

# Finance and Resources Committee

**10.00am, Thursday, 19 September 2024**

## **Revenue Monitoring 2024/25 – month three 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, as of month three, an overall overspend of £26.741m is being forecast;
  - 1.1.2 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 (HSCP);
  - 1.1.3 note further, given the seriousness of the projected position, that a range of mitigating measures has already been initiated within both Directorates and the HSCP, with a potential need for further controls to be implemented to bring expenditure back within approved levels;
  - 1.1.4 note that updates will be provided to members at the Committee's next meeting in November and in the intervening period as required, including detailed consideration of underlying pressures at relevant Executive Committees; 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

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## Revenue Monitoring 2024/25 – month three report

### 2. Executive Summary

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- 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. Significant pressures are being forecast across a range of service areas, including the Edinburgh Integration Joint Board (EIJB), with limited available mitigations in corporate budgets, highlighting an urgent need for remedial action.

### 3. Background

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#### Approved 2024/25 budget

- 3.1 On 22 February 2024, members approved a balanced one-year budget for 2024/25. Achievement of this balanced position is, however, dependent upon delivery of savings and additional income across the Council totalling some £28.5m, alongside active management of pressures.
- 3.2 In addition to full delivery of these savings and additional income, a number of other risks are apparent in the current year, the most material of which are:
- (i) **delivery of almost £48m of approved savings within the EIJB**, including challenging measures around the management of new and existing demand;
  - (ii) **demand-led pressures** across several other areas, particularly in homelessness services; and
  - (iii) **pay awards**, where the Council's budget framework provides for in-year increases of 3% for both teaching and non-teaching staff.
- 3.3 The remainder of the report appraises members of the most recent Directorate and corporate projections, based on analysis of the first three months' income and expenditure and projections for the remainder of the year.

## 4. Main report

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### Directorate projections

#### Children, Education and Justice Services – net overspend of £6m

- 4.1 The overall forecast for the Directorate as of month three shows a net overspend of £6m. This position reflects significant net pressures in Early Years (£5m), Home-to-School Transport (£2.5m) and Children’s Services (£0.8m). Mitigations totalling £2.3m have been confirmed thus far, with a number of further measures under active consideration by the Executive Director and her Senior Management Team.
- 4.2 A more detailed update on confirmed or proposed actions to address these underlying pressures was considered by the Education, Children and Families Committee on 3 September.

#### Place – net overspend of £10.830m

- 4.3 As of month three, the Directorate is projecting an overall overspend of £10.830m. This position comprises three main elements as set out in the following sections.
- 4.4 An increase in the overall number of households requiring to be placed in temporary accommodation during the year has given rise to a forecast in-year pressure of £7.5m, increasing to £12m in 2025/26. Additional detail on the background to these pressures has been separately provided to members of the Committee, with a further update to be reported to the Housing, Homelessness and Fair Work Committee on 1 October.
- 4.5 A pressure of £2.6m is also being reported in Corporate Facilities Management, reflecting additional expenditure for reactive repairs across the Council estate. A number of measures are being explored to seek to reduce the size of this pressure. It is anticipated that further detail in this area will be included in a separate report to the Committee’s next meeting in November.
- 4.6 The Culture and Wellbeing Division is forecasting a net pressure of £0.730m which is primarily related to underlying staffing- and income-related pressures in the Museums and Galleries and Libraries functions. An update on the development of mitigating actions to address these pressures will be reported to the Culture and Communities Committee on 3 October.
- 4.7 The Directorate’s Senior Management Team is committed to developing further mitigating measures, in consultation with elected members where appropriate, to reduce the extent of the overspend by the year-end. A further update will be provided as part of the month five report to the Committee’s meeting in November.

#### Corporate Services – net underspend of £0.033m

- 4.8 As outlined in a report elsewhere on today’s agenda, the Executive Director of Corporate Services is projecting a small overall service underspend of £0.033m.

