

# Finance and Resources Committee

10.00am, Thursday, 19 September 2024

## Revenue Budget Framework and Medium-Term Financial Plan (MTFP) 2024/29 – progress update

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 the proposals brought forward by officers to address the estimated residual savings gap in 2025/26 of £29.9m, considering in particular those proposals falling within the remit of the Finance and Resources Committee;
  - 1.1.2 note that identification of savings proposals to address this residual gap forms part of a wider suite of actions geared towards securing the Council's medium- to longer-term financial sustainability, including management of service pressures and delivery of previously approved savings;
  - 1.1.3 note that a number of other risks and uncertainties remain around the precise 2025/26 savings gap, including but not limited to grant funding levels and additional expenditure linked to demand-led services, particularly within homelessness services and the Edinburgh Integration Joint Board (EIJB);  
and
  - 1.1.4 note that a further update will therefore be presented to the Committee's next meeting on 19 November.

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## Revenue Budget Framework and Medium-Term Financial Plan (MTFP) 2024/29 – progress update

### 2. Executive Summary

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- 2.1 The report updates members on the development of individual savings proposals, aligned to the Council's budget strategy, to address the Council's projected incremental revenue budget funding gap of £29.9m in 2025/26. A number of proposals with specific relevance to the Committee's remit are also presented for consideration.

### 3. Background

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- 3.1 On 25 June 2024, members of the Committee considered an update on the latest review of the Council's income and expenditure financial planning assumptions, indicating a £29.9m forecast gap for 2025/26 and £109.1m by 2028/29. These gaps were subject to a number of further risks, particularly around the on-going financial impacts of increased demand for homelessness services and delivery of approved savings within the Edinburgh Integration Joint Board (EIJB).
- 3.2 Given this position, members also noted that progress in developing the Council's financial strategy and Medium-Term Financial Plan (MTFP) to address these budgetary challenges was an on-going and annual process, including proposals both to achieve required budget savings and efficiencies for 2025/26 and continued wider service transformation over the longer term.
- 3.3 Members agreed that officers should progress the specific proposals being developed under the three overarching categories outlined in the report and additionally undertake a programme of best value service reviews within the Council's existing policy framework. These proposals would be presented, as appropriate, to Executive Committees for initial consideration and onward referral to Council as part of the budget process, both to address future years' savings requirements and support service transformation.
- 3.4 Members of the Committee also approved an addendum to the report re-affirming a number of principles to guide the subsequent development of budget options and

requesting further contextual detail in a number of areas, particularly homelessness services. A detailed financial update on the Homelessness Service, including projections of expenditure in the current and subsequent years, commentary on the underlying causes of this spend and progress on the service's Best Value Review, will be reported to the Homelessness, Housing and Fair Work Committee on 1 October.

- 3.5 The 2025/26 HRA budget strategy report will be considered by the Housing, Homelessness and Fair Work Committee on 1 October 2024. It will set out the changes made to the Housing Revenue Account (HRA) Business Plan assumptions since the budget was approved in February 2024 and the emerging issues that increase the financial pressures on the HRA. It will also provide an update on a few related workstreams, including the rent structure review, permitted use of General Fund resources to support housing investment and innovative funding models for the new-build programme. The report will be referred to the Finance and Resources Committee in November to align with the General Fund budget development.
- 3.6 This report also includes, in later sections, a number of income-related proposals and it is anticipated that Spend to Save proposals will also be considered as part of the budget process.

## 4. Main report

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### Review of financial planning assumptions

- 4.1 The report to the Committee's last meeting set out the Council's key expenditure and income planning assumptions and these remain largely unchanged at this time pending greater clarity around, in particular, levels of grant funding and employee pay awards for 2025/26 and subsequent years.

### Timing of UK and Scottish Budget announcements

- 4.2 The UK Government Budget is anticipated to take place on 30 October 2024 which, based on previous years, would allow for the Draft Scottish Budget to be announced in late November or early December and the Local Government Finance Settlement shortly thereafter. A multi-year UK Spending Review will then follow in Spring 2025, providing detailed departmental spending plans for the period from 2026/27 to 2028/29.
- 4.3 Following the recent change of government at UK level, publication of the Scottish Government's own Medium-Term Financial Strategy, providing indicative budgets at portfolio level, will not now be published until after the Spring UK Spending Review. Given this revised timescale, an assumption of "flat cash" core grant funding<sup>1</sup>,

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<sup>1</sup> Once account is taken of new or existing commitments

aligned to the MTFFS published in May 2023, continues to be made. The Scottish Government has, however, continued to reiterate the need for difficult decisions and choices in balancing its overall budget in the short to medium term. While initial analysis of the package of savings measures announced by the Cabinet Secretary for Finance and Local Government on 3 September looks to show limited direct impact on the Council, the one-off or time-limited nature of many of the measures increases the risk of a downward revision to the Council's revenue grant funding settlement in 2025/26 and subsequent years, re-emphasising the need for prioritisation and radical change in the way the Council delivers its services.

