budget-setting process for 2020/21. While funding was not included in the approved budget, authority is now sought to use £0.100m of the remaining CEEF balance to carry out the deep energy retrofit feasibility study.
- 4.30 In addition, the Head of Property and Facilities Management (P&FM) intends to allocate an initial sum of £0.100m of the former CEEF monies to complement SALIX funding for the installation of solar photovoltaic (PV) panels on Council buildings. The remaining balance of CEEF monies will be retained to enable similar energy efficiency initiatives across the Council’s operational properties. Both of the above initiatives and any further allocation of the remaining funding will align with the strategies and objectives of the Asset Management Works Programme and will be overseen by the ISO 50001 Energy Management Team which is made up of key officers from P&FM.

5. Next Steps

- 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 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 routemap 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

- 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. It is anticipated that a detailed report on this aspect will be brought to the Committee on 20 August.
- 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

- 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

- 8.1 [Revenue Budget 2020/21 Update](#), Policy and Sustainability Committee, 25 June
- 8.2 [Revenue Budget 2020/21 Update](#), Policy and Sustainability Committee, 28 May 2020
- 8.3 [2020/21 Financial Plan](#), Edinburgh Integration Joint Board, 28 April 2020
- 8.4 [Revenue Budget 2020/21 Update](#), Policy and Sustainability Committee, 23 April 2020
- 8.5 [Council's Change Strategy: Planning for Change and Delivering Services 2020/23](#) – Progress Update, Finance and Resources Committee, 14 February 2020
- 8.6 [Council Change Strategy 2020/23: Risks and Reserves](#), Finance and Resources Committee, 14 February 2020
- 8.7 [Coalition Budget Motion](#), City of Edinburgh Council, 20 February 2020
- 8.8 [Feasibility of Deep Energy Retrofit of Operational Council Buildings](#), Finance and Resources Committee, 6 December 2019

9. Appendices

Appendix 1 – Principal additional expenditure and reduced income impacts of COVID-19 pandemic – Council

Appendix 2 - External funding confirmed to date for non-Health and Social Care services

Appendix 3 - Revenue Budget Update, 2020/21 - Estimated Position

Principal additional expenditure and reduced income impacts of COVID-19 pandemic - Council

Appendix 1

The sums below are based on a broad period of three months' shutdown from April to June, with a gradual reinstatement of operations over the following three months to the end of September. In a number of cases, however, further expenditure pressures and/or income losses are expected and these are noted below. The figures do not include costs associated with the Health and Social Care Mobilisation Plan, nor those directly linked to schools re-opening which are considered within the main report.

