

Governance, Risk and Best Value Committee

10.00am, Tuesday, 29 September 2020

Revenue Budget 2020/21 – month three position

Executive/routine
Wards
Council Commitments

Executive

1. Recommendations

- 1.1 Members of the Governance, Risk and Best Value Committee are asked to:
 - 1.1.1 consider the month three-based revenue monitoring report for 2020/21 as part of the Committee's work programme.

Stephen S Moir

Executive Director of Resources

Contact: Hugh Dunn, Head of Finance,

Finance Division, Resources Directorate

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Revenue Budget 2020/21 – month three position

2. Main report

- 2.1 On 27 August 2020, members of the Finance and Resources Committee considered the appended report setting out the main conclusions of the first quarterly revenue monitoring report for 2020/21. Members of the Committee agreed to:
- 2.1.1 note the further update of the estimated expenditure and income impacts of the COVID-19 pandemic on the Council and its ALEOs' activities and the potential sources of funding identified to address them;
 - 2.1.2 note the significant remaining projected in-year shortfall and associated risks linked to further service disruption and/or slower-than-assumed recovery;
 - 2.1.3 note that updates on expenditure and income impacts, and the confirmed and potential means to address them, will continue to be reported to elected members on a regular basis, with a further update to be considered by the Finance and Resources Committee on 29 October;
 - 2.1.4 note that further representations will be made through COSLA regarding the need for both pass-through of Barnett Consequentials resulting from the provision of relevant additional funding in England and consideration by the UK and Scottish Governments of appropriate financial flexibilities;
 - 2.1.5 note, nonetheless, that there remains a significant risk around receiving additional funding or flexibilities sufficient to address the remaining deficit, particularly in the event of any further lockdown, and thus further actions on service prioritisation are urgently required; and
 - 2.1.6 note the Convener would engage with the Cabinet Secretary for Finance in the Scottish Government regarding the Council's overall projected shortfall.
- 2.2 Scrutiny of the Council's financial performance, including control, monitoring and review of revenue expenditure, forms part of the delegated functions and associated workplan of the Governance, Risk and Best Value Committee. Members are therefore asked to consider the period three-based revenue monitoring report within this context.

3. Recommendation

- 3.1 Members of the Governance, Risk and Best Value Committee are asked to consider this report as part of its work programme.

4. Background reading/external references

- 4.1 Finance and Resources Committee, 27 August 2020 (appended)

Finance and Resources Committee

10.00am, Thursday, 27 August 2020

Revenue Budget 2020/21 – month three position

Executive/routine Wards Council Commitments	Executive All
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Stephen S. Moir
Executive Director of Resources

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Report

Revenue Budget 2020/21 – month three position

2. Executive Summary

- 2.1 Following earlier assessments considered by the Leadership Advisory Panel and Policy and Sustainability Committee on 23 April, 28 May, 25 June and 23 July, the report updates members on the estimated cost and income implications of the coronavirus pandemic on the Council and its Arm's-Length External Organisations' (ALEOs') activities.
- 2.2 The overall projected shortfall reflects a slight improvement from that reported to the Policy and Sustainability Committee on 23 July, reducing by £2.4m to £17.2m. This position, however, remains dependent upon confirmation of the implications for local government in Scotland, and in turn the Council, of a number of recently-announced funding streams by the UK Government. Given the potential for this gap to increase further based on the pace of the city's recovery, however, action remains urgently required, with the enduring impacts also requiring a re-assessment of both the content and affordability of the 2020/23 revenue budget framework and ten-year capital budget strategy.

Additional net expenditure pressures:	£m	£m
Estimated COVID-19 specific expenditure and income		86.6
Net residual pressures/anticipated shortfalls in savings delivery		3.0
		89.6
Available funding:		
Confirmed COVID-19 related funding	(19.9)	
2020/21 budget - unallocated additional monies	(4.8)	
Use of earmarked reserves	(19.6)	
Further timing-related and corporate savings	(17.2)	
Potential further funding	(11.0)	
	(72.4)	
Remaining shortfall		17.2

3. Background

- 3.1 On 20 February 2020, Council approved a balanced revenue budget for 2020/21 and indicative balanced budgets for the following two years, based on assumptions around future grant funding levels. The approved 2020/21 budget is underpinned by the assumed delivery of £34.9m of savings, as well as the management of around £15m of residual pressures once account is taken of the additional investment included within the budget framework.
- 3.2 Since the Council approved its budget, however, its activities have been subject to massive disruption and/or modification given the continuing impacts of the COVID-19 pandemic. Given the scale of these impacts, members have already considered a series of revenue budget monitoring forecasts early in the financial year, with the most recent of these reported to the Policy and Sustainability Committee on 23 July. That report indicated in-year net expenditure pressures of some £90.9m, with offsetting confirmed or anticipated funding, non-service savings and uses of earmarked reserves totalling £71.2m, leaving a remaining shortfall of £19.7m.
- 3.3 This report provides an update on the overall position, including potential sources of funding and available financial flexibilities, but points to a continuing need for prioritisation in the resumption of services as part of the city's emergence from lockdown.

