

Finance and Resources Committee

10.00am, Thursday, 3 December 2020

Revenue Budget 2020/21: progress 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 note:
- 1.1.1 the increase in the projected year-end overspend from £5.1m to £6.8m, resulting in a further potential call on the Council's unallocated reserves;
 - 1.1.2 that the expenditure and income projections set out within the report continue to be subject to significant uncertainty and potential variation given current events;
 - 1.1.3 the further updates on the development of an income compensation scheme and availability of potential financial flexibilities;
 - 1.1.4 that a more detailed update, based on analysis of actual expenditure and income to the end of November and taking account, as appropriate, of other potential or confirmed sources of funding, will be presented to the Committee's next meeting on 21 January 2021; and,
 - 1.1.5 that in order to maintain alignment with the Council's wider Sustainability Programme, potential spend to save projects contributing towards a Green Recovery will now also be presented to the Committee on 21 January 2021.

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Revenue Budget 2020/21: progress update

2. Executive Summary

- 2.1 The report provides a further interim update on the estimated expenditure and income impacts of the COVID-19 pandemic upon the Council and its Arm's-Length External Organisations (ALEOs) during 2020/21, alongside offsetting sources of confirmed or anticipated funding. This analysis indicates an increase in the residual gap from £5.1m to £6.8m since the previous report considered by the Finance and Resources Committee on 29 October as comprised below:

Additional net expenditure pressures:	£m	£m
Estimated COVID-19 specific expenditure and income (including risk contingency)		84.2
Net residual pressures/anticipated shortfalls in savings delivery		2.3
		86.5
Available funding:		
Assumed COVID-19 related funding	(31.3)	
2020/21 budget - unallocated additional monies	(4.8)	
Use of earmarked reserves	(20.1)	
Further timing-related and corporate savings	(23.1)	
Anticipated further reductions in expenditure	(0.4)	
	(79.7)	
Remaining shortfall		6.8

- 2.2 A progress 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. Further Scotland-wide work is required in each of these areas, however, before the implications for 2020/21 and future years become clearer.

3. Background

- 3.1 On 29 October 2020, members of the Committee considered an update on the Council's 2020/21 revenue budget, indicating a remaining estimated shortfall of £5.1m between net cost pressures across the Council and its ALEOs and confirmed

or anticipated sources of funding. These net pressures are, in turn, primarily 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.

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 an increase of £1.2m (to £57.7m) relative to the position reported to the Committee's previous meeting on 29 October, with explanations provided for material movements in the intervening period. The majority of this movement is attributable to increases in income shortfalls, as timescales for service resumption become clearer.
- 4.2 As recent weeks' events have shown, the position remains fluid, with on-going restrictions and/or the potential for further local and national lockdowns during the remainder of the year. While a number of the projections in Appendix 1 take explicit account of expected 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.

Changes in net COVID-related expenditure pressures – ALEOs

- 4.3 The revenue budget update report considered at the Committee's 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. At the Committee's meeting on 29 October, this risk contingency was reduced by £1.5m, reflecting the confirmation of £2m of additional financial support to Edinburgh Trams over the period to the end of December.
- 4.4 At this stage, the only further change to the figures above is for **Edinburgh Leisure**, where a reduction in the level of required in-year funding support from £6m to £4m is now being forecast. This reduction is primarily attributable to two factors: firstly, additional anticipated support available through the Coronavirus Job Retention Scheme (CJRS; "furloughing") following the Chancellor of the Exchequer's announcement on 5 November of the extension of the scheme until

¹ Since the Committee's last meeting on 29 October, overall parking income levels have continued to fall, with a 26% year-on-year reduction in the five weeks to 22 November compared to the equivalent sums for 2019/20.

March 2021² and an in-principle acceptance of business interruption liability by EL's insurer, the settlement details of which are currently being discussed. Of this revised level of support of £4m, £1m was paid on 26 October.

