

# Finance and Resources Committee

**10.00am, Thursday, 21 September 2023**

## **Revenue Monitoring 2022/23 – outturn report**

**Executive/routine  
Wards**

### **1. Recommendations**

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- 1.1 Members of the Finance and Resources Committee are asked to:
  - 1.1.1 note that the audited revenue outturn position for 2022/23 shows an overall underspend of £13.675m and that this sum has been set aside in reserves pending members' decision on its allocation;
  - 1.1.2 note the contributions to and from the General Fund in 2022/23 as detailed in the report;
  - 1.1.3 note that the Housing Revenue Account was balanced after making a contribution of £2.972m towards in-year and future capital investment; and
  - 1.1.4 refer this report to the Governance, Risk and Best Value Committee as part of its workplan.

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## Revenue Monitoring 2022/23 – outturn report

### 2. Executive Summary

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- 2.1 The report sets out the 2022/23 revenue outturn position for the Council based on the audited annual accounts, indicating an overall in-year underspend of £13.675m.

### 3. Background

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- 3.1 The Council's statement of accounts for 2022/23 was passed to the external auditor by the statutory deadline of 30 June.
- 3.2 The unaudited annual accounts required to be published on the Council's website by 30 June 2023 and thereafter made available for public inspection for a period of 15 working days. These requirements were met, with the inspection period running from Monday 3 July to Friday 21 July 2023 inclusive.
- 3.3 Correspondence was received from one individual on two separate matters during this period, with responses provided by officers. No objections were received in respect of the Council's financial statements.
- 3.4 In contrast to the previous two financial years, no extension to the statutory timescales for completion of the audit process was approved for 2022/23. As such, the audited annual accounts are included for approval elsewhere on today's agenda.

### 4. Main report

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- 4.1 The audited outturn position for 2022/23 shows an overall underspend of £13.675m, equating to 1.1% of the Council's total net expenditure. Table 1 below summarises the outturn, with further details provided in Appendix 1. Members should note, however, that £0.038m of this total relates to unrealised IFRS 9-related gains and is thus not available to fund additional investment in services.

**Table 1 – Summarised Audited Outturn Statement, 2022/23**

	<b>Revised Budget</b>	<b>Outturn</b>	<b>Outturn variance (favourable)/ unfavourable</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Directorate-specific budgets	1,098,324	1,106,279	7,955
Non-directorate specific budgets	139,665	120,759	(18,906)
Transfers to / (from) reserves	(36,591)	(29,474)	7,117
Sources of funding	(1,201,398)	(1,211,239)	(9,841)
<b>In-year (surplus) / deficit</b>		<b>(13,675)</b>	<b>(13,675)</b>

- 4.2 The month eight revenue monitoring update considered by the Finance and Resources Committee on 26 January 2023 pointed to a projected balanced position and, as such, the actual outturn represents a favourable movement equal to the amount of the overall underspend. This is principally due to additional Council Tax income (for both 2022/23 and prior years) and net savings in loans charges, interest and investment income relative to in-year projections, with additional details provided later in this report.
- 4.3 The outturn position reflects an underspend of £6.310m against the £25.300m set aside in 2022/23 to address the in-year income and expenditure impacts of the pandemic. This lower requirement was offset by a corresponding reduction in sums drawn down from reserves for this purpose, however, and as such does not affect the net outturn noted in the table above.

#### **Directorate variances**

- 4.4 As noted in Table 1, the Council's main Directorates showed an overall overspend of £7.955m (0.7%) during the year, although when Homelessness Services pressures of £11.2m are excluded, the three main service areas all recorded slight underspends. Commentaries on the main factors comprising these variances are included in Appendix 2, with additional detail to be reported as appropriate to relevant Executive Committees.
- 4.5 Members should note that these variances relate to core activities and approved member investment, with full provision incorporated within revised Directorate budgets for COVID-related impacts.

#### **Impact of COVID-19**

- 4.6 While the financial effects of the pandemic lessened relative to the two previous years, these impacts remained significant in 2022/23. The net cost to the Council during the year, including exposure through its Arm's-Length External Organisations (ALEOs), was some £18.990m, the composition of which is shown in Appendix 3.

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

- 4.7 The EIJB's financial performance against its in-year delegated budgets resulted in a break-even overall position in both health and social care services. This was achieved following an additional one-off allocation of £4m from NHS Lothian to support the position with set-aside services. Overall costs of £923m were incurred during the year, £13m of which were attributable to the pandemic.