4. Main report

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

- 4.1 Since the Policy and Sustainability Committee's meeting on 23 July, modelling of the anticipated expenditure and income impacts of the pandemic within service areas has continued, with the results of this updated analysis shown in **Appendix 1**. This modelling is now fully based on a six-month disruption scenario, although in some cases behavioural and other changes are assessed to result in longer-lasting likely impacts. Compared on a like-for-like basis, the net estimated cost has decreased by £1.3m to £55.6m, with comments on the main areas of movement noted within the accompanying narratives.
- 4.2 The sums presented above continue to exclude costs associated with either Health and Social Care or schools re-opening, commentary on which is provided later in the report.

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

- 4.3 As with the Council's direct services, detailed modelling work has continued within its arm's-length bodies where, given their reliance on income, the impacts of the pandemic have been particularly acutely felt.
- 4.4 At this time, the anticipated impacts (as they affect the Council's revenue budget) of £31m remain as set out in the report considered at the Policy and Sustainability Committee on 23 July. Given commercial sensitivity considerations, the constituent elements of this overall sum were included in a confidential briefing note provided to members of that Committee. A copy of the briefing has also been made

available to all members of the Finance and Resources Committee in advance of this meeting.

Directorate forecasts - net residual pressures/anticipated shortfalls in savings delivery

- 4.5 Executive Directors continue to develop relevant implementation plans to deliver the savings measures required to mitigate residual pressures and savings shortfalls within their respective service areas. While measures sufficient to address the majority of the £15.5m required have been identified, a shortfall of £3.020m remains and the Executive Director of Place and his Senior Management Team therefore continue to consider potential options and will bring these, as appropriate, to elected members for consideration.
- 4.6 In line with the phased resumption of Executive Committee business, more detailed Directorate-specific reports on the projected full-year position, based on analysis of month three expenditure and income, will also be presented for consideration, starting with the reports for the Resources Directorate and Chief Executive's Service included elsewhere on today's agenda.
- 4.7 Following an Internal Audit review of the Council's budget-setting and monitoring processes, a revised classification for assessing progress in savings delivery, based on standardised definitions and considerations, has been introduced for the 2020/21 financial year. This approach results in an assessment against four possible opinion types. Individual savings projects may, however, be assessed across two or more opinion types e.g. an element of a savings project may be assessed as effective (with a high degree of confidence in its delivery) whilst a separate element may be assessed as requiring improvement.
- 4.8 Of the £34.9m of approved savings, some 78% are currently anticipated to be delivered (i.e. rated as green or amber) as shown in **Appendix 2**. In cases of projected non-delivery, around 33% (£2.5m) of the overall shortfall is attributable to the impacts of the pandemic, particularly those savings linked to the generation of additional income for services that remain, or have been, suspended. This overall projected shortfall in delivery is included within the £15.5m requirement noted at 4.5 and thus does not add to the overall in-year savings requirement.

Confirmed funding and projected corporate savings

- 4.9 Previous reports have identified a range of confirmed external and proposed internal funding sources. With the exception of the changes noted below, these remain unchanged from the position reported to the Policy and Sustainability Committee on 23 July and are summarised, for ease of reference, in **Appendix 3** (external) and **Appendix 4** (internal funding).
- 4.10 Following further analysis of the brought-forward Council Tax base and taking account of projected changes in discounts and exemptions by the year-end, an additional £1m of Council Tax income is now being forecast. Members should note, however, that despite this increase, overall projections continue to provide for a reduction in both the in-year collection rate and levels of buoyancy over the remainder of the year.

- 4.11 Whilst any decision to apply for funding will be presented to elected members for consideration, clarification received on the terms of the Coronavirus Job Retention Scheme (CJRS) “bonus” suggests that fewer staff than initially anticipated will meet the required monthly earnings threshold. When offset against an additional £0.050m now anticipated through the core scheme, the estimate of potential overall CJRS funding has therefore been revised downwards by £0.200m to £0.200m.
- 4.12 Work is also continuing to investigate the potential for further savings in energy costs arising from the extended closure of most Council buildings, particularly within the non-schools estate, based on indicative timescales for re-opening. It has additionally been provisionally confirmed that a number of the Council’s properties are eligible for full-year hospitality, retail and leisure-based rates relief, resulting in a further reduction in NDR-related expenditure of £1.875m in 2020/21.

Potential further funding

- 4.13 The report to the Policy and Sustainability Committee’s meeting on 23 July included reference to a number of UK Government announcements across the areas of homelessness, cultural venues, income loss compensation and more general support for local government giving rise to favourable Barnett Consequentials.
- 4.14 As of early August, total COVID-related Barnett Consequential support of £6.516 billion has been made available to the Scottish Government, of which £785m has not yet been linked to any specific UK-level announcements. While the details require to be confirmed, it is understood, however, that this unallocated sum includes some £90m of Barnett Consequentials resulting from the income loss scheme in England, whereby councils will be compensated for 75% of most reductions in sales, fees and charges income. The Scottish Government has, in addition, confirmed that it will pass on to local government in full £49m of funding resulting from previous UK-level announcements.
- 4.15 While there has been no specific announcement as yet in respect of any homelessness-related funding arising from additional equivalent spend at UK level (and thus no allocation has been assumed in determining the remaining shortfall), if the £139m of funding above were to be distributed based on the most general proxy for service need i.e. councils’ respective shares of Scotland-wide Grant Aided Expenditure (GAE) plus Special Islands Needs Allowance (SINA), Edinburgh’s anticipated allocation would be £10.9m.
- 4.16 Although the English income loss compensation scheme specifically excludes ALEOs and commercial rentals, it has been suggested by the Scottish Government that, subject to approval by the UK Government, the above-mentioned sums be combined and used to support a broader scheme (i.e. one totalling £139m) incorporating these income streams. To inform both this consideration and the more general design of such a scheme in Scotland, a template has been developed by COSLA to capture details of income losses in 2020/21 on a consistent basis.
- 4.17 In view of the significance of income to the Council’s overall budget, such an initiative, assuming distribution of funding is based on demonstrated income losses, would likely result in a higher allocation from the above-noted £139m and thus

serve to reduce the overall funding gap, other existing assumptions notwithstanding.

