

# Policy and Sustainability Committee

10.00am, Thursday, 28 May 2020

## Revenue Budget 2020/21 Update

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

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- 1.1 Members of the Policy and Sustainability Committee are asked to note:
  - 1.1.1 the progress to date in delivery of the approved savings and assumed management of residual pressures underpinning the 2020/21 budget;
  - 1.1.2 the significant updated estimated expenditure and income impacts of the COVID-19 pandemic on the Council and its ALEOs' activities and the potential sources of offsetting funding identified to date;
  - 1.1.3 that the Council will continue to submit regular updates to COSLA on these expenditure and income estimates with a view to informing negotiations with both the UK and Scottish Governments;
  - 1.1.4 that further monthly updates will be provided to elected members as greater certainty is obtained in these areas; and
  - 1.1.5 that the content of the revenue and capital budget frameworks will likely be subject to change as part of the Adaptation and Renewal programme once the on-going impacts of current disruption become clearer.

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# Report

## Revenue Budget 2020/21 Update

### 2. Executive Summary

- 2.1 Following the initial assessment considered by the Leadership Advisory Panel on 23 April, the report updates members on the current assessment of approved savings delivery, management of service pressures and, most materially, the emerging cost and income aspects of the coronavirus pandemic on the Council and its ALEOs' activities.
- 2.2 Even after taking account of available sources of external and internal funding, the report points to a significant overall potential funding gap in 2020/21 of up to £56.5m as comprised below, with the enduring impacts also likely to require a re-assessment of both the content and affordability of the 2020/23 revenue budget framework and ten-year capital budget strategy.

<b>Additional net expenditure pressures:</b>	<b>£m</b>	<b>£m</b>
Estimated COVID-19-specific expenditure and income (including ALEOs)		85.9
Approved savings - anticipated shortfall in delivery		7.5
Residual pressures		8.0
		<b>101.5</b>
<b>Potential funding:</b>		
Confirmed COVID-19 related funding	(17.7)	
2020/21 budget - unallocated additional monies	(5.0)	
Use of earmarked reserves	(11.2)	
	<b>(33.9)</b>	
<b>Further potential timing-related savings</b>	<b>(11.0)</b>	
<b>Remaining shortfall</b>		<b>56.5</b>

### 3. Background

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- 3.1 On 20 February 2020, Council approved a balanced revenue budget for 2020/21 and indicative balanced budgets for the following two years, based on assumptions around future grant funding levels. The approved 2020/21 budget is underpinned by the delivery of £34.9m of savings, as well as management of residual pressures of around £15m once account is taken of additional investment included within the budget framework.
- 3.2 As in previous years, staff within Finance have undertaken an initial in-year assessment of progress in developing accompanying implementation plans to deliver these savings and manage remaining pressures. The results of this assessment formed part of a revenue budget update report to the Leadership Advisory Panel (LAP) meeting on 23 April, indicating that, as of that time, some £15m of required measures were at risk of delivery without the taking of additional, or alternative, actions.
- 3.3 In view of the profound and still-emerging impacts of the COVID-19 pandemic, however, the report's primary focus was on the related cost and income implications for the Council. This analysis highlighted a significant residual funding gap under each of the scenarios of service disruption presented, even before taking account of the impact on the Council's arm's length external organisations (ALEOs).
- 3.4 Given the extent of these funding gaps, this report provides a further update on the overall position, including details of the provisional outturn for 2019/20, and sets out a broad framework for working towards narrowing the residual gap for 2020/21 by the end of June whilst acknowledging the likely need for a more fundamental reassessment of savings achievability and current priorities over the medium-term in developing a balanced budget for the three-year period from 2021/22.

### 4. Main report

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#### Coronavirus expenditure and income impacts

- 4.1 The report to the LAP on 23 April presented two disruption scenarios, with one based on a three-month shutdown but quick resumption thereafter and the other assuming a similar three-month shutdown followed by a gradual return towards pre-pandemic activity levels over the following three months. It was emphasised at the time that the longer scenario (which is consistent with the modelling assumptions of the Office for Budget Responsibility) was considered more likely and this has been borne out by subsequent events. **On that basis, other than where specifically stated otherwise, this longer scenario is referenced in the sections that follow.** In both cases, however, it was acknowledged that post-COVID operations are likely to look significantly different from current activity, reinforcing the need to re-examine the longer-term position and, where necessary, reconsider current priorities.
- 4.2 These estimates and the associated financial modelling have continued to be the subject of refinement and review, particularly as the timetable and basis on which the Council's activities might resume becomes somewhat clearer. Finance-related

risks are also being actively tracked as part of wider COVID-19 risk management arrangements.

### **COVID-19 expenditure and income impacts – Council services**

- 4.3 **Appendix 1** summarises the updated estimates of the main areas of increased expenditure and reduced income for Council services resulting from the emergency situation. While the presentation is intentionally similar to that used in the earlier LAP report, the analysis now also explicitly captures additional expenditure and reduced income impacts of some £2.3m in 2019/20 which, along with the full loss of the £6m budgeted Lothian Buses dividend, form part of the outturn position for the year.
- 4.4 Inclusive of the 2019/20 impacts above, this updated forecast indicates net additional costs of £44.6m. These totals reflect the main costs identified across the Communities and Families, Place and Resources Directorates, as well as an anticipated reduction in levels of Council Tax collection and decreased growth in the Council Tax base. They do not, however, reflect any impacts on the Edinburgh Integration Joint Board (EIJB), for which separate funding arrangements are in place and are covered later in this report.
- 4.5 The overall cost is expressed net of assumed savings in energy, non-domestic rates and other staffing costs. It is anticipated that there may additionally be savings in (i) short-term employee costs given reductions in recruitment activity, (ii) agency and overtime expenditure later in the year given the Council's reduced scale of activity, particularly in the summer months and (iii) payments to home-to-school transport and other contracted providers, based on the premise of meeting only actual costs incurred that are not funded by other means. Work is also continuing to explore any further available non-domestic rates relief for temporarily-closed Council buildings.
- 4.6 The updated figures shown reflect net increases of £3.8m (three-month scenario) and £6.7m (six-month scenario) relative to the figures reported to the LAP on 23 April; the main elements comprising these changes are summarised in **Appendix 2**.