- 4.5 Edinburgh Leisure's activity continues to be affected by Scottish Government public health and travel restrictions. While all of its venues are now open, as of the time of writing, no indoor adult group activities, soft play or outdoor adult contact sports are permitted. In addition, take-up of some activities, such as gym usage and fitness memberships, shows year-on-year reductions, although these remain in line with recovery programme assumptions. Given the likelihood of income reductions continuing into 2021/22, however, there may be a need to consider additional support beyond the current year as part of the 2021/24 budget process.
- 4.6 On 24 October, the Scottish Government confirmed £0.5m of additional emergency coronavirus support to **Capital Theatres (CT)**, building on the earlier £0.25m awarded through the Performing Arts Venue Relief Fund, helping to offset losses run up during the theatres' prolonged closure since March. However, despite this support, CT are still projecting to make a loss of £0.77m in the current financial year, followed by reduced earning potential next year due to the likely return to normal operation being phased over several months as restrictions ease gradually and audiences take time to recover their confidence. The planned £25million redevelopment of The King's Theatre also remains under threat as the Theatres Development Fund (TDF), a designated fund built up over many years specifically for this capital project, has had to be utilised to enable CT simply to function through the pandemic, placing the redevelopment in a precarious position. Lockdown is projected to reduce TDF earnings in the current and next year by £0.75m, further reducing CT's ability to provide seed funding for the project.
- 4.7 Following earlier confirmation that up to £5.5m would be made available to **Edinburgh Trams** to cover lost revenues, net of any COVID-related cost savings or costs recovered through the CJRS, incurred in running services for essential and key workers at considerably-reduced capacity due to social distancing and much-reduced demand in the period from July to December (with similar arrangements in place for Lothian Buses), discussions are continuing concerning required financial assistance during the remainder of the year. Patronage for both bus and tram continues to be severely affected by the effects of the pandemic, with fare revenue for the latter still some 90% lower than in 2019/20.
- 4.8 It should be noted that the Transport ALEOs' accounting year is a calendar year and all are predicting significant losses for 2020. Transport for Edinburgh (TfE), the parent company, receives no support from the Scottish Government and has received no direct support from the Council in 2020.
- 4.9 Each of the ALEOs has undertaken detailed scenario planning, considering the effects of continuing restrictions and/or resulting behavioural change in both the current and future years. A more detailed commentary on the potential impacts on each ALEO beyond 2020/21 will be included in budget update report to be

² With a planned review in January 2021

considered by the Committee on 21 January. Representatives of each ALEO will also attend today's meeting and be able to respond to specific questions members may have.

Approved savings/management of residual pressures

- 4.10 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, with a balanced position being projected for both the Resources Directorate and Chief Executive's Service. Officers are also examining opportunities for any further savings across a number of corporate budgets.
- 4.11 The Executive Director of Place has 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. At the Committee's previous meeting, members were advised of an improvement in the overall projected overspend to £1.7m. Since that time, a number of further mitigations have been identified, reducing the projected overspend to £0.5m. Given the relatively late stage of the financial year, however, there is a risk that there is insufficient time for further mitigations to be identified (or that further risks crystallise) and the overall Council-wide forecast therefore reflects the currently projected level of residual pressure.
- 4.12 While the majority of pressures within Communities and Families are COVID-related and thus reflected in earlier sections of this report, significantly increased costs linked to greater numbers of out-of-council residential and secure placements are now apparent due to disruption to normal planning processes. After taking account of other minor changes and mitigations since the report to the Committee's previous meeting, an overall Directorate net pressure of £1.2m is forecast.
- 4.13 Efforts are being made to identify further management actions to reduce the budget pressure while addressing the impact of the pandemic. As with the equivalent pressure in the Place Directorate, however, there is a risk that this pressure cannot be contained and, as such, it is reflected in the Council-wide forecast.

Independent review of Council's whistleblowing and organisational culture

- 4.14 The Council is progressing an independent inquiry into (a) matters connected to the death of a Council employee and (b) our whistleblowing and organisational culture. An independent Chair, Susanne Tanner QC, has been appointed in consultation with the political group leaders.
- 4.15 The terms of reference regarding the independent inquiry, which set out its objectives, scope and key activities, have now been finalised by the Chair, also in consultation with the political group leaders, and a full copy is located on [the public inquiry webpage](#).
- 4.16 Following ratification of the corresponding use of reserves by Council on 19 November, the current-year forecast now reflects the incurring of up to £0.6m of expenditure in 2020/21 in respect of this inquiry. As agreed at the Committee's

previous meeting on 29 October, corresponding detail of costs incurred and anticipated will be reported to members as the inquiry progresses.