Updated overall position

- 4.18 The overall projected shortfall reflects a slight improvement from that reported to the Policy and Sustainability Committee on 23 July, reducing by £2.4m to £17.2m. This sum does not, however, include any net cost associated with schools re-opening or the Edinburgh Integration Joint Board.

Additional net expenditure pressures:	£m	£m
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- 4.19 Initial modelling suggest each month's further lockdown would cost of the order of £10m per month. Greater insight into the precise cost impacts of service resumption will also continue to be obtained as the detail of the Council's recovery plan and, in particular, the Service Operations work programme, becomes available. More generally, while the expenditure and income impacts in the preceding sections are best-estimates, there are clearly downside risks should the city's recovery be slower than assumed and a number of variant scenarios are therefore also being considered.

Schools re-opening

- 4.20 Both Council and the Policy and Sustainability Committee have considered a series of updates on the re-opening of schools, with all pupils returning on a full-time basis by 17 August, thereby allowing implementation of the Local Delivery Phasing Plan's 100% return model.
- 4.21 While the subsequent need to implement a 50% "blended learning" model can clearly not be ruled out, the estimated additional cost of implementing the 100% model is £14.5m, primarily comprising some £8.1m of required backfilling for teaching and learning staff and £4.5m for additional cleaning, PPE, school meals provision and other required health and safety measures.

4.22 In addition to permitted flexibilities in the application of funding previously provided for the expansion of early learning and childcare provision from August 2020, the Scottish Government has subsequently confirmed additional Scotland-wide funding for the re-opening programme as follows:

	Scotland-wide funding	Edinburgh's allocation
	£m	£m
Additional teaching and support - initial funding	50	3.369 (confirmed)
Additional teaching and support - further funding	30	2.0 (anticipated ¹)
Logistical support for safe re-opening (including cleaning, PPE and additional transport) – initial funding	20	1.3 (anticipated ¹)
Logistical support for safe re-opening - further funding	30	Sums will be provided on a ringfenced basis, subject to demonstrated additional need
	130	

4.23 While the teaching-related sums will have corresponding expenditure obligations, the majority of which are not reflected in the cost of £14.5m noted at paragraph 4.21, it is now anticipated, based on the confirmed and provisional sums included above and redirected early years expansion monies, that the additional costs of re-opening will be met in full. This position is subject to review should the logistical measures noted require to be in place beyond December 2020. The Scottish Government has, however, indicated a willingness to consider additional costs subject to evidencing need.

Edinburgh Integration Joint Board (EIJB)

4.24 On 21 July, the EIJB considered a further update of its 2020/21 financial plan. At that time, the EIJB's mobilisation plan, outlining its response to the pandemic (reflecting a particular focus on reducing delayed discharges, thereby increasing hospital capacity to deal with COVID-19) indicated anticipated full-year expenditure of some £58.8m, although the majority of this sum related to other community care costs.

4.25 This estimate has continued to be refined as the immediate and medium-term impacts of the pandemic have become clearer and, as with the equivalent cost estimate collation exercise for other Council services co-ordinated through COSLA, the contents of the cost template have also been the subject of peer review to promote enhanced robustness and consistency across authorities. The latest iteration of the plan, reflecting actual expenditure incurred to date and taking into

¹ A report on the proposed distribution of these sums will be considered at the COSLA Leaders' Meeting on 28 August.

account updated public health advice, is expected to show a significant reduction in overall expenditure.

- 4.26 For the purposes of monitoring, it is being assumed that all additional COVID-related costs incurred to date in the delivery of services “directed” to the Council will be reimbursed from monies received to support the EIJB’s mobilisation plan. Following the provision in May 2020 of initial Scotland-wide funding of £50m (of which the Edinburgh Health and Social Care Partnership’s allocation was £4.056m), the Cabinet Secretary for Health and Sport confirmed on 3 August that a further £50m would be made available across Scotland to support additional and on-going costs.
- 4.27 The mobilisation plan also reflected the anticipated additional implementation cost of the 3.3% uplift to contract hourly rates to allow voluntary and independent social care providers to ensure that all social care support workers will have their pay increased to at least the Living Wage Foundation hourly rate of £9.30 from April 2020. Despite extensive engagement with the Scottish Government on the shortfall between the EIJB’s estimate of the implementation cost and the amount of funding provided thus far, a gap of £3.4m remains. In recognising the work undertaken by all health and social care staff during the pandemic, however, a report elsewhere on today’s agenda recommends that the Council approve application of this uplift, noting that the EIJB Chief Officer and Chief Finance Officer will continue to work with partners to identify how this shortfall will be addressed, with an update to be reported to the EIJB and partners in October.
- 4.28 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, with a further update considered by the EIJB on 24 August. While initial projections point to a potential funding shortfall across the partners of £10.9m (including £3.8m in respect of Council-directed services), in-year monitoring remains at a relatively early stage and further work is needed to differentiate the costs of “core” provision from those of the one-off or recurring aspects of the pandemic response. By applying one-off or non-recurring savings, there remains the potential for in-year balance to be achieved but, based on current indications of available resources, longer-term sustainability will only be secured through major redesign and transformation, radical thinking and close working with stakeholders.

