

Finance and Resources Committee

10.00am, Thursday, 29 October 2020

Revenue Budget 2020/23: 2020/21 month five position and framework assumptions update

Executive/routine Wards Council Commitments	Executive All
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1. Recommendations

- 1.1 Members of the Finance and Resources Committee are recommended to:
 - 1.1.1 note the further reduction in the projected in-year deficit to £5.1m;
 - 1.1.2 note, nonetheless, that the expenditure and income projections set out within the report remain subject to significant uncertainty and potential variation given current events;
 - 1.1.3 note the progress in the development of an income compensation scheme and availability of potential financial flexibilities;
 - 1.1.4 note that a further update will be presented to the Committee's next meeting on 3 December;
 - 1.1.5 note the changes to future years' planning assumptions in light of the pandemic's longer-term impacts, resulting in a need to identify at least an estimated £16.1m of additional savings in 2021/22;
 - 1.1.6 refer this report to the Governance, Risk and Best Value Committee for scrutiny as part of its work programme; and
 - 1.1.7 refer this report to Council on 19 November to authorise the use in 2020/21 of up to £0.6m from the Council's earmarked reserves to meet costs associated with the independent review of the Council's whistleblowing arrangements and culture.

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Report

Revenue Budget 2020/23: 2020/21 month five position and framework assumptions update

2. Executive Summary

- 2.1 The report provides a further update on the estimated expenditure and income impacts of the COVID-19 pandemic for the Council and its Arm's-Length External Organisations (ALEOs) during 2020/21, alongside offsetting sources of confirmed or anticipated funding. This analysis indicates a reduction in the residual gap from £12.2m to £5.1m since the previous report considered by the Finance and Resources Committee on 24 September as comprised below:

Additional net expenditure pressures:	£m	£m
Estimated COVID-19 specific expenditure and income (including risk contingency)		85.0
Net residual pressures/anticipated shortfalls in savings delivery		1.7
		86.7
Available funding:		
Assumed COVID-19 related funding	(30.9)	
2020/21 budget - unallocated additional monies	(4.8)	
Use of earmarked reserves	(20.1)	
Further timing-related and corporate savings	(23.1)	
Anticipated reductions in expenditure	(2.7)	
	(81.6)	
Remaining shortfall		5.1

- 2.2 An update is also provided on both the development of a Scotland-wide income compensation scheme for application in 2020/21 and the availability of financial “flexibilities” that would spread the in-year financial impacts over a longer period.
- 2.3 While further, more detailed reports will be presented as the budget process develops and greater certainty is obtained concerning the longer-term impacts of the pandemic, an overview of potential changes to existing planning assumptions is also set out.

3. Background

- 3.1 On 24 September 2020, members of the Committee considered an update on the Council's 2020/21 revenue budget, indicating a remaining £12.2m shortfall between net cost pressures across the Council and its ALEOs and confirmed or anticipated sources of funding. These net pressures are, in turn, attributable to the impact of the on-going COVID-19 pandemic upon the Council and its ALEOs' activity, reflecting both additional expenditure requirements and, in particular, reductions in income.
- 3.2 In approving the report's recommendations, members noted the progress in developing a Scotland-wide income compensation scheme and exploring further financial flexibilities that may offer opportunities to manage the in-year costs of the pandemic over a longer time period. This report provides an update in each of these areas, along with other potential measures to achieve in-year financial balance.
- 3.3 While, given the scale and immediacy of the in-year financial impacts, the report's primary focus is on the 2020/21 position, an update is also provided on the impact of COVID-related and other changes on the Council's medium-term financial framework, signalling a likely need to identify significant additional savings to maintain a balanced position.

4. Main report

Changes in net COVID-related expenditure pressures – Council

- 4.1 As in previous months' reports, **Appendix 1** sets out the principal estimated expenditure and income impacts of the pandemic on the Council's budget. In overall terms, this analysis shows a slight increase of £0.9m (to £56.5m) on the position reported to the Committee's previous meeting on 24 September, with explanations provided for material movements in the intervening period.
- 4.2 This modest headline movement comprises a number of discrete changes, namely:
- (i) an increase of £3.6m in the anticipated expenditure pressure in respect of **homelessness services** (discussed further in Paragraph 4.4);
 - (ii) reductions in the provision for in-year losses of **Council Tax** income, based on collection rates, planned recovery action and detailed analysis of buoyancy trends as of the mid-year, of £2.5m;
 - (iii) further savings in **energy costs**, based on detailed analysis of invoices received and planned facility re-opening, of £0.5m; and
 - (iv) **various other changes**, the net effect of which is to increase estimated expenditure by £0.3m.
- 4.3 As recent weeks' events have shown, the position remains fluid, with on-going restrictions and/or the potential for further local and national lockdowns between October 2020 and March 2021. While a number of the projections in Appendix 1 include explicit allowance for continuing disruption to service provision, a general

risk contingency of £3m has also been incorporated within the overall forecast. This reflects, for example, the potential for further reductions in parking income¹ should additional restrictions be imposed. Depending upon the scale of these restrictions, however, there is a risk that this contingency may be insufficient.

Homelessness services

- 4.4 A report elsewhere on today's agenda sets out the financial impact of the Council's requirement to secure additional temporary accommodation to meet public health objectives and manage a lack of throughput into all forms of settled accommodation in fulfilling its statutory duties to homeless people. A combination of the need to provide additional accommodation for those rough-sleeping, those with no recourse to public funds and a lack of move-on or settled accommodation has resulted in a projected required increase of 193,000 bed-nights compared to 2019/20, resulting in an increased in-year budget pressure of £9.3m.

Changes in net COVID-related expenditure pressures – ALEOs

- 4.5 The revenue budget update report considered at the Committee's previous meeting on 24 September provided a detailed update on the impact of the pandemic on the financial standing of the Council's ALEOs. The report set out total anticipated impacts in the period to March 2021 of £27m, comprising the loss of successive years' Lothian Buses dividend (£12m), assumed additional support (Edinburgh Leisure) and unpaid invoices (Edinburgh Trams), each of £6m, and a £3m general contingency to reflect remaining uncertainty over the period from October to March, in particular the potential for further required financial support in the event of further local or national lockdowns.
- 4.6 On 13 October, Transport Scotland confirmed the provision of an additional £2m of support for Edinburgh Trams to cover costs incurred in running loss-making services for essential and key workers at some 20% of capacity due to social distancing and much-reduced demand. When added to previously-announced funding support, up to £6m has now been made available to cover the period from July to December (with similar arrangements in place for Lothian Buses), with discussions continuing concerning required financial assistance during the remainder of the year. Given confirmation of this funding, the £3m general contingency in this area has been reduced to £1.5m, resulting in a revised estimated overall impact across the Council's ALEOs of £25.5m.

