

# Governance, Risk and Best Value Committee

10.00am, Tuesday 16 February 2021

## Revenue Budget 2020/21: Month Eight Position – referral from the Finance and Resources Committee

Executive/routine	
Wards	All
Council Commitments	

### 1. For Decision/Action

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- 1.1 The Finance and Resources Committee has referred a report on the Revenue Budget 2020/21: Month Eight Position to the Governance, Risk and Best Value Committee for scrutiny.

**Andrew Kerr**

Chief Executive

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# Referral Report

## Revenue Budget 2020/21: Month Eight Position

### 2. Terms of Referral

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- 2.1 On 21 January 2021, the Finance and Resources Committee considered an update on the estimated expenditure and income impacts of the Covid-19 pandemic upon the Council and its Arm's-Length External Organisations (ALEOs) during 2020/21, alongside offsetting sources of confirmed or anticipated funding, based on analysis of income and expenditure for the period to the end of October 2020.
- 2.2 The Finance and Resources Committee agreed:
- 2.2.1 To note that, following confirmation of the Council's provisional funding allocation through the income compensation scheme, a balanced overall position was now forecast, albeit this remained dependent upon a significant contribution from its earmarked reserves.
  - 2.2.2 To note, nonetheless, the potential for further expenditure pressures in excess of the current risk contingency of £3m to emerge during the remainder of the year given uncertainty over the duration of current tightened Covid-19 related restrictions and thus a continuing need to identify further in-year Directorate-specific and/or corporate finance savings.
  - 2.2.3 To note that, in light of the above, updates would continue to be provided to members of the Committee during the remainder of the year.
  - 2.2.4 To note that estimates of the recurring impacts of the pandemic, taking appropriate account of any additional funding contained within the Local Government Finance Settlement and available financial flexibilities, would require to be considered in the development of subsequent years' budgets.
  - 2.2.5 To agree to provide information on how any additional costs would be charged for the whistleblowing inquiry above the allocated funding.
  - 2.2.6 To thank officers for the report and staff leaving under VERA arrangements for their service to the Council.
  - 2.2.7 To refer this report to the Governance, Risk and Best Value Committee for scrutiny as part of its work programme.

### **3. Background Reading/ External References**

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Minute of the Finance and Resources Committee of 21 January 2021

[Webcast of the Finance and Resources Committee of 21 January 2021](#)

### **4. Appendices**

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Appendix 1 – report by the Executive Director of Resources

# Finance and Resources Committee

10.00am, Thursday, 21 January 2021

## Revenue Budget 2020/21: month eight position

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

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1.1 Members of the Finance and Resources Committee are recommended to:

1.1.1 note that, following confirmation of the Council's provisional funding allocation through the income compensation scheme, a balanced overall position is now forecast, albeit this remains dependent upon a significant contribution from its earmarked reserves;

1.1.2 note, nonetheless, the potential for further expenditure pressures in excess of the current risk contingency of £3m to emerge during the remainder of the year given uncertainty over the duration of current tightened COVID-19 related restrictions and thus a continuing need to identify further in-year Directorate-specific and/or corporate finance savings;

1.1.3 note that, in light of the above, updates will continue to be provided to members of the Committee during the remainder of the year;

1.1.4 note that estimates of the recurring impacts of the pandemic, taking appropriate account of any additional funding contained within the Local Government Finance Settlement and available financial flexibilities, will require to be considered in the development of subsequent years' budgets; and,

1.1.5 refer this report to the Governance, Risk and Best Value Committee for scrutiny as part of its work programme.

**Stephen S. Moir**

Executive Director of Resources

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# Report

## Revenue Budget 2020/21: month eight position

### 2. Executive Summary

- 2.1 The report provides a further update on the estimated expenditure and income impacts of the COVID-19 pandemic upon the Council and its Arm's-Length External Organisations (ALEOs) during 2020/21, alongside offsetting sources of confirmed or anticipated funding, based on analysis of income and expenditure for the period to the end of October 2020. Following confirmation of the Council's provisional funding allocation through the income compensation scheme, a balanced overall position is now forecast as indicated below:

<b>Additional net expenditure pressures:</b>	<b>£m</b>	<b>£m</b>
Estimated COVID-19 specific expenditure and income (including risk contingency)		82.2
Net residual pressures/anticipated shortfalls in savings delivery		2.3
		<b>84.5</b>
<b>Available funding:</b>		
Assumed COVID-19 related funding	(44.5)	
2020/21 budget - unallocated additional monies	(4.8)	
Use of earmarked reserves	(12.1)	
Further timing-related and corporate savings	(23.1)	
	<b>(84.5)</b>	
<b>Remaining shortfall</b>		<b>0.0</b>

- 2.2 While this improved position is clearly to be welcomed, its achievement remains dependent upon a significant contribution from the Council's earmarked reserves. There is, in addition, the potential for further expenditure pressures in excess of the current risk contingency of £3m to emerge during the remainder of the year given uncertainty over the duration of current tightened COVID-19 related restrictions and thus a continuing need to identify further in-year Directorate-specific and/or corporate savings.