## **Edinburgh Integration Joint Board (EIJB) – net funding gap of £17.2m on Council-delegated services**

- 4.9 The savings and recovery programme (SRP) was developed as part of the EIJB's Medium-Term Financial Strategy (MTFS) and aims to provide a structured approach to reaching financial balance and sustainability through delivery of a multi-year programme of change and efficiency. Across the EIJB the 2024/25 programme has an ambitious in-year target of £47.85 million to be delivered across 25 projects. While, as of the end of the June, 13 of these 25 projects were on track and expected to deliver associated savings in 2024/25 totalling almost £21m, there was (and continues to be) a shortfall on the level of savings across the remainder of the programme, with slippage identified on a number of individual schemes.
- 4.10 Given this position, the Chief Officer of the Edinburgh Health and Social Care Partnership (HSCP) is projecting an overall in-year funding gap for Council-delegated social care services of £17.2m. Work is underway to rescope alternative savings where appropriate.
- 4.11 The integration scheme sets out the action that should be taken when the EIJB Chief Finance Officer is unable to provide assurance of financial breakeven. Accordingly, the Chief Officer has instigated work to prepare a recovery plan. Through the savings governance board escalation process, the Chief Officer has commissioned an urgent review of implementation and delivery plans. Senior Responsible Officers (SROs) have been challenged to identify the actions required to deliver the agreed programme. Based on these responses, the Chief Finance Officer has assessed likely delivery and reflecting the level of detail currently available, a minimum and maximum projection has been identified for each scheme. This exercise has identified that, excluding the managing demand workstream, further savings of between £4.1m and £8.1m may be delivered.
- 4.12 Development of additional savings options beyond the current savings plan is also underway, including a further review of all non-statutory commissioned arrangements led by the Service Director - Strategic Planning. Further savings options associated with the HSCP restructure and critical staffing arrangements are also being explored.
- 4.13 The reassessment of savings projections, aligned with increased controls over workforce and discretionary spend, would reduce the projected overspend to between £8.6m and £12.8m. This balance would require to be delivered through the reinvigorated managing demand workstream. Given the review team's performance to date, this assumption is not without risk. Recent data, however, indicates that the productivity of the team has gradually increased and the Service Director - Strategic Planning has introduced a range of measures to monitor closely ongoing performance. Given the importance and materiality of this workstream, prompt corrective action will be required to address any deviation from targets.

## **Overall position – Service Directorates and EIJB**

- 4.14 Taken together, the above sums correspond to total service area pressures of £33.997m. More detailed analysis and commentary at Directorate level, including the identification of corresponding mitigating actions, will be presented to relevant Executive Committees.

## **Corporate and Council-wide budgets – employee pay awards for 2024/25**

- 4.15 On 9 August, a revised non-teaching pay offer was made to the representative trade unions. This offer comprises a flat-rate uplift of £1,292<sup>1</sup> or 3.6% increase, whichever is higher, resulting in an overall uplift across the workforce of 4.27%. The revised offer is currently the subject of a consultative ballot by the three unions, the outcome of which is expected to be known in early September.
- 4.16 The Scottish Government has identified £77.5m of further funding to meet, in full, the additional costs between the previous 3.2% offer made in June and the revised one made on 9 August. As such, the cost over and above the budget baseline of 3% to be met by the Council, assuming the offer is accepted, is £1.1m<sup>2</sup>. The Scottish Government has also confirmed that it will baseline, in full, the additional £77.5m going forward.
- 4.17 Negotiations on the teaching pay award are at an earlier stage, with the previous expiring agreement covering the period to July 2024. An initial offer made in June 2024, comprising a 2% increase from August 2024 and a further 1% from May 2025, was rejected by the SNCT Teachers' Panel. On 2 September, a revised one-year offer was made to the Panel, consisting of a 4.27% increase on all salary points effective from 1 August 2024. As of the time of writing, this offer was being considered by the EIS salaries committee and the Teachers' Panel.
- 4.18 As with the equivalent non-teaching pay award, the Scottish Government has indicated that it will provide additional funding to support the revised pay offer. The Council will, however, require to fund the increase from the budget baseline of 3% to 3.2%, resulting in an estimated in-year pressure of £0.32m. On the assumption that this is the minimum required to achieve settlement, it is included in the month three projection accordingly.

## **2023/24 pay award funding**

- 4.19 As part of 2023/24 pay award negotiations, the Scottish Government made available additional resources to underpin the final agreed in-year settlement but with £3.674m of this provided as grant funding in 2024/25. This funding would be used to reinstate councils' reserves following their assumed application in meeting relevant liabilities in 2023/24. Due to wider remedial actions undertaken, however,

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<sup>1</sup> This sum is calculated based on a 37-hour week.