Approved savings/management of residual pressures

- 4.7 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. A balanced (or better) overall position continues to be projected for non-COVID related activity within both the

¹ By means of illustration, at the height of the lockdown in April and May, weekly parking income was some £0.6m below budgeted levels. Despite some subsequent recovery, the last five weeks' actual income levels show a continuing weekly shortfall against budget of around £130,000.

Communities and Families and Resources Directorates, with detailed commentary on the latter included elsewhere on today's agenda.

- 4.8 The Executive Director of Place has also continued to consider options to reduce the level of residual pressure within the Directorate, informed by weekly discussion with Finance colleagues at the Senior Management Team. The 2020/21 budget management strategy which was agreed and is currently being implemented by the Place Senior Management Team has given full consideration to legacy and new budget pressures as well as the in-year savings requirement. Over the short- to medium-term, concerted action is required to address underlying budgetary issues in a sustainable way. This, in turn, will be informed by a comprehensive mid-year review of the service budget, the findings of which will be known in mid-November.
- 4.9 In the interim, a number of mitigating measures have been identified, allowing the overall forecast service overspend to be reduced from £3.020m to £1.7m. This favourable movement reflects an updated assessment of approved savings delivery, identification of additional measures to mitigate carried-forward pressures, receipt of external funding² and savings arising from reduced-scale external events. The Executive Director of Place will consider additional actions to reduce the level of projected overspend further.
- 4.10 Of the £34.9m of approved savings across the Council, some 81% are currently anticipated to be delivered (i.e. rated as green or amber) as shown in Appendix 2. In cases of projected non-delivery, around 40% (£2.7m) of the overall shortfall is attributable to the impacts of the pandemic, particularly those savings linked to the generation of additional income for services that remain, or have been, suspended. This overall projected shortfall in delivery is reflected in the service outturns above and thus does not add to the overall in-year savings requirement.

Confirmed or anticipated funding and additional savings

- 4.11 Senior Finance staff have continued to examine all opportunities to close the residual gap through examination of corporate budgets and reserves. Coupled with the actions outlined in the preceding sections, total mitigations and additional funding show an overall increase of £8.2m from that reported to the Committee on 24 September as comprised below:

Savings element	£m
Further savings in loans charges based on updated in-year levels of capital programme slippage	3.0
Use of service reserves	0.5
Other reductions in required corporate provision	2.0
In-year staff savings resulting from targeted VERA exercise	1.0
Identification of further pressure-mitigating measures in Place Directorate	1.7
	8.2

² A successful application was made to the Performing Arts Venues Relief Fund, resulting in the receipt of £0.240m for the cost of staff returning from furlough and wider audience engagement activity.

- 4.12 Pending clarification on eligibility and associated conditions, no specific changes have been made at this stage in respect of recently-announced employee cost support schemes, an update on which is provided in the following sections.

Job Support Scheme

- 4.13 Following earlier confirmation that the current Coronavirus Job Retention Scheme (CJRS) would be phased out by 31 October 2020, on 24 September the Chancellor of the Exchequer announced the introduction of a Job Support Scheme (JSS) for six months from 1 November. The new scheme is intended to protect viable jobs in businesses likely to face reduced demand over the winter months due to the impacts of the pandemic.
- 4.14 For the first three months of the scheme's operation (i.e. from November to January), in order to qualify for support, employees must work at least a third of their normal hours. In this scenario, the employer would pay for the 33% of hours worked, with the burden of the remaining hours not worked then split equally (i.e. 22% each) amongst the employer, the employee (through a wage reduction) and the UK Government (through wage support). This ensures that all qualifying employees will receive at least 77% of their normal wages, subject to the capping of the UK Government contribution at £698 per month (or a maximum of 22% of an employee's wages, compared to 80% in the early months of the CJRS). It is the UK Government's expectation that employers will not top up employees' wages at their own expense.
- 4.15 While further guidance is awaited, given both the scheme's eligibility criteria and associated conditions of support, it is not anticipated that the Council will be able to access additional funding for currently-furloughed employees. Assessment of the scheme's potential applicability to the Council's ALEOs is continuing, although at this stage is expected to be limited in nature. An updated projection for CJRS support anticipated by the end of October (increasing this sum by £0.1m) has, however, been reflected in this report.

Financial flexibilities

- 4.16 Members will be aware from previous updates that Council officers, through COSLA, have been working closely with the Scottish Government to explore a range of potential financial "flexibilities", to be used as appropriate to individual authorities' own circumstances, that would have the effect of spreading the cost impacts of the pandemic over a longer period. COSLA Leaders subsequently agreed to progress, jointly with the Scottish Government, an approach to the UK Government on four specific flexibilities as follows:
- (i) **allowing General Capital Grant (GCG) to fund revenue expenditure.** Given the four-month shutdown of the construction sector, flexibility equal to a third of GCG funding in 2020/21 i.e. £156m was sought;
 - (ii) **spreading, in accounting terms, the principal element of the unitary charge within PPP contracts over the expected useful life of the asset rather than the (shorter) contract period,** with a potential in-year saving,

as well as a larger one-off retrospective saving as a result of higher payments made in previous years;

- (iii) **permitting, as an exceptional measure, local authorities to take a one-year loans fund repayment “holiday”**, with the sum deferred to be paid over the shorter of the remaining period of the loans fund advance or twenty years; and
- (iv) **permitting capital receipts received in 2020/21 and 2021/22 to be used to meet COVID-related costs**. Given the pandemic’s impact on asset sales, however, this measure, in isolation, was only estimated to provide modest additional flexibility.

4.17 While, in the Scottish Government’s assessment, devolved financial arrangements meant that only the first-mentioned flexibility required explicit UK Treasury approval, the Cabinet Secretary for Finance’s letter to the Chancellor of the Exchequer set out all four requested flexibilities with a view to confirming that there would be no detriment to the Scottish Budget.

4.18 On 8 October, the Cabinet Secretary for Finance formally advised COSLA’s Resources Spokesperson that a response had been received from the Chief Secretary to the Treasury. This letter, as anticipated, did not raise any specific concerns on the permissibility of three of the four measures. In the case of the use of General Capital Grant to fund revenue expenditure, however, the initial response from the Chief Secretary to the Treasury does not permit this flexibility and, while discussions are continuing, this cannot be progressed at this time.

4.19 Of the four measures outlined, three are therefore able to be applied at this stage, with a potential Scotland-wide increase in revenue spending power estimated to be up to £600m over 2020/21 and 2021/22. The “value” of the measures at council-specific level, however, needs to take account of local circumstances and current payment profiles, as well as adhering to all relevant statutory regulations.