### **Delivery of approved savings**

- 4.7 On 20 February, in setting the 2020/21 revenue budget, members of Council approved the delivery of some £34.9m of savings. **Appendix 3** summarises the current Finance deliverability assessment of these savings, with £7.5m viewed as unlikely to be delivered.
- 4.8 This headline sum includes a combined £3.1m shortfall against the efficiencies and income maximisation workstream, with the remainder reflecting a combination of insufficiently-scoped implementation plans, enforced delays in implementation (such as in the case of staffing reviews), service unavailability (where savings are dependent on income generation) and potential changes in immediate Council priorities (such as investment in Economic Development).

- 4.9 Given that slippage against a number of these savings is now almost inevitable, it is vital that any further deterioration is, wherever possible, avoided and action taken as soon as practicable to develop outstanding implementation plans for those savings not affected by the coronavirus outbreak. In those cases where full delivery cannot now be achieved, identification of offsetting savings measures and/or acceleration of approved measures from later years of the budget framework will be required to ensure that, subject to a likely broader need to re-assess its priorities, the Council's financial sustainability is not compromised.
- 4.10 Executive Directors have therefore been asked to identify potential options that would address, in full, anticipated shortfalls in savings delivery and these will be reported to the Committee's following meeting on 25 June.

#### **Management of residual service pressures**

- 4.11 Estimated 2019/20 residual budget pressures for all Directorates have also been assessed, with the position summarised in **Appendix 4**. While significant additional investment was included in the approved budget framework, given the extent of underlying pressures, services required to identify a further £15m of mitigating measures to allow this sum to provide, in full, for increases in underlying demand. As of early May, £8m of unmitigated pressures remained, corresponding actions for which similarly require to be found to maintain the integrity of the budget framework.
- 4.12 Most residual pressures have arisen from non-delivery of previously-agreed savings and efficiencies. In this context, the requirement for management actions to be delivered, or substituted, is critical and a refresh of implementation plans is urgently needed. As with savings shortfalls above, Executive Directors have been requested to bring forward options to mitigate fully these residual pressures and these will be considered at the next meeting of the Committee on 25 June.

#### **Council Companies and Arm's Length Organisations (ALEOs)**

- 4.13 In addition to the direct expenditure and income impacts on the Council, there are significant anticipated income implications for the Council's companies and ALEOs insofar as these affect the Council's budget. Estimates of these sums necessarily reflect assumptions around external sources of funding support, particularly financial assistance for furloughing the majority of staff as part of the Coronavirus Job Retention Scheme (CJRS). Even when restrictions are eased, services are also likely to resume on a phased basis, with continuing social distancing requirements, public attitudes, market capacity and competitor reaction all affecting future income forecasts.
- 4.14 With these important caveats, the current estimated potential calls on the Council in respect of lost income or other required financial support are £41.3m. This sum includes the confirmed loss of the £6m Lothian Buses dividend in 2019/20.

#### **Total expenditure pressures – Council and ALEOs**

- 4.15 Taken together, COVID-19 related expenditure or income losses, anticipated shortfalls in approved savings delivery and unmitigated residual pressures in 2020/21 total **£101.5m**. Given the magnitude of these combined pressures, radical

action continues to be required whilst redoubling efforts to impress upon the UK and Scottish Governments the gravity of the financial impact for local government services both in the immediate and longer term.

### **Available external funding**

- 4.16 **Appendix 5** summarises additional external funding received to date as part of the Scottish Government's emergency response. Excluding those sums with corresponding direct additional expenditure liabilities (including the Scottish Welfare Fund), £17.7m is available to contribute towards COVID-related costs.
- 4.17 While, at the time of writing, Edinburgh's precise allocations remain to be confirmed, these sums additionally now reflect estimated shares of the following funding streams:
- (i) **further Barnett Consequentials of £155m** resulting from the provision of £1.6 billion of additional resources to councils in England. These sums will be passed on in full to Scottish local authorities, with Edinburgh's allocation, based on its share of Scotland-wide Grant Aided Expenditure (GAE) and Special Islands Needs Allowance (SINA), being £12.1m; and
  - (ii) **£0.6m of further Scottish Government funding to facilitate temporary seven-day registrar facility opening**, with Edinburgh's share being £0.057m. The related costs are included in Appendix 1.
- 4.18 In total, £235.6m of additional external funding (comprising £50m for the previously-announced Hardship Fund, £30m for the Food Fund and the two sources above) has now been made available to councils in Scotland.

### **Scotland-wide cost and income modelling**

- 4.19 Given the scale of the immediate financial impacts and potential ramifications for councils' longer-term financial sustainability (and consequent ability to contribute towards national objectives and Scotland's recovery from the pandemic), work has also continued apace to develop, through COSLA, consistent tracking arrangements across Scotland.
- 4.20 A template has been circulated to all councils and updates will be provided to COSLA and SOLACE every two or three weeks, with the first two submissions already made. The cost and income implications for the Council, albeit in aggregated form, will therefore also be captured through this exercise and their magnitude conveyed to the Scottish and UK Governments to inform consideration of further funding provision and/or re-assessment of, or flexibility in, the delivery of previously-agreed or planned national commitments.
- 4.21 Based on councils' initial funding submissions for the **three-month period to the end of June**, however, the total of £235.6m of external funding confirmed to date amounts to only around 71% of the identified need of £331m. Edinburgh has, however, a higher proportionate share of this total need (and hence a larger shortfall) due, in particular, to the scope and nature of the Council's ALEOs and its level of parking income and other fees. **This overall funding gap will only increase as the period of disruption, as seems highly likely, continues.**