### **Other non-service areas**

- 4.8 Given the extent of projected pressures within, in particular, Homelessness Services, projected savings in non-service budgets had been identified during the year as part of ensuring overall financial balance. The main elements of these favourable corporate variances totalling £25.9m are detailed in Appendix 4.

### **Approved savings delivery**

- 4.9 In total, the approved budget included some £19.2m of savings, the majority of which were in corporate budgets. 98% of these by value were delivered, continuing the improving trend apparent in recent years.

### **Spend to Save Fund**

- 4.10 No new projects were presented for consideration during 2022/23, although £0.195m was drawn down to support the previously approved Leith 3G pitch project. This drawdown was offset by repayments from other benefiting projects of £0.357m, increasing the Fund's year-end balance to £3.430m. A £2m allocation to support development of the Council's Medium-Term Financial Strategy was approved in April 2023 and a further application is included elsewhere on today's agenda.

### **Housing Revenue Account (HRA)**

- 4.11 The approved HRA budget for 2022/23 was derived from the longer-term strategy approved by Council in February 2020. The budget assumed revenue income of £103.651m and costs of £97.521m, enabling a planned contribution of £6.130m to the Strategic Housing Investment Fund (SHIF) in accordance with the finance strategy for the capital investment programme.
- 4.12 The audited outturn shows a reduced contribution of £2.972m to the SHIF. The £3.158m adverse variance can largely be attributed to unbudgeted COVID-19 related costs for additional cleaning on repairs jobs, increased repairs and maintenance costs (primarily relating to post COVID-19 demand and bringing void properties back into use), increased environmental maintenance costs across HRA estates and additional support cost allocations.

### **Reserves**

- 4.13 An analysis of changes in the Council's level of allocated and unallocated reserves is included in Appendix 5.

## **5. Next Steps**

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- 5.1 Following initial consideration by the Governance, Risk And Best Value Committee on 19 September 2023, the audited accounts are presented elsewhere on today's agenda for approval.

## **6. Financial impact**

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- 6.1 The report identifies an audited surplus for the year of £13.675m. Members should note, however, that £0.038m of this total relates to unrealised IFRS 9-related gains and is thus not available to fund additional investment in services.
- 6.2 This net surplus has been set aside in reserves pending members' decision on its allocation.

## **7. Equality and Poverty Impact**

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- 7.1 There are no direct relevant impacts arising from the report's contents.

## **8. Climate and Nature Emergency Implications**

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- 8.1 There are no direct relevant impacts arising from the report's contents.

## **9. Risk, policy, compliance, governance and community impact**

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- 9.1 There is no direct relevance of the report's contents, although the Council's wider approach to community engagement and empowerment will be specifically considered as part of the wider scope aspects of this year's external audit process.

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

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- 10.1 [Revenue Monitoring 2022/23 – month eight position](#), Finance and Resources Committee, 26 January 2023
- 10.2 [Revenue Monitoring 2022/23 – month five position](#), Finance and Resources Committee, 10 November 2022
- 10.3 [Revenue Monitoring 2022/23 – month three position](#), Finance and Resources Committee, 8 September 2022
- 10.4 [Revenue Budget 2022/27 Framework: progress update](#), Finance and Resources Committee, 16 June 2022
- 10.5 [Revenue Budget Update 2022/23 – Update](#), Finance and Resources Committee, 3 March 2022

10.6 [Coalition Budget Motion 2022/23](#), The City of Edinburgh Council, 24 February 2022

## **11. Appendices**

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- 11.1 Appendix 1 – Audited revenue budget outturn statement, 2022/23
- 11.2 Appendix 2 - Service outturn commentaries, 2022/23
- 11.3 Appendix 3 - COVID-related expenditure and income impacts, 2022/23
- 11.4 Appendix 4 - Variances in non-service budgets, 2022/23
- 11.5 Appendix 5 - Reserve balances, 31 March 2023