<sup>2</sup> It is anticipated that this sum, and the full-year effect of the teaching pay award noted at 4.18 (i.e. £0.48m), can be contained within the budget framework's overall inflationary provision in 2025/26 hence the corresponding pressure is for 2024/25 only.

the Council achieved overall balance in 2023/24 without a need to use this funding and these sums are thus available for offsetting, on a one-off basis, wider pressures in the current year.

### Other savings

4.20 A number of other savings are apparent in corporate or Council-wide budgets which, alongside the items above, result in net corporate mitigations of £7.256m.

	Anticipated cost/(saving) relative to budgeted levels, £m	Comments
Non-teaching staff pay award	1.100	Net additional cost of offer made in June 2024 relative to baseline budget framework provision (the Scottish Government will fund, in full, the increase between respective offers in June and August 2024)
Teaching staff pay award	0.320	Additional cost of offer made in September 2024 relative to baseline budget framework provision, net of anticipated Scottish Government funding
Application of funding provided in 2024/25 Settlement for 2023/24 pay award	(3.674)	Available for offset on basis balanced overall position was achieved in 2023/24 without need to use unallocated reserves hence no requirement to reinstate these in the current year
Energy costs	(0.831)	Although, in light of the anticipated 2023/24 outturn, savings had already been assumed within the approved budget for 2024/25, a further in-year underspend is anticipated based upon updated projections.
Non-Domestic Rates – revaluation appeals	(1.200)	Following Pan-Lothian discussions with the Assessor, reductions in applicable rateable values resulting in annual savings of £0.6m in both 2023/24 and 2024/25 have been confirmed.
Council tax – additional buoyancy	(0.648)	Projection based on confirmed 2023/24 income levels, analysis of subsequent changes in the size and profile of Council Tax base, anticipated collection rates and required bad debt provision. The projection also reflects the application of the second home premium with effect from April 2024 and estimated resulting income, aligned to the policy intent.
Application of provisional 2023/24 underspend	(2.278)	Subject to the outcome of the audit process, the prior year's underspend is available, on a one-off basis, to offset in-year pressures.
Other net variances	(0.045)	
	<b>(7.256)</b>	

### Overall position

4.21 Taken together, the net impact of projected pressures in Directorates and corporate savings results in an overall projected overspend of £26.741m as shown in **Appendix 1**. It should be emphasised that such is the extent of in-year pressures and limited available corporate mitigations, urgent action requires to be taken to reduce frontline service expenditure if the Council's financial stability is not to be compromised.

- 4.22 Given this position, in addition to the specific EIJB-related actions outlined earlier in the report, the Corporate Leadership Team has instructed a series of measures to mitigate these pressures, including:
- (i) development of prioritised action plans in overspending areas. These budget recovery plans will be scrutinised through a new Budget Accountability Board;
  - (ii) exploring opportunities to accelerate future years' savings and/or income plans;
  - (iii) freezing earmarked departmental reserves, with release subject to explicit Section 95 Officer authorisation;
  - (iv) where underspends emerge or opportunities to reprioritise are identified, using these to support the wider financial pressures rather than reprioritised for new work; and
  - (v) scrutinising the need for all expenditure, in consultation with relevant elected members where appropriate. Enhanced recruitment controls will also be considered.
- 4.23 In addition, the Council Leader has written to the UK Government highlighting the extent of homelessness-related pressures affecting the Council's budget and seeking financial and/or policy support in mitigating these.
- 4.24 As of the time of writing, work to establish the potential extent of mitigations available through the measures outlined above is continuing and depending on the effectiveness of these actions, it may be necessary to introduce additional controls. A further update will therefore be provided to the Committee's meeting in November.

### **Savings delivery**

- 4.25 Progress in the delivery of approved savings and additional income is shown in **Appendix 2**, indicating that some 90% of these by value are currently expected to be delivered. In cases where full delivery is not currently anticipated, relevant shortfalls are included in variances referenced in preceding sections.

