Governance, Risk and Best Value Committee

10.00am, Tuesday 31 October 2023

Revenue Monitoring 2023/24 – Month Three Report - referral from the Finance and Resources Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

1.1 The Finance and Resources Committee has referred a report on the projected Council-wide revenue budget position for the year, based on analysis of the first three months' financial data and forecasts of income and expenditure for the remainder of the year which at this stage, was projecting an overall overspend of £13.2m, to the Governance, Risk and Best Value Committee for noting as part of its work programme.

Dr Deborah Smart
Executive Director of Corporate Services

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Referral Report

Revenue Monitoring 2023/24 – Month Three Report

2. Terms of Referral

2.1 On 21 September 2023 the Committee had continued consideration of the projected Council-wide revenue budget position for the year, based on analysis of the first three months' financial data and forecasts of income and expenditure for the remainder of the year which at this stage, was projecting an overall overspend of £13.2m, to a special meeting of the Finance and Resources Committee where this could be scrutinised in full, with full understanding of each Directorate's pressures.

2.2 On 23 October 2023 the Committee considered an update on the first Council-wide in-year revenue monitoring report for 2023/24.

2.2 **Motion**

1) To note the updates provided in the report by the Executive Director of Corporate Services and that an in-year overspend of £14.0m was now being forecast.

2) To note that, without the identification of additional mitigating actions, even full application of the unallocated 2022/23 underspend would leave a residual in- year pressure of £0.8m, as well as giving rise to recurring underlying pressures in future years.

3) To note, in the absence of any improvement to the projected position reported to the meeting on 21 September, the continuing recommendation that no new commitments be taken on at this time pending a further update to the Committee's next meeting on 21 November.

4) To note, additionally, the potential for further expenditure pressures to emerge during the remainder of the year and thus the need for all existing pressures, savings delivery shortfalls and risks to be fully and proactively managed within Directorates and the Health and Social Care Partnership to ensure a balanced position was achieved by the year-end.

5) To refer, the above notwithstanding and recognising the importance of achieving in- and future years' financial balance, any recommendation on allocation of the 2022/23 underspend to Council for ratification.

6) To refer the report to Council to ratify use of the Spend to Save fund to support preparatory work for the Edinburgh Visitor Levy.

7) To refer the report to the Governance, Risk and Best Value Committee for noting as part of its work programme.

8) Asks officers to pro-actively engage with Edinburgh Leisure to consider all possible options towards paying the real living wage and making it sustainable going forward, in recognition of the contribution that Edinburgh Leisure's staff make to the health and wellbeing of Edinburgh's residents and visitors.

9) Affirms our commitment to inclusion and high attendance in our schools and that the skills and experience of our EWOs (Education Welfare Officers) should be retained within our inclusion work, as set out in the original budget proposal details.

- moved by Councillor Watt, seconded by Councillor Dalgleish

Amendment 1

1) Committee expresses deep concern about the situation facing the IJB and notes that to undertake any actions within the proposed recovery plan risks damage to staff and service users as well as the financial sustainability of health and social care in Edinburgh.

2) Committee acknowledges the work done to date on the Medium Term Financial Plan for the IJB, and that continuation of this must be the priority going forward.

3) Committee agrees that in order that this situation should not arise again:

    a) IJB funding including updates on the deficit and progress on the Medium Term Financial Plan should be added as a standard item on the agenda for Finance and Resources meetings going forward;

    b) Council officers should work with IJB officers to see how budget timings and processes can be brought into closer alignment including ensuring that IJB budgets are available for Councillors to take into consideration when setting CEC budgets. An initial report on this should be brought back to the next F&R Committee Meeting;

    c) Updates on spending and allocation of the underspend should be brought to all Finance & Resources Committee meetings for the remainder of the financial year.

4) Finally, Committee firmly believes the NHS should also contribute to the projected overspend and therefore instructs CEC officers and the Chief Executive to continue to ask the NHS to contribute more funding to the IJB in recognition of the integrated nature of health and social care and that care costs allocated to the Council are preventative, contributing to a reduction in overall NHS spend.

5) Welcomes the work done by Council officers to identify uncommitted resources from various service areas and notes that we are now close to being able to cover all of the shortfall in IJB and other service areas.

6) Notes that the previous committee recommendations included a recognition of other challenges facing the City of Edinburgh Council outwith health and social care funding.

7) Further notes that these challenges include the fact that 1 in 5 children in Edinburgh are growing up in poverty, and that in-work poverty is a growing issue.

8) Recognises that anti-poverty measures are preventative, and will reduce the pressure felt by health and social care services in Edinburgh.

9) Notes that temporary accommodation costs represent a significant expenditure pressure as set out in the report, and recognises that initiatives to reduce homelessness can help alleviate this pressure.

10) Understands that budgets and service demands are liable to change throughout the year, and that confidence in funding is essential to avoid entering damaging short-term cost saving measures.

11) Therefore agrees that the underspend should be allocated as suggested in the report with the exception of additional allocations of:

   a) £1.9m to repeat the 2022/23 cost of living direct payment for every child in the city in receipt of free school meals and school clothing grant, at the sum of £200;

   b) £1m to reintroduce payments through the Tenant Grant Fund, providing direct payments to individuals and families who are in rent arrears and at risk of homelessness or eviction;

   c) £473k to Edinburgh Leisure as a one-off additional payment to cover the immediate implementation of the living wage for workers for this financial year and secure agreement for the company to not deviate from this position in future years;

   d) £150k to reinstate the Council's Education Welfare Officers and reversing the cuts to this service, and reinstating this service, noting that the report recognises that any 'savings' found from this cut have now been reduced to £250k.

12) Recognises that use of reserves will require further discussion after referral to Full Council and renumbers accordingly.

13) To note, additionally, the potential for further expenditure pressures to emerge during the remainder of the year and thus the need for all existing pressures, savings delivery shortfalls and risks to be fully and proactively managed within Directorates and the Health and Social Care Partnership to ensure a balanced position was achieved by the year-end.

14) To refer, the above notwithstanding and recognising the importance of achieving in- and future years' financial balance, any recommendation on allocation of the 2022/23 underspend to Council for ratification.

15) To refer the report to Council to ratify use of the Spend to Save fund to support preparatory work for the Edinburgh Visitor Levy.

16) To refer the report to the Governance, Risk and Best Value Committee for noting as part of its work programme.

- moved by Councillor Macinnes, seconded by Councillor Mumford

Amendment 2

1) To note the updates provided in the report by the Executive Director of Corporate Services and that an in-year overspend of £14.0m was now being forecast.

2) To note that, without the identification of additional mitigating actions, even full application of the unallocated 2022/23 underspend would leave a residual in- year pressure of £0.8m, as well as giving rise to recurring underlying pressures in future years.

3) To note, in the absence of any improvement to the projected position reported to the meeting on 21 September, the continuing recommendation that no new commitments be taken on at this time pending a further update to the Committee's next meeting on 21 November.

4) To note, additionally, the potential for further expenditure pressures to emerge during the remainder of the year and thus the need for all existing pressures, savings delivery shortfalls and risks to be fully and proactively managed within Directorates and the Health and Social Care Partnership to ensure a balanced position was achieved by the year-end.