Costs of employee release

- 4.17 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. An opportunity to express interest was subsequently made available to senior managers and Heads of Service. Applications received are currently being assessed and a progress update on numbers approved, alongside the associated cost, payback and remaining available fund balance, will be reported to members of the Committee at its January meeting. At this stage, however, given the overall number of applications received and associated timing of resultant staff departures, the assumption of in-year savings of £1m has been reduced to £0.4m.

Extension of Coronavirus Job Retention Scheme (CJRS)

- 4.18 As noted in the context of Edinburgh Leisure at Paragraph 4.4, on 5 November the Chancellor of the Exchequer confirmed a UK-wide extension of the CJRS scheme until March 2021, with employers able to claim 80% of an employee's usual salary for hours not worked, up to a maximum of £2,500 per month, for the months of November, December and January, with the position thereafter to be reviewed in January.
- 4.19 For the period from June until August, claims to HMRC totalling £0.449m were submitted and paid, with a further £0.160m of income anticipated for the months of September and October. While the implications of the scheme's extension are currently being considered by staff in HR, Finance and relevant service areas, further support is anticipated in the coming months for staff working within the Council's outdoor education centres. Following the extension of the scheme until March, however, no in-year income is now being assumed in respect of the returning staff "bonus", resulting in an unchanged overall full-year income forecast in this area of £0.750m.

Homelessness funding

- 4.20 The revenue monitoring update to the previous meeting of the Committee advised members of work underway to seek financial support for additional homelessness-related costs incurred by the Council during the pandemic given the corresponding inclusion, and subsequent potential funding through Mobilisation Plans, of relevant costs for other councils where these services fall within the remit of the relevant Integration Joint Board.
- 4.21 The Head of Finance has raised this issue, both through COSLA and directly with the Scottish Government, to ensure that a consistent approach is adopted in funding for homelessness services, rather than being dependent on the body incurring the expenditure. As of the time of writing, no formal response had, however, been received and an update will therefore be provided at the meeting.

Financial flexibilities

- 4.22 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.
- 4.23 Following consultation with the UK Government, three specific measures are able to be applied at this stage as follows:
- (i) utilising capital receipts received in-year to meet COVID-related revenue expenditure in either 2020/21 or 2021/22;
 - (ii) a Loans Fund principal repayment “holiday” which would permit a council to defer repayments in either 2020/21 or 2021/22, but with the amount of this repayment added to the term of the remaining loans fund advance; and
 - (iii) repaying, in accounting terms, the debt element of service concession arrangements within PPP contracts over the life of the asset rather than the current mechanism based on the life of the contract³.
- 4.24 It was noted, however, that the “value” of the measures at council-specific level needs to take account of local circumstances and current payment profiles, as well as adhering to all relevant statutory regulations. 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.
- 4.25 At the Committee’s previous meeting, members requested greater details of the potential applicability of these three flexibilities to the Council’s own circumstances. While the first two-mentioned flexibilities are relatively simple to apply, considerable (and continuing) discussion has taken place at Director of Finance level on the PPP-related changes to understand fully their implications and the associated draft accompanying guidance issued by the Scottish Government.
- 4.26 The current year’s capital budget monitoring assumes receipt of £3m in general asset sales, with this sum also budgeted in 2021/22. In view of the comparatively modest sums involved and the wider 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. Undertaking borrowing for the resulting shortfall within the capital programme would also add to the already-challenging revenue budget position.
- 4.27 The Council’s projected level of loans fund principal repayment is around £40m per annum. While application of this flexibility would provide some breathing space in next year’s budget, due to the need to repay the amount of the “holiday” over the remaining term of the loans fund advance (up to a maximum period of 20 years),

³ This arrangement would, however, not affect the level of contractual payments made which would remain in line with original agreements.

this would similarly add to subsequent years' savings requirements. Its potential use will therefore be considered as part of a wider re-assessment of the level of the Council's reserves and downside risks around the extent of enduring COVID-related disruption, particularly around income levels.