Service Area	Potential Impact	Estimate per	Increase/	Revised
		P&S 25 June	(decrease)	estimate
		£m	£m	£m
Increases in expenditure				
Homelessness Services	Additional temporary accommodation costs required to observe social distancing. Impact of existing placements is now expected to continue, with a lack of move-on accommodation and anticipated increase in presentations.	2.915	2.800	5.715
School meals/community food advice and distribution	Net cost represents continuing payment for children eligible for free school meals which, following the receipt of additional ringfenced Scottish Government funding, will now be in place until 10 August. Remaining sum includes provision for income support measures and food distribution to vulnerable and/or at-risk groups (including those self-isolating as part of the Test and Protect scheme), ringfenced funding for which has now also been confirmed until the end of September.	1.651	1.589	3.240
Children's Services	Including additional agency, locum and overtime to cover internal staff absences; additional costs from external providers and/or need to identify alternative accommodation if children need to isolate; costs of additional placements due to illness and self-isolation; and emergency respite for children with disabilities. Updated projections are based on actual additional costs in Young People's Centres and Secure Units.	2.143	(0.948)	1.195
Resources - Customer	Represents additional staffing (including overtime) for benefit claim and business grants processing and vulnerable/shielding support customer contact.	0.424	0.169	0.593
Street lighting	Increased energy and prudential borrowing costs due to delay in roll-out of LED programme.	0.395	0.000	0.395
Waste and Cleansing	Additional refuse collection vehicles, fuel, external contractors, PPE, etc.	0.388	0.000	0.388
Additional security costs	Council Resilience Centres, Homelessness Accommodation and Temporary Mortuary	0.150	0.000	0.150
Public conveniences	Limited, phased reopening in areas of high footfall, especially in parks and at the seafront, as approved by the Policy and Sustainability Committee on 9 July. Costs are based on period until end of October.	0.000	0.144	0.144
Temporary mortuary hire	Including provision for additional direct staffing	0.110	0.000	0.110
Other incident-related costs	Including ICT, PPE, additional supply teacher and Registrar's Service staffing, payment to Volunteer Edinburgh and food packages until the end of June for shielded groups not eligible for support through the Food Fund. Updated projection includes £1m further potential PPE liability, based on maintenance of enhanced hygiene regimes.	1.560	1.000	2.560
Total increases in expenditure - Council (excluding Health and Social Care)		9.736	4.754	14.490
Reductions in income				
Parking Income - on-street	Loss of income from on-street car parking due to the suspension of city-wide parking charges, based on parking charge and enforcement reinstatement wef 22 June but with continuing shortfalls in income for most of the rest of the year due to reduced space availability and/or demand.	8.674	3.000	11.674
Rental income - Council-owned properties	Increased risk of non-recovery of rental income due to economic downturn, partly linked to reduced tourism. Due to likelihood of subsequent tenant insolvency and delays in re-letting, an 80% rental loss is assumed in each of the first three quarters. All opportunities will be examined, however, to utilise rental deferral rather than abatement wherever appropriate.	9.000	0.000	9.000
Council Tax (collection rate)	Reduced income due to ability to pay and consequent increase in bad debts, with overall full-year 2020/21 collection rate assumed to fall by 1% (actual in-year collection to the end of June was, by means of illustration, down some 1.2% on the equivalent position for 2019/20). An increase in uptake of CTRS is also apparent, additional funding for which will be made available by the Scottish Government. Impacts on collection rates will also be the subject of detailed national modelling.	3.100	0.000	3.100
Housing Property Services	Estimated reduction in sums chargeable to the Housing Revenue Account	2.945	0.000	2.945
Place (various)	Net loss of income - including pest control and scientific services, tables and chairs income, cruise liner berthing fees and museum and galleries donations, admissions and rents.	2.684	0.054	2.738
Parking Income - enforcement	Enforcement and bus lane cameras Penalty Charge Notice reductions	2.013	0.000	2.013
Roads	Reduction in staff salaries chargeable to the Capital Programme	1.820	0.000	1.820
Parking - residents' and other permits	Loss of income for residents', retailers', business and trade permit schemes and associated non-enforcement	1.675	0.000	1.675
Council Tax (base)	Reduction in Council Tax buoyancy due to temporary cessation of construction activities and subsequent economic slowdown.	1.550	0.000	1.550
Outdoor Centres	Loss of fees and charges income (assumes not recoverable from insurance)	1.361	0.000	1.361
Cultural venues	Loss of income - sales, rentals, admissions and rents	1.342	0.000	1.342
Parks and Greenspace	Losses of income including for events, trading stances, park leases, rechargeable tree works, nursery sales, timber sales and Edinburgh Leisure recharge. Increase reflects full assumed cancellation of events through to September.	0.789	0.207	0.996
Building Standards	Loss of warrant income as construction industry shuts down	0.858	0.000	0.858
Public transport	Loss of bus station income due to reduced departures, etc.	0.000	0.700	0.700
Planning	Reduction in planning applications submitted due to construction shutdown	0.625	0.000	0.625
Communities and Families (other)	Loss of income from adult education classes, libraries fees and charges, sports clubs and external funding	0.208	0.325	0.533
Other Catering	Net loss of income from cancellation of external events and internal catering	0.000	0.529	0.529
Licensing	Refunds/extensions for all licences, including cab, liquor and HMO (NB these costs are now expressed net after any potential contributions from earmarked reserves).	2.324	(1.882)	0.442
Community Access to Schools	The pressure has been assessed on the assumption that there will be no lets until October, resulting in no income. There are no staff costs as all relevant EL staff are furloughed and pay reduced to 80%. Figures are based on estimates provided by EL. The impact of furloughing staff for three months is likely to mean no bookings administration in place to process August onwards lets; when lets could start again is unknown at this stage.	0.285	0.050	0.335
Refunds/discounts for cancelled services - garden waste	Costs of extending current-year permits by further six weeks	0.113	0.000	0.113
Total reductions in income - Council (excluding Health and Social Care)		41.366	2.983	44.349
Savings in expenditure				
Energy	Savings in gas, electricity and water costs across corporate building estate based on indicative analysis by Energy Management Unit	(1.220)	0.000	(1.220)
Non-Domestic Rates	Savings relative to budget framework provision following effective freezing of NDR poundage for 2020/21	(0.500)	0.000	(0.500)
Libraries	Reductions in agency and overtime expenditure	0.000	(0.200)	(0.200)
Total savings in expenditure (excluding Health and Social Care)		(1.720)	(0.200)	(1.920)
Total net additional costs		49.382	7.537	56.919
Notes				