5) To refer, the above notwithstanding and recognising the importance of achieving in- and future years' financial balance, any recommendation on allocation of the 2022/23 underspend to Council for ratification.

6) To refer the report to Council to ratify use of the Spend to Save fund to support preparatory work for the Edinburgh Visitor Levy.

7) To refer the report to the Governance, Risk and Best Value Committee for noting as part of its work programme.

8) Recognises the deeply concerning 2023/24 financial position of the Edinburgh Integration Joint Board's (EIJB's) Health and Social Care Partnership, with the Council being expected to fund a budgeted overspend of £14.2m.

9) Notes the unpublished, EIJB special measures proposals that could be needed to break even in the current year. And further notes that such measures could require extensive cuts to social care packages and critical services, with related impacts on staff, affecting a range of vulnerable service users and their carers.

10) Agrees

    i) it is essential for the adequate provision of social care services in Edinburgh that the EIJB's Medium Term Financial Strategy (MTFS) is brought back on track; and

ii) that the cuts to essential social care services, proposed in the EIJB's special measures plan, are to be avoided.

11) Calls on NHS Lothian to provide an annual financial contribution, in recognition of NHS costs saved, towards the cost of the EIJB's preventative spending to reduce delayed hospital discharges and allow elderly and disabled people to return to their communities.

12) Requests greater oversight by the Council's Finance & Resources Committee (F&R) of the implementation of the EIJB's MTFS and instructs officers to ensure that F&R has an update to every meeting for as long as necessary, outlining MTFS progress and setbacks that affect the Council, and input to the EIJB's annual budget process with a view to setting a balanced budget for the Council's share of proposed EIJB spending in 2024/25.

13) Agrees that the Council's 2022/23 underspend of £13.3m and additional resource of £0.9m be made available, only to the extent required and no more, to meet the projected 2023/24 EIJB overspend of £14.2m.

- moved by Councillor Ross, seconded by Councillor Younie

Amendment 3

1) To note the updates provided in the report by the Executive Director of Corporate Services and that an in-year overspend of £14.0m was now being forecast.

2) To note that, without the identification of additional mitigating actions, even full application of the unallocated 2022/23 underspend would leave a residual in- year pressure of £0.8m, as well as giving rise to recurring underlying pressures in future years.

3) To note, in the absence of any improvement to the projected position reported to the meeting on 21 September, the continuing recommendation that no new commitments be taken on at this time pending a further update to the Committee's next meeting on 21 November.

4) To note, additionally, the potential for further expenditure pressures to emerge during the remainder of the year and thus the need for all existing pressures, savings delivery shortfalls and risks to be fully and proactively managed within Directorates and the Health and Social Care Partnership to ensure a balanced position was achieved by the year-end.

5) To refer, the above notwithstanding and recognising the importance of achieving in- and future years' financial balance, any recommendation on allocation of the 2022/23 underspend to Council for ratification.

6) To refer the report to Council to ratify use of the Spend to Save fund to support preparatory work for the Edinburgh Visitor Levy.

7) To refer the report to the Governance, Risk and Best Value Committee for noting as part of its work programme.

8) Committee is concerned at the additional expenditure pressures at this stage of the financial year and recognises the need to reform the delivery of Council services to reduce the likelihood of future year pressures.

9) Committee expresses deep concern about the situation facing the IJB and notes that to undertake any actions within the proposed recovery plan risks damage to staff and service users as well as the financial sustainability of health and social care in Edinburgh.

10) Committee acknowledges the work done to date on the Medium-Term Financial Plan for the IJB, and that continuation of this must be the priority going forward.

11) Committee agrees that in order that this situation should not arise again:

    a) IJB funding including updates on the deficit and progress on the Medium-Term Financial Plan should be added as a standard item on the agenda for Finance and Resources meetings going forward;

    b) Council officers should work with IJB officers to see how budget timings and processes can be brought into closer alignment including ensuring that IJB budgets are available for Councillors to take into consideration when setting CEC budgets. An initial report on this should be brought back to the next F&R Committee Meeting;

    c) Updates on spending and allocation of the underspend should be brought to all Finance & Resources Committee meetings for the remainder of the financial year.

12) Finally, Committee firmly believes the NHS should also contribute to the projected overspend and therefore instructs CEC officers and the Chief Executive to continue to ask the NHS to contribute more funding to the IJB in recognition of the integrated nature of health and social care and that care costs allocated to the Council are preventative, contributing to a reduction in overall NHS spend.

- moved by Councillor Doggart, seconded by Councillor Mowat

In accordance with Standing Order 22(12), Amendments 2 and 3 were accepted as addendums to the Motion.

Voting

The voting was as follows:

For the Motion ((as adjusted)	-	6 votes
For Amendment 1	-	5 votes

(For the Motion (as adjusted): Councillors Dalgleish, Doggart, Mowat, Ross, Watt and Younie

For Amendment 1: Councillors Biagi, Macinnes, Mumford, Nols-McVey and Staniforth.)

Decision

1) To note the updates provided in the report by the Executive Director of Corporate Services and that an in-year overspend of £14.0m was now being forecast.

2) To note that, without the identification of additional mitigating actions, even full application of the unallocated 2022/23 underspend would leave a residual in- year pressure of £0.8m, as well as giving rise to recurring underlying pressures in future years.

3) To note, in the absence of any improvement to the projected position reported to the meeting on 21 September, the continuing recommendation that no new commitments be taken on at this time pending a further update to the Committee's next meeting on 21 November.

4) To note, additionally, the potential for further expenditure pressures to emerge during the remainder of the year and thus the need for all existing pressures, savings delivery shortfalls and risks to be fully and proactively managed within Directorates and the Health and Social Care Partnership to ensure a balanced position was achieved by the year-end.

5) To refer, the above notwithstanding and recognising the importance of achieving in- and future years' financial balance, any recommendation on allocation of the 2022/23 underspend to Council for ratification.

6) To refer the report to Council to ratify use of the Spend to Save fund to support preparatory work for the Edinburgh Visitor Levy.

7) To refer the report to the Governance, Risk and Best Value Committee for noting as part of its work programme.

8) To ask officers to pro-actively engage with Edinburgh Leisure to consider all possible options towards paying the real living wage and making it sustainable going forward, in recognition of the contribution that Edinburgh Leisure's staff make to the health and wellbeing of Edinburgh's residents and visitors.

9) To affirm the commitment to inclusion and high attendance in our schools and that the skills and experience of our EWOs (Education Welfare Officers) should be retained within our inclusion work, as set out in the original budget proposal details.

10) To recognise the deeply concerning 2023/24 financial position of the Edinburgh Integration Joint Board's (EIJB's) Health and Social Care Partnership, with the Council being expected to fund a budgeted overspend of £14.2m.

11) To note the unpublished, EIJB special measures proposals that could be needed to break even in the current year. And further note that such measures could require extensive cuts to social care packages and critical services, with related impacts on staff, affecting a range of vulnerable service users and their carers.

12) To agree

i) it was essential for the adequate provision of social care services in Edinburgh that the EIJB's Medium Term Financial Strategy (MTFS) was brought back on track; and

ii) that the cuts to essential social care services, proposed in the EIJB's special measures plan, were to be avoided.