- 4.28 Extensive modelling work and discussion is taking place both locally and nationally around potential PPP flexibilities. While its effect is, like the other measures being considered, essentially one of timing, this takes place over a much longer timeframe, with initial internal modelling of the Scottish Government's proposed straight-line depreciation method indicating a modest retrospective benefit for the period to 31 March 2021 and on-going savings, relative to current contract repayment profiles, of around £1m in 2022/23, steadily increasing over the following fifteen years, before reverting to a net cost position thereafter⁴. The issues involved are, however, complex and advice has been sought from the Council's Treasury advisor.
- 4.29 A Scotland-wide subgroup of relevant senior officers, on which the Council is represented, has been convened to explore wider implications of the proposed treatment set out in the accompanying guidance. Given the professed aim of maximising available flexibility available to councils, the group is looking in particular at the further benefits that would accrue from the adoption of an annuity-based repayment model, with a view to engaging further with the Scottish Government on this matter.

Income compensation scheme

- 4.30 Members of the Committee have received a number of previous updates on the development of an income compensation scheme for councils across Scotland. While the precise quantum of funding available for the scheme is dependent upon Barnett Consequentials arising from sums paid out as part of the equivalent English scheme, at this stage these are estimated at £90m, with the potential for further sums to be distributed.
- 4.31 At their meeting on 30 October, COSLA Leaders agreed the underlying principles of the scheme, with its scope to include affected ALEOs and the initial distribution of funding to be based on actual losses incurred over the period from April to September 2020 as certified by Section 95 Officers. Following the process of peer review, the Council's updated return has been submitted and a response on next steps is awaited. While Edinburgh's precise allocation will clearly depend on the submissions of other councils, particularly those of the other city authorities, additional funding may be received relative to the current needs-based estimate of £7.038m.

⁴ This position is consistent with the essentially annuity-based nature of the Council's current PPP contracts, with early years' unitary charges comprising significant elements of interest (and thus lower repayments of principal) before this position reverses in later years. As these lower repayments of principal are being "replaced" with (equal) straight-line depreciation for the earlier years of the contract, the retrospective benefit, when expressed on an annual basis, is modest but will increase over the term of the remaining contracts as the planned higher repayments of principal are replaced by a lower depreciation charge. A new liability is, however, introduced in accounting terms beyond the term of the current contract.

Other funding

- 4.32 Given the escalating nature of restrictions since the Committee's last meeting, a number of further business and community assistance schemes have been confirmed, including the following:
- (i) **£30 million discretionary fund** to enable local authorities (in all Levels) to provide targeted additional support to businesses where they consider this necessary or justified (and which may be outside the scope of existing support schemes) - for example, for businesses in supply chains or to taxi drivers suffering an indirect effect;
 - (ii) **an additional £15 million for newly self-employed people** (in all Levels) who have not been able to access other forms of support. This echoes similar support put in place in April, with £2,000 one-off grants paid to qualifying individuals; and
 - (iii) **an additional £15 million for Local Authorities in Level 4 only** (or which are placed in Level 4 at some stage by 31 March 2021) to help with the community and social impact of a move to this Level.
- 4.33 Eligibility criteria and guidance for these funding streams are currently being jointly developed by COSLA and the Scottish Government. The related funding distributions will be considered at the COSLA Leaders' Meeting on 27 November. As this funding has a corresponding expenditure liability, however, the effect on the in-year budget gap is neutral.
- 4.34 In addition to the Business Grants paid at the outset of the pandemic, this funding complements a number of other related support payments, including the Strategic Framework Business Fund⁵ and Furlough Support Grant Fund⁶. In recognition of the associated workload and local government's key role in efficiently administering these and previous funds, the Scottish Government has confirmed that £5m of funding will be made available to address additional staffing costs. While the precise means of distribution remains to be confirmed, Edinburgh's estimated allocation is £0.391m and this has been reflected in calculating the remaining funding gap.

Edinburgh Integration Joint Board (EIJB)

- 4.35 As of Period 6 and based on the current assessment of approved savings delivery, an overspend of up to £7.6m for Council-delegated services is forecast, comprising an underlying overspend of £4.2m⁷ and £3.4m of additional Living Wage-related

⁵ Payable to businesses impacted by protective measures, specifically (i) a grant of between £2,000 and £3,000 for businesses required to close by law and (ii) a grant of between £1,400 and £2,100 for businesses that remain open but are specifically required to modify their operations by use of protective measures, each payable every four weeks for the duration such measures are in place.