## Potential further internal funding sources

- 4.22 As summarised in **Appendix 6**, taking into account an assumed £2m contribution to the EIJB and recently-approved funding of £0.4m to meet Marketing Edinburgh's transitional costs, £5m of the as-yet unallocated 2020/21 budget monies could, subject to member approval, be made available to offset any funding shortfall. Initial analysis of the Council's available earmarked reserves has indicated that up to £11.2m could also be made available to offset relevant costs.
- 4.23 Alongside the £17.7m of external funding, these measures provide a total of £33.9m to address the net expenditure requirements set out in Paragraph 4.15, resulting in a remaining shortfall of £67.5m. On this basis, further analysis of (primarily) non-service budgets has been undertaken to identify timing-related and other savings that could contribute towards this requirement. This analysis suggests that up to £11m could be made available through these sources, with the elements comprising this total set out in Appendix 6.
- 4.24 These measures, if all applied, would have the effect of reducing the remaining funding gap to £56.5m as comprised below, of which around three-quarters relates to the Council's ALEOs. Opportunities to identify further non-service savings, the majority of which will similarly be one-off in nature, will therefore continue to be examined.

<b>Additional net expenditure pressures:</b>	<b>£m</b>	<b>£m</b>
Estimated COVID-19-specific expenditure and income		85.9
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<b>Potential funding:</b>		
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<b>Remaining shortfall</b>		<b>56.5</b>

- 4.25 More fundamentally, given the magnitude of the funding deficit, options to reduce service levels significantly in non-priority areas may also require to be considered.
- 4.26 If, after some or all of these measures have been applied and further representations made to the UK and Scottish Governments, a shortfall still remained, it would be possible to apply up to £13m from the Council's unallocated general reserve. This would, however, require to be replenished through the identification of further savings in future years.

- 4.27 In the meantime, the Council Leader has written to the Cabinet Secretary for Finance to highlight the pressures on a number of the Council's ALEOs, particularly in view of the vital role of Lothian Buses and Edinburgh Trams in driving forward the city and Scotland's recovery. While reiterating the range of support currently in place, the response indicated a willingness to explore how further support might be provided, subject to wider commitments on the Scottish Budget.

#### **Provisional 2019/20 outturn**

- 4.28 The period eight forecast reported to the Finance and Resources Committee on 23 January 2020 pointed to a projected balanced overall position, including unplanned additional use of earmarked Council reserves of some £8m.
- 4.29 While the actual outturn in Directorates and across centrally-held budgets showed a subsequent improvement by the year-end of **£2.5m**, these savings were outweighed by some £8.3m of COVID-19 impacts, most materially the loss of the budgeted Lothian Buses dividend (£6m) and reductions in parking income. Of this total, £0.6m of expenditure was assumed to be met from the Hardship and Food Funds, resulting in a net COVID-related pressure of **£7.7m**. Taken together, these two factors contributed to an **overall provisional in-year overspend of £5.2m**, being the first time in thirteen years in which expenditure has exceeded budgeted levels and a clear indication of the likely need for much more difficult decisions going forward.

#### **2019/20 in-year use of reserves**

- 4.30 In addition to requiring to draw this remaining overspend balance of £5.2m from reserves, the outturn position above already reflects unplanned use of earmarked Council and IJB reserves totalling almost £10m, meaning that some £15m of reserves will additionally have been utilised in 2019/20 alone. This approach is clearly not sustainable, with any use of general reserves furthermore requiring reinstatement by means of additional savings.

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

- 4.31 The cost and income estimates above do not include those for the EIJB which are captured in the Health and Social Care Partnership's Mobilisation Plan. The latest iteration of the plan indicates full-year expenditure of some £46.5m, around half of which relates to other community care costs, although this estimate continues to be refined as the immediate and medium-term impacts of the pandemic become clearer.
- 4.32 While discussions with the Scottish Government on the details of these mobilisation plans that will inform future funding allocations are continuing, the Cabinet Secretary for Health and Sport has announced a £50m first tranche of Scotland-wide funding to support the health and social care response to COVID-19. This initial funding allocation is based on the National Revenue Allocation Committee (NRAC) needs-based formula used to distribute resources to health boards, with the intention that it support the immediate challenges in the social care sector. The Edinburgh Health and Social Care Partnership's allocation of this sum is £4.056m.

4.33 The Chief Officer and her team also continue to develop the EIJB plan and associated savings and recovery programme necessary to deliver a balanced budget position for 2020/21. An update report was considered by the Board on 28 April and set out a revised projected savings target of £12.2m. Inclusive of the in-principle Council contribution noted at 4.22 above, potential further actions and contributions of £7m have been identified, resulting in a residual potential in-year deficit of £5.2m. An additional range of schemes will continue to be investigated to address the remaining shortfall.

#### **Later years of the budget framework**

4.34 As noted above, the medium- and longer-term impacts of the pandemic on the Council's services will be considered as part of the wider Adaptation and Renewal Programme, a report on which is included elsewhere on today's agenda. As attention turns to the recovery phase, it is also important to re-assess the assumptions underpinning the Council's three-year budget and ten-year Capital Budget Strategy approved on 20 February 2020.

4.35 Assessment of the implications for the capital programme is necessarily at an earlier stage, including considering cost impacts of current programme delay, availability of funding, the influence of continuing social distancing on future construction costs and potential wider changes in Council priorities. It is anticipated that a more detailed update on the Capital Budget Strategy will be considered by the Policy and Sustainability Committee on 25 June.

4.36 While the pandemic may similarly hasten a wholesale review of revenue priorities, a number of more immediate issues with regard to deliverability of the measures planned to balance the budget in the two later years of the three-year framework have been identified.