13) To call on NHS Lothian to provide an annual financial contribution, in recognition of NHS costs saved, towards the cost of the EIJB's preventative spending to reduce delayed hospital discharges and allow elderly and disabled people to return to their communities.

14) To request greater oversight by the Council's Finance and Resources Committee (F&R) of the implementation of the EIJB's MTFS and instructs officers to ensure that F&R had an update to every meeting for as long as necessary, outlining MTFS progress and setbacks that affected the Council, and input to the EIJB's annual budget process with a view to setting a balanced budget for the Council's share of proposed EIJB spending in 2024/25.

15) To agree that the Council's 2022/23 underspend of £13.3m and additional resource of £0.9m be made available, only to the extent required and no more, to meet the projected 2023/24 EIJB overspend of £14.2m.

16) To note concern at the additional expenditure pressures at this stage of the financial year and recognise the need to reform the delivery of Council services to reduce the likelihood of future year pressures.

17) To express deep concern about the situation facing the IJB and note that to undertake any actions within the proposed recovery plan risked damage to staff and service users as well as the financial sustainability of health and social care in Edinburgh.

18) To acknowledge the work done to date on the Medium-Term Financial Plan for the IJB, and that continuation of this must be the priority going forward.

19) To agree that in order that this situation should not arise again:

a) IJB funding including updates on the deficit and progress on the Medium-Term Financial Plan should be added as a standard item on the agenda for Finance and Resources meetings going forward;

b) Council officers should work with IJB officers to see how budget timings and processes could be brought into closer alignment including ensuring that IJB budgets were available for Councillors to take into consideration when setting CEC budgets. An initial report on this should be brought back to the next F&R Committee Meeting;

c) Updates on spending and allocation of the underspend should be brought to all Finance & Resources Committee meetings for the remainder of the financial year;

20) To firmly believe the NHS should also contribute to the projected overspend and therefore instruct CEC officers and the Chief Executive to continue to ask the NHS to contribute more funding to the IJB in recognition of the integrated nature of health and social care and that care costs allocated to the Council be preventative, contributing to a reduction in overall NHS spend.

3. Background Reading/ External References

Minute of the Finance and Resources Committee of 23 October 2023.

4. Appendices

Appendix 1 – Report by the Executive Director of Corporate Services

Finance and Resources Committee

10.00am, Monday, 23 October 2023

Revenue Monitoring 2023/24 – month three report update

Executive/routine
Wards

1. Recommendations

1.1 Members of the Finance and Resources Committee are asked:

1.1.1 to note the updates provided in the report and that an in-year overspend of £14.0m is now being forecast;

1.1.2 to note that, without the identification of additional mitigating actions, even full application of the unallocated 2022/23 underspend would leave a residual in-year pressure of £0.8m, as well as giving rise to recurring underlying pressures in future years;

1.1.3 to note, in the absence of any improvement to the projected position reported to the meeting on 21 September, the continuing recommendation that no new commitments be taken on at this time pending a further update to the Committee's next meeting on 21 November;

Dr Deborah Smart

Executive Director of Corporate Services

Contact: Richard Lloyd-Bithell, Service Director: Finance and Procurement,

Finance and Procurement Division, Corporate Services Directorate

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1.1.4 to note, additionally, the potential for further expenditure pressures to emerge during the remainder of the year and thus the need for all existing pressures, savings delivery shortfalls and risks to be fully and proactively managed within Directorates and the Health and Social Care Partnership to ensure a balanced position is achieved by the year-end;

1.1.5 to refer, the above notwithstanding and recognising the importance of achieving in- and future years' financial balance, any recommendation on allocation of the 2022/23 underspend to Council for ratification;

1.1.6 to refer this report to Council to ratify use of the Spend to Save fund to support preparatory work for the Edinburgh Visitor Levy; and

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

Report

Revenue Monitoring 2023/24 – month three report update

2. Executive Summary

2.1 Following initial consideration on 21 September 2023, the report provides members with an update on a number of agreed actions arising from the Committee's scrutiny of the first Council-wide in-year revenue monitoring report for 2023/24.

3. Background

Provisional outturn position, 2022/23

3.1 Members approved submission of the Council's 2022/23 unaudited accounts to the external auditor on 22 June 2023, with the overall position indicating a provisional underspend of some £13.7m. At that time, however, the Edinburgh Integration Joint Board (EIJB) was also projecting a significant in-year deficit for 2023/24 of at least £14m.

3.2 In this context, it was therefore noted that the September 2023 meeting of the Finance and Resources Committee would consider the first Council-wide in-year revenue monitoring report, including progress in addressing the EIJB funding shortfall. It was further agreed that recommendations on the allocation of any underspend from 2022/23 would be made at this time once the outcome of the audit process was also known.

Month three forecast, 2023/24

3.3 On 21 September 2023, members of the Committee then considered a report setting out the projected Council-wide revenue budget position for 2023/24, based on analysis of the first three months' financial data and forecasts of income and expenditure for the remainder of the year. An overall projected overspend of £13.2m was indicated, including an increased funding shortfall of £16.7m within the EIJB.

3.4 Without the identification of additional mitigating actions, it was noted that achieving a balanced in-year position would require full application of the 2022/23 audited underspend, as well as giving rise to recurring underlying pressures for future years. The report furthermore noted the potential for additional risks to emerge during the remainder of the year, particularly in respect of the 2023/24 non-teaching employee pay award. Given all of these factors, it was recommended that no additional commitments be taken on until the underlying position had improved.

3.5 In considering the report, members of the Committee agreed:

(i) to note that, as of month three, an overall overspend of £13.2m is being forecast;

(ii) to note that, without the identification of additional mitigating actions, this would require full application of the 2022/23 underspend to achieve a balanced in-year position, as well as giving rise to recurring underlying pressures in future years;

(iii) to note the potential for further expenditure pressures to emerge during the remainder of the year and thus the need for all existing pressures, savings delivery shortfalls and risks to be fully and proactively managed within Directorates and the Health and Social Care Partnership;

(iv) to note that in light of the above, updates would continue to be provided as required to members of the Committee during the remainder of the year;

(v) to note that in addition to the significant financial pressures facing the EIJB and health and social care services, people in Edinburgh are facing a cost of living crisis and the impact of the climate and nature emergencies on the city continue to demand our urgent attention;

(vi) to note the Edinburgh Integration Joint Board's net funding gap of £16.7m despite the agreement of the full programme of savings presented at the EIJB meeting in June 2023;

(vii) to note that, since this Programme was agreed, the funding gap had increased significantly and an accurate representation of the current financial position had not yet been presented to the EIJB, with this scheduled for 21 September 2023;

(viii) to note that, despite the growing pressures, the Finance and Resources Committee has had limited involvement up to this point with the detail and context of this position;

(ix) to therefore, agree to defer the report to a special meeting of the Finance and Resources Committee, to be scheduled for 9 October 2023 (subsequently revised to 23 October 2023), where the report will be scrutinised in full, with a full understanding of each Directorate's pressures, and referred to the next Full Council meeting on 2 November 2023 for formal decision;

(x) to agree that, in the interim, briefing sessions will be arranged between the EIJB's Executive Management Team and Finance and Resources Committee members to understand and consider the reported budget pressure for 2023/24 and the planned mitigating actions;

(xi) recognise the additional pressures due to greater-than-assumed inflation and service demand; and

(xii) agree in principle to meet additional financial requirements for 2023/24 in respect of inflationary pressures. Such agreement is subject to further information provided to Committee in one cycle.