⁶ Payable in cases where a business is required to close by law and where at least one staff member of staff is furloughed between 9 and 31 October.

⁷ The adverse movement from Period 5 is predominantly in spot purchasing, specifically residential and Direct Payments. A group has been set up to determine the underlying causes of this movement.

costs, funding options for which remain to be confirmed. Potential mitigating measures to address the underlying pressure are being developed with NHS Lothian colleagues.

- 4.36 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. At this stage, it be being assumed that all COVID-related costs will be funded by this means.

Overall position

- 4.37 Taking into account the changes outlined in the preceding sections, the overall projected shortfall reflects a deterioration from that reported to the Finance and Resources Committee on 29 October, increasing from £5.1m to £6.8m as detailed in **Appendices 3 and 4**. 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. Should residual pressures in the Communities and Families and Place Directorates be mitigated in full, however, this sum reduces to £5.1m.

Further actions required to achieve financial balance

- 4.38 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 continue to press the case for additional homelessness-related funding, given its inclusion in some other IJBs' mobilisation plans. It is also the Council's understanding that there may remain an element of unallocated Barnett Consequentials of the £8.2 billion provided to the Scottish Government thus far and officers, working with colleagues in COSLA, will continue to make the case for the £916m of funding confirmed to date to be increased.
- 4.39 Modelling work will also continue around the agreed financial "flexibilities" and their potential applicability to the Council, although it is envisaged that any benefit is likely to accrue from the 2021/22 financial year.
- 4.40 Given the risk of further service restrictions, however, additional 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. Without closing down services and using the furlough scheme where applicable, however, the costs of the Council are mostly fixed in nature.

Spend to Save schemes – Green Recovery

- 4.41 In considering the Revenue Budget 2020/21 – Progress Update report at their meeting on 24 September 2020, members of the Committee requested that relevant costed proposals meeting Spend to Save criteria be brought forward within two cycles, taking into account suggestions put forward in February 2020 budget motions, the first report of the Edinburgh Climate Commission, the Sustainability

Programme and the Adaptation and Renewal Programme Update report of 6 October.

- 4.42 Relevant officers from Energy Management, Strategy and Insight and Finance have met and a number of areas of potential investment have been identified as part of the Council's wider Sustainability Plan, including "Net-Zero" investment priorities. An update on this plan will be presented to the Policy and Sustainability Committee on 1 December. Given this dependency and current restrictions on the ability to survey potential sites, it is proposed that relevant projects, wherever possible seeking to leverage in other external funding, be presented as part of the wider budget update to the Committee's next meeting on 21 January 2021.

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 the majority of savings delivery shortfalls and residual service pressures. At this stage, however, shortfalls of £1.2m (Communities and Families) and £0.5m (Place) remain and corresponding further actions are required as a matter of urgency.
- 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 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. A further report on this latter aspect will be brought to the Committee's January meeting.
- 6.2 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. A summary of this analysis and the consequent impact on the budget framework was included in the update report considered by the Committee on 29 October.
- 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 [Revenue Budget 2020/23: 2020/21 month five position and framework assumptions update](#), Finance and Resources Committee, 29 October 2020
- 8.2 [Finance Update](#), Edinburgh Integration Joint Board, 27 October 2020
- 8.3 [Revenue Budget 2020/21 – progress update](#), Finance and Resources Committee, 24 September 2020
- 8.4 [Edinburgh Leisure – Request for Additional Funding Support, 2020/21](#), Finance and Resources Committee, 24 September 2020
- 8.5 [Revenue Budget 2020/21 – period three position](#), Finance and Resources Committee, 27 August 2020
- 8.6 [Revenue Monitoring 2019/20 – outturn report](#), Finance and Resources Committee, 27 August 2020
- 8.7 [Finance Update](#), Edinburgh Integration Joint Board, 24 August 2020
- 8.8 [Fair Work and the Living Wage in Adult Social Care](#), Edinburgh Integration Joint Board, 24 August 2020

9. Appendices

- 9.1 Principal additional expenditure and reduced income impacts of COVID-19 pandemic – Council
- 9.2 External funding confirmed to date excluding non-Health and Social Care services and schools re-opening
- 9.3 Revenue Budget Update, 2020/21 - estimated position (detailed)
- 9.4 Revenue Budget Update, 2020/21 - estimated position (summarised)

