

Finance and Resources Committee

10.00am, Thursday, 25 January 2024

Revenue Monitoring 2023/24 – month eight 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 eight and after taking into account Council's approval of an additional in-year contribution to the Edinburgh Integration Joint Board (EIJB) of up to £14.2m, an overall underspend of £0.825m is now being forecast;
 - 1.1.2 note, nonetheless, 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;
 - 1.1.3 note, therefore, the continuing recommendation that no additional expenditure commitments be taken on at this time;
 - 1.1.4 note that a further update will be provided to members at the Committee's March meeting; and
 - 1.1.5 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: Richard Lloyd-Bithell, Service Director: Finance and Procurement,
Finance and Procurement Division, Corporate Services Directorate

E-mail: richard.lloyd-bithell@edinburgh.gov.uk

Revenue Monitoring 2023/24 – month eight 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 eight months' financial data and forecasts of income and expenditure for the remainder of the year. Following a slight net deterioration in Directorate and corporate projections, an overall underspend of £0.825m is now being forecast.

3. Background

Approved 2023/24 budget

- 3.1 On 23 February 2023, Council approved a balanced revenue budget for 2023/24 based on the Council's provisional grant funding settlement 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.

Month five report

- 3.2 On 21 November 2023, in considering the month five-based report, members noted that Council's approval of an additional in-year contribution to the EIJB of up to £14.2m, coupled with a slight improvement in Directorate and corporate projections, meant that an overall in-year underspend of £1.880m was now being forecast. Given the potential for further expenditure pressures to emerge during the remainder of the year, however, it remained officers' recommendation that no additional commitments should be taken on at that time.
- 3.3 The remainder of the report appraises members of a number of subsequent updates to Directorate and corporate projections, based on analysis of the first eight months' income and expenditure and projections for the remainder of the year.

4. Main report

Directorate projections

Children, Education and Justice Services – net overspend of £4.650m

- 4.1 The overall forecast for the Directorate as of month eight shows a net overspend of £4.650m, an improvement of £1m since the month five report.
- 4.2 Significant gross elements of pressure within the forecast include £2.0m in Children's Services for out-of-authority residential and secure accommodation and £2.4m in 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 a net in-year pressure of £3.5m.
- 4.3 A shortfall of £0.95m against the level of approved savings is also reflected in the forecast. Following the decision of Council on 2 November 2023, full scrutiny of the outcome of the Education Welfare Officer review will be undertaken at the meeting of the Education, Children and Families Committee on 23 January 2024. As such, no in-year saving is being assumed in respect of this review.
- 4.4 Anticipated net mitigations across the wider service of £4.2m have been identified, comprising a £1.8m allocation from the £5m Council-wide inflationary contingency approved as part of the 2023/24 budget and £2.4m from non-recurring staffing underspends and reserve drawdowns, resulting in an overall £4.650m projected overspend.

Place – net overspend of £2.601m

- 4.5 As of month eight, the Directorate is projecting an overall overspend of £2.601m, an increase of £1.9m since the equivalent month five position.
- 4.6 The overall position reflects net pressures of £2.7m (an increase of £1.6m since month five) within the Housing and Homelessness Division. This unfavourable movement is mainly attributable to an increased anticipated financial impact of delays in letting previously empty properties (voids) to homeless households, alongside further inflationary pressures linked to now-confirmed rates from external service providers. These pressures are being partially offset by savings arising from staffing vacancies and commissioned services. A verbal update on progress in letting void properties will be provided at the meeting.
- 4.7 Net pressures of £1.8m 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. The forecast now also reflects a forecast pressure of £0.3m for museums staffing based on an updated assessment of expenditure and future commitments.

- 4.8 Set against these are savings totalling £1.9m across the Operational Services and Sustainable Development Divisions, resulting in a projected overall overspend of £2.6m. 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 reducing the extent of the overspend by the year-end.