4. Main report

Meeting of EIJB, 21 September 2023

4.1 At the meeting of the EIJB on 21 September 2023, the Chief Finance Officer (CFO) presented a report confirming that there had been no agreed resolution to the in-year deficit of £16.7m noted above. This sum assumes full delivery of the EIJB savings programme (including those approved by the EIJB in June) and that purchasing growth estimates are not exceeded.

4.2 In view of this position and the stage of the financial year, the Integration Scheme requires the CFO to produce a recovery plan and present it to the EIJB. This work is in train and, in the absence of any agreement to address the shortfall in full by that time, will be considered by the Board on 16 November. Opportunities to deliver savings which do not impact on service delivery and can be realised by the end of the financial year are, however, assessed by the Interim Chief Officer to have been exhausted. Any such recovery plan will therefore set out proposals for service reductions which will inevitably lead to poorer outcomes for people, worsen performance and endanger delivery of the improvement plan.

Member briefing sessions

4.3 As agreed by the Committee on 21 September 2023, briefing sessions between the EIJB's Executive Management Team and members of this Committee to understand and consider the reported budget pressure for 2023/24 and the planned mitigating actions have been convened. The first session, held on 2 October, provided background to the projected financial position and outlined required governance as defined by the Integration Scheme. The second session, held on 11 October, focused on the anticipated content of the recovery plan.

4.4 The EIJB management team is focusing heavily on medium- to long-term financial and improvement planning. A requirement to implement short-term savings would detract from this focus. It would also adversely affect service delivery and not enable the Partnership to implement the improvement plan approved by the EIJB and agreed by Council in June 2023, as well as potentially adding to future years' costs. Due to the timescales for implementation, there might also be insufficient opportunity to plan and communicate, with a corresponding increase in levels of complaints and reduced satisfaction from the public.

Directorate outturns

4.5 Since the Committee's meeting on 21 September, there have no changes to Directorate outturns for Children, Education and Justice Services, Place and Corporate Services as set out in the respective recent reports to relevant Executive Committees. A further Council-wide update will be presented to the Finance and Resources Committee on 21 November, complemented by more detailed reporting to Executive Committees.

Additional financial requirements for inflationary pressures, 2023/24

4.6 As noted in a series of recent revenue monitoring reports, the Council's budget has been subject to unprecedented levels of inflationary pressure since early 2022. While, due to the timing of their emergence, these pressures required to be managed in-year during 2022/23, the approved budget for 2023/24 included explicit upfront provision for a number of these as noted in Appendix 1. As such, the majority of observed inflationary impacts are able to be contained within the approved level of provision for the year.

4.7 Unbudgeted inflationary pressures of £3.1m are apparent across the areas of temporary accommodation provision, vehicle spot hires and home-to-school transport. These pressures are, however, being offset by related savings elsewhere within relevant divisions and, as such, there is no net additional requirement for funding.

Non-teaching employee pay award, 2023/24

4.8 On 22 September 2023, COSLA as employer made a "best and final" offer to the non-teaching trade unions with a view to avoiding industrial action. This offer increased the in-year value of the pay uplift across local government by some £90m, comprising £80m from the Scottish Government, supported through a one-off reprioritisation/redirection of funding, and a £10m recurring contribution from councils, with Edinburgh's proportionate share being £0.8m. Although this offer has been rejected by members of the largest representative trade union UNISON, this level of provision is assumed to be the least required to secure settlement.

Overall updated position

4.9 While opportunities to identify offsetting savings, including in corporate budgets, will continue to be examined over the coming months, at this stage no mitigations to the above additional pressure have been identified, resulting in an increase in the projected overall overspend to £14.0m.

4.10 Given this deterioration and the advice provided in the report to the Committee's previous meeting on 21 September, the recommendation that no new commitments be taken on until the underlying position has improved remains unchanged. A further update will be provided in the Committee's next meeting on 21 November 2023.

5. Next Steps

5.1 Given the range of pressures outlined in the report to the Committee on 21 September, Executive Directors will require to bring forward measures to offset these and wider risks within their respective areas of responsibility during 2023/24. The adequacy of budget framework provision for the on-going financial impacts of the pandemic will also be kept under close review to highlight any necessary remedial action.

6. Financial impact

6.1 An overall overspend of £14.0m is now forecast, albeit with a number of further risks highlighted. Failure to break even in 2023/24 would increase the savings requirement in 2024/25 due to a need to reinstate the General Fund unallocated reserve. Any need to utilise part or all of the 2022/23 underspend in the current year also reduces the options to address future years' budget gaps and means existing expenditure is exceeding in-year resources.

6.2 This position acutely emphasises the importance of proactive management of pressures and delivery of approved savings in maintaining the integrity of the budget framework. Given the extent of subsequent years' funding gaps, early action is also required to deliver robust savings proposals, aligned to the priorities set out in the Council's business plan, sufficient to meet these requirements.

7. Equality and Poverty Impact

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

8. Climate and Nature Emergency Implications

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

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

9.1 Subject to members' decision on the allocation of the 2022/23 underspend, there may be a need, as part of the EIJB recovery plan, to implement measures impacting adversely on people and performance. In discussions with the EIJB Interim Chief Officer, potential impacts including the following have been highlighted:

(i) reductions in levels of support for informal carers;

(ii) reductions in the quantity and quality of care provided for service recipients;

(iii) increased waiting times for initial needs assessments to be undertaken, reversing the improvements apparent in recent months;

(iv) increased waiting times for those awaiting a package of care, day care or other service;

(v) reductions in the level of grant support for community organisations; and

(vi) increases in the number of people being delayed in their discharge from hospital, again reversing improvements apparent over the past year.

10. Background reading/external references

10.1 Revenue Budget Monitoring 2023/24 – Month Three Position, Transport and Environment Committee, 12 October 2023

10.2 Culture and Communities: Revenue Budget Monitoring 2023/24 – Month Three position, Culture and Communities Committee, 5 October 2023

10.3 Housing and Homelessness and Business Growth and Inclusion: Revenue Budget Monitoring 2023/24 – Month Three position, Housing, Homelessness and Fair Work Committee, 3 October 2023