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/ (decrease)	Revised estimate
		F&R 29 Oct		F&R 3 Dec
		£m	£m	£m
Increases in expenditure				
Homelessness Services	Additional temporary accommodation costs required to observe social distancing. It is 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 a gross in-year pressure of £9.3m. A £0.3m food funding contribution has now been secured, however, for homeless clients, reducing the net pressure to £9.0m.	9.315	(0.300)	9.015
School meals/community food advice and distribution	Cost represents payment for children eligible for free school meals (FSM) 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. The Scottish Government has subsequently confirmed funding for continuing FSM provision over the October, Christmas/New Year, February and Easter holidays although these sums are not included in the projections pending confirmation of the Council's funding allocation. Subject to confirmation of detailed plans for a recently-announced funding package to support those at financial risk over the pandemic, wider food support may also be extended.	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. The December update also reflects greater-than-normal waste tonnages collected in the year to date.	1.419	0.533	1.952
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	0.100	1.295
Resources - Customer	Represents additional staffing (including overtime) for benefit claim and business grants processing and vulnerable/shielding support customer contact.	0.691	0.000	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.	0.248	0.000	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
Libraries	Following the decision taken at the Policy and Sustainability Committee on 10 November to allow for the safe re-opening and operation of further libraries and community centres, a corresponding additional Facilities Management cost of up to £0.2m will be incurred.	0.000	0.200	0.200
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.	2.499	(0.013)	2.486
Total increases in expenditure - Council (excluding Health and Social Care)		19.098	0.520	19.618
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 weekly income from late August until mid-October was generally between 10% and 15% lower than 2019/20's equivalent levels, this shortfall has grown markedly since that time, averaging 26% in the five weeks to 22 November. There is therefore a risk that continuing and/or tightened restrictions will result in a higher full-year loss than is currently being forecast.	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 targeted policy of support was agreed at the Finance and Resources Committee on 29 October. While these measures 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.	2.349	0.130	2.479
Cultural venues	Loss of income - sales, rentals, admissions and rents. Increased projection reflects one month's further assumed shutdown in December.	1.710	0.537	2.247
Housing Property Services	Estimated reduction in sums chargeable to the Housing Revenue Account, reflecting revised current assessment and impact of mitigating actions identified thus far.	2.339	(0.189)	2.150
Roads	Reduction in staff salaries chargeable to the Capital Programme.	2.061	0.000	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 October was some 1.5% 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 to £1.85m, although the adequacy of this revised sum will be kept under review.	1.850	0.000	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.	1.751	0.000	1.751
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	1.503	0.000	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 October.	0.996	0.000	0.996

Service Area	Impact	Estimate	Increase/	Revised
		F&R 29 Oct	(decrease)	estimate
		£m	£m	£m
Communities and Families (other)	Loss of income from adult education classes, libraries fees and charges, sports clubs and external funding. Change reflects updated assessment of net impact of continued adult education staffing payments for April to June and loss of income.	0.633	0.200	0.833
Community Access to Schools	Increase is due to updated expectations of re-opening timescales and associated levels of lost income, including impact on WHEC.	0.585	0.200	0.785
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.	0.663	0.000	0.663
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
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 showed a lower loss of buoyancy than had initially been anticipated, with the forecast amended accordingly.	0.300	0.000	0.300
Refunds/discounts for cancelled services - garden waste	Costs of extending current-year permits by further five weeks - updated assessment	0.150	0.000	0.150
Total reductions in income - Council (excluding Health and Social Care)		42.114	0.878	42.992
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.	(1.810)	0.000	(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.	(0.500)	(0.200)	(0.700)
Total savings in expenditure (excluding Health and Social Care)		(4.685)	(0.200)	(4.885)
Total net additional costs		56.527	1.198	57.725
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.