### 3. Background

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- 3.1 On 3 December 2020, members of the Committee considered the latest update on the Council's 2020/21 revenue budget, indicating a remaining estimated shortfall of £6.8m between net cost pressures across the Council and its ALEOs and confirmed or anticipated sources of funding. These net pressures are primarily attributable to the impact of the on-going COVID-19 pandemic upon the Council and its ALEOs' activities, reflecting both additional expenditure requirements and, in particular, reductions in income.

### 4. Main report

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#### Changes in net COVID-related expenditure pressures – Council

- 4.1 As in previous months' reports, **Appendix 1** sets out the principal estimated expenditure and income impacts of the pandemic on the Council's budget. In overall terms, this analysis shows a slight increase of £0.5m (to £58.2m) relative to the position reported to the Committee's previous meeting on 3 December, with explanations provided for material movements in the intervening period. The majority of this movement is attributable to increases in expenditure, based on updated analysis in the areas concerned. While headline net costs have increased slightly, those linked to free school meal payments and business and other grant-related administration are offset by the receipt of additional income, meaning that the underlying position is essentially unchanged.
- 4.2 As recent events have shown, however, the position remains fluid, particularly following the imposition of lockdown restrictions across the entire Scottish mainland for a period until at least the end of January with the potential to continue well beyond that point. In view of these tightened restrictions, in recent weeks the Scottish Government has significantly expanded the range of business and other grant support schemes available. Although most are being administered through local government, in general these schemes are predicated on the provision of additional support to affected organisations and individuals and thus do not change the Council's overall funding gap.
- 4.3 While a number of the projections in Appendix 1 take explicit account of expected on-going disruption to service provision, a general risk contingency of £3m continues to be incorporated within the overall forecast. This reflects, for example, the potential for further reductions in income from parking<sup>1</sup>, commercial property rentals, cultural venues and planning/building standards fees over and above current assumptions. Depending on the duration and nature of these restrictions, however, there is a risk that this sum may be insufficient.

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<sup>1</sup> Since the Committee's last meeting on 3 December, overall parking income levels have continued to show significant reductions on the equivalent figures for 2019/20, averaging a 25% decrease in the eight weeks to 20 December. Income figures for the period covered by Level 4 and/or full lockdown restrictions show further reductions averaging 52%, the extent and duration of which remains uncertain at this stage.

## **Changes in net COVID-related expenditure pressures – Arm’s-Length External Organisations (ALEOs)**

- 4.4 The revenue budget update report considered at the Committee’s meeting on 3 December provided a detailed update on the impact of the pandemic on the financial standing of the Council’s ALEOs. The report set out anticipated cumulative impacts in the period to March 2021 totalling £23.5m, comprising the loss of successive years’ Lothian Buses dividend (£12m), assumed unpaid Council invoices by Edinburgh Trams (£6m) and additional required support for Edinburgh Leisure (£4m). In addition, a £1.5m general contingency was maintained to reflect remaining uncertainty over the period from January to March, in particular the potential for additional required financial support in the event of further tightening of local or national restrictions.

### **Edinburgh Leisure**

- 4.5 With the caveat that the position remains subject to material change depending upon the extent and duration of current restrictions, the outcome of continuing discussions around the level of business interruption insurance settlement and eligibility for, and use of, continuing furlough support, a further £1m reduction in the potential in-year call on the Council (to £3m) is reflected within the updated forecast.
- 4.6 An initial £1m insurance settlement payment was received on 24 November 2020, with an expectation of a further payment of up to £1.5m based on the policy’s coverage. The assumed level of support for the remainder of the year does, however, reflect the potential for some additional required Council funding based on experience during the early months of the pandemic, representing the net costs of operation after taking into account significantly-reduced income and the level of support available through the Coronavirus Job Retention Scheme following its extension until April 2021.

### **Edinburgh Trams**

- 4.7 On 23 December 2020, following detailed discussions with the respective operators, the Scottish Government confirmed the provision of a further £8m of emergency funding support for Glasgow Subway and Edinburgh Trams in recognition of the on-going financial impacts of the pandemic, extending provision of this support until the end of March 2021. This additional funding increases Edinburgh Trams’ cumulative support to up to £8.8m for the period from July 2020 to March 2021.
- 4.8 The support reflects the company’s vital role in ensuring continuing transport provision for essential and key workers, those who cannot work from home and those who need to travel to school or study during the pandemic (as well as the subsequent sustainable economic recovery) whilst recognising the financial impacts of reduced capacity due to continuing travel restrictions and physical distancing. Confirmation of this additional support has allowed the Council to revise downwards its level of assumed in-year financial support by £1.5m. In addition to the £1m reduction for Edinburgh Leisure noted above, this results in a revised overall ALEO-specific lost income, or required support, total of £21m.

### **Approved savings/management of residual pressures**

- 4.9 Executive Directors continue to develop relevant implementation plans to deliver the savings measures required to mitigate residual pressures and savings shortfalls within their respective service areas, with a balanced position being projected for both the Resources Directorate and Chief Executive's Service. Opportunities for any further savings across a number of corporate budgets are also being examined to mitigate the net call on the Council's earmarked reserves.
- 4.10 As of month eight, net residual pressures within core activity continue to be projected within the Communities and Families (£1.2m) and Place (£0.5m) Directorates. While efforts to identify further mitigating measures are on-going, given the comparatively late stage of the year, there remains a risk of overspend and as such the sums concerned are reflected in the Council's projected overall outturn.