10.4 Revenue Monitoring 2023/24 – month three report, Finance and Resources Committee, 21 September 2023 (appended)

10.5 Finance Update, Edinburgh Integration Joint Board, 21 September 2023

10.6 Revenue Monitoring 2023/24 – month three report, Education, Children and Families Committee, 5 September 2023

11. Appendices

11.1 Appendix 1 – Inflation-related provisions included within the budget framework for 2023/24

11.2 Appendix 2 - Revenue Monitoring 2023/24 – month three report, Finance and Resources Committee, 21 September 2023

Inflation-related provisions included within the budget framework for 2023/24

Area	Current provision	Adequacy of current provision
Pay - teaching	Core provision of 3% has been supplemented by additional sums received from the Scottish Government to underpin the (accepted) offer covering the period from April 2023 to March 2024.	Agreed settlement fully funded
Pay - non-teaching	Core provision of 3% has been supplemented by additional sums received from the Scottish Government and councils sufficient to underpin offer made to representative trade unions by COSLA on 22 September 2023.	The revised offer made on 22 September 2023 reflects an assumed £10m recurring contribution from councils, with an estimated in-year and continuing call on the Council of £0.8m. Although recurring funding will need to be identified going forward, the other £80m underpinning the latest offer provided through in-year flexibilities and underspends is net-neutral on the Council's budget in 2023/24.
Energy - electricity (including street lighting, traffic signals and homelessness)	The budget framework includes provision equal to a 53% year-on-year increase in tariffs, after consolidating sums originally provided in 2022/23.	While the in-year level of tariff increase has risen beyond the level assumed in the framework, the increase is able to be contained within the additional cumulative energy provision since 2022/23.
Energy - gas	The budget framework includes provision equal to a 8% year-on-year increase in tariffs, after consolidating sums originally provided in 2022/23.	Based on current projections, this sum is assessed to be sufficient.
Contracts (PPP)	Overall provision is between 5% and 9%, depending on the specific contract and contract line. Levels of uplift are specifically linked to published CPI and RPI indices for February 2023.	Applicable contract uplifts are based on confirmed historic indices. Based on these ideas, the sums required may be contained fully within the budget framework level of provision.
Non-Domestic Rates (poundage)	Although sums have separately been included in the budget framework for the impact of the rates revaluation, as the core poundage for 2023/24 is unchanged from 2022/23, no specific sums have been set aside for this element.	No specific provision required
Contracts (ICT)	The budget framework reflects an inflationary uplift of 2.5%, aligned to the capped applicable level of increase.	The level of provision is sufficient to meet liabilities in full.

Area	Current provision	Adequacy of current provision
Contracts (general)	Although the budget framework includes a core level of provision of 3% for a number of categories of expenditure subject to inflationary pressures, the approved budget for 2023/24 also included a general allocation of £5m in recognition of the exceptional impact of cumulative increases in 2022/23 and 2023/24.	Although actual provision will be subject to demonstrated need, the £5m is indicatively assumed to be allocated to the following main areas: (i) Children, Education and Justice Services (including independent schools, fostering and kinship fees) - £1.8m; (ii) Millerhill gate fee - £1.0m; (iii) NSL (parking) uplift - £1.2m; (iv) fuel - £0.5m; and (v) others (various) - £0.5m.

A number of other relevant pressures are not able to be contained within budget framework provision and, as such, are reflected in service projections as pressures. These are:

Area	In-year estimated pressure (£m)	
Temporary Accommodation Inflation	1.700	Work is ongoing with service to establish contracted and spot purchase inflation for Private Sector Leasing, B&B, etc. The resulting pressure is currently being fully offset by forecast vacancy and contract savings in Housing and Homelessness.
Spot Hire Inflation	0.721	Hire costs increased by between 25% and 33% in February/March 2023. The resulting pressure is assumed to be offset by additional income from the Millerhill Recycling and Energy Recovery Centre elsewhere within the Operational Services Division.
Third Party School Transport	0.700	10% to 20% uplifts were applied in August 2023. These form part of wider budget pressures which are being considered through the Strategic Programme Board and an update on progress with mitigation of budget pressures will be reported to the Education, Children and Families Committee.
	3.121	

Finance and Resources Committee

10.00am, Thursday, 21 September 2023

Revenue Monitoring 2023/24 – month three report

Executive/routine
Wards

1. Recommendations

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

1.1.1 note that, as of month three, an overall overspend of £13.2m is being forecast;

1.1.2 note that, without the identification of additional mitigating actions, this would require full application of the 2022/23 underspend to achieve a balanced in-year position, as well as giving rise to recurring underlying pressures in future years;

1.1.3 note the potential for further expenditure pressures to emerge during the remainder of the year and thus the need for all existing pressures, savings delivery shortfalls and risks to be fully and proactively managed within Directorates and the Health and Social Care Partnership;

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

1.1.5 refer this report to Council to ratify use of the Spend to Save fund to support preparatory work for the Edinburgh Visitor Levy; and

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

Dr Deborah Smart

Executive Director of Corporate Services

Contact: Hugh Dunn, Service Director: Finance and Procurement,

Finance and Procurement Division, Corporate Services Directorate

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Report

Revenue Monitoring 2023/24 – month three report

2. Executive Summary

2.1 The report sets out the projected Council-wide revenue budget position for the year, based on analysis of the first three months' financial data and forecasts of income and expenditure for the remainder of the year. At this stage, an overall overspend of £13.2m is being projected. Without the identification of additional mitigating actions, this would require full application of the 2022/23 audited underspend to achieve a balanced in-year position, as well as giving rise to recurring underlying pressures for future years. There is furthermore the potential for further risks to emerge during the remainder of the year, particularly in respect of the 2023/24 non-teaching employee pay award. Given all of these factors, no additional commitments should be taken on until the underlying position has improved.

2.2 It is therefore crucial that Executive Directors and the Chief Officer of the Edinburgh Health and Social Care Partnership fully manage pressures, risks and savings delivery shortfalls within their respective core budgets and review all discretionary expenditure to ensure a balanced position is achieved by the end of the year and thus not add to future years' savings requirements.

3. Background

3.1 On 23 February 2023, Council approved a balanced revenue budget for 2023/24 based on the Council's provisional grant funding allocation and a 5% increase in Council Tax rates. This grant funding allocation was confirmed following approval of the 2023/24 Local Government Finance Order on 1 March 2023.

3.2 The principal elements of the approved budget include the following:

(i) £3.357m of additional service investment, comprising £3.078m of spending on gully cleaning, fly-tipping, street-sweeping and graffiti removal and £0.279m to supplement staffing resource within the Council's Climate and Sustainability team;

(ii) a further £19.1m to reflect demand-led pressures in Homelessness Services, £3.9m for incremental demographic-related growth (excluding services falling within the auspices of the Edinburgh Integration Joint Board) primarily in Education, Children and Justice Services and an additional £1.0m to support implementation of the recommendations of the Independent Inquiry and review of whistleblowing culture undertaken as part of the Tanner Review;

(iii) £11.0m of provisions in respect of the on-going financial impacts of the pandemic, assessed at this time to be sufficient to meet relevant liabilities in full, comprising £6m for the continuing loss of the Lothian Buses dividend, up to £3m for reductions in parking income and up to £2m of additional funding support to Edinburgh Leisure; and

(iv) £26.6m of approved savings and additional income, with this total including consolidation of sums first received in 2022/23.

4. Main report

Directorate projections

Education, Children and Justice Services – net pressure of £5.5m

4.1 The first quarter's monitoring forecast for the Directorate shows a net pressure of £5.5m. Significant gross elements of pressure within the forecast include £3.0m in Children's Services for residential and secure accommodation. While numbers in external residential accommodation are decreasing, this remains above budgeted levels and placement costs continue to increase.

4.2 Pressures of £2.5m are also forecast within Home to School Transport, primarily reflecting the combined impact of growing service demand, contract inflation and shortfalls against previously approved savings targets. A further reduction in ringfenced funding for Early Years following the transition to a fully needs-based allocation methodology has contributed to an in-year pressure of £3.5m. Shortfalls against approved savings of £0.8m are also reflected in the forecast.