## Audited revenue budget outturn statement, 2022/23

	Revised Budget	Outturn	Outturn Variance (favourable)/ unfavourable
	£000	£000	£000
<b>Directorates (Note 1)</b>			
Corporate Services (including Chief Executive's Office)	90,524	89,684	(840)
Education, Children and Justice Services	451,595	450,842	(753)
Health and Social Care	286,571	286,571	-
Place	265,817	275,365	9,548
Lothian Valuation Joint Board	3,817	3,817	-
<b>Directorate totals</b>	<b>1,098,324</b>	<b>1,106,279</b>	<b>7,955</b>
<b>Non-directorate specific areas</b>			
Loan Charges	82,526	85,066	2,540
Other non-service specific costs	29,807	18,027	(11,780)
Council Tax Reduction Scheme (Note 2)	28,800	25,993	(2,807)
Net Cost of Benefits	(127)	(117)	10
Interest and investment income	(1,341)	(8,210)	(6,869)
<b>Non-directorate specific areas total</b>	<b>139,665</b>	<b>120,759</b>	<b>(18,906)</b>
<b>Movements in reserves</b>			
Net contribution to / (from) earmarked funds	(27,832)	(20,715)	7,117
Contribution to / (from) Capital Fund	(8,759)	(8,759)	-
<b>Movements to/ (from) reserves total</b>	<b>(36,591)</b>	<b>(29,474)</b>	<b>7,117</b>
<b>Sources of funding</b>			
General Revenue Grant	(627,905)	(627,905)	-
Non-Domestic Rates	(249,861)	(249,861)	-
Council Tax	(323,632)	(333,473)	(9,841)
<b>Sources of funding total</b>	<b>(1,201,398)</b>	<b>(1,211,239)</b>	<b>(9,841)</b>
<b>In-year (surplus) / deficit</b>	<b>-</b>	<b>(13,675)</b>	<b>(13,675)</b>

Note 1 – Directorate budgets have been adjusted to reflect, where applicable, the net residual impact of the pandemic on their expenditure and income, meaning that the outturn variance shown relates to “core” activities but includes variances against member-approved investment. All figures shown are subject to rounding differences.

Note 2 – uncommitted funds linked to the in-year underspend in respect of the Council Tax Reduction Scheme of £2.807m were transferred to an earmarked reserve and are included in the balance shown within the “Movements in reserves” section.

### Directorate/service outturn commentaries

**Education and Children's Services** (£0.753m underspend, representing 0.2% of net service budget)

As of month eight, an overall overspend of £2.2m had been projected, reflecting underlying net pressures in:

- **home-to-school transport**, totalling £1.7m, of which £1.1m related to children with additional support needs;
- **demographic-related expenditure**, in turn linked to increases in overall school rolls in excess of budget framework provision, of £0.8m; and
- **out-of-area residential placements**, offset by underspends within family-based care, of £2.1m.

These pressures were assumed to be offset by £0.8m of strike-related savings and vacancy management across the service, resulting in a net pressure of £2.2m. This level of vacancy management is not assessed to be sustainable going forward.

Following the conclusion of industrial action, the actual level of strike savings made was £3.2m i.e. £2.4m more than in-year forecasts. Minor net changes across the remainder of the service resulted in an overall in-year underspend of £0.753m.

**Place** (£9.548m overspend, representing 3.6% of net budget)

#### Homelessness

The Homelessness service revised budget was £53.3m with a negative variance to budget of £11.2m. The main reasons for the variance related primarily to:

- lower-than-budgeted Housing Benefit collection and tenant recoveries of £4.1m;
- unbudgeted inflation costs for spot purchase temporary accommodation of £2.8m; and
- additional nights of temporary accommodation including provision of the Welcome Centre of £1m.

In addition, following a review of housing benefit eligibility criteria, a provision of £3.4m was required for estimated adjustments to gross income collected.

#### Other areas

The returned underspend in respect of non-Homelessness activity (once adjusted for COVID-19 impacts) was attributable in the main to strong performance across Business Development Services including planning and building warrant application income and maximisation of grant income received. This favourable variance was supplemented by timing-related employee cost savings. Both the income and employee-related upsides are not expected to recur in 2023/24.

In addition to these upsides, some areas of the Place Directorate were under financial pressure in 2022/23 and returned overspends. In the main, these services were concentrated within the



Culture and Wellbeing Division, with the Libraries service continuing to be under financial pressure and overspending by £0.346m after delivery of management action undertaken during the year with net income pressures arising across Museums and Galleries, Cultural Venues and Winter Festivals.

**Corporate Services** (£0.840m underspend, representing 0.9% of net budget)

The overall service outturn for Corporate Services was consistent with in-year reporting, where a £0.707m underspend had been forecast as of month eight. This primarily reflected employee cost underspends across the Directorate, most of which has subsequently been incorporated within the approved 2023/24 budget.