4.37 Initial analysis of the underpinning assumptions and savings approved for delivery as part of the 2021/22 and 2022/23 revenue budget indicates a number of measures, delivery of which may now require to be reassessed. These include the assumed on-going receipt of the Lothian Buses dividend, application of an IJB savings target and future increases in Council Tax and other fees and charges levels.

4.38 These sums have the potential to increase further should in-year pressures (including greater demand in such areas as homelessness) and shortfalls in savings delivery not be managed on a sustainable basis in future years. In addition, due to the wider economic outlook and consequent increase in public expenditure and reduction in taxation revenues, there may be implications for future years' revenue funding settlements.

#### **Adaptation and Renewal Programme – finance-related aspects**

4.39 An initial budget impact and savings assessment workstream has been scoped, focusing at this stage on the "now" and "near" phases whilst acknowledging the need for close and continuing alignment with the "far" and "beyond" stages. This workstream will continue to focus, during the period to the end of June, on the

short- and medium-term budget impacts of current service disruption, including consideration of both the resulting additional expenditure and losses of income. It will also, however, examine more inherent and structural issues, such as management of service pressures and delivery of approved savings, and, in particular, focus on developing and assessing options brought forward by Directorates to address these. **Addressing these pressures and shortfalls on a recurring basis is vital to maintaining the integrity and sustainability of the budget framework.**

- 4.40 Building on these foundations, the period to the end of June will aim to identify means of moving towards narrowing the residual gap for 2020/21, representing the culmination of the stabilisation phase and setting out the foundations of a transition to the following consolidation phase.

#### **Senior officer and elected member scrutiny**

- 4.41 A supporting programme of senior officer and elected member scrutiny will be put in place, at this stage, for the period to the end of September, with monthly updates provided to both Corporate Leadership Team and the Policy and Sustainability Committee. Looking to the “far” term, the current financial strategy will also be refreshed to complement the re-setting of the Change Strategy that will underpin the development of a revised draft 2021/24 three-year budget by the autumn.

#### **Priority actions**

- 4.42 As noted above, in the immediate term, the first priority will focus on working with Directorates to identify and assess options brought forward to address, in full, key residual budget pressures and savings delivery shortfalls. *Even under the shorter disruption scenario, however, this of itself will be insufficient to address the in-year funding gap.*
- 4.43 In order to address the remaining shortfall, these actions will need to be accompanied by (i) rigorous scrutiny of all discretionary spend, overtime and agency expenditure and (ii) an enhanced focus on identifying additional savings resulting from the Council’s reduced scale (and prioritisation) of activity in both the immediate and medium-term. These will require to be undertaken against a backdrop of continuing representations to the Scottish and UK Governments on the potentially-catastrophic longer-term impacts of not adequately funding local government at this time.
- 4.44 Likely recurring increases in service demand in some areas will also require the adoption of a more explicitly preventative approach, particularly in view of the potential for recurring waves of infection, at least into the medium term.

## **5. Next Steps**

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- 5.1 The costs and income impacts of the Coronavirus pandemic will continue to be actively tracked and refined as additional clarity is received on the timing and nature of any relaxation of current lockdown restrictions. These estimates will be shared with COSLA and form part of on-going liaison and negotiation with the Scottish and UK Governments around the provision of corresponding funding.

- 5.2 As noted in the main report, Executive Directors have also been asked to prioritise development of additional measures to offset in full savings delivery shortfalls and residual service pressures. The impact of these measures, alongside any further available non-service savings, will continue to be regularly reported to elected members.

## **6. Financial impact**

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- 6.1 The report sets out a range of significant expenditure pressures, both in respect of Council services and impacts on the activities of the Council's ALEOs. While a number of potential funding sources and other measures (including consideration, wherever possible and appropriate, of rental payment deferrals rather than abatements) have been identified to address, at least in part, these shortfalls, it is likely that the wider budget framework will require to be re-assessed, including the impacts of COVID-19 on the Council's capital investment programme.

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

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- 7.1 There is no direct relevance to the report's contents although the scale and coverage of these impacts will require extensive and continuing engagement with key stakeholders as the city enters the recovery phase.

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

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

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

Appendix 1

Broad assumption is that services are shut down fully for three months, before gradually returning to normal over following three-month period. All projections remain subject to considerable uncertainty as both the pandemic and associated UK and Scottish Government responses develop, with the longer-term implication similarly unclear.