4.3 At this stage, anticipated net mitigations across the wider service of £4.3m have been identified, comprising a £1.8m allocation from the £5m Council-wide inflationary contingency approved as part of the 2023/24 budget and £2.5m from non-recurring staffing underspends, resulting in an overall £5.5m residual pressure.

Place – net pressure of £1.95m

4.4 As of month three, the Directorate is projected an overall adverse variance of £1.95m. This reflects net pressures of £1.35m within the Housing and Homelessness Division, in turn primarily attributable to contractual inflationary uplifts in excess of budgetary provision and changes in benefit eligibility, partially offset by underspends in staffing and commissioning costs.

4.5 Net pressures of £1.5m are also apparent across the Culture and Wellbeing Division, in the main due to a range of legacy pressures, including £0.8m within Libraries and £0.4m in respect of winter festivals.

4.6 Set against these are savings totalling £0.9m across the Operational Services and Sustainable Development Divisions, resulting in an overall service pressure of £1.95m. The Executive Director and his Senior Management Team are committed to developing further mitigating measures, in consultation with elected members where appropriate, with a view to achieving a balanced position by the year-end.

Corporate Services – net underspend of £0.4m

4.7 As outlined in a report elsewhere on today's agenda, the Executive Director of Corporate Services is projecting an overall service underspend of £0.412m, reflecting additional savings in employee costs relative to approved targets.

Edinburgh Integration Joint Board (EIJB) – net funding gap of £16.7m

4.8 A pressure of £16.7m is projected at this time, with further details provided in Appendix 1.

Other pressures

4.9 The current overall projection also reflects £1m in-year liabilities for each of (i) Brunstane Primary School investigative works and decant costs and (ii) anticipated additional costs incurred as a result of buildings not being usable as a consequence of Reinforced Autoclaved Aerated Concrete (RAAC) panels. Additional details are included in Appendix 2. It is likely that remedial costs will be incurred in future years.

Corporate budget savings

4.10 Given the £25.7m of pressures outlined in the preceding sections, opportunities to address these through available savings in corporate areas have been examined. As of period three, the following anticipated mitigations have been identified:

	Anticipated saving relative to budget levels, £m	**Comments**
Council Tax	2.600	Projection based on confirmed 2022/23 income levels, analysis of subsequent changes in the size and profile of the Council Tax base and anticipated collection rates and required bad debt provision
Interest and investment income	6.000	Projection reflecting available cash balances and interest rates
Tram extension - additional running cost support	3.500	Reduced funding support based on extrapolation of current passenger levels and associated fare income
Application of audited underspend for 2022/23	0.379	Being the use, agreed under urgency provisions, of a small element of the audited 2022/23 underspend for required health and safety works in the North Merchiston and Castlegreen Care Homes
	12.479	

Employee pay award, 2023/24

4.11 While the 2023/24 teachers' pay award has previously been agreed, negotiations on the non-teaching equivalent remain in progress. Through a combination of baseline provision and additional Scottish Government funding, the budget framework includes sums equivalent to an average in-year increase of 5.5%, aligned to the current employer's offer. This offer has, however, been rejected by the representative trade unions. Should it be necessary to improve the existing offer to secure settlement, each 1% improvement without the provision of corresponding Scottish Government funding would give rise to a recurring pressure of £4.4m.

Inflationary pressures

4.12 In-year reports considered by the Committee in 2022/23 highlighted a range of exceptional inflationary pressures affecting the Council, most materially energy cost increases but also including food, fuel, home-to-school transport and uplifts affecting a number of its contracts. In recognition of these impacts, the approved budget for 2023/24 includes significant additional sums for increased energy costs and other contract uplifts, as well as a £5m contingency to address a range of other relevant impacts. These baselined sums mean that the majority of inflationary impacts are now anticipated to be contained within core budgets, with any exceptions to this noted in service narratives.

Overall position

4.13 Taken together, the net impact of anticipated pressures in service areas less corporate or other savings points to a projected overspend of £13.2m as shown in Appendix 3. **In the absence of further mitigations being identified, full application of the 2022/23 underspend against these pressures would therefore be required to achieve a balanced overall in-year position**. There is, additionally, the potential for further risks to emerge during the remainder of the year, particularly regarding the 2023/24 non-teaching pay award and other inflationary uplifts. Given all of these factors, no additional commitments should be taken on until the underlying position has improved.

4.14 It is therefore crucial that Executive Directors and the Chief Officer of the Edinburgh Health and Social Care Partnership fully manage pressures, risks and savings delivery shortfalls within their respective core budgets and review all discretionary expenditure if a balanced position is to be achieved by the end of the year and not add to future years' savings requirements.

Savings delivery

4.15 The 2023/24 approved budget is underpinned by the delivery of approved savings and additional income of £26.6m. As shown in Appendix 4, 67% by value are assessed as green, with the majority of the remainder rated as amber. Deliverability assessments of the latter, and where necessary identification of mitigating offsetting measures in the case of shortfall, remain in progress.

Spend to Save Fund

4.16 An application for support through the Council's Spend to Save Fund is included in Appendix 5. Subject to members' approval, this will be referred to Council for ratification.

5. Next Steps

5.1 Given the range of pressures outlined in the report, Executive Directors will require to bring forward measures to offset residual service pressures and risks within their respective areas of responsibility during 2023/24. The adequacy of budget framework provision for the on-going financial impacts of the pandemic will also be kept under close review to highlight any necessary remedial action.

6. Financial impact

6.1 As of month three, an overall overspend of £13.2m is forecast, albeit with a number of further risks highlighted. Failure to break even in 2023/24 would increase the savings requirement in 2024/25 due to a need to reinstate the General Fund unallocated reserve. Any need to utilise part or all of the 2022/23 underspend in the current year also reduces the options to address future years' budget gaps and means existing expenditure is exceeding in-year resources.

6.2 The report therefore acutely emphasises the importance of proactive management of pressures and delivery of approved savings in maintaining the integrity of the budget framework. Given the extent of subsequent years' funding gaps, early action is also required to deliver robust savings proposals, aligned to the priorities set out in the Council's business plan, sufficient to meet these requirements.

7. Equality and Poverty Impact

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

8. Climate and Nature Emergency Implications

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

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

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

10. Background reading/external references

10.1 Finance Update, Edinburgh Integration Joint Board, 8 August 2023

10.2 Unaudited Annual Accounts 2022/23, The City of Edinburgh Council, 22 June 2023

10.3 Revenue Budget 2023-24 Update - referral from the City of Edinburgh Council, Finance and Resources Committee, 30 March 2023

10.4 Liberal Democrat Group Budget Motions, City of Edinburgh Council, 23 February 2023

10.5 Revenue Budget Framework 2023/27 – progress update, Finance and Resources Committee, 7 February 2023

11. Appendices

11.1 Appendix 1 – Edinburgh Integration Joint Board – projected position, 2023/24

11.2 Appendix 2 – Additional details of Brunstane Primary School investigative works and decant costs and remedial costs for buildings including Reinforced Autoclaved Aerated Concrete (RAAC) panels

11.3 Appendix 3 - 2023/24 Revenue Budget – Projected Expenditure Analysis

11.4 Appendix 4 - Approved savings, 2023/24 – current status

11.5 Appendix 5 – Spend to Save application – Edinburgh Visitor Levy

Appendix 1

Edinburgh Integration Joint Board – projected position, 2023/24

In March 2023, the EIJB considered the 2023/24 financial plan and agreed the first phase of the associated savings and recovery programme (SRP). The second phase, along with further mitigating actions, was then agreed in June 2023. At this point, the plan remained unbalanced with a deficit, assuming full savings delivery, of £14.2m. The Board accepted the recommendation from officers that bridging this residual gap would require measures which would have significantly negative in- and future-year consequences for people and performance more generally.