## **5. Next Steps**

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- 5.1 Given the range of pressures outlined in the report, urgent action requires to be taken to reduce frontline service expenditure if the Council's financial stability and sustainability is not to be compromised. In addition to specific EIJB-related actions, the Corporate Leadership Team has therefore instructed a series of measures to mitigate these pressures, the effectiveness of which will be reviewed on a continuous basis and additional actions implemented as appropriate.
- 5.2 A further update will be provided to members of the Committee in November.

## **6. Financial impact**

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- 6.1 As of month three, an overall overspend of £26.741m is forecast. Failure to break even in 2024/25 would increase the savings requirement in 2025/26 due to a need to reinstate the General Fund unallocated reserve. It would also reduce the options to address future years' budget gaps and means existing expenditure is significantly 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.

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

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- 7.1 There are no direct relevant impacts arising from the report's contents. Mitigating actions identified will in all cases seek to minimise any service or policy impacts.

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

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- 8.1 There are no direct relevant impacts arising from the report's contents. Mitigating actions identified will in all cases seek to minimise any service or policy impacts.

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

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- 9.1 There are no direct relevant impacts arising from the report's contents. Mitigating actions identified will in all cases seek to minimise any service or policy impacts.

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

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- 10.1 [Managing In-Year Pressures](#), Education, Children and Families Committee, 3 September 2024
- 10.2 [Assisted Home to School Transportation Budget Pressures](#), Education, Children and Families Committee, 3 September 2024
- 10.3 [Financial update](#), Edinburgh Integration Joint Board, 20 August 2024
- 10.4 [Revenue Budget Framework and Medium-Term Financial Plan \(MTFP\) 2024/29 – further update](#), Finance and Resources Committee, 6 February 2024
- 10.5 [Revenue Budget Framework and Medium-Term Financial Plan \(MTFP\) 2024/29 – progress update](#), Finance and Resources Committee, 25 January 2024



## 11. Appendices

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- 11.1 Appendix 1 - 2024/25 Revenue Budget – Projected Expenditure Analysis
- 11.2 Appendix 2 – Approved savings, 2024/25 – current status

## 2024/25 Revenue Budget - Projected Expenditure Analysis - Month 3

	Revised Budget	Projected Outturn	Outturn Variance	Percentage Variance
Directorate / Division	£000	£000	£000	
Corporate Services (including Chief Executive's Office)	91,343	91,310	(33)	(0.0)
Children, Education and Justice Services	518,839	524,839	6,000	1.2
Health and Social Care	326,221	343,421	17,200	5.3
Place	295,541	306,371	10,830	3.7
Lothian Valuation Joint Board	4,063	4,063	0	0.0
2024/25 pay award pressures relative to budget baseline provision (net of additional Scottish Government funding)	1,420	1,420	0	0.0
<b>Directorate / Division total</b>	<b>1,237,427</b>	<b>1,271,424</b>	<b>33,997</b>	<b>2.7</b>
<b>Non-service specific areas</b>				
Loan Charges / interest and investment income	79,465	78,465	(1,000)	(1.3)
Other non-service specific costs less sums to be disaggregated:	46,247	45,732	(515)	(1.1)
- Energy	831	0	(831)	(100.0)
- Discretionary Rates	720	720	0	0.0
Tram Shares	8,500	8,500	0	0.0
Council Tax Reduction Scheme	27,437	27,437	0	0.0
Non Domestic Rates Relief	8,329	8,329	0	0.0
Net Cost of Benefits	(127)	(127)	0	0.0
<b>Non-service specific areas total</b>	<b>171,402</b>	<b>169,056</b>	<b>(2,346)</b>	<b>(1.4)</b>
<b>Movements in reserves</b>				
Net contribution to / (from) earmarked funds	(46,298)	(50,560)	(4,262)	9.2
Net contribution to / (from) unallocated funds	0	0	0	n/a
<b>Movements in reserves total</b>	<b>(46,298)</b>	<b>(50,560)</b>	<b>(4,262)</b>	<b>9.2</b>
<b>Sources of funding</b>				
General Revenue Funding	(599,034)	(599,034)	0	0.0
Non-Domestic Rates	(407,645)	(407,645)	0	0.0
Council Tax	(355,852)	(356,500)	(648)	(0.2)
<b>Sources of funding total</b>	<b>(1,362,531)</b>	<b>(1,363,179)</b>	<b>(648)</b>	<b>(0.0)</b>
<b>In-year (surplus) / deficit</b>	<b>0</b>	<b>26,741</b>	<b>26,741</b>	<b>2.0</b>