4.20 More fundamentally, it is important to note that these flexibilities, while welcome in confronting some of the immediate challenge, are essentially timing-related and do not represent additional funding, rather they merely defer the costs over a longer timeframe, reinforcing the need for service transformation and prioritisation.

4.21 Analysis of the potential applicability of these three flexibilities to the Council’s own circumstances is continuing. At this stage, however, given an existing funding shortfall of around £250m across the period of the current ten-year capital programme, application of capital receipts to fund revenue expenditure would serve only to exacerbate this position and is not supported. Similarly, deferring repayment of loans fund principal may not be consistent with changes to the Council’s Loans Fund advance repayment periods previously agreed as part of the 2020/23 revenue budget.

4.22 As such, the second-mentioned flexibility is considered to have the greatest potential relevance to the Council’s circumstances, with any benefit likely to be incorporated in discussions around the 2021/24 budget process. The issues involved are complex and specific to individual contracts, however, and specialist

advice is therefore being sought. Members will be kept apprised of this modelling work as it progresses.

Income compensation scheme

- 4.23 The Cabinet Secretary's announcement also confirmed broad agreement to a set of principles developed by COSLA concerning the operation of an income compensation scheme to recognise the impact on councils, whether directly or through ALEOs, of lost sales, fees and charges income. In contrast to previous COVID-related distributions, however, the quantum available, currently estimated at £90m, will likely be distributed amongst authorities on the basis of their respective lost income submissions.
- 4.24 Given this break from established precedent, these submissions are being peer-reviewed by a working group of Directors of Finance, with a particular emphasis on the consistency of assumptions adopted by authorities and verification of actual losses, with a view to providing indicative funding allocations as soon as possible. While the current overall revenue monitoring projection for 2020/21 already assumes a needs-based share in line with previous general COVID-based distributions, it is hoped that the Council's actual allocation will reflect the particular income impacts the pandemic has hastened and thus provide additional funding to address the remaining funding gap. At this stage, the principles of the scheme are due to be considered by COSLA Leaders at the end of October, with indicative allocations provided by mid-November and a further update will therefore be provided in the report to be considered by the Finance and Resources Committee on 3 December.

Other funding

- 4.25 On 20 October, the Scottish Government confirmed additional Scotland-wide funding of £6.95m to allow provision of free school meals over the Christmas/New Year and February breaks, as well as retrospective application to the October half-term holiday. A further £20m has also been made available from sums originally earmarked for additional Scottish Welfare Fund (SWF) payments but, in light of actual take-up not now assessed to be required for that purpose, to support those individuals at financial risk over the winter period. While distribution of these sums remains to be confirmed, in each case there is assumed to be a corresponding additional expenditure liability and thus no impact on the overall funding gap.

Edinburgh Integration Joint Board (EIJB)

- 4.26 As of Period 5 and based on the current assessment of approved savings delivery, an overspend of up to £6.1m for Council-delegated services is forecast, comprising an underlying overspend of £2.7m³ and £3.4m of additional Living Wage-related costs, funding options for which remain to be confirmed. Work is continuing to

³ The projected overall overspend comprises pressures in purchasing (£3.8m) and income (£2.5m), offset in part by a £1.6m forecast underspend in employee costs. Following confirmation on 29 September 2020 of further Scottish Government financial support for Health and Social Care Partnerships, corresponding funding of £1.9m has now been received in recognition of these income losses. Further compensation is anticipated by the year-end if currently-projected shortfalls persist.

differentiate the costs of “core” service provision from those of the one-off, or recurring, aspects of the pandemic response, however, and as such, this makes the underlying position more difficult to discern.

- 4.27 Work also continues to refine and evidence the cost estimates contained within the Edinburgh Health and Social Care Partnership’s Local Mobilisation Plan (LMP), with total funding of £29.4m confirmed to date for the four HSCPs covering the NHS Lothian region. Officers are, however, aware that the content of LMPs varies according to the specific services delegated to the Partnerships with, for example, homelessness-related expenditure included in some cases. Given that the significant equivalent liabilities within Edinburgh (noted at Paragraph 4.4 above) are falling to be met through more generic funding streams, this unintended inconsistency will be discussed, through COSLA, with the Scottish Government with a view to determining whether additional funding might be made available in this area.

Overall position

- 4.28 Taking into account the changes outlined in the preceding sections, the overall projected shortfall reflects a significant improvement from that reported to the Finance and Resources Committee on 24 September, reducing by £7.1m to £5.1m as detailed in **Appendices 4 and 5**. This sum does not, however, include any net cost associated with schools re-opening (currently anticipated to be contained within the overall level of additional, or redirected, funding provided but only for the period to the end of December) or the EIJB. It also assumes full mitigation of current services pressures within the Place Directorate.
- 4.29 Current 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 continue to be obtained as the detail of the Council’s recovery plan and, in particular, the Service Operations work programme, becomes clearer. More generally, while the expenditure and income impacts in the preceding sections are best-estimates and incorporate an element of contingency for both the Council and its ALEOs, there are clearly downside risks should the city’s recovery be slower than assumed (or further restrictions imposed) and a number of variant scenarios are therefore also being considered.

Further actions required to achieve financial balance

- 4.30 As noted in the preceding paragraphs, there is the potential for additional funding relative to current assumptions to be received in respect of the income compensation scheme and officers will similarly liaise, through COSLA, with the Scottish Government on potential further funding for homelessness services, given its inclusion with the Mobilisation Plans for some HSCPs.
- 4.31 Further modelling work will also take place around the agreed financial “flexibilities” and their potential applicability to the Council.
- 4.32 Given the risk of further service restrictions, however, further actions are required to ensure that cost savings resulting from delayed or reduced reinstatement of

services, including savings in agency and overtime expenditure, are ringfenced to be offset against residual pressures.

Council Motion on Whistleblowing and Culture

- 4.33 On 15 October, members of Council agreed that, following the earlier establishment of a fully independent review into certain specific matters, a further independent assessment of the Council's culture would be undertaken.
- 4.34 At this stage, it is estimated that associated legal and other costs of these assessments may be of the order of £0.6m in 2020/21. In the absence of a balanced budget, a corresponding funding source requires to be identified and it is therefore proposed that this expenditure be met from the Council's earmarked reserves. Subject to Committee's agreement, this report will be referred to Council for ratification of the use of these reserves.

Costs of employee release

- 4.35 At the meeting of Council on 15 October, members agreed to release funding of up to £14.8m from the Workforce Transformation reserve to facilitate a targeted programme of Voluntary Early Release Arrangements (VERA) for senior managers. Progress updates on the number of applications received and approved, alongside the associated cost, payback and remaining available fund balance, will be reported to members of the Committee over the coming months.