1. Potential Early Years pressures of £3.4m (primarily representing compensation for lost fee income for partner providers) is assumed to be funded from redirected expansion monies and/or provider staff costs met through the Coronavirus Job Retention Scheme.

	<i>Purpose and uses of fund</i>	Scotland-wide funding allocation £m	Edinburgh's allocation £m	Notes
Confirmed funding sources - Council-specific				
Hardship Fund	Barnett Consequentials of initial UK announcement to contribute to local authorities' own local resilience, support and hardship plans; non-ringfenced, no associated reporting and to be deployed as councils see fit.	50	3.910	This initial sum of funding was allocated with reference to councils' respective shares of Grant Aided Expenditure (GAE) plus Special Islands Needs Allowance (SINA), the most widely-used composite indicator of relative need, with Edinburgh's share being 7.82%.
Scottish Welfare Fund	Top-up of existing 2020/21 allocation to allow payment of additional Community Grants and Crisis Grants to those in immediate need, more than doubling the current level of the fund across Scotland; also includes sums to reflect relaxation of existing criteria to support those in "gig economy".	45	1.531	Only £22m of the Scotland-wide funding has been allocated to date, based on the current SIMD-related methodology; the remaining £23m will be targeted to areas of greatest need, with distribution arrangements to be agreed.
Further assistance	£155m of Barnett Consequentials resulting from further UK announcement to contribute to local authorities' own local resilience, support and hardship plans; non-ringfenced, no associated reporting and to be deployed as councils see fit. £0.6m has also been made available to meet the costs of additional registration service staffing over weekends.	156	12.179	As with the Hardship Fund above, this sum was allocated based on respective shares of GAE plus SINA. Funding for the registration service has been allocated on the basis of shares of the (population-derived) Registration of Births, Deaths and Marriages GAE distribution, with Edinburgh's share being 9.5%.
Total		251	17.620	
Confirmed funding sources to which councils will have part access				
Increased eligibility for Social Security Benefits and Council Tax Reduction Scheme	Supplementary funding to meet an anticipated increase in applications for the existing Council Tax Reduction Scheme (CTRS) and Scottish Social Security Benefits	50	TBC	The element of the Fund provided in respect of CTRS remains to be confirmed and will be based on actual expenditure relative to existing funding provision.
Food Fund	Support to organisations in the public, private and voluntary sectors to address issues of food insecurity, especially for older people, and families who may not be able to rely on free school meals.	98	3.240	Initial allocations to local authorities for £30m of the fund (£15m for continuity in each of (i) FSM payments and (ii) food for vulnerable groups) were announced in April, with Edinburgh's share being £1.651m. It has now been confirmed that additional Scotland-wide funding of £12.6m will be provided to allow continuing free school meal payments until 10 August, along with a further £15m to support food distribution for more vulnerable groups, including those self-isolating as part of the Test and Protect scheme, until the end of September. Edinburgh's allocation from this £27.6m of combined funding is £1.589m.
Coronavirus Job Retention Scheme (CJRS)	The CJRS is a furlough scheme introduced in response to the coronavirus pandemic. It provides grants to employers to pay 80% of a staff wage each month, up to a total of £2,500 per person per month.	n/a	0.500	On 10 June, the Council applied to HMRC to furlough some 430 staff roles in areas meeting the principal requirements of the CJRS. 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. The employees' participation is subject to on-going review. Accessing the scheme provides access to potential furlough income of more than £500,000 between June and, at the latest, October 2020.
Total Welfare and Well-Being Fund and additional Barnett Consequentials		398	21.360	NB Scottish Welfare Fund allocation of £1.5m predicated on the provision of additional support of similar amount.
Funds benefiting other sectors but administered by councils				
Business Support Fund	Targeted grants intended to help protect jobs, prevent business closure and promote economic recovery. These complement other measures in place to support business, including the CJRS.	1,342	127.5	While 80% of the expected initial business support funding was provided in early April, a balancing payment will be made later in the year such that expenditure incurred and funding received should result in no net cost to councils. Figures shown assume full take-up based on eligibility of £111.5m. Further Scotland-wide support of £220m was announced by the Cabinet Secretary for Finance on 15 April, including extensions to current Business Grant Scheme eligibility and further support to self-employed people and viable micro and SME businesses in distress. Of the £154m being distributed through Local Government, Edinburgh's share of this additional funding is £16m, subject to take-up.
NDR relief	100% relief in 2020/21 for retail, hospitality and tourism-based businesses	1,047	n/a	
Freezing of effective NDR poundage	Relief provided such that poundage maintained at 2019/20 levels	50	0.5	Freezing of the effective poundage rate delivers a £0.5m saving to the Council relative to budget framework assumptions.