**COVID-related expenditure and income impacts, 2022/23**

	<b>£m</b>
Lothian Buses - loss of dividend	6.000
Parking - loss of charges, permit and fine income	3.906
Edinburgh Leisure - additional Council support	3.000
Homelessness - additional expenditure (temporary accommodation costs)	3.000
Museums and galleries - loss of income	0.437
Waste services - additional costs/loss of income	0.370
Community Access to Schools - loss of income	0.359
Outdoor centres - loss of income	0.355
Facilities Management - additional costs and loss of rental income	0.307
Adult education - loss of income	0.260
Regulatory Services - loss of income	0.228
Bus station - loss of income	0.195
Others (various)	0.573
<b>Total in-year impacts</b>	<b>18.990</b>

## Variances in non-service budgets, 2022/23

Area	In-year overspend/(underspend)	Comments
	£m	
Council Tax income	(9.8)	Represented the net effect of (i) additional growth in the overall tax base, (ii) an improved in-year collection rate and (iii) a consequent £6.8m reduction in required bad debt provision for 2022/23 and previous years relative to budget assumptions.
Other corporate savings	(6.8)	The overall variance reflects the net impact of energy-related pressures and offsetting savings in corporate expenditure budgets. A 63% year-on-year increase in energy costs across operational buildings was apparent in 2022/23, with electricity prices increasing by some 15% and gas by around 175%, alongside similar levels of increase in electricity costs for infrastructure lighting, giving rise to an overall pressure of £5.7m. These were offset by savings in (i) employer's National Insurance costs following the in-year reversal of the increase implemented in April 2023, (ii) NDR costs following a below-inflation increase in the national poundage, (iii) reduced pensions past service costs and (iv) application of the budget framework risk contingency. Taken together, these resulted in an overall in-year saving of £6.8m.
Millerhill Recycling and Energy Recovery Centre	(5.0)	Council's share of net revenue from electricity generation as part of heat offtake agreement
Loans charges, interest and investment income	(4.3)	Primarily reflected impact of additional income earned on available cash balances due to increased interest rates
	(25.9)	

**Reserve balances, 31 March 2023**

As of 31 March 2023, the General Fund reserves had increased to £266.307m, an increase of £9.102m from the preceding year. This increase reflects a complex series of movements, the most material of which were the application of £48.9m of service-specific and general COVID-related funding, offset by the receipt of £33.4m of upfront Ukraine-related funding earmarked to meet future liabilities (included in "Balances set aside for specific investment" below) and the £13.7m in-year underspend. Remaining net increases totalling £11m accounted for the remaining movement.

	<b>Balance at 31-Mar-22 £000</b>	<b>Transfers Out 2022/23 £000</b>	<b>Transfers In 2022/23 £000</b>	<b>Balance at 31-Mar-23 £000</b>
<b>Balances set aside for (i) specific investment and (ii) to manage financial risks which are likely to arise in the medium-term future.</b>				
Balances set aside for specific investment	59,685	(13,866)	69,528	115,347
Workforce management	10,858	0	2,285	13,143
Council Priorities Fund	2,628	(2,629)	13,639	13,638
IFRS9 Gains	416	0	38	454
Dilapidations fund	3,957	0	300	4,257
Insurance funds	22,258	(4,862)	5,330	22,726
Covid contingency (non-specific)	71,178	(38,165)	304	33,317
	<u>170,980</u>	<u>(59,522)</u>	<u>91,424</u>	<u>202,882</u>
<b>Balances set aside due to timing differences between the receipt of the income and the planned expenditure thereof</b>				
Licensing and Registration income	5,712	(523)	314	5,503
Pre-paid PPP monies	3,998	0	641	4,639
Unspent grants	8,387	(5,645)	5,293	8,035
Council Tax Discount Fund	11,305	(9,674)	3,619	5,250
Other minor funds	175	0	4	179
City Strategic Investment Fund	1,055	(118)	145	1,082
Covid Fund (service-specific)	15,159	(10,778)	0	4,381
	<u>45,791</u>	<u>(26,738)</u>	<u>10,016</u>	<u>29,069</u>
<b>Balances set aside for investment in specific projects which will generate future savings</b>				
Energy efficiency	334	(72)	7	269
Salix / CEEF	605	(85)	283	803
Spend to Save	3,268	(195)	357	3,430
	<u>4,207</u>	<u>(352)</u>	<u>647</u>	<u>4,502</u>
<b>Balances set aside under Devolved School Management (DSM) scheme and Pupil Equity Fund (PEF)</b>				
DSM/PEF	<u>7,246</u>	<u>(7,246)</u>	<u>4,023</u>	<u>4,023</u>
<b>Unallocated General Reserve</b>	<u>28,981</u>	<u>(3,150)</u>	<u>0</u>	<u>25,831</u>
<b>Total General Reserve</b>	<u><b>257,205</b></u>	<u><b>(97,008)</b></u>	<u><b>106,110</b></u>	<u><b>266,307</b></u>