## Approved savings, 2024/25 - current status

Proposal description/area	2024/25 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	
<b>Children, Education and Justice Services</b>						
Contract and Commissioning savings	906	906	0	0	0	
Wellington School - former monies	160	160	0	0	0	
Fees and charges	232	232	0	0	0	
Redeployment costs	265	0	265	0	0	Actively working to manage position and anticipate that this will be resolved within the current financial year.
<b>Total savings</b>	<b>1,563</b>	<b>1,298</b>	<b>265</b>	<b>0</b>	<b>0</b>	
<b>Corporate Services</b>						
Corporate Services - Best Value Review	500	500	0	0	0	The measure identified for 2024/25 is non-recurring. Work is ongoing to develop recurring savings proposals for 2025/26.
Investigation and Review - savings against approved budget	250	250	0	0	0	
Fees and Charges	19	19	0	0	0	
Redeployment costs	236	0	0	236	0	
<b>Total savings</b>	<b>1,005</b>	<b>769</b>	<b>0</b>	<b>236</b>	<b>0</b>	
<b>Place</b>						
Homelessness (cumulative target)	3,450	3,450	0	0	0	Voids have reduced from 1,464 in June 2023 to 1,087 in July 2024 with an estimated benefit of 185 households coming out of temporary accommodation with a corresponding annual saving of £4.5m.
Property Rationalisation (cumulative target)	1,000	1,000	0	0	0	
Energy Efficiency	500	500	0	0	0	
Place Efficiencies	395	0	395	0	0	
Efficiency saving supported by capital expenditure	195	195	0	0	0	Met from Roads and Infrastructure in line with capital investment.
Waste and Cleansing (Best Value Review)	1,000	772	228	0	0	Risk relates volume of landfill tonnages to be processed and associated cost.
Homelessness (Best Value Review)	500	500	0	0	0	This will be achieved through the savings from off-the-shelf purchases that were approved after the 2024/25 budget was set
Transport ALEOs	2,300	2,300	0	0	0	Full saving expected to be realised based on extrapolations of current patronage.
Strategic Review of Parking	1,000	1,000	0	0	0	
Fees and Charges	736	650	71	15	0	Red saving relates to garage rents. It was subsequently agreed not to increase fees until a structural condition review had been undertaken.
Pay and Display	1,000	1,000	0	0	0	
Bus Lane Camera Enforcement	1,000	1,000	0	0	0	
Redeployment costs	179	0	179	0	0	
<b>Total savings</b>	<b>13,255</b>	<b>12,367</b>	<b>873</b>	<b>15</b>	<b>0</b>	
<b>Corporate</b>						
NDR Empty Property Relief	7,000	7,000	0	0	0	Given the timing of billing and recovery, it is too early to assess the achievement of this saving. Based on the additional billable amount, however, it is anticipated that income received, less the projected cost of reliefs (including those for the Council's own buildings), will meet the level assumed in the approved budget.
Council Tax - second homes	2,250	2,250	0	0	0	While the level of additional income generated will be influenced by the extent of behavioural change, consistent with the policy intent, based on the additional billed amount it is anticipated that the full amount of the budgeted income will be achieved.
Cash balances - additional interest	2,000	2,000	0	0	0	Based on sums received to date and projections of available balances and interest rates for the remainder of the year, the additional income is expected to be achieved in full.
Contract and procurement savings	1,400	0	0	1,400	0	Until business cases are fully developed and implemented, there remains a risk as to achievement of the savings target. A one-off corporate budget mitigation assumed in the budget framework going forward has been identified meantime pending development of means to deliver this saving on a recurring basis.
<b>Total savings</b>	<b>12,650</b>	<b>11,250</b>	<b>0</b>	<b>1,400</b>	<b>0</b>	
	<b>28,473</b>	<b>25,684</b>	<b>1,138</b>	<b>1,651</b>	<b>0</b>	
		<b>90.2%</b>	<b>4.0%</b>	<b>5.8%</b>	<b>0.0%</b>	