### **Independent review of Council's whistleblowing and organisational culture**

- 4.11 The Council is continuing to progress an independent inquiry into (a) matters connected to the death of a Council employee and (b) our whistleblowing and organisational culture.
- 4.12 Extensive call for evidence communications have been issued and the independent Chair, Susanne Tanner QC, continues to lead and direct the work that Pinsent Masons are undertaking in respect of the inquiry. The terms of reference regarding the independent inquiry are located on [the public inquiry webpage](#).
- 4.13 The cumulative in-year costs for the inquiry to 31 December 2020 are £243,246.

### **Costs of employee release**

- 4.14 At the meeting of Council on 15 October, members agreed to release funding of up to £14.8m from the Workforce Transformation reserve to facilitate a targeted programme of Voluntary Early Release Arrangements (VERA) for senior managers. An opportunity to express interest was subsequently made available to all relevant staff and Heads of Service.
- 4.15 All 47 applications received have now been assessed, with 21 offers made, 18 of which have been accepted. Given the associated timing of departure, however, no related staff savings are now being assumed in 2020/21 but with full-year savings of around £1.5m anticipated in 2021/22.

### **Coronavirus Job Retention Scheme (CJRS)**

- 4.16 On 5 November, the Chancellor of the Exchequer confirmed a UK-wide extension of the CJRS until March 2021, with employers able to claim 80% of an employee's usual salary for hours not worked, up to a maximum of £2,500 per month, for the months of November, December and January. On 17 December, operation of the scheme was then extended until the end of April.
- 4.17 For the period from June until December inclusive, claims to HMRC totalling £0.712m have been submitted, with a further £0.140m now anticipated over the

remainder of the year in respect of staff working in the Council's outdoor centres. This revised sum of £0.850m is included within the overall monitoring projection.

### **Homelessness funding**

- 4.18 Members of the Committee have previously been advised of work underway to seek financial support for additional homelessness-related costs incurred by the Council during the pandemic given the corresponding inclusion, and subsequent potential funding through Mobilisation Plans, of relevant costs for other councils where these services fall within the remit of the relevant Integration Joint Board.
- 4.19 The Head of Finance has raised this issue, both through COSLA and directly with the Scottish Government, to ensure that a consistent approach is adopted in funding for homelessness services, rather than being dependent on the body incurring the expenditure. No formal response has, however, been received to date.

### **Financial flexibilities**

- 4.20 Members will be aware from previous updates that Council officers, through COSLA, have been working closely with the Scottish Government to explore a range of potential financial "flexibilities", to be used as appropriate to individual authorities' own circumstances, that would have the effect of spreading the cost impacts of the pandemic over a longer period.
- 4.21 Following consultation with the UK Government, three specific measures are able to be applied at this stage to meet COVID-related expenditure:
- (i) utilising capital receipts received in-year in either 2020/21 or 2021/22;
  - (ii) a Loans Fund principal repayment "holiday" which would permit a council to defer repayments in either 2020/21 or 2021/22, but with the amount of this repayment added to the term of the remaining loans fund advance; and
  - (iii) repaying, in accounting terms, the debt element of service concession arrangements within PPP contracts over the life of the asset rather than the current mechanism based on the life of the contract<sup>2</sup>.
- 4.22 Since the Committee's previous meeting, relevant discussions have continued, through Directors of Finance, with the Scottish Government on the practical implementation of these schemes and required changes to accompanying regulations. Based on the Council's understanding of relevant guidance, at this stage it is intended to utilise the Loans Fund principal repayment flexibility in 2021/22, thereby creating a reserve equal to the amount of the previously-planned in-year repayment and using this to offset COVID-related pressures in each of the next three financial years. Additional details will be included in the revenue budget framework report to be considered by the Committee on 2 February.

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<sup>2</sup> This arrangement would, however, not affect the level of contractual payments made which would remain in line with original agreements.

- 4.23 Should it be permitted, however, it remains officers' preference to utilise the PPP-based flexibility, adopting an annuity basis of repayment, as this would optimise the level of retrospective benefit and deliver savings to the revenue account from 2021/22 onwards, whilst deferring the additional liability relative to current arrangements fully beyond the period of the PPP1 and PPP2 contracts.
- 4.24 On 23 July 2020, members of the Policy and Sustainability Committee agreed a motion seeking a two-year waiver on the interest element of councils' existing Public Works Loan Board (PWLB) borrowing and the Council Leader subsequently wrote to the Chancellor on this basis. A response to this letter, reiterating previously-announced direct and indirect financial support provided in light of the pandemic, has now been received and is included as **Appendix 2**.