Other actions

- 4.29 Work is also continuing, through COSLA, to impress upon both the Scottish and UK Governments the magnitude of the financial impacts facing local authorities in Scotland. The initial full-year cost and income impacts captured through the template completed by all authorities for this purpose pointed to an unfunded shortfall between estimated impacts and confirmed additional funding of some £504m². When expressed on a like-for-like basis, Edinburgh’s estimated shortfall

² This shortfall does not include the anticipated funding of £139m referenced at 4.14 above pending confirmation of the receipt and distribution of this sum.

was (and remains) around £68m, emphasising its disproportionate exposure to losses of service (particularly parking and property rentals) and ALEO income.

- 4.30 Following earlier correspondence on the particular pressures facing the Council's ALEOs, the Council Leader has also now written to the Cabinet Secretary for Finance highlighting the acute income-related pressures faced by the Council and seeking active engagement, through COSLA, with the Scottish Government on the design of a corresponding income compensation scheme, alongside pass-through of Barnett Consequentials with a specific relevance to local government.
- 4.31 Recognising that the provision of the additional funding noted above is, of itself, unlikely to address in full the significant gaps outlined in the preceding sections, COSLA and Directors of Finance continue to develop a list of potential financial flexibilities which, while not addressing the underlying shortfall, would at least mitigate its in-year impact by spreading it over a number of years. While initial indications from the Treasury are that the UK Government is not willing to pursue such flexibilities at this time, joint lobbying on this issue with the Scottish Government continues to be actively explored. At the same time, other potential flexibilities falling within the Scottish Government's more direct gift (and that do not give rise to an overall increase in costs) are also being developed for consideration.
- 4.32 In view of the earlier agreement at the Policy and Sustainability Committee meeting on 23 July 2020 of the [motion](#) by Councillor Watt on Public Works Loans Board interest, the Council Leader has furthermore written to the COSLA President with a view to jointly approaching the UK Treasury to seek a two-year waiver on the interest element of councils' existing PWLB loans where these have demonstrably been used to invest in essential infrastructure.
- 4.33 It has also been suggested that any underspend on the Business Grants scheme, rather than being returned to the Scottish Government, instead be made available to local authorities to support flexible, place-based local economic recovery, a role they are ideally placed to lead on. It is understood, at this stage, that there is an underspend of £100m against the sums earmarked within the Scottish Government budget for business grants.
- 4.34 While, if successful, these measures may contribute favourably to the Council's stability in the immediate term, they only reinforce the need for more difficult decisions to be taken going forward. In addition, increased reliance on contributions from earmarked reserves for reasons other than they were established is clearly not a sustainable approach over the medium to longer term and restricts the Council's subsequent ability to support economic recovery.
- 4.35 By means of illustration, the unbudgeted use of £13m of reserves in 2019/20 formed part of an in-year reduction of £25m from £145m to £120m. Mitigating actions identified thus far in the current year would see these reduce by around £20m in 2020/21. Should the currently-projected shortfall of £17.2m require to be addressed in full through application of reserves, these would reduce further to around £83m, with the remainder essentially comprising ringfenced sums of £45m, the workforce management reserve (to facilitate service transformation) of £15m, £10m of other earmarked reserves and unallocated general reserves of £13m.

There is a risk that this sum increases further due to additional costs and/or losses of income being incurred. This approach is clearly not sustainable and emphasises the need for more fundamental and radical service transformation and prioritisation going forward, including as part of the on-going emergence from lockdown.

- 4.36 In acknowledging both pressures in the current-year and risks to the delivery of previously-approved savings in 2021/22 and 2022/23 (as well as savings being mitigated on a one-off basis in 2020/21), the five Adaptation and Renewal working groups will need to identify areas for disinvestment, service reduction or reform in order to restore financial balance, maintain reserves at an appropriate level and provide for potential investment in key areas, although these are of necessity likely to be fewer in number.

5. Next Steps

- 5.1 The cost and income impacts of the coronavirus pandemic will continue to be actively tracked and refined as additional clarity is received on the timing and nature of relaxation of current lockdown restrictions. These estimates will be shared with COSLA and form part of liaison and negotiation with the Scottish and UK Governments around the provision of corresponding funding.
- 5.2 As noted in the main report, Executive Directors have brought forward additional measures to offset savings delivery shortfalls and residual service pressures. The impact of these measures, alongside any further available non-service savings, will continue to be regularly reported to elected members. Measures to close the gap further will be brought to the Finance and Resources Committee on 29 October.
- 5.3 While a broad routemap for the recovery phase has been set out by the Scottish Government, the speed and nature of this process (including the potential for further lockdowns) remains, by its nature, unclear. A slower recovery is, however, likely to add further to the funding gap due to continuing income losses for a range of Council services and, in particular, its ALEOs.

