

The City of Edinburgh Council

10.00am, Thursday, 24 February 2022

Local Government Finance Settlement 2022/23 – Update

Executive/routine
Wards
Council Commitments

1. Recommendations

- 1.1 It is recommended that members of Council note the provisional outcome of the 2022/23 Scottish Budget Bill's Parliamentary consideration and its resulting impact on existing financial planning assumptions as part of setting the Council's Revenue Budget for 2022/23 and Sustainable Capital Budget Strategy for 2022/32.

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Local Government Finance Settlement 2022/23

2. Executive Summary

- 2.1 Updates on the respective revenue and capital budget frameworks were considered by the Finance and Resources Committee on 3 February 2022, with these reports referred to Council to inform today's budget-setting meeting.
- 2.2 While, following the announcement of the 2022/23 Local Government Finance Settlement (LGFS) on 20 December 2021, these reports were able to incorporate council-specific grant funding allocations, these sums remained provisional subject to both the settlement consultation and checking process and the Budget Bill's Parliamentary consideration. As a result of the latter process, further one-off revenue resources of £9.652m (in addition to the £0.208m reported to the Finance and Resources Committee on 3 February) are now available for allocation by members as part of setting the 2022/23 revenue budget.

3. Background

- 3.1 On 9 December 2021, the Cabinet Secretary for Finance and the Economy presented a draft one-year Scottish Budget and LGFS to the Scottish Parliament. Following this announcement, the accompanying Finance Circular, providing details of grant funding allocations at local authority level, was then issued on 20 December.
- 3.2 As in previous years, any necessary amendments to reflect changes in allocations resulting from the Settlement checking process require to be contained within the overall quantum of LGFS funding. While the distribution of a number of additional, predominantly health and social care-related funding streams has been confirmed since 20 December (with relevant sums to be passed to the Edinburgh Integration Joint Board), it is officers' understanding that no significant changes to core funding allocations have resulted from this process.
- 3.3 The figures contained within the Settlement remain provisional, pending the Draft Budget's Parliamentary passage. On 27 January, as part of the Budget's Stage One consideration, the Cabinet Secretary for Finance and the Economy confirmed the provision of £120m of additional one-off Scotland-wide revenue funding for

2022/23. The implications of this announcement are detailed in the following section of the report.

4. Main report

- 4.1 At the meeting of the Finance and Resources Committee on 3 February, members considered an update report on the Council's revenue budget framework. Following the announcement of the provisional Local Government Finance Settlement on 20 December 2021 and the incorporation of a number of additional pressures and (mainly one-off) offsetting savings measures, a small amount of funds (£0.208m) remained available for elected member allocation.
- 4.2 As part of the Stage One debate on the 2022/2023 Scottish Budget on 27 January, the Cabinet Secretary for Finance and the Economy then confirmed the provision of £120m of additional Scotland-wide one-off revenue resources for Local Government. Following agreement of the distribution methodology by COSLA Leaders, Edinburgh's confirmed share of these monies is £9.652m. These sums are available for allocation fully in accordance with local priorities. When added to the £0.208m noted above, £9.860m is therefore available for allocation by members as part of their respective budget motions.
- 4.3 Following the provision of further sums as part of the Scottish Budget's Parliamentary consideration, £9.860m of one-off revenue resources are available for allocation by members in 2022/23. In view of the significant financial gap from 2023/24 and lack of savings proposals currently identified towards this, consideration should be given to transferring some or all of the available funding to reserves. Failing this, any use of the available resources should be on either a non-recurring basis or provide recurring savings to close future years' funding gaps.
- 4.4 While an element of the funding could be used to reduce the level of Council Tax increase applied in 2022/23, this income would be permanently removed from the base, thereby increasing the Council's incremental savings gap in 2023/24 unless higher-than-planned levels of increase were then applied in subsequent years.

Financial flexibilities

- 4.5 As of the time of writing, discussions between COSLA and the Scottish Government around the potential expansion (and consequent increased timing-related benefit) of the service concession flexibility are continuing, with this decision influenced by both the outcome of the capital accounting review recently undertaken by the Directors of Finance and proper accounting practice.
- 4.6 Potential use of the existing loans fund flexibility is also being kept under review and further updates will therefore be provided to the Finance and Resources Committee as the discussions progress. For the purpose of formulating budget motions, therefore, neither flexibility should be assumed to be used at this time.

Workplace and Transient Visitor Levies

- 4.7 Progressing any local decision to implement workplace parking licensing in Edinburgh can only take place upon parliamentary approval of the regulation that will need to be followed locally. This regulation was laid before the Scottish Parliament in January 2022 and will come into force in March 2022.
- 4.8 In view of the time required for subsequent scheme consultation and implementation, it would be prudent for no political group or individual to assume any associated income in the context of the 2022/23 revenue budget, although this does not preclude signalling an intention to implement such a scheme in subsequent years.
- 4.9 The Scottish Government confirmed, as part of the Scottish Budget announcement in December 2021, that work on the transient visitor levy proposal would resume. Given that relevant legislation remains to be developed, as with the workplace parking levy above, no political group or individual should assume any associated income in the context of the 2022/23 revenue budget, although this likewise does not preclude intimating the intended use of such a scheme as and when available.

5. Next Steps

- 5.1 The revised level of resources outlined in this report forms the starting point for the respective budget motions brought forward for consideration at today's meeting. A number of potential options for application of this investment have also been provided to members.

6. Financial impact

- 6.1 Following the provision of further sums as part of the Scottish Budget's Parliamentary consideration, £9.860m of one-off revenue resources are available for allocation by members in 2022/23. In view of the significant financial gap from 2023/24 and lack of savings proposals currently identified towards this, consideration should be given to transferring some or all of the available funding to reserves. Failing this, any use of the available resources should be on either a non-recurring basis or provide recurring savings to close future years' funding gaps.

7. Stakeholder/Community Impact

- 7.1 A detailed report summarising the response to the Council's engagement on budget priorities for 2021/22 and beyond, including relevant supporting material from other engagement activity on priorities and life experiences during the COVID-19 pandemic, was considered by the Finance and Resources Committee on 2 February 2021 and referred on to Council as part of the 2021/22 budget-setting meeting.
- 7.2 In contrast to previous years, it is proposed to meet the Council's incremental savings requirement for 2022/23 through a combination of previously-approved savings and other one-off measures and underspends. These previously-approved

savings are predominantly in non-service budgets or represent the continuing impacts of decisions taken, and assessed, in previous years. As a result, no formal cumulative integrated impact assessment will be undertaken as part of the 2022/23 budget process, although relevant supporting statements on individual savings measures will be published on the Council's website.

- 7.3 Given the nature of the savings measures proposed for 2022/23, similarly no specific engagement is proposed.

8. Background reading/external references

- 8.1 [Revenue Budget Framework 2022/27 – Progress Update](#), Finance and Resources Committee, 3 February 2022
- 8.2 [Revenue Budget 2022/23 – Risks and Reserves](#), Finance and Resources Committee, 3 February 2022

9. Appendices

None