At the Board's request, the Chair and Vice Chair wrote to Scottish Ministers setting out the challenge posed by the financial position and the potential implications of delivering additional savings. A response was received on 18 August 2023 which, while acknowledging the extent of current workforce shortages, financial constraints and increased demand, did not result in the provision of any additional resources. Similarly, NHS Lothian has indicated it is unable to provide any further funding to the EIJB.

The EIJB Chief Finance Officer presented a further update to the Board's meeting on 8 August 2023, indicating that the £14.2m deficit remained unchanged. Subsequent detailed monitoring completed by Council staff in July and August points to a further pressure, mainly due to additional spend in purchasing, of £2.5m, increasing the total gap to £16.7m. This forecast also reflects £0.379m of expenditure to meet the costs of urgent capital upgrades to the North Merchiston and Castlegreen Care Homes.

The EIJB Chief Financial Officer has been requested to prepare a recovery plan to the Board in line with the provisions of the Partnership Agreement. No additional savings against the gap of £16.7m are assumed in this report. While opportunities to deliver in-year savings will continue to be pursued, given both the stage of the financial year and focus on developing proposals for 2024/25 as part of the Medium-Term Financial Plan, their likely level is correspondingly reduced.

Brunstane Primary School – investigative works and decant costs

Pupils and teaching staff from Brunstane Primary School have been relocated to other local schools after a decision was taken to close the building as a precaution ahead of the start of the new 2023/24 term.

Ongoing investigations relating to planned energy retrofit works at the school revealed issues with the ground conditions including a small hole in an area of the playground next to the main school building. The site of the school contains historic coal mine workings and the Council is working closely with the Coal Authority to establish the exact cause and extent of the issue. An action plan will be drawn up to decide what remedial work is needed so the school can reopen as soon as possible.

Pupils and teaching staff have been relocated to other schools in the area since the start of the new term. Magdalene Community Centre is also on the site and alternative venues are being considered for the community groups who use that building. Buses are being provided to transport Brunstane pupils to and from their host schools.

Estimated costs

The tests and investigations will take time to complete and their outcome will establish what remedial measures are required. On a worst-case scenario, this could be over a period of six to twelve months.

Costs will be incurred with the decant (including additional education, catering and school transport-related expenditure), on-going investigations and the resulting required remedial work. Work to collate these costs, all assumed to be of a revenue nature, is on-going. Although the position is currently being confirmed, it is unlikely that insurance will cover the costs concerned.

It is estimated at this stage that in-year costs may be up to £1m, with a further update to be provided in the month five report.

Reinforced Autoclaved Aerated Concrete (RAAC) Panels – remedial costs

RAACs are a form of lightweight concrete plank commonly used in roofs, walls, cladding, floors and eaves in the 1960s to 1980s with local authorities using them in a variety of buildings including many schools. Safety concerns have recently been raised as to the strength of these panels, initiating an urgent inspection process.

The Council has followed a prioritisation process for surveying the operational estate which has initially focused on the learning estate. Surveys have been carried out across the learning estate in phases. Phase 1 focused on the buildings where RAAC was most likely to have been used during construction and Phase 2 focused on buildings where it was possible RAAC would be present but less likely or restricted to smaller areas of the school.

In the first phase of surveys, four buildings were identified with RAAC and at two of these – Trinity Primary School and Cramond Primary School - due to the condition of the RAAC, mitigation measures were progressed. The other two instances of RAAC were in areas of buildings which are not used operationally. The second phase of surveys across the estate during the summer has identified RAAC in a further five operational school buildings.

At Trinity Primary School and Cramond Primary School, temporary accommodation has been provided during the summer to compensate for the classroom spaces which can no longer be used. The roofs in the areas of the school which contain RAAC will need to be replaced and the process to procure a contractor for this has commenced.

During the second phase of surveys, RAAC has been identified at Fox Covert Primary School (including St Andrews Fox Covert RC Primary School Primary School Campus), Colinton Primary School, Pentland Primary School, Lorne Primary School and Currie High School

Officers from a variety of Council services have been working with these schools to put in place mitigation measures which allowed them to remain operational for the beginning of term. Solutions have been developed for each school which can be contained within the existing school sites and will not require any additional accommodation to be provided.

Surveys will continue to be progressed across the operational estate following the process outlined in the Department of Education Guidance. There are limited surveys still to be carried out in the learning estate and, once finalised, surveys will be progressed across the remainder of the operational estate.

Due to the continuing nature of investigations, precise quantification of costs is not yet possible. Based on the level of expenditure incurred thus far and the expectation that costs relating to ceiling replacements will be of a revenue nature, however, a £1m provision has been included at this time, with a further update to be included in the month five report. In-year costs exclude any replacement of ceilings.

2023/24 Revenue Budget - Projected Expenditure Analysis - Month 3

Appendix 3

	Revised Budget	Period Budget	Period Actual	Period Variance	Projected Outturn	Outturn Variance	Percentage Variance
Directorate / Division	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	
Corporate Services (including Chief Executive's Office)	86,228	27,301	27,071	(230)	85,816	(412)	(0.5)
Children, Education and Justice Services	449,460	108,396	111,207	2,811	454,960	5,500	1.2
Health and Social Care	294,504	73,846	77,437	3,591	311,204	16,700	5.7
Place	253,191	60,982	62,179	1,197	255,141	1,950	0.8
Lothian Valuation Joint Board	3,774	944	944	0	3,774	0	0.0
Directorate / Division total	**1,087,158**	**271,468**	**278,837**	**7,369**	**1,110,896**	**23,738**	**2.2**
Non-service specific areas							
Loan Charges / interest and investment income	79,992				73,992	(6,000)	(7.5)
Other non-service specific costs less sums to be disaggregated:	38,225				38,225	0	0.0
- Non-Domestic Rates (poundage uplift/impact of revaluation)	3,213				3,213	0	0.0
- Energy (additional provision relative to approved 2022/23 budget)	16,700				16,700	0	0.0
- Discretionary Rates	720				720	0	0.0
Additional Investment to disaggregate	1,187	0	0	0	1,187	0	0.0
Tram Shares	8,500	0	0	0	8,500	0	0.0
Council Tax Reduction Scheme	28,647	n/a	n/a	n/a	28,647	0	0.0
Non Domestic Rates Relief (pending formalisation of any changes to current policy)	14,979	n/a	n/a	n/a	14,979	0	0.0
Staff early release costs	2,500	n/a	n/a	n/a	2,500	0	0.0
Net Cost of Benefits	(127)	n/a	n/a	n/a	(127)	0	0.0
Brunstane Primary School - exploratory survey and decant costs	0	n/a	n/a	n/a	1,000	1,000	n/a
Reinforced Autoclaved Aerated Concrete (RAAC) Panels	0	n/a	n/a	n/a	1,000	1,000	n/a
Non-service specific areas total	**194,536**	**0**	**0**	**0**	**190,536**	**(4,000)**	**(2.1)**
Movements in reserves							
Net contribution to / (from) earmarked funds	(39,679)	0	0	0	(43,559)	(3,880)	9.8
Movements in reserves total	**(39,679)**	**0**	**0**	**0**	**(43,559)**	**(3,880)**	**9.8**
Sources of funding							
General Revenue Funding	(519,403)	(129,851)	(129,851)	0	(519,403)	0	0.0
Non-Domestic Rates	(377,317)	(94,329)	(94,329)	0	(377,317)	0	0.0
Council Tax	(345,295)	(86,324)	(86,324)	0	(347,895)	(2,600)	(0.8)
Sources of funding total	**(1,242,015)**	**(310,504)**	**(310,504)**	**0**	**(1,244,615)**	**(2,600)**	**(0.2)**
In-year (surplus) / deficit	**0**	**(39,035)**	**(31,666)**	**7,369**	**13,258**	**13,258**	**1.1**