Service Area	Potential Impact	2019/20	Initial impacts	Further impacts	Total
		Actuals	April to June	July to September	Value
		Column1	Value	Value	Value
			£m	£m	£m
<b>Increases in expenditure</b>					
Homelessness Services	Additional temporary accommodation costs required to observe social distancing but with potential for further liabilities to emerge and/or for requirements to become recurring.	0.015	1.933	0.967	2.915
School meals/community food advice and distribution	Six-month loss of school meals income is offset by reduction in food costs for regular service; cost therefore represents continuing payment for children eligible for free school meals. Remaining sum includes provision for income support measures and food distribution to vulnerable and/or at-risk groups. Six months' figures assume, at this stage, continuation of current FSM voucher arrangements but position (and associated funding) for summer holiday period remains to be clarified.	0.122	1.529	0.730	2.381
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; additional costs of internal provisioning for enhanced capacity to isolate; costs of additional placements due to illness and self-isolation; and emergency respite for children with disabilities.	0.005	1.635	0.560	2.200
Resources - Customer	Knock-on impacts on delivery of planned savings-mitigating measures dependent on staffing reviews and ICT developments - three months' assumed delay.	0.000	0.684	0.401	1.085
Street lighting	Increased energy and prudential borrowing costs due to delay in roll-out of LED programme	0.000	0.275	0.120	0.395
Additional security costs	Council Resilience Centres, Homelessness Accommodation and Temporary Mortuary	0.000	0.150	0.000	0.150
Temporary mortuary hire	Including provision for additional direct staffing	0.000	0.110	0.000	0.110
Other incident-related costs	Including ICT, PPE, additional supply teacher and Registrar's Service staffing, payment to Volunteer Edinburgh and food packages until the end of June for shielded groups not eligible for support through the Food Fund (current combined actuals and commitments c£1.2m). Discussions are continuing with the Scottish Government to fund elements of ICT-related expenditure from sums redirected from the Council's 2019/20 PEF allocation (this funding is not reflected in these figures). Figure for PPE takes account of sums included in Health and Social Care Partnership Mobilisation Plan.	0.398	1.458	0.130	1.986
<b>Total increases in expenditure - Council (excluding Health and Social Care)</b>		<b>0.540</b>	<b>7.774</b>	<b>2.908</b>	<b>11.222</b>
<b>Reductions in income</b>					
Parking Income - on-street	Loss of income from on-street car parking due to suspension of city-wide parking charges. 2019/20 figure represents full parking income loss.	1.264	5.685	2.925	9.874
Rental income - Council-owned properties	Increased risk of non-recovery of rental income due to economic downturn, partly linked to reduced tourism. Due to likelihood of subsequent tenant insolvency and delays in re-letting, an 80% rental loss is assumed in each of the next two quarters (as of early May, only 5% of rental due for quarter to the end of June has been received). All opportunities will be examined, however, to utilise rental deferral rather than abatement wherever appropriate.	0.000	3.000	3.000	6.000
Council Tax (collection rate)	Reduced income due to ability to pay and consequent increase in bad debts, with overall full-year 2020/21 collection rate assumed to fall by 1%. Likely increase in uptake of CTRS, for which additional funding will be made available by Scottish Government. Impacts on collection rates will also be the subject of detailed national modelling.	0.000	1.550	1.550	3.100
Place (various)	Net loss of income - including pest control and scientific services, tables and chairs income, cruise liner berthing fees and museum and galleries donations, admissions and rents.	0.121	1.336	1.065	2.522
Licensing	Refunds/extensions for all licences, including cab, liquor and HMO (NB these costs are expressed gross before any potential offsetting by means of earmarked reserves).	0.024	1.150	1.150	2.324
Parking Income - enforcement	Enforcement and bus lane cameras Penalty Charge Notice reductions	0.000	1.342	0.671	2.013
Parking - residents' and other permits	Loss of income for residents', retailers', business and trade permit schemes and associated non-enforcement	0.000	1.040	0.635	1.675
Council Tax (base)	Reduction in Council Tax buoyancy due to temporary cessation of construction activities and subsequent economic slowdown. Overall assumed reduction of 0.5% for year split equally across three- and six-month periods.	0.000	0.775	0.775	1.550
Building Standards	Loss of warrant income as construction industry shuts down	0.000	1.000	0.525	1.525
Cultural venues	Loss of income - sales, rentals, admissions and rents	0.080	0.631	0.631	1.342
Planning	Reduction in planning applications submitted due to construction shutdown	0.000	0.750	0.375	1.125
Outdoor Centres	Loss of fees and charges income (assumes not recoverable from insurance)	0.000	0.658	0.203	0.861
Parks and Greenspace	Losses of income - events, trading stances, park leases, rechargeable tree works, nursery sales, timber sales, Edinburgh Leisure recharge	0.000	0.312	0.477	0.789
Waste and Cleansing	Additional RCVs, fuel, external contractors, PPE, etc.	0.025	0.256	0.107	0.388
Community Access to Schools	The pressure has been assessed on the assumption there will be no lets until October, resulting in no income. There are no staff costs as all relevant EL staff are furloughed and pay reduced to 80%. Figures are based on estimates provided by EL. The impact of furloughing staff for three months is likely to mean no bookings administration in place to process August onwards lets; when lets could start again is unknown at this stage.	0.085	0.100	0.100	0.285
Communities and Families (other)	Loss of income from adult education classes, libraries fees and charges, sports clubs, external funding	0.134	0.081	0.048	0.263
Refunds/discounts for cancelled services - garden waste	Costs of extending current-year permits by further six weeks	0.000	0.113	0.000	0.113
<b>Total reductions in income - Council (excluding Health and Social Care)</b>		<b>1.733</b>	<b>19.779</b>	<b>14.237</b>	<b>35.749</b>
<b>Savings in expenditure</b>					
Energy	Savings in gas, electricity and water costs across corporate building estate based on indicative analysis by Energy Management Unit	0.000	(0.920)	(0.300)	(1.220)
Non-Domestic Rates	Savings relative to budget framework provision following effective freezing of NDR poundage for 2020/21	0.000	(0.500)	0.000	(0.500)
Schools	Staffing cost savings	0.000	(0.230)	(0.115)	(0.345)
Learning and Development	Cancellation of Learning and Development programme during 'lockdown' - assume three months of no programme, one month to re-instate programme and two months at 50% capacity.	0.000	(0.233)	(0.059)	(0.292)
<b>Total savings in expenditure (excluding Health and Social Care)</b>		<b>0.000</b>	<b>(1.883)</b>	<b>(0.474)</b>	<b>(2.357)</b>
<b>Total net additional costs</b>		<b>2.273</b>	<b>25.670</b>	<b>16.671</b>	<b>44.614</b>

Notes

- Potential Early Years pressures of £4.6m by Month 6 (primarily representing compensation for lost fee income for partner providers) is assumed to be funded from redirected expansion monies and/or provider staff costs met through the Coronavirus Job Retention Scheme.
- Current Audit Scotland guidance is to continue to process staff-related recharges to the Housing Revenue Account (HRA) and Capital Investment Programme; as a result, no loss of income to the General Fund revenue budget is assumed at this stage but this may affect the affordability of the capital programme going forward.
- Work is also continuing to assess potential direct impacts upon the HRA, including likely increases in rent arrears.
- Further costs may be incurred in the short-term for additional overtime, agency and acting-up costs but these are assumed to be offset by subsequent reductions linked to the Council's focus on core services.
- The above analysis focuses on revenue income and expenditure; work to assess the potential implications for the capital programme is necessarily at an earlier stage but with an intention to present an initial assessment to the Policy and Sustainability Committee on 25 June.
- Costs associated with the Health and Social Care are subject to separate analysis and funding.