### **Income loss compensation scheme**

- 4.25 Members of the Committee have received a number of previous updates on the development of an income loss compensation scheme for councils across Scotland. While the precise quantum of funding available is dependent upon Barnett Consequentials arising from sums paid out as part of the equivalent English scheme, at this stage these are estimated at £90m. These sums form part of total additional Barnett Consequentials for Local Government in Scotland to date of some £944 million, most of which have now been allocated amongst authorities<sup>3</sup>. The majority of this funding, whilst very welcome, is however directed to support particular client groups or provided for specific purposes and thus not available to offset against in-year pressures being faced by service areas.
- 4.26 At their meeting on 11 December, COSLA Leaders agreed that the £90m of available funds would be allocated according to councils' actual in-scope income losses (including relevant ALEOs) as verified by Directors of Finance over the period from April to September inclusive. These losses totalled £227m, of which Edinburgh's share was some £45.3m; together with the equivalent income shortfalls in Glasgow, the two main cities accounted for 44% of the entire Scotland-wide total.
- 4.27 Previous reports indicated the potential for a significant upside in the Council's allocation relative to more generic needs-based distributions although, in the absence of a detailed knowledge of other authorities' submissions, it was not possible to quantify this. Based on the totals above, the Council's provisional share of the £90m is £17.960m, some £10.922m higher than was assumed in previous reports based on the Council's share of general-purpose in-year funding streams. Given continuing pandemic-related restrictions in place across the UK, income losses incurred by councils in England over the second half of the financial year are expected to give rise to additional Barnett Consequentials and further details will therefore be sought via Directors of Finance in due course to guide the distribution of any relevant funding received.

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<sup>3</sup> The remaining sums where distribution is awaited are £25m of additional Council Tax Reduction Scheme/Social Security support and £30m of ring-fenced Education Recovery funding, access to each of which is subject to demonstrated need.

## Other funding

- 4.28 As noted earlier in the report, an increasing range of business grant funds has been made available in recent weeks, including those in respect of the newly self-employed, the hospitality sector and taxi and private hire drivers, building on the earlier Strategic Framework Fund for businesses required to close, or reduce their opening hours, by law. Councils have also agreed to administer a number of other schemes, including those for individuals at risk of financial exclusion, discretionary business support and £100 Christmas hardship payments for those children and young people entitled to free school meals.
- 4.29 In recognition of the significant additional administration involved in the development of relevant guidance, payment processes, monitoring and subsequent reporting of these schemes, the Scottish Government has indicated that £12m will be made available to address these costs and the Council's projections therefore include a proportionate share of these resources. The Scottish Government has also confirmed that it will make available some £9m of additional resources to recognise pandemic-related pressures within the children's residential care sector, with the Council's anticipated allocation of around £0.65m partially offsetting relevant expenditure pressures noted in Appendix 1.
- 4.30 Given the increasing complexity of the funding landscape, **Appendix 3** presents a simplified list of expected external funding sources where these directly impact upon the Council's residual funding gap, now totalling £44.5m.

## Edinburgh Integration Joint Board (EIJB)

- 4.31 As of month eight and based on the current assessment of approved savings delivery, an overspend of up to £7.7m for Council-delegated services is forecast, primarily comprising pressures in external services, including residential and nursing purchased care, care and support, care at home and direct payments. These pressures are, in turn, largely attributable to delays in planned savings delivery and increased demand due to the operational impacts of the pandemic. These sums do not include provider uplifts of £3.4m to allow continuing payment of at least the Living Wage Foundation hourly rate in 2020/21, offsetting measures for which remain to be confirmed.
- 4.32 Work also continues to refine and evidence the cost estimates contained within the Edinburgh Health and Social Care Partnership's Local Mobilisation Plan (LMP), with total funding of £29.4m confirmed to date for the four HSCPs covering the NHS Lothian region. At this stage, it be being assumed that all COVID-related costs will be funded by this means and, as such, give the potential for a balanced overall position to be achieved for the year.

## Overall position

- 4.33 Taking into account the changes outlined in the preceding sections, a balanced overall position is now forecast as shown in detail in **Appendix 4** and in summarised form in **Appendix 5**. This position does not, however, include any net cost associated with schools re-opening (currently anticipated to be contained within the overall level of additional, or redirected, funding provided) or the EIJB.

There is, in addition, the potential for further expenditure pressures in excess of the current risk contingency of £3m to emerge during the remainder of the year given uncertainty over the duration of current tightened COVID-19 related restrictions and thus a continuing need to identify further in-year Directorate-specific and/or corporate savings.

- 4.34 While this improved position is clearly to be welcomed, it is important to emphasise that its achievement remains dependent upon a significant contribution from the Council's earmarked reserves. Even after taking account of the additional funding relative to previous estimates anticipated to be received through the income loss compensation scheme, only around half of the net additional in-year costs are being offset by the provision of additional external funding, with some £40m of the overall resulting shortfall being met through a combination of corporate savings, unallocated funding and use of earmarked reserves.
- 4.35 Reprioritisation and realignment of the Council's reserves and consideration of available financial flexibilities to spread the on-going impacts of the pandemic over a longer period will therefore form a key element of the approved 2021/22 budget, further details of which will be included in the budget framework report to be considered at the Committee's meeting on 2 February.