Implications of pandemic for future years of the budget framework

- 4.36 Members of the Committee will recall that in approving the Council's revenue budget for 2020/21, indicative balanced budgets were also set for the following two years. While it is anticipated that the most severe impacts of the pandemic will be felt in 2020/21, a review has been undertaken of underlying planning assumptions and previously-approved savings to determine where changes may be required, with the principal changes involved noted in **Appendix 6**, along with a summary of other financial planning assumptions. **Appendix 7** provides detail of the proposed level of additional provision for residual pressures and undelivered current- and future-year savings.
- 4.37 Taken together, these reviews point to a need to identify further savings of at least £16.1m in 2021/22, with an additional £5.6m now required in 2022/23. While later years' figures are by definition subject to greater variation, at this stage it is estimated that a further £83m of savings will be required over the following three years.
- 4.38 Following the cancellation of the Chancellor's Autumn Budget due to the pandemic, it has now been confirmed that the UK Spending Review will cover only one year. Confirmation of the Scottish Draft Budget, similarly covering one year, may as a consequence be delayed until January 2021.
- 4.39 Given the unprecedented nature of recent months' events, longer-term forecasting is particularly challenging. Most commentators expect inflation and interest rates to remain at low levels at least into the medium term. Wider public expenditure trends are, however, much more difficult to predict given the uncertainty over the duration

of the pandemic, availability of a vaccine, the effectiveness of lockdown restrictions and wider fiscal policy at both Scottish and UK level. Non-Domestic Rates revenues, a key element of the overall funding of Local Government, may also take some time to recover given continuing disruption and the impact on business viability, with a knock-on impact of the overall quantum of funding contained within the Local Government Finance Settlement.

- 4.40 As such, while Appendices 6 and 7 set out baseline assumptions which, in general terms, are similar to those of other authorities in Scotland, scenario planning is likely to be required to respond to continuing uncertainty. Further updates will be provided as the budget process progresses.

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 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 or, more likely, any further financial flexibilities.
- 5.2 Executive Directors have brought forward measures to offset savings delivery shortfalls and residual service pressures, with only a £1.7m residual pressure now remaining in Place.
- 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 notes a number 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. A further report on this latter aspect will be brought to the next meeting of the Committee.
- 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.
- 6.3 These sums have the potential to increase further should in-year pressures 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 [Finance Update](#), Edinburgh Integration Joint Board, 27 October 2020
- 8.2 [Revenue Budget 2020/21 – progress update](#), Finance and Resources Committee, 24 September 2020
- 8.3 [Edinburgh Leisure – Request for Additional Funding Support, 2020/21](#), Finance and Resources Committee, 24 September 2020
- 8.4 [Revenue Budget 2020/21 – period three position](#), Finance and Resources Committee, 27 August 2020
- 8.5 [Revenue Monitoring 2019/20 – outturn report](#), Finance and Resources Committee, 27 August 2020
- 8.6 [Finance Update](#), Edinburgh Integration Joint Board, 24 August 2020
- 8.7 [Fair Work and the Living Wage in Adult Social Care](#), Edinburgh Integration Joint Board, 24 August 2020
- 8.8 [Revenue Budget 2020/21 Update](#), Policy and Sustainability Committee, 23 July 2020
- 8.9 [Revenue Budget 2020/21 Update](#), Policy and Sustainability Committee, 25 June 2020
- 8.10 [Revenue Budget 2020/21 Update](#), Policy and Sustainability Committee, 28 May 2020

9. Appendices

- 9.1 Principal additional expenditure and reduced income impacts of COVID-19 pandemic – Council
- 9.2 Month five assessment of approved savings delivery
- 9.3 External funding confirmed to date excluding non-Health and Social Care services and schools re-opening
- 9.4 Revenue Budget Update, 2020/21 - estimated position (detailed)
- 9.5 Revenue Budget Update, 2020/21 - estimated position (summarised)
- 9.6 Revised baseline savings requirements, taking account of on-going COVID impacts, 2021/22 to 2025/26
- 9.7 Proposed provision for carried-forward undelivered savings/on-going pressures – 2021/22

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

Appendix 1

These estimates do not include costs associated with the Health and Social Care Mobilisation Plan, nor those directly linked to schools re-opening, commentary on which is contained within the main report.