Corporate Services – net underspend of £1.092m

- 4.9 As outlined in a report elsewhere on today's agenda, the Executive Director of Corporate Services is projecting an overall service underspend of £1.092m, primarily reflecting one-off savings in employee costs and, additionally since month five, a reduction in forecast expenditure required to implement the recommendations of the Independent Review into Whistleblowing and Organisational Culture.

Edinburgh Integration Joint Board (EIJB) – net funding gap of £6.174m

- 4.10 The Chief Officer of the Edinburgh Health and Social Care Partnership is projecting an overall in-year funding gap of £6.2m, an increase of some £4.0m from the position reported at month five. The most material elements of this change are:
- (i) a further £2.4m increase in forecast care at home expenditure. This builds on the 14% increase recently reported to the Performance and Delivery Committee, with expenditure sustaining performance improvement, albeit at a significant financial cost; and
 - (ii) slippage of £1.5m on approved savings for review and assessment and agency spend.
- 4.11 A range of actions has been instructed by the EIJB Chief Officer to mitigate expenditure pressures and additional detail of the projected position has been made available to members of the Committee. In view of the significant increase in the level of unfunded pressure above the £14.2m in-principle contribution previously approved by Council, a verbal update on confirmed and planned mitigating measures will be provided at the meeting.

Other pressures

- 4.12 As noted in the month five update, the current overall projection also reflects total in-year liabilities of £2m for (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, a report on which is included elsewhere on today's agenda. It is anticipated that relevant in-year costs will be contained within these combined sums.

4.13 The overall in-year forecast continues to reflect a £0.8m in-year pressure in respect of the non-teaching pay award, with an element of the agreed settlement also requiring potential use of the Council’s unallocated reserves pending reimbursement by the Scottish Government in 2024/25.

Corporate budget savings

4.14 Given the £15.133m of pressures (an increase of £4.4m since month five) outlined in the preceding sections, opportunities to address these projected overspends through available savings in corporate budgets have continued to be examined. As of month eight, the following anticipated net mitigations have been identified, an increase of £3.3m since month five reflecting updated forecasts of energy spend:

	Anticipated saving relative to budget levels, £m	Comments
Council Tax	4.000	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
Energy budgets – additional costs	3.347	Updated forecast reflects detailed analysis of actual spend to November, with this analysis, alongside an assessment of the anticipated impact of other energy-saving initiatives put in place, informing projections for the remainder of the year.
	(0.889)	Less net application of above sums to support in-principle maximum additional in-year contribution to EIJB of £14.2m
	15.958	

Overall position

4.15 Taken together, the net impact of movements in Directorates and corporate savings results in an overall projected underspend of £0.825m as shown in Appendix 1. Movements since the month five forecast are shown in Appendix 2.

4.16 In view of the potential for further expenditure pressures to emerge during the remainder of the year, it remains officers’ recommendation that no additional expenditure commitments be taken on at this time.

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.

5.2 A further update will be provided to members of the Committee in March.

6. Financial impact

- 6.1 As of month eight, an overall underspend of £0.825m is forecast, albeit with a number of 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. While allocation of the 2022/23 underspend in the current year has enabled a projected balanced position to be achieved, it nonetheless 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 [Revenue Monitoring 2023/24 – month five report](#), Finance and Resources Committee, 21 November 2023
- 10.2 [Finance Update](#), Edinburgh Integration Joint Board, 16 November 2023
- 10.3 [Revenue Monitoring 2023/24 – month three report update](#), Finance and Resources Committee, 23 October 2023
- 10.4 [Revenue Monitoring 2023/24 – month three report](#), Finance and Resources Committee, 21 September 2023
- 10.5 [Revenue Budget 2023-24 Update - referral from the City of Edinburgh Council](#), Finance and Resources Committee, 30 March 2023