## 5. Next Steps

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- 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 current restrictions. These estimates will be shared with COSLA and form part of on-going liaison and negotiation with the Scottish Government around the provision of financial flexibilities and, in the case of reductions in income, the income loss compensation scheme.
- 5.2 Executive Directors have brought forward measures to offset the majority of savings delivery shortfalls and residual service pressures within their respective areas of responsibility. At this stage, however, shortfalls of £1.2m (Communities and Families) and £0.5m (Place) remain and the development of corresponding sustainable actions is required both to reduce the in-year call on the Council's earmarked reserves and enhance the sustainability of the budget framework.
- 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

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- 6.1 The report notes a range of significant expenditure pressures, both in respect of Council services and impacts on the activities of the Council's ALEOs. While a balanced in-year position is now being forecast, the financial impacts of the pandemic are expected to continue at least into the medium term and the revenue budget framework report to be considered on 2 February therefore seeks to acknowledge these pressures and the knock-on impacts on the delivery of previously-approved savings underpinning the three-year balanced budget approved in February 2020.

## 7. Stakeholder/Community Impact

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- 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

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- 8.1 [Revenue Budget 2020/21: progress update](#), Finance and Resources Committee, 3 December 2020
- 8.2 [Revenue Budget 2020/23: 2020/21 month five position and framework assumptions update](#), Finance and Resources Committee, 29 October 2020
- 8.3 [Finance Update](#), Edinburgh Integration Joint Board, 27 October 2020
- 8.4 [Revenue Budget 2020/21 – progress update](#), Finance and Resources Committee, 24 September 2020
- 8.5 [Edinburgh Leisure – Request for Additional Funding Support, 2020/21](#), Finance and Resources Committee, 24 September 2020
- 8.6 [Revenue Budget 2020/21 – period three position](#), Finance and Resources Committee, 27 August 2020
- 8.7 [Revenue Monitoring 2019/20 – outturn report](#), Finance and Resources Committee, 27 August 2020
- 8.8 [Finance Update](#), Edinburgh Integration Joint Board, 24 August 2020
- 8.9 [Fair Work and the Living Wage in Adult Social Care](#), Edinburgh Integration Joint Board, 24 August 2020

## 9. Appendices

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- 9.1 Principal additional expenditure and reduced income impacts of COVID-19 pandemic – Council
- 9.2 Response from the Chief Secretary to the Treasury on Council's request for a two-year waiver on the interest element of existing PWLB borrowing
- 9.3 External funding confirmed to date excluding non-Health and Social Care services and schools re-opening
- 9.4 Revenue Budget Update, 2020/21 - estimated position (detailed)
- 9.5 Revenue Budget Update, 2020/21 - estimated position (summarised)