Service Area	Impact	Estimate	Increase/	Revised
		F&R 24 Sept	(decrease)	estimate
		£m	£m	£m
Increases in expenditure				
Homelessness Services	Additional temporary accommodation costs required to observe social distancing. It is now anticipated that a combination of the provision of additional accommodation for those rough sleeping, those with no recourse to public funds and a wider lack of move-on or settled accommodation will result in an in-year pressure of £9.3m; additional detail is provided elsewhere on today's agenda.	5.715	3.600	9.315
School meals/community food advice and distribution	Cost represents payment for children eligible for free school meals which, following the receipt of additional ringfenced Scottish Government funding, was in place until mid-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 was also secured until the end of September.	3.240	0.000	3.240
Waste and Cleansing	Additional refuse collection vehicles, fuel, external contractors, PPE, etc. Projection also reflects agency staffing and overtime expenditure linked to the reopening of Community Recycling Centres and for providing wider absence cover, as well as a reduction in income from sale of recyclates, based on depressed state of market.	1.448	(0.029)	1.419
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. Projections are based on actual additional costs in Young People's Centres and Secure Units.	1.195	0.000	1.195
Resources - Customer	Represents additional staffing (including overtime) for benefit claim and business grants processing and vulnerable/shielding support customer contact.	0.644	0.047	0.691
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. Projection now reflects additional costs of full-year opening as outlined in report to Policy and Sustainability Committee on 6 October.	0.144	0.104	0.248
Street lighting	Increased energy and prudential borrowing costs due to delay in roll-out of LED programme.	0.231	0.000	0.231
Additional security costs	Council Resilience Centres, Homelessness Accommodation and Temporary Mortuary	0.150	0.000	0.150
Temporary mortuary hire	Including provision for additional direct staffing	0.110	0.000	0.110
Other incident-related costs	Including ICT, PPE 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.	2.399	0.100	2.499
Total increases in expenditure - Council (excluding Health and Social Care)		15.276	3.822	19.098
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. While recent weeks' figures have generally shown continuing steady improvement in income levels, the projection remains unchanged at this time pending confirmation of demand over the medium term.	11.674	0.000	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 the likelihood of subsequent tenant insolvency and delays in re-letting, an 80% rental loss is assumed in each of the first three quarters. A detailed update on the current position, including proposed actions, is included on the B agenda for this meeting. While these proposals may reduce the level of in-year loss, the position remains subject to considerable uncertainty, particularly given the possibility of tighter restrictions and the consequent impact on trade.	9.000	0.000	9.000
Place (various)	Net loss of income - including pest control and scientific services, tables and chairs permits, cruise liner berthing fees and museum and galleries donations, admissions and rents based on expected periods of closure/service unavailability.	2.293	0.056	2.349
Housing Property Services	Estimated reduction in sums chargeable to the Housing Revenue Account, reflecting revised assessment and impact of mitigating actions identified thus far.	3.235	(0.896)	2.339
Roads	Reduction in staff salaries chargeable to the Capital Programme.	1.820	0.241	2.061
Parking Income - enforcement	Enforcement and bus lane cameras Penalty Charge Notice reductions	2.013	0.000	2.013
Council Tax (collection rate)	The year-on-year collection rate as of the end of September is some 1.3% lower than in 2019/20, although collection rates in the city are seeing much smaller reductions than in many other Scottish authorities. Through a combination of planned recovery action and anticipated income in respect of 2020/21 to be received in subsequent years, the level of potential bad debt provision has been reduced by £1.25m, although the adequacy of this revised sum will be kept under review.	3.100	(1.250)	1.850
Outdoor Centres	Loss of fees and charges income, now extended to the period to end of March 2021. It has been confirmed that these sums are not recoverable from insurance.	1.361	0.390	1.751
Cultural venues	Loss of income - sales, rentals, admissions and rents. Increased projection reflects one month's further assumed shutdown in November.	1.552	0.158	1.710
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
Planning and building standards	Reduction in planning applications submitted due to construction shutdown	1.483	0.020	1.503
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.	0.996	0.000	0.996
Other Catering	Loss of income from closure of staff restaurants and coffee shops and cancellation of external events and internal catering, net of savings in food and drink, other supplies and services and agency and overtime costs. Projection updated based on position as of mid-October.	0.521	0.142	0.663
Communities and Families (other)	Loss of income from adult education classes, libraries fees and charges, sports clubs and external funding	0.633	0.000	0.633
Community Access to Schools	Increase is due to updated expectations of re-opening timescales and associated levels of lost income.	0.335	0.250	0.585
Licensing	Refunds/extensions for all licences, including cab, liquor and HMO (NB these costs are expressed net of assumed contributions from earmarked reserves).	0.442	0.000	0.442
Public transport	Loss of bus station income due to reduced departures, etc. While the figure shown reflects a revised assessment of income lost, enforced delays to the replacement of the Bus Station Information System and Real Time Passenger Information signage may give rise to additional costs in the current year.	0.420	0.000	0.420

Service Area	Impact	Estimate	Increase/	Revised
		F&R 24 Sept	(decrease)	estimate
		£m	£m	£m
Council Tax (base)	Reduction in Council Tax buoyancy due to temporary cessation of construction activities and subsequent economic slowdown. In common with the in-year collection rate, detailed analysis of the Council Tax base as of September 2020 shows a lower loss of buoyancy than had initially been anticipated, with the forecast amended accordingly.	1.550	(1.250)	0.300
Refunds/discounts for cancelled services - garden waste	Costs of extending current-year permits by further five weeks - updated assessment	0.075	0.075	0.150
Total reductions in income - Council (excluding Health and Social Care)		44.178	(2.064)	42.114
Savings in expenditure				
Non-Domestic Rates	Savings relative to budget framework provision following effective freezing of NDR poundage for 2020/21 and entitlement to full relief for hospitality, retail and leisure properties	(2.375)	0.000	(2.375)
Energy	Savings in gas, electricity and water costs across corporate building estate based on indicative analysis by Energy Management Unit. The projection has been updated based on analysis of invoices received until the end of August, with the potential for further savings in water charges. Greater certainty should be obtained as the year progresses.	(1.283)	(0.527)	(1.810)
Libraries	Reductions in agency and overtime expenditure and savings from vacant posts, assuming six libraries operational from October and remainder open from January.	(0.200)	(0.300)	(0.500)
Total savings in expenditure (excluding Health and Social Care)		(3.858)	(0.827)	(4.685)
Total net additional costs		55.596	0.931	56.527
Notes				

1. Potential Early Years pressures of around £3.5m (primarily representing compensation for lost fee income for partner providers) are assumed to be funded from redirected 1,140 hours expansion monies and/or provider staff costs met through the Coronavirus Job Retention Scheme.