## Principal changes in Covid-related expenditure and income estimates since April assessment

	Three-month scenario	Six-month scenario
	Increase/(decrease) in net overall costs	
	£m	£m
<b>Parking</b> - incorporation of March 2020 actual income shortfall relative to projections	1.3	1.3
<b>Council Tax</b> - reduction in tax base buoyancy due to cessation of construction activities and subsequent economic slowdown	0.8	1.6
<b>Licensing</b> - restatement of income losses on gross basis	0.9	1.7
<b>Other incident-related costs</b> - increases in estimated Personal Protective Equipment (PPE) and food shielding packages expenditure	0.9	0.7
<b>Food Fund</b> - assumed continuing FSM provision during summer holiday period (funding arrangements to be clarified)	0.0	0.7
<b>Place income</b> (various)	0.5	0.8
<b>Other net increases</b> (various)	0.7	1.7
<b>Edinburgh Roads Services - removal of capitalised salaries income</b> shortfall based on provisional Audit Scotland guidance	(1.3)	(1.8)
<b>Total</b>	<b>3.8</b>	<b>6.7</b>

Approved Saving	Service Area	2020/21 Saving	Impact of Covid-19 - three months shutdown		Further impact of three months' activity @ 50%	Notes
			Total deliverable	Total non-deliverable		
		£m	£m	£m	£m	
Heritage Language	C&F	0.021	0.021	0.000	0.000	
Scottish Government Framework for Electricity and Gas	C&F	0.060	0.060	0.000	0.000	
Early Years (restructure of staffing)	C&F	0.600	0.000	0.600	0.000	Changes need to happen by August 2020; Covid-19 will stop the work required to recruit the Early Years Practitioners. Changes would not take place during the academic year.
Edinburgh Leisure Service Payment	C&F	0.500	0.500	0.000	0.000	
Police Funded Officers	C&F	1.600	1.600	0.000	0.000	
Quality Improvement Officers	C&F	0.120	0.120	0.000	0.000	
School Efficiencies (DSM)	C&F	1.200	1.200	0.000	0.000	
Continuation of RPI+2%	C&F	0.246	0.160	0.086	0.037	Further analysis underway but as most of the increase relates to community access and adult education, assume no income for April - June. Limited income in summer holidays. Adult education income starts in September, community access in mid-August.
Library books - return to original library	C&F / Resources	0.100	0.026	0.074	0.000	Vacant post still achievable.
Strategy and Communications Workforce Savings	CE	0.100	0.100	0.000	0.000	
Borrowing Costs	Corporate	4.000	4.000	0.000	0.000	
Procurement	Corporate	0.100	0.100	0.000	0.000	
EDI Dividend	Corporate	(1.047)	(1.047)	0.000	0.000	
Council Tax	Corporate	5.100	5.100	0.000	0.000	While a decrease in the overall collection rate is anticipated, this is not explicitly linked to the 4.79% rise and is thus captured separately in Appendix 1.
LOBO Efficiency	Corporate	0.600	0.600	0.000	0.000	
Loans Fund Review	Corporate	10.000	10.000	0.000	0.000	
Council Company Dividends	Corporate	0.250	0.250	0.000	0.000	
Continuation of RPI+2%	Council-wide	0.050	0.050	0.000	0.000	
Efficiencies Programme	Council-wide	2.000	0.000	2.000	0.000	
Optimal workforce efficiency - agency/overtime	Council-wide	0.250	0.000	0.250	0.000	
Pay-related allowances	Council-wide	0.200	0.000	0.200	0.000	
Water Coolers - remove stand alone coolers	Council-wide	0.055	0.000	0.055	0.000	
Mobile phones - reduce specification and volume of devices	Council-wide	0.050	0.000	0.050	0.000	
Review of car parking costs	Council-wide	0.050	0.050	0.000	0.000	
Travel and Mileage (review)	Council-wide	0.200	0.200	0.000	0.000	
Income Maximisation	Council-wide	0.500	0.000	0.500	0.000	
Improving management of Procurement and Contracts	Council-wide	0.100	0.100	0.000	0.000	
Auto renewal of registrations and permits	Council-wide	0.100	0.075	0.025	0.025	
Chief Officers and Senior/Middle Management Review	Council-wide	0.513	0.385	0.128	0.129	
Continuation of RPI+2%	Place	0.958	0.490	0.468	0.075	
Statutory Consents	Place	0.035	0.025	0.010	0.005	
Economic Development	Place	0.500	0.300	0.200	0.000	
New ways of working-Public Safety and Business Continuity	Place	0.130	0.065	0.065	0.000	
Area-based Regeneration	Place	0.500	0.200	0.300	0.050	
Parking Action Plan Phase 2	Place	0.118	0.038	0.080	0.008	
Marketing Edinburgh	Place	0.490	0.490	0.000	0.000	
Transport for Edinburgh	Place	0.400	0.000	0.400	0.000	
Joint Waste	Place	0.325	0.000	0.325	0.000	
Revenue and Capital (road maintenance)	Place	(0.500)	(0.500)	0.000	0.000	
Night Noise team	Place	0.100	0.000	0.100	0.000	
Culture Service (Income Maximisation)	Place	0.112	0.000	0.112	0.000	
Development and Business Services Operating Model	Place	0.850	0.500	0.350	0.100	
Scientific, Bereavement and Registration Services	Place	0.090	0.000	0.090	0.000	
Roads - Revenue to Capital(one off)	Place	0.500	0.500	0.000	0.000	
Continuation of RPI+2%	Resources	0.246	0.087	0.159	0.029	Assume six months then four months of additional income achievable, less £72,000 non-achievable income target for RPI uplift for school meals due to no increase being applied.
CGI - further contract efficiencies	Resources	0.600	0.600	0.000	0.000	The savings remain dependent upon contract negotiations with CGI, with key dependencies around ERP.
Advertising Income	Resources	0.300	0.000	0.300	0.000	
Other efficiencies - ICT/CGI Partnership	Resources	0.150	0.150	0.000	0.000	
Digital delivery	Resources	0.250	0.250	0.000	0.000	
Edinburgh Shared Repairs - Management Resource & Income Generation	Resources	0.190	0.095	0.095	0.048	Anticipated employee savings and income reduced to reflect period of lockdown then three-month recovery.
Facilities Management	Resources	0.500	0.500	0.000	0.000	As saving is a reduction in reactive Repairs and Maintenance which is an internally ring-fenced programme over five years from 2018 to 2023, it is anticipated this reduction can still be applied.
Resources Directorate Workforce Savings	Resources	0.408	0.408	0.000	0.000	While there may be a delay in realising these specific savings, delays in recruitment across the Directorate are likely to result in equivalent savings being delivered elsewhere.
<b>Total</b>		<b>34.870</b>	<b>27.848</b>	<b>7.022</b>	<b>0.506</b>	