NB Separate funding is being provided for health and social care mobilisation.

Additional net expenditure pressures	Full-year £m
Estimated COVID-19-specific expenditure and income (per Appendix 1)	56.919
Approved savings/management of residual pressures - anticipated shortfall in delivery	3.000
Residual pressures	Position unchanged from that reported to Policy and Sustainability Committee on 25 June
ALEO support	31.000
	Please see main report for additional commentary
	90.919
Confirmed funding and savings:	
Confirmed COVID-19 related funding (per Appendix 2)	(19.829)
	NB Funding for Scottish Welfare Fund and Council Tax Reduction Scheme is assumed to be offset by corresponding expenditure.
2020/21 budget - unallocated additional monies	(4.830)
	Of the £7.43m provided, a £2m contribution to the EIJB was approved by Council on 30 June, up to £0.422m approved for Marketing Edinburgh in March and £0.178m part-year funding agreed for Communities and Families grant recipients at the Policy and Sustainability Committee on 28 May.
Use of earmarked reserves	(19.562)
	Comprising funds for specific investment (£5.9m), risk management contingency (£4m), Council Tax Reduction Scheme (£3m), dilapidations (£2.5m), Workforce Management (£1.5m), Transformation Fund (£1.35m), Unallocated General Fund (former-CSIF element) (£0.9m) and Council Priorities Fund (£0.4m).
Further timing-related and corporate savings	(16.150)
	Comprising Q4 2019/20 improvement in service outturns (£3m), slippage in backlog R&M programme (£3m), VERA/VR in-year provision - assumption that liabilities met fully from reserves (£2.5m), treasury management-related loans charge savings (£2.5m), Council Tax - increases in base (£2m), LDP revenue budget (£1.5m), Loans Fund Review - slippage in first year's additional related roads/infrastructure expenditure (£1m) and past service pension costs - reductions in expected required in-year level of provision (£0.65m).
	(60.371)
Potential further funding:	
UK Government announcement of additional investment in England, 2 July - general and income compensation scheme elements	(3.910)
	£50m additional Barnett Consequentials for Scotland - potential allocation to Edinburgh based on previous provision of Hardship Fund monies.
	(5.000)
	The UK Government has announced an income compensation scheme based on the assumption that sales, fees and charge income losses over and above 5% of expected revenue will be reimbursed at a rate of 75 pence in the pound. Based on in-scope income in England, this scheme could trigger around £100m of Barnett Consequentials for Scotland. A prudent assumption of a £5m allocation has been made pending confirmation of the scheme's applicability in Scotland.
UK Government announcement on additional homelessness funding, 24 June	(1.500)
	£105m of additional funding to provide continuing support to rough sleepers, for example by extending existing contracts with hotels, or starting new ones with other providers like universities or youth hostels. £85m of this sum is additional and will thus trigger Barnett Consequentials, estimated at around £12m for Scotland. Based on comparable existing funding streams, Edinburgh's anticipated share is around £1.5m.
UK Government Budget Statement, 8 July	(0.400)
	Subject to confirmation of eligibility criteria, the Council may be in receipt of £1,000 per employee returning from furlough in October 2020 and remaining in its employment in January 2021.
	(10.810)
Remaining shortfall	19.738