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

Appendix 1

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

Service Area	Impact	Estimate	Increase/ (decrease)	Revised estimate
		F&R 3 Dec £m	F&R 21 Jan £m	F&R 21 Jan £m
<b>Increases in expenditure</b>				
Homelessness Services	Additional temporary accommodation costs required to observe social distancing. It is anticipated that a combination of the provision of additional accommodation for those rough sleeping, those with no recourse to public funds and a wider lack of move-on or settled accommodation will result in a gross in-year pressure of £9.3m. A £0.3m food funding contribution has now been secured, however, for homeless clients, reducing the net pressure to £9.0m. This pressure may reduce further depending on demand and eligibility for support through other existing and anticipated grant funding streams.	9.015	0.000	9.015
School meals/community food advice and distribution	Cost represents payment for children eligible for free school meals (FSM) which, following the receipt of additional ringfenced Scottish Government funding, was in place until mid-August. It also includes provision for income support measures and food distribution to vulnerable and/or at-risk groups (including those self-isolating as part of the Test and Protect scheme), ringfenced funding for which was also secured until the end of September. The Scottish Government has subsequently confirmed funding for continuing FSM provision over the October, Christmas/New Year, February and Easter holidays and the associated cost in 2020/21 of £0.385m is reflected in the updated projection. Following the recently announced funding package to support those at financial risk over the pandemic, a further allocation of around £0.300m will also be made available for wider community-based food support.	3.240	0.385	3.625
Waste and Cleansing	Additional refuse collection vehicles, fuel, external contractors, PPE, etc. Projection also reflects agency staffing and overtime expenditure linked to the reopening of Community Recycling Centres and for providing wider absence cover, as well as a reduction in income from sale of recyclates, based on depressed state of market. The January update also incorporates the financial impacts of greater-than-normal waste tonnages collected in the year to date and necessarily-reduced enforcement activity.	1.952	0.743	2.695
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. In recognition of these pressures, the Scottish Government has made available £9m of additional resource for residential and secure young people's care, with the Council's anticipated allocation of this sum around £0.65m; this sum is included within the funding sources analysis in Appendix 3.	1.295	0.000	1.295
Resources - Customer	Represents additional staffing (including overtime) for benefit claim and business grants processing and vulnerable/shielding support customer contact. The Scottish Government has thus far made available £5m, with the potential for a further £7m, in acknowledgement of councils' vital role in administering these schemes; the estimated funding allocation for Edinburgh is similarly included in Appendix 3.	0.691	0.062	0.753
Public conveniences	Limited, phased reopening in areas of high footfall, especially in parks and at the seafront, as approved by the Policy and Sustainability Committee on 9 July. Projection reflects additional costs of full-year opening as outlined in report to Policy and Sustainability Committee on 6 October.	0.248	0.000	0.248
Street lighting	Increased energy and prudential borrowing costs due to delay in roll-out of LED programme.	0.231	0.000	0.231
Libraries	Following the decision taken at the Policy and Sustainability Committee on 10 November to allow for the safe re-opening and operation of further libraries and community centres, a corresponding additional Facilities Management cost of up to £0.2m will be incurred, dependent on the extent and timing of re-opening given current restrictions.	0.200	0.000	0.200
Additional security costs	Council Resilience Centres, Homelessness Accommodation and Temporary Mortuary	0.150	0.000	0.150
Temporary mortuary hire	Including provision for additional direct staffing	0.110	0.000	0.110
Other incident-related costs	Including ICT, PPE and Registrar's Service staffing, payment to Volunteer Edinburgh and food packages until the end of June for shielded groups not eligible for support through the Food Fund. Projection updated in light of updated estimate for non-Health and Social Care Partnership PPE expenditure.	2.486	(0.500)	1.986
<b>Total increases in expenditure - Council (excluding Health and Social Care)</b>		<b>19.618</b>	<b>0.690</b>	<b>20.308</b>
<b>Reductions in income</b>				
Parking Income - on-street	Loss of income from on-street car parking due to the suspension of city-wide parking charges, based on parking charge and enforcement reinstatement wef 22 June but with continuing shortfalls in income for most of the rest of the year due to reduced space availability and/or demand. While weekly income from late August until mid-October was generally between 10% and 15% lower than 2019/20's equivalent levels, this shortfall has grown markedly since that time, averaging 25% in the eight weeks to 20 December. Following implementation of tightened restrictions with effect from 5 January, these shortfalls would be expected to grow significantly, at least in the short term. The current year's forecast therefore includes provision for these weekly losses to increase, with a further general £3m risk contingency reflected within the Council-wide forecast to reflect the impact of continuing restrictions on this and related income streams.	11.674	0.000	11.674
Rental income - Council-owned properties	Increased risk of non-recovery of rental income due to economic downturn, partly linked to reduced tourism. Due to the likelihood of subsequent tenant insolvency and delays in re-letting, an 80% rental loss is assumed in each of the first three quarters. A targeted policy of support was agreed at the Finance and Resources Committee on 29 October. While these measures may reduce the level of in-year loss, the position remains subject to considerable uncertainty, particularly given the imposition of tighter restrictions and the consequent impact on trade.	9.000	0.000	9.000
Place (various)	Net loss of income - including pest control and scientific services, tables and chairs permits, cruise liner berthing fees and museum and galleries donations, admissions and rents based on expected periods of closure/service unavailability. The updated projections reflect assumed disruption until the end of the financial year.	2.479	0.506	2.985
Housing Property Services	Estimated reduction in sums chargeable to the Housing Revenue Account, reflecting revised current assessment and impact of mitigating actions identified thus far.	2.150	0.000	2.150
Roads	Reduction in staff salaries chargeable to the Capital Programme.	2.061	0.084	2.145
Parking Income - enforcement	Enforcement and bus lane cameras Penalty Charge Notice reductions	2.013	0.000	2.013