## Residual budget pressures (after provision of additional £10.37m in budget framework)

## Appendix 4

Pressures	Residual Pressure following mitigating action	New Pressures	Total	Description/Additional Notes
	£m	£m	£m	
Home to School Transport	0.750	0.000	0.750	Work is ongoing on new initiatives and there may be a full-year benefit of 2019/20 actions but further assessment is required. The assessment will include estimated impacts of rising school rolls for 2020/21 academic year.
Schools Non-Devolved Costs	0.600	0.000	0.600	This relates to grounds maintenance, cleaning materials and trade waste. Actions are being taken to review service levels and processes, however, at this time there are no agreed actions that suggest this pressure will reduce significantly.
Efficiencies - Management Savings and Workforce Management	0.400	0.000	0.400	The saving expected from the S&LL/Place review is now in doubt as a result of the postponement of the review due to Covid. The £0.4m shown is the full benefit expected so should the review be implemented and staff released prior to 31st March 2021, some savings would be delivered.
Community Access to Secondary Schools	0.380	0.000	0.380	This pressure has been reducing by approximately £0.1m a year as price harmonisation with Edinburgh Leisure prices and increased usage has been achieved. The expectation is that this would continue in 2020/21 with a further £0.1m reduction. Actions are being progressed to transfer non-sports lets to Edinburgh Leisure which would provide dedicated management to this aspect of community access, however the financial benefit of this is expected in 2021/22. NOTE - new pressures due to Covid are reported separately.
Other residual pressures	0.050	0.000	0.050	
<b>Communities and Families</b>	<b>2.180</b>	<b>0.000</b>	<b>2.180</b>	
Property and Facilities Management	1.688	0.000	1.688	This pressure relates to as-yet undelivered savings including asset management and efficiency savings. The pressure is shown after the application of £2m approved investment.
<b>Resources</b>	<b>1.688</b>	<b>0.000</b>	<b>1.688</b>	
Waste	0.491	0.135	0.626	Residual pressure relates to as-yet undelivered elements of 2019/20 savings: Joint Approach to Waste (£0.325m), Clean and Green (£0.250m) and Waste and Cleansing operating model (£0.235m).
Parks and Greenspace	0.432	0.000	0.432	Residual pressure is net of £0.4m investment. Residual pressures relates to as-yet undelivered savings including roundabout and verge advertising (£0.3m), partial delivery of Edinburgh Leisure income (£0.190m) and Park Concessions (£0.150m).
Fleet	0.044	0.400	0.444	Investment of £0.250m agreed and is offsetting residual pressure from unrealised elements of 2019/20 saving.
Place - Residual Budget Gap	2.357	0.000	2.357	Legacy savings and efficiency savings target. Specific proposals are required to address gap.
Transport Review	0.520	0.000	0.520	Phase 2: review of shift payments to be implemented when new structure in place.
Scientific Services	0.602	0.000	0.602	2019/20 Asbestos Service pressure of circa £0.8m from suspended operations. New service model to be agreed and implemented.
Other residual pressures	0.159	0.000	0.159	
One-off 2020/21 mitigation - prudential payment for Millerhill not required until 2021/22	(1.250)	0.000	(1.250)	
<b>Place</b>	<b>3.355</b>	<b>0.535</b>	<b>3.890</b>	
Council-wide	0.261	0.000	0.261	Pressures are due to non-delivery of management (£0.136m) and Lean and Automation savings (£0.125m). The full L&A pressure is £0.250m (giving a combined total of £0.386m) and it was originally anticipated that it would be managed in 2020/21. However due to Covid-19, delays are expected and only £0.125m is assumed at this stage.
<b>Grand Total</b>	<b>7.484</b>	<b>0.535</b>	<b>8.019</b>	

The position in respect of the EIJB is subject to separate consideration.