- 10.6 [Liberal Democrat Group Budget Motions](#), City of Edinburgh Council, 23 February 2023
- 10.7 [Revenue Budget Framework 2023/27 – progress update](#), Finance and Resources Committee, 7 February 2023

11. Appendices

- 11.1 Appendix 1 - 2023/24 Revenue Budget – Projected Expenditure Analysis
- 11.2 Appendix 2 – Analysis of movement in overall forecast between months five and eight

	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)	86,477	56,000	58,236	2,236	85,385	(1,092)	(1.3)
Children, Education and Justice Services	459,210	266,971	270,583	3,612	463,860	4,650	1.0
Health and Social Care	294,504	173,497	186,902	13,405	314,878	20,374	6.9
(offset by assumed maximum contribution approved by Council, 2 November 2023)					(14,200)	(14,200)	n/a
Place	252,638	147,191	149,000	1,809	255,239	2,601	1.0
Lothian Valuation Joint Board	3,774	2,202	2,202	0	3,774	0	0.0
Directorate / Division total	1,096,604	645,860	666,922	21,062	1,108,937	12,333	1.1
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:	39,461				39,461	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				13,353	(3,347)	(20.0)
- 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	2,000	2,000	n/a
Reinforced Autoclaved Aerated Concrete (RAAC) Panels	0	n/a	n/a	n/a			
Unfunded element of best and final non-teaching pay offer for non-teaching staff, 2023/24 (23 September 2023)	0	n/a	n/a	n/a	800	800	n/a
Additional cost of non-teaching employee pay award, 2023/24 per revised offer, 3 November 2023	0	n/a	n/a	n/a	2,160	2,160	n/a
Non-service specific areas total	195,772	0	0	0	191,385	(4,387)	(2.2)
Movements in reserves							
Net contribution to / (from) earmarked funds	(39,666)	0	0	0	(42,277)	(2,611)	6.6
Net contribution to / (from) unallocated funds	0	0	0	0	(2,160)	(2,160)	n/a
Movements in reserves total	(39,666)	0	0	0	(44,437)	(4,771)	12.0
Sources of funding							
General Revenue Funding	(530,098)	(132,524)	(132,524)	0	(530,098)	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	(349,295)	(4,000)	(1.2)
Sources of funding total	(1,252,710)	(313,177)	(313,177)	0	(1,256,710)	(4,000)	(0.3)
In-year (surplus) / deficit	0	332,683	353,745	21,062	(825)	(825)	(0.1)

Analysis of movement in overall forecast between months five and eight

	Period 5 F&R, 21 November	Period 8 F&R, 25 January	Movement
	(favourable)/unfavourable	(favourable)/unfavourable	(favourable)/unfavourable
General Fund Services	£m	£m	£m
EIJB	16.4	20.4	4.0
(Assumed maximum CEC contribution approved by Council, 2 November 2023)	(14.2)	(14.2)	0.0
Children, Education and Justice Services	5.7	4.7	(1.0)
Place	0.7	2.6	1.9
Corporate Services	(0.6)	(1.1)	(0.5)
	7.9	12.3	4.4
Other pressures			
Brunstane Primary School decant, etc.	2.0	2.0	0.0
RAAC			
Impact of best and final non-teaching pay award, 2023/24	0.8	0.8	0.0
	2.8	2.8	0.0
Offset in net terms by:			
Additional interest on available balances	(6.0)	(6.0)	0.0
Council Tax - additional buoyancy	(4.0)	(4.0)	0.0
Tram extension - increased patronage relative to budget assumptions (so lower requirement for support)	(3.5)	(3.5)	0.0
Energy costs	0.0	(3.3)	(3.3)
	(13.5)	(16.8)	(3.3)
Application of element of in-year corporate savings to support £14.2m EIJB contribution i.e. £14.2m less £13.3m 2022/23 underspend (figure net of North Merchiston and Castle Green drawdown previously approved)	0.9	0.9	0.0
Overall forecast	(1.9)	(0.8)	1.1