	<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	£22m of the original Scotland-wide funding was allocated according to the current SIMD-related methodology. In light of actual SWF take-up, it was subsequently confirmed that of the remaining £23m, £3m would now be used to allow payment of additional Discretionary Housing Payments and £20m to address future need to support those individuals at financial risk (with Edinburgh's respective allocations £TBC and £1.362m). 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, Edinburgh's allocation of which has not yet been confirmed pending consideration by COSLA Leaders. As these latter funding streams will all have corresponding expenditure obligations and thus not impact on the overall gap, they have not been brought into the analysis at this stage.
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 been agreed for distribution of the £90m for the income compensation scheme based on actual losses as reported in each council area, subject to Section 95 Officer sign-off and a process of peer review and moderation. Actual allocations of this sum are expected to be confirmed in early December.
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.

	<i>Purpose and uses of fund</i>	Scotland-wide funding allocation £m	Edinburgh's allocation (where confirmed) £m	Notes
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. Further Scotland-wide funding of £30m, of which continuing food support may form an element, is noted in the Scottish Welfare Fund-related line above.
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	0.750	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. Accessing the scheme has provided £0.449m of confirmed income up until the end of August, with a further £0.160m anticipated for September and October. Following the Chancellor of the Exchequer's announcement to extend the scheme until the end of March (with a review in January), discussions on potential further application are continuing with representatives of Finance, HR and relevant service areas and additional support for staff in Outdoor Centres is anticipated. As the scheme has now been extended, however, the previously-assumed job return "bonus" of £0.150m will not be received in 2020/21.
Total Welfare and Well-Being Fund, additional Barnett Consequentials and other sums		542	28.832	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 Support Grants (all)	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.	1,206	TBC	Total expenditure to date in the Edinburgh area, taking into account spend against the newly-announced funds, will be included in the January update. Some £104m was distributed as part of the now-closed initial Business Grants Scheme, with others still in progress.
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)	57.725
Risk contingency	3.000
	Non-specific allowance to reflect potential impacts of continuing and/or further restrictions between December 2020 and March 2021, including further losses of parking income.
Approved savings/management of residual pressures - anticipated shortfall in delivery	1.700
Residual pressures	1.700
	Figure assumes balanced position in Resources, with £0.5m of as-yet unmitigated pressures within Place Directorate and an emerging pressure of £1.2m primarily due to increased costs of out-of-council residential and secure placements.
Whistleblowing Inquiry	0.600
	Following ratification by Council on 19 November, up to £0.6m of costs related to the Whistleblowing Inquiry will require to be met in the current year.
ALEO support (including risk contingency)	23.500
	Position shows decrease of £2m since the report to the Finance and Resources Committee on 29 October 2020, reflecting an estimated reduced in-year requirement for Edinburgh Leisure following continuation of furlough support and an expected business interruption settlement of at least £1m.
86.525	
Confirmed funding and savings:	
Confirmed COVID-19 related funding (per Appendix 2)	(23.911)
	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).
(71.903)	
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.
Business grants administration - additional funding	(0.391)
	On 17 November, the First Minister confirmed that as part of the Business Grants Strategic Framework, £5m of support would be made available to councils to reflect their role in the administration of these additional, and previous, grant funding. While allocations remain to be confirmed, it is being proposed that this sum be allocated with reference to respective shares of GAE plus SINA, the most generic basis of needs assessment.
Anticipated reduction in expenditure:	
VERA	(0.400)
	Estimated part-year effect of savings from staff release (with related severance costs met from Workforce Transformation Reserve). This sum has been revised in light of the number of applications received and the associated timing of relevant staff departures.
(7.829)	
Remaining shortfall	6.793

Potential further reductions in expenditure:

Full mitigation of residual pressures within Communities and Families and Place

(1.700) As of Period 6, a combined net pressure of £1.7m is being reported. Both Service Management Teams are, however, actively examining a range of options to bring expenditure in line with approved levels by the year-end.

Reconciliation to previously-reported position:

	£m
Position as of 29 October	5.1
Unfavourable movements:	
Net COVID costs (primarily in Waste and Cleansing, Cultural Venues and Libraries)	1.2
Net core budget pressures (Children's Services)	1.2
Net core budget pressures (Place)	0.5
Whistleblowing Inquiry expenditure	0.6
Reduction in assumed in-year VERA savings	0.6
Favourable movements:	
Reduction in required Edinburgh Leisure support	(2.0)
Business grants administration funding	(0.4)
Revised position as of 3 December	6.8