Revenue budget, 2020/21 - month five assessment of approved savings delivery

PD Project design problem
MC Material change in circumstance

Change Proposal Name	Approved Savings		Assessment				Notes	
	Department	£m	1.Green £m	2.Amber £m	3.Red £m	4.Black £m		PD/MC
Heritage Language	C&F	0.021	0.021					
Scottish Government Framework for Electricity and Gas	C&F	0.060		0.060				Work is on-going between with Commercial and Procurement Services to ensure the saving can be delivered as initially intended.
Early Years (restructure of staffing)	C&F	0.600	0.600					Anticipated delays due to COVID have not transpired and full delivery is now anticipated.
Edinburgh Leisure Service Payment	C&F	0.500	0.500					
Police Funded Officers	C&F	1.600	1.600					
Quality Improvement Officers	C&F	0.120	0.120					
School Efficiencies (DSM)	C&F	1.200		1.200				DSM budgets have been reduced; schools' ability to manage the DSM reduction to be assessed as the year progresses.
5% average increase in discretionary fees and charges	C&F	0.246		0.062		0.184	MC	COVID impact on income generation
Library books - return to original library	C&F	0.100	0.026			0.074	PD	Finance assessment is that £0.026m is deliverable with a pressure of £0.074m in 2020/21. This will increase by a further £0.1m in 2021/22 when the balance is applied. The ability to re-design the service as initially intended has not materialised following further detailed analysis.
Night Noise team	C&F	0.100				0.100	PD/MC	This saving was part of wider organisational change between the Communities and Families and Place directorates which has been unable to conclude due to the impact of COVID-19 on staffing. It is intended that this will be considered as part of wider changes within the Council however it is unlikely this saving will be achieved in 2020/21.
Strategy and Communications Workforce Savings	Chief Executive's Service	0.100	0.100					
Borrowing Costs	Corporate	4.000	4.000					
Procurement	Corporate	0.100	0.100					Planned reduction in gainshare payments
Council Tax (4.79% increase)	Corporate	5.100	5.100					
LOBO Efficiency	Corporate	0.600	0.600					
Loans Fund Review	Corporate	10.000	10.000					
Council Company Dividends	Corporate	0.250	0.250					
EDI Dividend (net)	Corporate	-1.047	-1.047					
Improving management of Procurement and Contracts	Corporate	0.100	0.100					
5% average increase in discretionary fees and charges	Council-wide	0.050	0.050					
Efficiencies Programme	Council-wide	2.000				2.000	PD/MC	
Optimal workforce efficiency - agency/overtime	Council-wide	0.250				0.250	PD/MC	
Pay-related allowances	Council-wide	0.200				0.200	PD/MC	
Water Coolers - remove stand-alone coolers	Council-wide	0.055				0.055	PD/MC	
Review of car parking costs - WC, West End, Old Town Travel Lodge	Council-wide	0.050				0.050	PD/MC	
Travel and Mileage (review)	Council-wide	0.200				0.200	PD/MC	
Mobile phones - reduce spec and volume of devices	Council-wide	0.050				0.050	PD/MC	
Income Maximisation	Council-wide	0.500				0.500	PD/MC	
Auto renewal of registrations and permits (including garden waste)	Council-wide	0.100				0.100	PD/MC	
Chief Officers and Senior/Middle Management Review	Council-wide	0.513		0.398	0.115		MC	
Place - Income Generation (including Statutory Consents, Parking Action Plan Phase 2, Culture Services and Business and Development Services)	Place	0.665	0.110			0.555	MC	COVID-19 and its wider impacts are currently affecting the Council's ability to realise the income which was anticipated when this budget was set.
Place - Workforce Savings (including New Ways of Working, Business and Development Services and Scientific Services)	Place	0.670	0.420		0.045	0.205	MC	The changes proposed have been impacted by COVID-19. The Council now intends to take time to consider its future structure and these changes will feed in to this process and/or will be progressed as part of organisational change activities.
Place - Third Party Reductions (including Economic Development and Joint Waste)	Place	0.825	0.340			0.485	PD/MC	The Economic Development (now Business Growth and Inclusion) service will deliver £340k (88%) of the saving in 2020/21 with the remaining £160k planned for delivery in 2021/22. For the joint waste saving, the impact of COVID-19 has led to changing market conditions in the sale of recyclates which are expected to impact on the achievement of the saving in 2020/21.
Area-Based Regeneration	Place	0.500				0.500	PD/MC	Delivery of the saving is predicated on maximising capitalisation and contributions from partners, grants and new income streams. The scope to do this has been affected by COVID.
Marketing Edinburgh	Place	0.490	0.490					This full saving has been achieved, with a reduction in grant funding for Marketing and Film.
Transport Reform	Place	0.400		0.400			MC	As reported to the Policy and Sustainability Committee on 9 July 2020 a preferred approach to Transport Arm's-Length company reform has been identified and engagement with key stakeholders is underway. The options for realising this saving in 2020/21 and on a sustainable basis thereafter are currently being assessed.
5% average increase in discretionary fees and charges	Place	0.958	0.400			0.558	MC	COVID-19 and its wider impacts are currently impacting on the Council's ability to realise the income.
CGI - further contract efficiencies	Resources	0.600	0.600					
Advertising Income	Resources	0.300				0.300	MC	Dependency on approval of change in Council policy
Other efficiencies - ICT/CGI Partnership	Resources	0.150	0.150					
Digital delivery	Resources	0.250	0.250					
Edinburgh Shared Repairs - Management Resource & Income Generation	Resources	0.190	0.048	0.047		0.095	MC	COVID impact on income generation
5% average increase in discretionary fees and charges	Resources	0.246	0.058	0.188				COVID impact on income generation
Facilities Management	Resources	0.500		0.500				
Resources Directorate Workforce Savings	Resources	0.408	0.408					
		34.870	25.792	2.572	0.045	6.461		

* offset by reductions in loan charges arising from slippage on the Capital Investment Programme.

74.0% 7.4% 0.1% 18.5%

Basis of assessment:

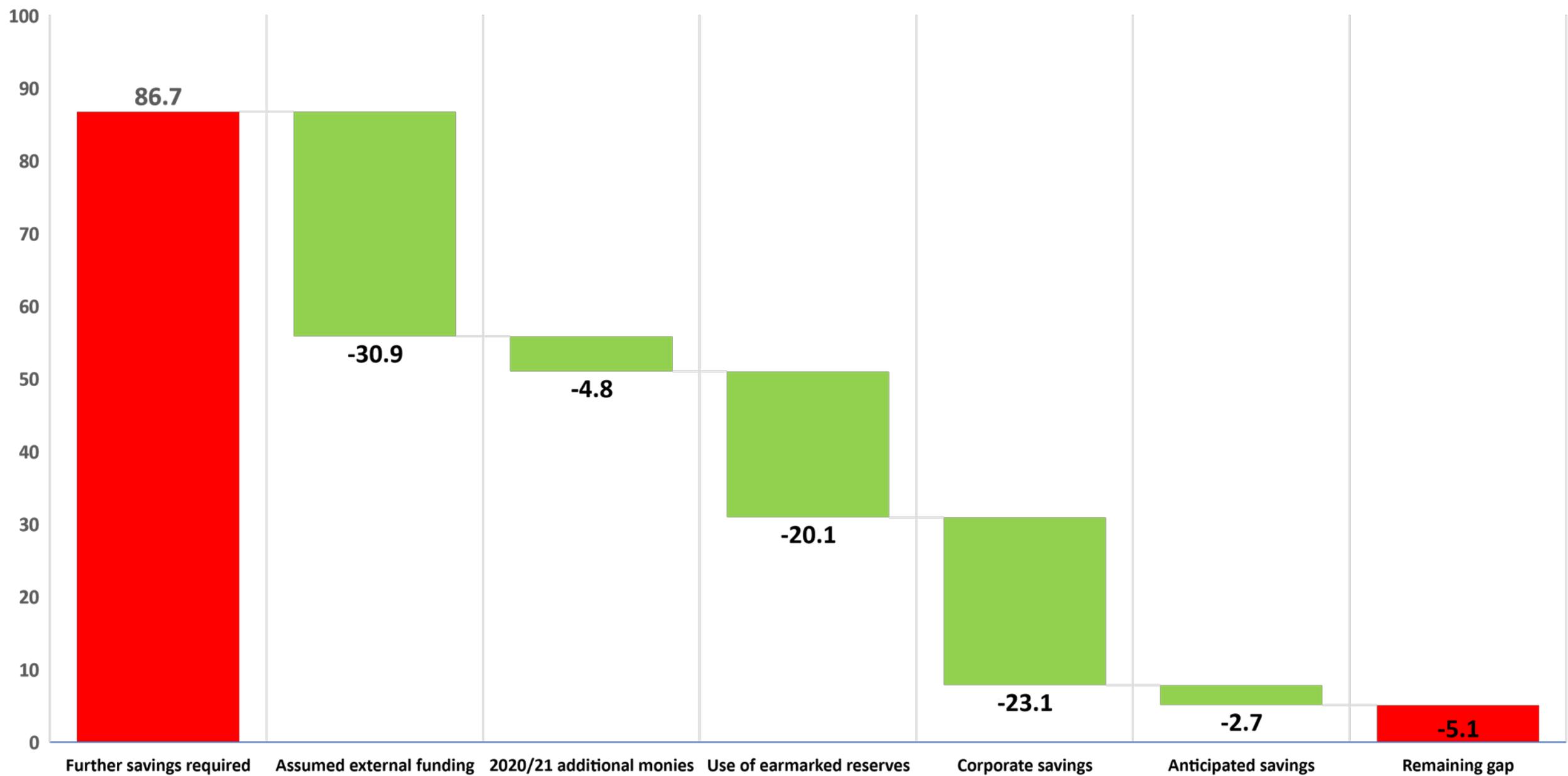
1. Effective	The savings project has been adequately designed and is operating effectively, providing assurance that risks are being effectively managed and the approved saving / action to mitigate the identified pressure should be achieved. There is a high degree of confidence that the saving will be achieved.
2. Some Improvement Required	While some weaknesses have been identified in the savings project, there is reasonable assurance that risks are being managed and that the approved saving / action to mitigate the identified pressure should be achieved.
3. Significant Improvement Required	Significant weaknesses were identified in the savings project. Consequently, only limited assurance can be provided that the approved saving / action to mitigate the identified pressure should be achieved.
4. Inadequate or material change in circumstances	The design of the savings project is inadequate or there has been a material change in circumstances, resulting in substantial risk that the approved saving / action to mitigate the identified budget pressures will not be achieved.

