

Finance and Resources Committee

10.00am, Thursday, 3 March 2022

Revenue Budget Update 2022/23 – Update

Executive/routine
Wards
Council Commitments

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are recommended to note:
 - 1.1.1 the outcome of the Council's budget-setting meeting on 24 February 2022;
 - 1.1.2 the updates on the provision of additional funding for 2022/23;
 - 1.1.3 nonetheless, the significant projected funding gaps in 2023/24 and subsequent years of the budget framework and the consequent need to develop corresponding savings proposals to form the basis of subsequent public engagement later in the year.

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Report

Revenue Budget Update 2022/23 – Update

2. Executive Summary

- 2.1 On 24 February, Council approved a balanced revenue budget for 2022/23. This report provides members of the Committee with both an overview of the decisions made and updates on a number of other relevant issues affecting next and future years' budgets.

3. Background

- 3.1 On 24 February, Council approved a balanced revenue budget for 2022/23 based on the Council's provisional grant funding allocation and a 3% increase in Council Tax rates.

4. Main report

Approved service investments, 2022/23

- 4.1 The approved Council budget motion includes a number of one-off (i.e. non-recurring) service investments as noted in Appendix 1. Progress in the delivery of these investments, including the associated outcomes sought and achieved, will be regularly reported to the Committee during the coming year, with the first such update scheduled for consideration on 16 June.
- 4.2 Given the extent of the projected savings requirement for 2023/24, no carry-forward of unspent elements of these investments will be permitted, with these sums instead being offset against the overall funding gap in the first instance.

Approved savings, 2022/23

- 4.3 The approved budget is also underpinned by the delivery of £19.2m of savings measures. While the vast majority of these savings are in corporate budgets and are anticipated to be realised in full, there will nonetheless be a need for Executive Directors to take appropriate remedial action during the year to manage known and emerging risks and pressures. As in previous years, quarterly in-year monitoring reports setting out the projected Council-wide position for the year will be brought

to the Committee, with these reports provisionally scheduled for consideration in September, November and January respectively.

Confirmation of grant funding allocation, 2022/23

- 4.4 Formal confirmation of the Council's grant funding allocation will be provided through approval of the Local Government Finance Order for 2022/23 which was laid in the Scottish Parliament on 23 February and a verbal update will be provided at the Committee's meeting. Although none is anticipated, any material movement from the anticipated position will be considered as part of the first in-year revenue monitoring report in 2022/23.

Additional resources for business support and low-income households

- 4.5 On 21 February, the Scottish Government announced the creation of an £80m COVID Economic Recovery Fund to support local economic recovery and address cost of living impacts on low-income households. COSLA and the Scottish Government have worked together to agree a flexible use of the funds to achieve the policy ambition through designing and delivering interventions that best meet local need. Joint principles to underpin the allocation of this funding have also been agreed. Sums will be provided in 2021/22 but are able to be carried forward to the new financial year.
- 4.6 COSLA Leaders have also agreed the associated distribution basis, with Edinburgh's estimated share being £6.435 million. The approved Council budget allocates the majority of this sum to supporting the most vulnerable households by committing to providing a cash grant of £150 to each of the 33,000 low-income households across the city at a total cost of £4.95m. In addition, £100 will be provided for every child within a low-income household, determined with reference to free school meal eligibility, at an estimated cost of £0.77m.

Additional resources for health and social care

- 4.7 On 25 February, the Scottish Government confirmed the provision of significant additional COVID-related funding to Health Boards and Health and Social Care Partnerships (HSCPs) in 2021/22. In total, a further £619m is being made available to HSCPs, with NHS Lothian receiving £114.6m, of which the provisional Edinburgh Integration Joint Board (EIJB) share is £70.3m.
- 4.8 The significant disruption to services has created a backlog of demand as well as increasing unmet need and frailty of service users. Investment is therefore needed across day care services, care at home and support for unscheduled care to keep people within the community, where possible and safe to do so, to avoid unplanned admissions and impacts on delayed discharges. Alongside this is the impact on mental health and services have therefore been stepped up through, for example, Mental Health Assessment Units. This funding will also cover sustainability payments to social care providers and additional staff costs across Health and Social Care.