Service Area	Impact	Estimate	Increase/	Revised
		F&R 3 Dec	(decrease)	estimate
		£m	£m	£m
<b>Council Tax - collection rate and intervention income</b>	The year-on-year collection rate as of the end of November was some 1.36% lower than in 2019/20, although collection rates in the city are seeing much smaller reductions than in many other Scottish authorities. Through a combination of planned recovery action and anticipated income in respect of 2020/21 to be received in subsequent years, the level of potential bad debt provision has been revised, although the adequacy of this revised sum will be kept under review. As of early December 2020, combined intervention income for Council Tax and Non-Domestic Rates (representing the 10% surcharge applied on sums due in cases of summary warrant issue) was also around £1m short of budgeted levels due to a combination of an increase in Council Tax Reduction Scheme take-up, delayed recovery for both Council Tax and NDR and lower sums being billed as a result of extensive in-year NDR reliefs. To date, potential mitigations of up to £0.5m have been identified but there is a risk that the remaining shortfall cannot be contained within the £1.85m headline sum.	1.850	0.000	1.850
<b>Outdoor Centres</b>	Loss of fees and charges income, now extended to the period to end of March 2021. It has been confirmed that these sums are not recoverable from insurance.	1.751	0.000	1.751
<b>Cultural venues</b>	Loss of income - sales, rentals, admissions and rents. Revised forecast reflects projected position until end of year, offset by savings in casual staff costs.	2.247	(0.513)	1.734
<b>Parking - residents' and other permits</b>	Loss of income for residents', retailers', business and trade permit schemes and associated non-enforcement	1.675	0.000	1.675
<b>Planning and building standards</b>	Reduction in planning applications submitted due to construction shutdown. These projections will be reviewed in light of recently-introduced additional restrictions.	1.503	0.000	1.503
<b>Parks and Greenspace</b>	Losses of income including for events, trading stances, park leases, rechargeable tree works, nursery sales, timber sales and Edinburgh Leisure recharge.	0.996	(0.039)	0.957
<b>Communities and Families (other)</b>	Loss of income from adult education classes, libraries fees and charges, sports clubs and external funding.	0.833	0.000	0.833
<b>Community Access to Schools</b>	Increase is due to updated expectations of re-opening timescales and associated levels of lost income, including impact on WHEC.	0.785	0.000	0.785
<b>Other Catering</b>	Loss of income from closure of staff restaurants and coffee shops and cancellation of external events and internal catering, net of savings in food and drink, other supplies and services and agency and overtime costs. Projection updated based on position as of mid-November.	0.663	(0.008)	0.655
<b>Licensing</b>	Refunds/extensions for all licences, including cab, liquor and HMO (NB these costs are expressed net of assumed contributions from earmarked reserves).	0.442	0.012	0.454
<b>Public transport</b>	Loss of bus station income due to reduced departures, etc. While the figure shown reflects a revised assessment of income lost, enforced delays to the replacement of the Bus Station Information System and Real Time Passenger Information signage may give rise to additional costs in the current year.	0.420	0.000	0.420
<b>Council Tax (base)</b>	Reduction in Council Tax buoyancy due to temporary cessation of construction activities and subsequent economic slowdown. In common with the in-year collection rate, detailed analysis of the Council Tax base as of September 2020 showed a lower loss of buoyancy than had initially been anticipated, with the forecast amended accordingly.	0.300	0.000	0.300
<b>Refunds/discounts for cancelled services - garden waste</b>	Costs of extending current-year permits by further five weeks	0.150	0.000	0.150
<b>Total reductions in income - Council (excluding Health and Social Care)</b>		<b>42.992</b>	<b>0.042</b>	<b>43.034</b>
<b>Savings in expenditure</b>				
<b>Non-Domestic Rates</b>	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. As of the time of writing, following the awarding of 25% relief for unoccupied office properties in England and Wales, discussions are continuing concerning potential equivalent relief in Scotland (this would be additional to the level of saving currently shown).	(2.375)	0.000	(2.375)
<b>Energy</b>	Savings in gas, electricity and water costs across corporate building estate based on indicative analysis by Energy Management Unit. The projection has been updated based on analysis of invoices received until the end of August, with the potential for further savings in water charges. Greater certainty should be obtained as the year progresses.	(1.810)	0.000	(1.810)
<b>Libraries</b>	Reductions in agency and overtime expenditure and savings from vacant posts, assuming six libraries operational from October and remainder open from January. These projections are subject to change given on-going restrictions.	(0.700)	0.000	(0.700)
<b>School meals</b>	Reductions in food costs, less loss of income based on latest uptake figures and estimates for remainder of year	0.000	(0.244)	(0.244)
<b>Total savings in expenditure (excluding Health and Social Care)</b>		<b>(4.885)</b>	<b>(0.244)</b>	<b>(5.129)</b>
<b>Total net additional costs</b>		<b>57.725</b>	<b>0.488</b>	<b>58.213</b>
<b>Notes</b>				

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



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Cllr Adam McVey  
Leader of Edinburgh City Council  
City Chambers  
High Street  
Edinburgh  
EH1 1YJ

23 December 2020

Dear Adam,

Thank you for your letter of 3 September to the Chancellor of the Exchequer about funding and financial flexibilities for the Scottish Government and Scottish local authorities. I am replying as the Minister responsible for this policy area.

I am very sorry for the delay in responding. The Treasury has received over 26,000 items of correspondence from MPs since the outbreak of COVID-19, and such a large and sustained increase in the amount of correspondence at the same time as delivering targeted action to protect millions of jobs and livelihoods is a significant challenge.

In July the UK Government made an unprecedented upfront funding guarantee to the devolved administrations, which included guaranteeing that the Scottish Government would receive at least £6.5 billion in additional funding this year on top of their Spring Budget 2020 funding. This guarantee has now been increased to £8.2 billion and is providing the Scottish Government with the funding certainty needed to plan and implement its coronavirus response this year, including to support local authorities.

The Scottish Government also has access to the financial tools and flexibilities agreed as part of its fiscal framework. This includes borrowing powers for agreed purposes and within agreed limits, as well as the ability to operate the

Scotland Reserve.

On the specific proposal in your letter, we would have to recognise at the start that it would come with a cost to the UK Government. Local authorities' payments to the PWLB are used to cover the cost of the underlying borrowing that finances PWLB loans, with any surplus over this cost funding public spending, including the grants paid to local authorities. If interest payments were suspended on PWLB loans, the UK government would have to find an alternative way to meet these commitments.

However, I worked with the Scottish Government's Cabinet Secretary for Finance to enable flexibilities in relation to local authorities in Scotland, so I was pleased to see the Scottish Government announce a package of support incorporating these flexibilities in October.