	<i>Purpose and uses of fund</i>	Scotland-wide funding allocation £m	Edinburgh's allocation (where confirmed) £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 (SWF)	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. In light of actual SWF take-up, it has subsequently been confirmed that of the remaining £23m, £3m will now be used to allow payment of additional Discretionary Housing Payments and £20m to address future need to support those individuals at financial risk. The distribution bases of these latter allocations remain to be confirmed. The Scottish Government has also confirmed additional funding of £6.95m to allow for continuing provision of free school meals during the October, Christmas/New Year and February breaks.
Further assistance (May)	£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 the (population-derived) Registration of Births, Deaths and Marriages GAE distribution, with Edinburgh's share being 9.5%.
Further assistance (July)	£49m of further Barnett Consequentials to be passed on in full to local government following the announcement of £785m of unallocated funding for the Scottish Government's COVID response. A further sum, currently estimated at £90m, will be provided for an income compensation scheme recognising the financial impact on councils of lost sales, fees and charges.	139	3.832	Following agreement by COSLA Leaders to use respective shares of GAE plus SINA as the basis of distribution, Edinburgh's confirmed allocation of the £49m of general support is £3.832m. A set of guiding principles has provisionally been agreed for distribution of the £90m for the income compensation scheme based on actual losses as reported in each council area, subject to a process of peer review and moderation.
Total		390	21.452	
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	2.430	Additional CTRS-related support of £25m has now been confirmed, with Edinburgh's resulting allocation being £2.430m. The level of required support will be kept under review by the Scottish Government and additional resources provided as/if appropriate.
Discretionary Housing Payments	Additional support provided for tenants financially affected by COVID to sustain their tenancies	5	0.960	The Council's allocation was confirmed in June 2020. As noted in the context of the Scottish Welfare Fund above, a further £3m is to be made available, the distribution for which remains to be confirmed.

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. Additional Scotland-wide funding of £12.6m was then 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 was £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. Subsequent to its launch, the scheme has been extended but with reducing levels of support from August and will close on 31 October 2020.	n/a	0.600	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 estimated furlough income of £600,000 between June and, at the latest, October 2020, with claims now submitted for months up to and including September.
Total Welfare and Well-Being Fund, additional Barnett Consequentials and other sums		542	28.682	NB Scottish Welfare Fund and DHP allocations predicated on the provision to claimants of additional support of similar amount.
Funds primarily benefiting other sectors but administered by councils				
Business Grants, Bed and Breakfast Hardship Fund and Newly Self-Employed Hardship 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.	1,010	105.000	The sums shown now reflect actual take-up, with the majority of the overall Business Support budget of £1.256 billion understood to have been spent.
NDR relief	100% relief in 2020/21 for retail, hospitality and tourism-based businesses	1,047	1.875	It is anticipated that a number of Council properties will be eligible for relief and a saving of £1.875m is therefore now being assumed in this area.
Freezing of effective NDR poundage	Relief provided such that poundage maintained at 2019/20 levels	50	0.500	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 and schools re-opening, details of which are provided in the main report.

Additional net expenditure pressures	Full-year £m
Estimated COVID-19-specific expenditure and income (per Appendix 1)	56.527
Risk contingency	3.000 Non-specific allowance to reflect potential impacts of continuing and/or further restrictions between October 2020 and March 2021, including further losses of parking income.
Approved savings/management of residual pressures - anticipated shortfall in delivery	1.700 Figure assumes balanced position in both Communities and Families and Resources, with £1.7m of as-yet unmitigated pressures within Place Directorate
Residual pressures	
ALEO support (including risk contingency)	25.500 Position shows decrease of £1.5m since report to Finance and Resources Committee on 24 September 2020, reflecting confirmed financial support for Edinburgh Trams until end of December.
	86.727
Confirmed funding and savings:	
Confirmed COVID-19 related funding (per Appendix 3)	(23.761) NB Funding for Scottish Welfare Fund, Council Tax Reduction Scheme and Discretionary Housing Payments is assumed to be offset by corresponding expenditure.
2020/21 budget - unallocated additional monies	(4.830) Of the additional funding of £7.43m provided as part of the Scottish Budget's Stage One consideration, a £2m contribution to the EIJB was approved by Council on 30 June, up to £0.422m for Marketing Edinburgh by the Finance and Resources Committee in March and £0.178m part-year funding for Communities and Families grant recipients at the Policy and Sustainability Committee on 28 May.
Use of earmarked reserves	(20.062) 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), contribution from service reserves (£0.5m) and Council Priorities Fund (£0.4m).
Further timing-related and corporate savings	(23.100) Comprising treasury management-related and re-aligned capital programme loans charge savings (£5.5m), Q4 2019/20 improvement in service outturns (£3m), slippage in backlog R&M programme (£3m), Council Tax - increases in base (£3m), VERA/VR in-year provision - assumption that liabilities met fully from reserves (£2.5m), LDP revenue budget (£1.5m), Loans Fund Review - slippage in first year's additional related roads/infrastructure expenditure (£1m), ICT contract extension (£0.95m), past service pension costs - reductions in expected required in-year level of provision (£0.65m) and other net corporate savings (£2m).
	(71.753)
Anticipated further funding:	
UK Government announcements of additional investment in England, 2 July and 23 July - income compensation scheme element (estimated at £90m).	(7.038) Based on an allocation of these sums in line with that applied to previous unringfenced funding, the Council's share would be £7.038m. Given the intention for the quantum to be distributed according to actual losses, however, on the basis of Edinburgh's disproportionate reliance on income, a higher allocation would be expected, particularly if ALEOs are included.
UK Government Budget Statement, 8 July - Coronavirus Job Retention Scheme "bonus"	(0.150) Submission of any claim will be subject to consideration by elected members.
Anticipated reductions in expenditure:	
Full mitigation of residual pressures within Place	(1.700) As of Period 5, an overall Directorate overspend of £1.7m is forecast. The Executive Director of Place has, however, committed to identifying options to mitigate this residual pressure in full.
VERA	(1.000) Estimated part-year effect of savings from staff release (with related severance costs met from Workforce Transformation Reserve).
	(9.888)
Remaining shortfall	5.085