- 4.9 Funds not used in 2021/22 must be carried forward in an earmarked reserve for COVID-related purposes in line with the usual accounting arrangements for Integration Authorities and used before further claims are made through the mobilisation plan process.
- 4.10 The setting of the EIJB budget is subject to a separate governance and approval process. Work on development of the 2022/23 budget is on-going, with an update anticipated to be provided at the Board's next meeting on 22 March.

Projected outturn, 2021/22

- 4.11 The approved budget for 2022/23 also assumes an overall in-year underspend in 2021/22 of £2.628m. While the position continues to be closely monitored, this remains on target to be achieved.

Teachers' pay award, 2021/22

- 4.12 Following the closing of the consultative ballot on 31 January, members of the Educational Institute for Scotland voted overwhelmingly to reject the revised employer's offer. As of the time of writing, negotiations remain on-going and an update will be provided as appropriate at the meeting.
- 4.13 Due to the tripartite nature of negotiations, the Scottish Government has agreed to meet on a recurring basis any additional sums required to secure settlement. There is a risk, however, that such a settlement may give rise to the (non-teaching) SJC group seeking to re-open its own negotiations given COSLA's professed principle of pay parity across all bargaining groups.

Pay award, 2022/23

- 4.14 Pay claims for the main bargaining groups have now been lodged. The SJC claim is for a £3,000 flat-rate increase to all spinal column points (equivalent to an overall Scotland-wide average increase of 11.6%), underpinned by a minimum hourly rate of pay of £12. The (teaching) SNCT claim is for a 10% uplift across all spinal points. The Chief Officer claim seeks an agreement that is no better and no worse than the other bargaining groups.
- 4.15 The budget framework makes provision for an average increase of 3% across all staffing groups.

Inflationary provisions, 2022/23

- 4.16 Inflation levels affect the Council's activities in a number of ways; directly through increasing prices of purchased goods and services and the level of uplifts applied to relevant contracts and indirectly through consumer spending and expectations for wage awards as noted above.
- 4.17 While in some instances the uplift to which the Council is exposed is capped, in a number of other cases the applicable uplift for 2022/23 is calculated with reference to current (high) inflation rates or, in the case of energy, influenced by extraordinary global pressures. In view of the scale of these potential pressures, an update will be provided in the report to the Committee's next meeting on 16 June.

Service concession financial flexibility

- 4.18 In late January, the Cabinet Secretary for Finance and the Economy wrote to CIPFA/LASAAC regarding local government's request for a change to the service concession flexibility. This request seeks to allow, in accounting terms, the principal element of debt repayments to be spread over the (longer) life of the asset and not the contract term, with the effective "credit" from prior years' overpayments also available to fund additional expenditure.
- 4.19 Subsequently there have been several discussions between CIPFA/LASAAC, LASAAC, Directors of Finance and civil servants to ensure there is a full understanding of the issues and context for some of the issues raised in the Cabinet Secretary's letter. The report on the Capital Accounting Review also requested by the Cabinet Secretary was shared with stakeholders for consultation until 25 February.
- 4.20 The meetings held to date make it clear that the changes requested require a change to regulation and guidance rather than the accounting code of practice. CIPFA officers have intimated that whilst CIPFA/LASAAC can offer an opinion, it is ultimately a matter for the Scottish Government to consider. Given the timescales required to lay regulations, however, the availability of any additional flexibility will not be confirmed until 2022/23. Members are reminded that the Council's approved budget does not include use of this or any other financial flexibility.

Tram concessions for Under 22s

- 4.21 As part of the Council's budget-setting meeting on 24 February, members agreed to transfer £2m of funding, representing the anticipated full-year cost of extending free travel for under 22s to Edinburgh Trams, to reserves in view of continuing discussions with the Scottish Government on this matter.
- 4.22 A corresponding report setting out the parameters of any agreed scheme going forward will be considered by the Transport and Environment Committee on 31 March.