6. Financial impact

- 6.1 The report sets out a range of significant expenditure pressures, both in respect of Council services and impacts on the activities of the Council's ALEOs. While a number of potential funding sources and other measures have been identified to address, at least in part, these shortfalls, it is likely that the affordability of the wider budget framework will require to be re-assessed, including the impacts of COVID-19 on the Council's capital investment programme. A report on this latter aspect is included elsewhere on this meeting's agenda.
- 6.2 Initial analysis of the underpinning assumptions and savings approved for delivery as part of the 2021/22 and 2022/23 revenue budget indicates a number of measures, delivery of which may now require to be reassessed. These include the assumed on-going receipt of the Lothian Buses dividend and future increases in Council Tax and other fees and charges levels.

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

7. Stakeholder/Community Impact

- 7.1 The scale and coverage of the impacts linked to the pandemic will require extensive and continuing engagement with key stakeholders as the city enters the recovery phase.

8. Background reading/external references

- 8.1 [Finance Update](#), Edinburgh Integration Joint Board, 24 August 2020
- 8.2 [Fair Work and the Living Wage in Adult Social Care](#), Edinburgh Integration Joint Board, 24 August 2020
- 8.3 [Revenue Budget 2020/21 Update](#), Policy and Sustainability Committee, 23 July 2020
- 8.4 [Revenue Budget 2020/21 Update](#), Policy and Sustainability Committee, 25 June 2020
- 8.5 [Revenue Budget 2020/21 Update](#), Policy and Sustainability Committee, 28 May 2020
- 8.6 [2020/21 Financial Plan](#), Edinburgh Integration Joint Board, 28 April 2020
- 8.7 [Revenue Budget 2020/21 Update](#), Policy and Sustainability Committee, 23 April 2020
- 8.8 [Council's Change Strategy: Planning for Change and Delivering Services 2020/23](#) – Progress Update, Finance and Resources Committee, 14 February 2020
- 8.9 [Council Change Strategy 2020/23: Risks and Reserves](#), Finance and Resources Committee, 14 February 2020
- 8.10 [Coalition Budget Motion](#), City of Edinburgh Council, 20 February 2020

9. Appendices

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

Appendix 2 – Month three assessment of approved savings delivery

Appendix 3 - External funding confirmed to date for non-Health and Social Care services

Appendix 4 - Revenue Budget Update, 2020/21 - Estimated Position

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

Appendix 1

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

Service Area	Potential Impact	Estimate	Increase/	Revised
		P&S 23 July	(decrease)	estimate F&R 27 Aug
		£m	£m	£m
Increases in expenditure				
Homelessness Services	Additional temporary accommodation costs required to observe social distancing. Impact of existing placements is now expected to continue, with a lack of move-on accommodation and anticipated increase in presentations.	5.715	0.000	5.715
School meals/community food advice and distribution	Net cost represents continuing payment for children eligible for free school meals which, following the receipt of additional ringfenced Scottish Government funding, will now be in place until mid-August (with spend to date of £1.534m). Remaining sum includes provision for income support measures and food distribution to vulnerable and/or at-risk groups (including those self-isolating as part of the Test and Protect scheme), ringfenced funding for which has now also been confirmed until the end of September.	3.240	0.000	3.240
Waste and Cleansing	Additional refuse collection vehicles, fuel, external contractors, PPE, etc. Updated projection reflects increased agency staffing expenditure linked to the reopening of Community Recycling Centres, as well as reduction in income from sale of recyclates, based on depressed state of market.	0.388	1.060	1.448
Children's Services	Including additional agency, locum and overtime to cover internal staff absences; additional costs from external providers and/or need to identify alternative accommodation if children need to isolate; costs of additional placements due to illness and self-isolation; and emergency respite for children with disabilities. Projections are based on actual additional costs in Young People's Centres and Secure Units.	1.195	0.000	1.195
Resources - Customer	Represents additional staffing (including overtime) for benefit claim and business grants processing and vulnerable/shielding support customer contact.	0.593	0.051	0.644
Street lighting	Increased energy and prudential borrowing costs due to delay in roll-out of LED programme. Updated figures reflect actual (earlier) date of resumption of installation work.	0.395	(0.164)	0.231
Additional security costs	Council Resilience Centres, Homelessness Accommodation and Temporary Mortuary	0.150	0.000	0.150
Public conveniences	Limited, phased reopening in areas of high footfall, especially in parks and at the seafront, as approved by the Policy and Sustainability Committee on 9 July. Costs are based on period until end of October.	0.144	0.000	0.144
Temporary mortuary hire	Including provision for additional direct staffing	0.110	0.000	0.110
Other incident-related costs	Including ICT, PPE, additional supply teacher and Registrar's Service staffing, payment to Volunteer Edinburgh and food packages until the end of June for shielded groups not eligible for support through the Food Fund. Latest update reflects revised assessment of costs linked to distribution of food parcels for shielded groups.	2.560	(0.161)	2.399
Total increases in expenditure - Council (excluding Health and Social Care)		14.490	0.786	15.276
Reductions in income				
Parking Income - on-street	Loss of income from on-street car parking due to the suspension of city-wide parking charges, based on parking charge and enforcement reinstatement wef 22 June but with continuing shortfalls in income for most of the rest of the year due to reduced space availability and/or demand. While recent weeks' figures have generally shown steady improvement in income levels, the projection remains unchanged at this time pending confirmation of demand over the medium term.	11.674	0.000	11.674
Rental income - Council-owned properties	Increased risk of non-recovery of rental income due to economic downturn, partly linked to reduced tourism. Due to likelihood of subsequent tenant insolvency and delays in re-letting, an 80% rental loss is assumed in each of the first three quarters. All opportunities will be examined, however, to utilise rental deferral rather than abatement wherever appropriate.	9.000	0.000	9.000
Housing Property Services	Estimated reduction in sums chargeable to the Housing Revenue Account	2.945	0.290	3.235
Council Tax (collection rate)	Reduced income due to ability to pay and consequent increase in bad debts, with overall full-year 2020/21 collection rate assumed to fall by 1% (actual in-year collection to the end of July was, by means of illustration, down some 1.5% on the equivalent position for 2019/20). An increase in uptake of CTRS is also apparent, additional funding for which will be made available by the Scottish Government. Impacts on collection rates will also be the subject of detailed national modelling.	3.100	0.000	3.100
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. Updated projection reflects agreed management actions in respect of asbestos service, net of increased potential shortfall in tables and chairs income following decision of Policy and Sustainability Committee on 6 August.	2.738	(0.445)	2.293
Parking Income - enforcement	Enforcement and bus lane cameras Penalty Charge Notice reductions	2.013	0.000	2.013
Roads	Reduction in staff salaries chargeable to the Capital Programme.	1.820	0.000	1.820
Parking - residents' and other permits	Loss of income for residents', retailers', business and trade permit schemes and associated non-enforcement	1.675	0.000	1.675
Cultural venues	Loss of income - sales, rentals, admissions and rents. Increased projection reflects one month's further assumed shutdown in October.	1.342	0.210	1.552
Council Tax (base)	Reduction in Council Tax buoyancy due to temporary cessation of construction activities and subsequent economic slowdown.	1.550	0.000	1.550
Outdoor Centres	Loss of fees and charges income (assumes not recoverable from insurance)	1.361	0.000	1.361
Parks and Greenspace	Losses of income including for events, trading stances, park leases, rechargeable tree works, nursery sales, timber sales and Edinburgh Leisure recharge. Increase reflects full assumed cancellation of events through to September.	0.996	0.000	0.996
Building Standards	Loss of warrant income as construction industry shuts down	0.858	0.000	0.858
Communities and Families (other)	Loss of income from adult education classes, libraries fees and charges, sports clubs and external funding	0.533	0.100	0.633
Planning	Reduction in planning applications submitted due to construction shutdown	0.625	0.000	0.625
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.	0.529	(0.008)	0.521
Licensing	Refunds/extensions for all licences, including cab, liquor and HMO (NB these costs are now expressed net after any potential contributions from earmarked reserves).	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 (lower) 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.	0.700	(0.280)	0.420