Revised baseline savings requirements, taking account of on-going COVID impacts, 2021/22 to 2025/26

	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
Unfavourable changes to current planning assumptions:					
Continuing loss of Lothian Buses dividend	6.0	0.0	0.0	0.0	0.0
Continuing loss of other income (including parking and property rentals)	3.0	(2.0)	0.0	0.0	0.0
Carry-forward into 2021/22 of savings not delivered/on-going pressures (see Appendix 7)	10.0	0.0	0.0	0.0	0.0
Updated deliverability assessment of 2021/22 and 2022/23 savings (see Appendix 7)	5.0	5.0	0.0	0.0	0.0
Recurring increase in homelessness costs	10.0	0.0	0.0	0.0	0.0
Recurring increases in PPE costs	1.0	0.0	0.0	0.0	0.0
Recurring increase in net provision for ALEOs	3.0	0.0	0.0	0.0	0.0
Other pressures (various)	5.0	0.0	(1.0)	0.0	0.0
Favourable changes to current planning assumptions:					
Reassessment of required inflation-linked uplift for non-pay costs	(1.0)	(0.5)	0.0	0.0	0.0
Council Tax - changes in base/assumed collection levels	(5.5)	0.0	0.0	0.0	0.0
Loans charges - additional savings based on net slippage in 2020/21 of £180m (in addition to £4m already within framework; 2021/22 only)	(6.0)	6.0	0.0	0.0	0.0
ICT contract extension savings	(1.0)	0.0	0.0	0.0	0.0
Unallocated funding within 2020/21 budget, net of corporate adjustments	(4.8)	0.0	0.0	0.0	0.0
Reduced short-term funding for asset life reprofiling (roads and infrastructure; 2021/22 only)	(1.0)	1.0	0.0	0.0	0.0
Past service pension costs - incremental reductions in liability	(0.5)	(0.3)	(0.2)	0.0	0.0
Savings from staff release (in addition to those already assumed in budget framework)	(7.2)	(3.7)	0.0	0.0	0.0
Estimated in-year savings requirement (for years beyond current period of budget framework)			27.0	28.0	29.0
Net additional savings requirement	16.1	5.6	25.8	28.0	29.0

Key budget planning assumptions:	2021/22	2022/23	2023/24	2024/25	2025/26
Pay awards	3%	3%	3%	3%	3%
EIJB savings target	c. 2.2%	c. 2.2%	TBC	TBC	TBC
General Revenue and NDR Funding year-on-year change	-0.7%	-0.7%	-0.7%	-0.7%	-0.7%
Council Tax increase	4.79%	4.79%	3%	3%	3%
Fees and charges increase	5%	5%	5%	5%	5%

While there is clearly considerable uncertainty in any projection, these latter assumptions are broadly in line with those of other councils, although there is a risk, in particular, that core grant funding reductions may be more severe due to wider economic conditions, availability of funding “flexibilities” such as those announced on 8 October and continuation of, or changes to, the 85% per capita funding policy.

Other baseline assumptions:

- No specific allowance, at this stage, for potential post-COVID recurring demand increases other than in homelessness and where additional actions are urgently required to manage demand more cost-effectively;
- Continuation of levels of parking income as of the end of August (i.e. around 10% below budgeted levels);
- Reduced provision for inflationary uplifts, based on applicable rate for PPP and ICT contracts;
- Full management of residual EIJB gap in 2021/22 and future years;
- No additional investment for Housing First from October 2021 (full-year cost £2m) – expected to be contained within overall increase in resources provided;
- Additional funding in respect of EIJB support (£2m) and Communities and Families grants (full-year cost up to £0.6m) assumed to be for 2020/21 only, the latter to be contained within existing resources going forward;
- No specific additional funding to support priorities of tackling poverty and promoting sustainability; and
- Risks around additional expenditure pressures and income shortfalls resulting from continuing restrictions and/or lockdown.

Proposed provision for carried-forward undelivered savings/on-going pressures - 2021/22 and 2022/23

- The 2020/21 Month 5 revenue monitoring indicates projected non-COVID pressures of £17m.
- £10m of the £17m pressures have been identified as at particular risk of recurring in 2021/22 and thus provided for within the budget framework but with an expectation that these be managed down significantly over the medium term.
- All pressures therefore need to be reviewed and mitigation plans developed wherever possible.

Approved saving/residual pressure	Service area	2021/22 corresponding framework investment
		£m
Efficiencies Programme	Council-wide	2.000
Place - residual budget gap	Place	1.857
Property and Facilities Management	Resources	1.688
Waste Services	Place	0.626
Transport Review	Place	0.520
Schools Non-Devolved Costs	Communities and Families	0.500
Income maximisation	Council-wide	0.500
Development and Business Services Operating Model	Place	0.450
Fleet	Place	0.444
Parks and Greenspace	Place	0.432
Joint Waste	Place	0.325
Advertising income	Resources	0.300
Pay-related allowances	Council-wide	0.200
Others		0.129
Total		9.971

Deliverability assessment of previously-approved savings for implementation in 2021/22 and 2022/23

Those savings assessed at particular risk of delivery at this time include:

	2021/22	2022/23
	£m	£m
Edinburgh Leisure Service Payment	0.500	0.500
Review relationship with Edinburgh Leisure	0.500	0.000
Efficiencies programme	2.050	2.050
Income generation	0.500	0.500
Redesign approach to our assets	0.500	1.500
	4.050	4.550

with a contingency included for partial delivery of other approved savings.