Planning assumptions, 2023/24 and subsequent years

- 4.23 All other planning assumptions remain unchanged at this time. It is anticipated, however, that the Scottish Government will provide additional details of local government grant funding allocations for 2023/24 and 2024/25 in May, although at this stage it has not been confirmed whether these will be at council-specific level. An update will be included in the report to the Committee's June meeting.

Future years' savings requirements

- 4.24 Subject to the caveats in the preceding sections, significant incremental savings requirements are projected beyond 2022/23, amounting to £62.6m¹ in 2023/24 and increasing by a further £81m over the following three years.
- 4.25 Given these requirements, work is now underway to develop potential options to address this gap with reference to the priorities set out in the Council's business plan. These proposals will be subject to a process of co-design between the incoming administration and officers and form the basis of public consultation in Autumn 2022. Briefings will be provided to all political groups and independent councillors as this process develops.

Programme of participatory budgeting for 2022/23

- 4.26 Following the update report approved by members of the Committee on 7 October 2021, officers have continued to work with relevant services in developing a proposed programme of Participatory Budgeting (PB) activity for 2022/23.
- 4.27 While opportunities for further activity will continue to be explored, areas in scope have been agreed as follows:
- (i) Gypsy/Traveller Accommodation Fund;
 - (ii) Estate Improvement Programmes (formerly Neighbourhood Environmental Projects);
 - (iii) Road Safety, particularly more sustainable routes to school;
 - (iv) Pupil Equity and/or other attainment-related devolved education funding; and
 - (v) £eith Chooses.
- 4.28 Updates will be provided to the Committee as this work progresses.

5. Next Steps

- 5.1 Members of the Committee will be kept apprised of changes as they affect next and future years' budgets, with a further update provided to the Committee's next meeting on 16 June.

6. Financial impact

- 6.1 The report sets out the basis of a balanced position for 2022/23, based on current planning assumptions and the provisional level of grant settlement. It is important, however, not to lose sight of the more fundamental need to bring forward a comprehensive and sustainable savings plan, rooted in the Council's priorities, to address significant projected funding gaps from 2023/24 onwards.

¹ This sum includes £2.5m of additional sums payable in respect of the extension of free travel to under 22s for both the current tram line and the extension. Application of this funding is subject to the result of the consideration at Paragraph 4.21.

7. Stakeholder/Community Impact

- 7.1 There is no direct relevance to the report's contents, although proposals brought forward as part of the exercise above will be the subject of full public consultation later in the year.

8. Background reading/external references

- 8.1 [Coalition Budget Motion 2022/23](#), The City of Edinburgh Council, 24 February 2022
- 8.2 [Revenue Budget Framework 2022/27 – Progress Update](#), Finance and Resources Committee, 3 February 2022
- 8.3 [Revenue Budget 2022/23 – Risks and Reserves](#), Finance and Resources Committee, 3 February 2022
- 8.4 [Participatory Budgeting: Progress Update](#), Finance and Resources Committee, 7 October 2021

9. Appendices

- 9.1 Approved additional service investments, 2022/23

Approved one-off service investments, 2022/23

	£000
Improvements to HR systems	2,000
Easing the cost of living crisis	1,100
Deep cleaning the city, graffiti removal and street cleaning	1,072
Roads and pavements maintenance	1,000
Children's Services - additional investment	1,000
Net-zero	500
Social care adaptations	500
Park facilities improvements	450
Play parks (CFCR)	325
Neighbourhood Action Team	250
Local community festivals and events	200
Energy for Edinburgh	200
Temporary toilets in premier parks	200
Hostile vehicle mitigation barriers	180
Taxi regulation and enforcement	160
Short-term lets regulation and monitoring	150
Food growing	130
Defibrillators in schools	112
Participatory Budgeting support	100
Portobello Kilns restoration	61
Pentland Park rangers	60
Libraries re-opening support	60
"Forever Edinburgh" website development	50
Total	9,860