Service Area	Potential Impact	Estimate	Increase/	Revised
		P&S 23 July	(decrease)	estimate
		£m	£m	£m
Community Access to Schools	The pressure has been assessed on the assumption that there will be no lets until October, resulting in no income. There are no staff costs as all relevant EL staff are furloughed and pay reduced to 80%. Figures are based on estimates provided by EL. The impact of furloughing staff for three months is likely to mean no bookings administration in place to process August onwards lets; when lets could start again is unknown at this stage.	0.335	0.000	0.335
Refunds/discounts for cancelled services - garden waste	Costs of extending current-year permits by further five weeks	0.113	(0.038)	0.075
Total reductions in income - Council (excluding Health and Social Care)		44.349	(0.171)	44.178
Savings in expenditure				
Energy	Savings in gas, electricity and water costs across corporate building estate based on indicative analysis by Energy Management Unit. This analysis is currently being updated and is expected to show additional savings within the next forecast.	(1.220)	(0.063)	(1.283)
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	(0.500)	(1.875)	(2.375)
Libraries	Reductions in agency and overtime expenditure	(0.200)	0.000	(0.200)
Total savings in expenditure (excluding Health and Social Care)		(1.920)	(1.938)	(3.858)
Total net additional costs		56.919	(1.323)	55.596
Notes				