Approved savings, 2023/24 - current status **Appendix 4**

Proposal description/area	2023/24 Approved Saving	Saving BRAG assessment				Confirmed or planned mitigating actions where full or partial shortfall in delivery identified
		Green	Amber	Red	Black	
	£'000	£'000	£'000	£'000	£'000	
Children, Education and Justice Services						
Multi-system Therapy Services	500	500	0	0	0	
Wellington School Former monies	340	340	0	0	0	
Review of contract spend with partners, remove duplication	904	400	0	504	0	Achievement of full saving to be reviewed with service managers
Education Welfare Officers	400	150	0	250	0	Reflects a delay in scheduled implementation from August 2023 to January 2024
Fees and charges (total)	199	199	0	0	0	
Corporate Services						
Customer - promotion of online services	165	165	0	0	0	
Staffing savings - vacancy and turnover management	1,173	1,173	0	0	0	
Management savings	223	223	0	0	0	
Salary Sacrifice savings	225	225	0	0	0	
Scottish Water agency collection fee	90	90	0	0	0	
Fees and charges (total)	20	20	0	0	0	
Place						
Road Construction Consent Inspections	400	335	65	0	0	
Strategic Review of Parking	2,000	1,000	1,000	0	0	Although initial projections are consistent with business case assumptions, implementation remains at a relatively early stage and further evidence is required before greater assurance can be obtained.
Homelessness - No recourse to public funds	3,000	3,000	0	0	0	
Non-core cultural grants	250	0	250	0	0	Further discussion on detailed means of achievement of saving is required.
Homelessness - supply-side initiatives	2,325	0	2,325	0	0	Realisation of this saving is linked to 500 Housing Revenue Account (HRA) void properties coming into use during 2023/24. This process has been delayed, with the properties now expected to become available between October 2023 and March 2024, 70% of which will be allocated to homeless households. Given the level of saving predicated on this assumption, the position will be kept under active review.
Income recovery in Regulatory and Planning and Building Standards	500	0	500	0	0	Income received in the year to date is lower than in 2022/23; delivery of the saving will therefore be kept under close review.
Organisational Reviews	530	170	160	200	0	Saving associated with Transport and Environment Organisational Review currently assessed as amber pending final staff matching and associated savings confirmation. Timescales for Public Safety and Resilience Organisational Review have slipped, resulting in majority of in-year savings being assumed not to be delivered.

Proposal description/area	2023/24 Approved Saving	Saving BRAG assessment				Confirmed or planned mitigating actions where full or partial shortfall in delivery identified
Fees and charges	2,935	1,499	1,436	0	0	Majority of amber-assessed element relates to parking-related uplifts pending further months' evidence of actual income received following 20% overall increase in parking charges implemented in early June. Impact of 11% increase in most cultural fees and charges being assessed.
Estate rationalisation and property savings	500	320	180	0	0	Level of anticipated additional rental income to be confirmed.
Garden waste income consolidation	400	400	0	0	0	
Bus lane camera income consolidation	600	500	100	0	0	Bus lane cameras were offline for three weeks, resulting in income shortfall.
Glass collection and recycling - one-off contract saving	550	550	0	0	0	
Penalty Charge Notices	2,400	1,200	1,200	0	0	Following implementation of increase in early June, monitoring of income and behavioural impacts remains at a comparatively early stage and a further update will therefore be provided as part of the month five report.
Millerhill Income	3,450	3,450	0	0	0	
Best value reviews	500	500	0	0	0	As reported to the Transport and Environment Committee on 20 April 2023, £0.5m of the additional funding for street cleansing approved as part of the 2023/24 revenue budget has been set aside in recognition both of the lead-in times for implementation of the planned service improvements and that the best value service review is unlikely to be able to deliver the full saving in 2023/24.
Savings in prudential borrowing costs	918	626	292	0	0	Further work is required to review fleet review programme to understand better its overall affordability.
Smart City Phase 1 assumed savings	500	258	242	0	0	This represents cessation of £0.500m annual budget allocation for the two preceding financial years. The £0.258m green element relates to budget ringfenced to service the prudential borrowing requirement re Smart Cities Phase 1. Assessment of delivery of the remaining element is on-going.
Council-wide						
Redeployment	600	600	0	0	0	Following approval of the report on revised redeployment arrangements by the Policy and Sustainability Committee on 22 August 2023, this saving will be managed in the context of services' overall employee budgets and established structures whilst still securing the level of saving approved by members. While assessed to be achievable given current employee turnover and vacancy levels, an update on implementation will be included in the month five report and to Executive Committees as appropriate.
	26,597	**17,893**	**7,750**	**954**	**0**	
		67.3%	**29.1%**	**3.6%**	**0.0%**	

Application for Spend to Save funding – Edinburgh Visitor Levy

Background

The Visitor Levy (VL) is a fiscal devolution project that would maximise opportunities to raise local income to provide additional resources for the Council's strategic priorities. The levy would contribute, in particular, to the Business Plan objective "Edinburgh has a stronger, greener, fairer economy and remains a world-leading cultural capital".

The VL has a strong legislative, political and Edinburgh-specific strategic foundation. The Visitor Levy (Scotland) Bill was formally introduced into the Scottish Parliament in May 2023. If passed, this will give local authorities the power to introduce a visitor levy, which Edinburgh has been lobbying and leading in Scotland for many years.

Scheme revenue generation

The expected revenue that could be generated from an Edinburgh Visitor Levy varies from £11 million to £28 million from a 2% to 5% of room cost charge if applied to all hotels, self-catering apartments, B&B / Guest house, short-term lets and hostels in Edinburgh. The proceeds raised from a visitor levy are expected to be spent on delivering objectives that support, develop or sustain the visitor economy.

Use of revenue generated to support associated administrative costs

While the revenue raised will be limited to spend on certain specified areas, the scheme features an ability to cover administration costs from income generated.

Spend to Save proposal

Early implementation of the schemes would be assisted by the project support that is the subject of this application. It is therefore proposed to use the Spend to Save fund to recruit one Project Management Officer (Grade 8) over a 2.5-year period, starting within the last quarter of 2023. The associated cost of this investment is £0.150m, with full planned repayment in 2026/27 once the scheme is operational.