	Purpose and uses of fund	Scotland-wide funding allocation £m	Edinburgh's allocation £m	Notes
<b>Confirmed funding sources - Council-specific</b>				
Hardship Fund	Barnett Consequentials of 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	3.9	This is currently the main funding source against which the Council's non-Health and Social Care-related additional costs and losses of income may be offset.
Scottish Welfare Fund	Top-up of existing 2020/21 allocation to allow payment of additional Community Grants and Crisis Grants to those in immediate need, more than doubling the current level of the fund across Scotland; also includes sums to reflect relaxation of existing criteria to support those in "gig economy".	45	1.5	Only £22m of the Scotland-wide funding has been allocated to date, based on the current SIMD-related methodology; the remaining £23m will be targeted to areas of greatest need, with distribution arrangements to be agreed.
Further assistance	£155m of Barnett Consequentials resulting from further UK announcement to contribute to local authorities' own local resilience, support and hardship plans; non-ringfenced, no associated reporting and to be deployed as councils see fit. £0.6m has also been made available to meet the costs of additional registration service staffing over weekends.	156	12.2	While a needs-related basis of allocation has been agreed for each distribution, the Council's share remains to be formally confirmed. The sum shown is therefore an estimate at this stage.
<b>Total</b>		<b>251</b>	<b>17.6</b>	
<b>Confirmed funding sources to which councils will have part access</b>				
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 and Scottish Social Security Benefits	50	TBC	The element of the Fund provided in respect of CTRS remains to be confirmed and will be based on actual expenditure relative to existing funding provision.
Food Fund	Support to organisations in the public, private and voluntary sectors to address issues of food insecurity, especially for older people, and families who may not be able to rely on free school meals.	70	1.7	Following agreement by COSLA Leaders, allocations to local authorities for £30m of the fund (£15m for continuity in each of (i) FSM provision and (ii) food for vulnerable groups) have now been confirmed, with Edinburgh's share being £1.651m.
<b>Funds provided to other sectors that may have relevance to costs incurred by councils</b>				
Third Sector Resilience Fund	Represents support to ensure the health and continued viability of the third sector organisations affected by cash flow and other problems, which have a key role to play in the overall national response	20	n/a	
<b>Remaining elements of Welfare and Well-Being Fund</b>				
Well-Being Fund	Support to help charities and others who require additional capacity to work with at-risk people who may be worst affected by the crisis, including homeless people and those experiencing fuel poverty.	50	n/a	Funding will be provided directly to third sector
Supporting Communities Fund	Funds used to support community efforts at a local level which will be vital to national resilience, including supporting people at risk because of age, isolation, carers, homeless people and asylum seekers and signposting people to sources of help such as applying for benefits.	40	n/a	Funding will be provided directly to community groups
Unallocated funding	Represents sums to be kept in reserve to allow swift and flexible responses to rapidly-changing circumstances.	25	n/a	
<b>Total Welfare and Well-Being Fund and additional Barnett Consequentials</b>		<b>506</b>	<b>19.2</b>	<b>NB Scottish Welfare Fund allocation of £1.5m based on the provision of additional support of similar amount.</b>
<b>Funds benefiting other sectors but administered by councils</b>				
Business Support Fund	Targeted grants intended to help protect jobs, prevent business closure and promote economic recovery. These complement other measures in place to support business, including the Coronavirus Job Retention Scheme.	1,342	127.5	While 80% of the expected initial business support funding will be provided in early April, a balancing payment will be made later in the year such that expenditure incurred and funding received should result in no net cost to councils. Figures shown assume full take-up based on eligibility of £111.5m. Further Scotland-wide support of £220m was announced by the Cabinet Secretary for Finance on 15 April, including extensions to current Business Grant Scheme eligibility and further support to self-employed people and viable micro and SME businesses in distress. Of the £154m being distributed through Local Government, Edinburgh's share of this additional funding is £16m, subject to take-up.
NDR relief	100% relief in 2020/21 for retail, hospitality and tourism-based businesses	922	n/a	
Freezing of effective NDR poundage	Relief provided such that poundage maintained at 2019/20 levels	50	0.5	Freezing of the effective poundage rate delivers a £0.5m saving to the Council relative to budget framework assumptions.

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

	3 months £m	6 months £m	
<b>Additional net expenditure pressures</b>			
	<b>(Note 1)</b>		
Estimated Covid-19-specific expenditure and income (per Appendix 1)	27.943	44.614	
Approved savings - anticipated shortfall in delivery (per Appendix 3)	7.022	7.528	Included for illustrative purposes; expectation is that majority are managed by service areas
Residual pressures (per Appendix 4)	8.019	8.019	
ALEO support	27.510	41.310	
	<b>70.494</b>	<b>101.471</b>	
<b>Potential funding and savings:</b>			
Confirmed Covid-19 related funding (per Appendix 5)	(17.718)	(17.718)	Funding for Scottish Welfare Fund and Council Tax Reduction Scheme assumed to be offset by corresponding expenditure
2020/21 budget - unallocated additional monies	(5.008)	(5.008)	Excludes £2m assumed contribution to EIJB and up to £0.422m approved for Marketing Edinburgh
Use of earmarked reserves	(11.212)	(11.212)	Comprising funds for specific investment (£5.9m), dilapidations (£2.5m), Workforce Management (£1.5m), Unallocated General Fund (former-CSIF element) (£0.9m) and Council Priorities Fund (£0.4m, subject to 2019/20 outturn)
	<b>(33.938)</b>	<b>(33.938)</b>	
<b>Further potential timing-related savings:</b>			
<b>2019/20</b>			
Service outturns	(3.000)	(3.000)	Once account is taken of Covid-related costs contained within service outturns, an improvement of c. £3m was apparent across the Council's main service areas between the Period 8 forecast and the year-end and this can be used as a contribution towards overall costs and income reductions.
<b>2020/21</b>			
Loans Fund Review	(1.000)	(1.000)	Slippage in first year's additional related roads/infrastructure expenditure
Repairs and maintenance	(3.000)	(3.000)	Slippage in backlog maintenance programme
LDP revenue budget	(1.500)	(1.500)	Slippage in anticipated calls on allocation
VERA/VR - in-year provision	(2.500)	(2.500)	Assumption that relevant liabilities fully met from reserves
	<b>(11.000)</b>	<b>(11.000)</b>	
<b>Remaining shortfall</b>	<b>25.556</b>	<b>56.533</b>	

Note 1 - 3-month costs include £8.3m of actual expenditure and income impacts in 2019/20.