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

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

PD Project design problem
MC Material change in circumstance

Change Proposal Name	Approved Savings		Assessment				Notes	
	Department	£m	1.Green £m	2.Amber £m	3.Red £m	4.Black £m		PD/MC
Heritage Language	C&F	0.021	0.021					
Scottish Government Framework for Electricity and Gas	C&F	0.060		0.060				Work is on-going between with Commercial and Procurement Services to ensure the saving can be delivered as initially intended.
Early Years (restructure of staffing)	C&F	0.600	0.600					Anticipated delays due to COVID have not transpired and full delivery is now anticipated.
Edinburgh Leisure Service Payment	C&F	0.500	0.500					
Police Funded Officers	C&F	1.600	1.600					
Quality Improvement Officers	C&F	0.120	0.120					
School Efficiencies (DSM)	C&F	1.200		1.200				DSM budgets have been reduced; schools' ability to manage the DSM reduction to be assessed as the year progresses.
5% average increase in discretionary fees and charges	C&F	0.246	0.123			0.123	MC	COVID impact on income generation
Library books - return to original library	C&F	0.100	0.026			0.074	PD	Finance assessment is that £0.026m is deliverable with a pressure of £0.074m in 2020/21. This will increase by a further £0.1m in 2021/22 when the balance is applied. The ability to re-design the service as initially intended has not materialised following further detailed analysis.
Night Noise team	C&F	0.100				0.100	PD/MC	This saving was part of wider organisational change between the Communities and Families and Place directorates which has been unable to conclude due to the impact of COVID-19 on staffing. It is intended that this will be considered as part of wider changes within the Council however it is unlikely this saving will be achieved in 2020/21.
Strategy and Communications Workforce Savings	Chief Executive's Service	0.100	0.100					
Borrowing Costs	Corporate	4.000	4.000					
Procurement	Corporate	0.100	0.100					Planned reduction in gainshare payments
Council Tax (4.79% increase)	Corporate	5.100	5.100					
LOBO Efficiency	Corporate	0.600	0.600					
Loans Fund Review	Corporate	10.000	10.000					
Council Company Dividends	Corporate	0.250						
EDI Dividend (net)	Corporate	-1.047	-1.047					
Improving management of Procurement and Contracts	Corporate	0.100	0.100					
5% average increase in discretionary fees and charges	Council-wide	0.050	0.050					
Efficiencies Programme	Council-wide	2.000				2.000	PD/MC	
Optimal workforce efficiency - agency/overtime	Council-wide	0.250				0.250	PD/MC	
Pay-related allowances	Council-wide	0.200				0.200	PD/MC	
Water Coolers - remove stand-alone coolers	Council-wide	0.055				0.055	PD/MC	
Review of car parking costs - WC, West End, Old Town Travel Lodge	Council-wide	0.050				0.050	PD/MC	The detailed project planning around the delivery of these savings was not in place prior to lockdown and would have been at risk without the impact of COVID.
Travel and Mileage (review)	Council-wide	0.200				0.200	PD/MC	There has been no development of savings implementation plans during the COVID period.
Mobile phones - reduce spec and volume of devices	Council-wide	0.050				0.050	PD/MC	
Income Maximisation	Council-wide	0.500				0.500	PD/MC	
Auto renewal of registrations and permits (including garden waste)	Council-wide	0.100				0.100	PD/MC	
Chief Officers and Senior/Middle Management Review	Council-wide	0.513				0.513	PD/MC	
Place - Income Generation (including Statutory Consents, Parking Action Plan Phase 2, Culture Services and Business and Development Services)	Place	0.665	0.050			0.615	MC	COVID-19 and its wider impacts are currently affecting the Council's ability to realise the income which was anticipated when this budget was set.
Place - Workforce Savings (including New Ways of Working, Business and Development Services and Scientific Services)	Place	0.670	0.400	0.013	0.052	0.205	MC	The changes proposed have been impacted by COVID-19. The Council now intends to take time to consider its future structure and these changes will feed in to this process and/or will be progressed as part of organisational change activities.
Place - Third Party Reductions (including Economic Development and Joint Waste)	Place	0.825		0.250		0.575	PD/MC	The Economic Development (now Business Growth and Inclusion) service will deliver £250k (50%) of the saving in 2020/21 with the remaining £250k planned for delivery in 2021/22. For the joint waste saving, the impact of COVID-19 has led to changing market conditions in the sale of recyclates which are expected to impact on the achievement of the saving in 2020/21.
Area-Based Regeneration	Place	0.500				0.500	PD/MC	Delivery of the saving is predicated on maximising capitalisation and contributions from partners, grants and new income streams. The scope to do this has been affected by COVID.
Marketing Edinburgh	Place	0.490	0.490					This full saving has been achieved, with a reduction in grant funding for Marketing and Film.
Transport Reform	Place	0.400			0.400		MC	As reported to the Policy and Sustainability Committee on 9 July 2020 a preferred approach to Transport Arm's-Length company reform has been identified and engagement with key stakeholders is underway. The options for realising this saving in 2020/21 are currently being assessed.
5% average increase in discretionary fees and charges	Place	0.958	0.415			0.543	MC	COVID-19 and its wider impacts are currently impacting on the Council's ability to realise the income.
CGI - further contract efficiencies	Resources	0.600	0.600					
Advertising Income	Resources	0.300				0.300	MC	Dependency on approval of change in Council policy
Other efficiencies - ICT/CGI Partnership	Resources	0.150	0.150					
Digital delivery	Resources	0.250	0.250					
Edinburgh Shared Repairs - Management Resource & Income Generation	Resources	0.190	0.048	0.047		0.095	MC	COVID impact on income generation
5% average increase in discretionary fees and charges	Resources	0.246	0.058	0.188				COVID impact on income generation
Facilities Management	Resources	0.500		0.500				
Resources Directorate Workforce Savings	Resources	0.408	0.408					
		34.870	25.112	2.258	0.452	7.048		

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

Basis of assessment:

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

	<i>Purpose and uses of fund</i>	Scotland-wide funding allocation £m	Edinburgh's allocation £m	Notes
Confirmed funding sources - Council-specific				
Hardship Fund	Barnett Consequentials of initial UK announcement to contribute to local authorities' own local resilience, support and hardship plans; non-ringfenced, no associated reporting and to be deployed as councils see fit.	50	3.910	This initial sum of funding was allocated with reference to councils' respective shares of Grant Aided Expenditure (GAE) plus Special Islands Needs Allowance (SINA), the most widely-used composite indicator of relative need, with Edinburgh's share being 7.82%.
Scottish Welfare Fund	Top-up of existing 2020/21 allocation to allow payment of additional Community Grants and Crisis Grants to those in immediate need, more than doubling the current level of the fund across Scotland; also includes sums to reflect relaxation of existing criteria to support those in "gig economy".	45	1.531	Only £22m of the Scotland-wide funding has been allocated to date, based on the current SIMD-related methodology; the remaining £23m will be targeted to areas of greatest need, with distribution arrangements to be agreed.
Further assistance (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 shares 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 as-yet unallocated funding for the Scottish Government's COVID response. It is the Scottish Government's understanding that £90m of the £785m relates to Consequentials arising from the UK Government's council income loss compensation scheme.	139	TBC	Discussions concerning the potential allocation of these sums are continuing. As the income compensation scheme in England specifically excludes Arm's-Length External Organisations (ALEOs), reducing the level of Consequentials, it has been suggested that the sums might be combined to provide a larger fund from which to compensate income losses.
Total		390	17.620	
Confirmed funding sources to which councils will have part access				
Increased eligibility for Social Security Benefits and Council Tax Reduction Scheme	Supplementary funding to meet an anticipated increase in applications for the existing Council Tax Reduction Scheme (CTRS) and Scottish Social Security Benefits	50	TBC	The element of the Fund provided in respect of CTRS remains to be confirmed and will be based on actual expenditure relative to existing funding provision.
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.
Food Fund	Support to organisations in the public, private and voluntary sectors to address issues of food insecurity, especially for older people, and families who may not be able to rely on free school meals.	98	3.240	Initial allocations to local authorities for £30m of the fund (£15m for continuity in each of (i) FSM payments and (ii) food for vulnerable groups) were announced in April, with Edinburgh's share being £1.651m. It has now been confirmed that additional Scotland-wide funding of £12.6m will be provided to allow continuing free school meal payments until 10 August, along with a further £15m to support food distribution for more vulnerable groups, including those self-isolating as part of the Test and Protect scheme, until the end of September. Edinburgh's allocation from this £27.6m of combined funding is £1.589m.

Coronavirus Job Retention Scheme (CJRS)	The CJRS is a furlough scheme introduced in response to the coronavirus pandemic. It provides grants to employers to pay 80% of a staff wage each month, up to a total of £2,500 per person per month. 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	0.550	On 10 June, the Council applied to HMRC to furlough some 430 staff roles in areas meeting the principal requirements of the CJRS. The staff for whom furloughing support has been sought are employed across the areas of outdoor education, corporate catering and the Council's cultural venues. The employees' participation is subject to on-going review. Accessing the scheme provides access to potential furlough income of £550,000 between June and, at the latest, October 2020.
Total Welfare and Well-Being Fund, additional Barnett Consequentials and other sums		542	22.370	NB Scottish Welfare Fund and DHP allocations predicated on the provision to claimants of additional support of similar amount.
Funds primarily benefiting other sectors but administered by councils				
Business Grants, Bed and Breakfast Hardship Fund and Newly Self-Employed Hardship Fund	Targeted grants intended to help protect jobs, prevent business closure and promote economic recovery. These complement other measures in place to support business, including the CJRS.	1,010	103.0	The sums shown now reflect actual take-up, with some £1.156 billion of the overall Business Support budget of £1.256 billion understood to have been spent.
NDR relief	100% relief in 2020/21 for retail, hospitality and tourism-based businesses	1,047	1.9	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	0.5	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 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)	55.596	
Approved savings/management of residual pressures - anticipated shortfall in delivery	3.020	Position essentially unchanged from that reported to Policy and Sustainability Committee on 23 July
Residual pressures		
ALEO support	31.000	Position unchanged from that reported to Policy and Sustainability Committee on 23 July
	89.616	
Confirmed funding and savings:		
Confirmed COVID-19 related funding (per Appendix 3)	(19.879)	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 £7.43m provided, a £2m contribution to the EIJB was approved by Council on 30 June, up to £0.422m approved for Marketing Edinburgh in March and £0.178m part-year funding agreed for Communities and Families grant recipients at the Policy and Sustainability Committee on 28 May.
Use of earmarked reserves	(19.562)	Comprising funds for specific investment (£5.9m), risk management contingency (£4m), Council Tax Reduction Scheme (£3m), dilapidations (£2.5m), Workforce Management (£1.5m), Transformation Fund (£1.35m), Unallocated General Fund (former-CSIF element) (£0.9m) and Council Priorities Fund (£0.4m).
Further timing-related and corporate savings	(17.150)	Comprising 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), treasury management-related loans charge savings (£2.5m), LDP revenue budget (£1.5m), Loans Fund Review - slippage in first year's additional related roads/infrastructure expenditure (£1m) and past service pension costs - reductions in expected required in-year level of provision (£0.65m).
	(61.421)	
Potential further funding:		
UK Government announcements of additional investment in England, 2 July and 23 July - general unhyphenated Barnett Consequentials (£49m) and income compensation scheme elements (estimated at £90m) - combined funding c.£139m	(10.870)	Based on an allocation of these sums in line with that applied to previous unringfenced funding, the Council's share would be £10.870m. Given the potential for the full quantum to be used to compensate income losses, however, on the basis of Edinburgh's disproportionate reliance on income, a higher allocation would be expected, particularly if ALEOs are included.
UK Government Budget Statement, 8 July - Coronavirus Job Retention Scheme "bonus"	(0.150)	Further details received on eligibility criteria (linked to qualifying earnings per month) suggest that the level of potential support to the Council is somewhat lower than previously anticipated. Submission of any claim will be subject to consideration by elected members.
	(11.020)	
Remaining shortfall	17.175	