More recently, the Spending Review 2020 has confirmed a further £2.4 billion of additional funding for the Scottish Government in 2021-22 through the Barnett formula, plus funding to deliver our manifesto commitments to farmers and fisheries. Scotland will also benefit from UK Government investment to improve connectivity and productivity, including the Gigabit and Shared Rural Network programmes, support for new green industries and a £14.6 billion UK-wide research and development fund.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Steve Barclay', written in a cursive style.

**RT HON STEVE BARCLAY MP**

External funding confirmed to date excluding non-Health and Social Care services and schools re-opening

Appendix 3

<b>Confirmed funding from Scottish Government:</b>	<b>Edinburgh's allocation (£m)</b>
Hardship Fund (April)	3.910
Further assistance linked to pass-through of Barnett Consequentials from support to councils in England (May)	12.122
Further assistance linked to pass-through of Barnett Consequentials from support to councils in England (August)	3.832
Food Fund/Free School Meals (April/August/December)	3.625
Seven-day registration facility opening (May)	0.057
Test and Trace administration (December)	0.201
Income compensation scheme (January)	17.960
Coronavirus Job Retention Scheme (i.e. furloughing; funding received from HMRC)	0.800
<b>Total confirmed funding</b>	<b>42.507</b>
<b>Anticipated further funding:</b>	
Business grants administration (December)	0.559
Business grants administration (January)	0.783
Residential care - additional pressures (January)	0.650
<b>Total anticipated further funding</b>	<b>1.992</b>
<b>Total confirmed and anticipated funding</b>	<b>44.499</b>

In addition to the sums shown above, the Council has received considerable further funds with directly-corresponding expenditure liabilities including additional Council Tax Reduction Scheme, Scottish Welfare Fund and Discretionary Housing Payment support. The Council has also disbursed numerous business support grant funds, with total payments of £138m made as of December 2020.

Additional net expenditure pressures	Full-year £m
Estimated COVID-19-specific expenditure and income (per Appendix 1)	58.213
Risk contingency	3.000 Non-specific allowance to reflect potential impacts of continuing and/or further restrictions between January and March 2021, including further losses of parking income, cultural venues and planning/building standards fees.
ALEO support	21.000 Position shows decrease of £3.5m since the report to the Finance and Resources Committee on 2 December 2020, reflecting (i) an estimated reduced in-year additional funding requirement for Edinburgh Leisure following continuation of furlough support and expected level of business interruption insurance settlement but acknowledging reductions in demand given current restrictions and (ii) confirmation of continuing funding for Edinburgh Trams until March 2021, offsetting net costs of operating key worker services.
Approved savings/management of residual pressures - anticipated shortfall in delivery	
Residual pressures	1.700 Figure assumes balanced position in Resources, with £0.5m of as-yet unmitigated pressures within Place Directorate and an emerging pressure of £1.2m primarily due to increased costs of out-of-council residential and secure placements within Communities and Families.
Whistleblowing Inquiry	0.600 Following ratification by Council on 19 November, up to £0.6m of costs related to the Whistleblowing Inquiry will require to be met in the current year.
	<b>84.513</b>
<b>Confirmed funding and savings:</b>	
Confirmed COVID-19 related funding	(44.499) Detail included in Appendix 3
2020/21 budget - unallocated additional monies	(4.830) Of the additional funding of £7.43m provided as part of the Scottish Budget's Stage One consideration, a £2m contribution to the EIJB was approved by Council on 30 June, up to £0.422m for Marketing Edinburgh by the Finance and Resources Committee in March and £0.178m part-year funding for Communities and Families grant recipients at the Policy and Sustainability Committee on 28 May.
Further timing-related and corporate savings	(23.100) Comprising treasury management-related and re-aligned capital programme loans charge savings (£5.5m), Q4 2019/20 improvement in service outturns (£3m), slippage in backlog R&M programme (£3m), Council Tax - increases in base (£3m), VERA/VR in-year provision - assumption that liabilities met fully from reserves (£2.5m), LDP revenue budget (£1.5m), Loans Fund Review - slippage in first year's additional related roads/infrastructure expenditure (£1m), ICT contract extension (£0.95m), past service pension costs - reductions in expected required in-year level of provision (£0.65m) and other net corporate savings (£2m).
Use of earmarked reserves	(12.084) Comprising funds for specific investment (£5.9m), risk management contingency (£4m), Council Tax Reduction Scheme (£3m), dilapidations (£2.5m), Workforce Management (£1.5m), Transformation Fund (£1.35m), Unallocated General Fund (former-CSIF element) (£0.9m), contribution from service reserves (£0.5m) and Council Priorities Fund (£0.4m). In light of the projected outturn, it may be possible to reduce these uses of reserves by some £8m.
	<b>(84.513)</b>
Remaining shortfall	<b>(0.000)</b>

Reconciliation to previously-reported position:

	£m
Position as of 3 December	6.8
<b>Unfavourable movements:</b>	
Net increase in COVID impacts (Council)	0.5
Reduction in VERA-related savings	0.4
Reduction in assumed use of reserves	8.0
<b>Favourable movements:</b>	
Reduction in ALEO support	(2.5)
Income compensation scheme - additional funding	(10.9)
Additional administration and other funding	(2.3)
<b>Revised position as of 21 January</b>	<b>0.0</b>