### **Pay negotiations**

- 4.4 As of the time of writing, negotiations around both the teaching and non-teaching pay awards for 2024/25 remain in progress, with the revised non-teaching staff offer made by COSLA on 9 August the subject of consultative ballots with the representative Scottish Joint Council (SJC) trade unions. Implementation of this offer would give rise to a one-off pressure of £1.1m in 2024/25<sup>2</sup>, given confirmed baselining of the additional Scottish Government contribution in the Local Government Finance Settlement. Similarly, the teaching award offer made on 2 September, if implemented, is expected to give rise to a one-off pressure in 2024/25 of £0.320m.
- 4.5 On 30 May 2024, the Scottish Government published its [public sector pay policy for 2024/25](#) which, while not directly applicable to local government given the devolved nature of pay negotiation arrangements, has nonetheless served as a yardstick in recent years. The policy emphasises a need to balance flexibility with fairness and affordability and sets out a multi-year framework from 2024/25 to 2026/27, comprising 3% annual average increases in pay against a backdrop of average Consumer Price Index (CPI) projections of 2%, 2% and 1.7% over this three-year period. These 3% incremental increases are aligned to the assumptions within the Council's own financial planning in both 2025/26 and 2026/27.

### **Other assumptions**

- 4.6 As noted later in this report, a number of minor changes to planning assumptions have been made, including a review of required demographic provision for schools given updated pupil roll projections and the level of required provision for non-pay inflation.
- 4.7 The planning assumptions underpinning the estimated £29.9m gap in 2025/26 were set out in the [MTFP update](#) to the Committee's previous meeting on 25 June. Besides pay discussed in previous sections, the most material determinants of the overall gap are Council Tax, assuming full local autonomy for rate-setting, and the

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<sup>2</sup> It is anticipated at this stage that the £1.1m will, from 2025/26, be able to be contained within the overall level of inflationary provision within the budget framework. This also applies to the £0.480m recurring full-year impact of the teaching staff offer.

level of core grant funding. The table below indicates the sensitivity of this overall gap to changes in assumptions on these factors.

		Council Tax increase				
		1%	3%	5%	7%	9%
Core grant funding settlement	2%	23.9	16.9	9.9	2.9	(4.1)
	1%	33.9	26.9	19.9	12.9	5.9
	“Flat cash”	43.9	36.9	29.9	22.9	15.9
	-1%	53.9	46.9	39.9	32.9	25.9
	-2%	63.9	56.9	49.9	42.9	35.9

### Delivery of Council Budget Strategy

- 4.8 The Council’s Budget Strategy was set in February 2024 with the aim of outlining principles and mechanisms to deliver a sustainable medium-term financial plan. A plan to address the immediate £30m gap in 2025/26, utilising the principles in the budget strategy (included in **Appendix 1**) to move towards a sustainable position, is presented in the following sections and accompanying appendices. The savings are themed as follows, with the constituent detail included as **Appendix 2**:

	£m
Review of assumptions and corporate measures	8.3
Income maximisation	5.0
Best Value/Outcome-Based Service Reviews	8.8
Commissioning and procurement	2.0
Asset rationalisation/maximisation	1.8
Best Value Reviews	4.7
(less additional programme costs)	(0.5)
<b>Total</b>	<b>30.0</b>

- 4.9 The proposed savings measures form a robust plan to achieve a balanced budget in 2025/26 by addressing underlying budget pressures, delivering approved savings, conducting service reviews, optimising assets and maximising income. The proposals listed are felt, by officers, to strike the best balance, within the Council’s policy framework, between maximising investment in priority areas and recognising the Council’s statutory duty to set a balanced budget. In some areas, however, alternative proposals have been developed and can be made available to political groups as part of their wider budget considerations.
- 4.10 It is acknowledged that this represents only the first part of a much longer process. Even assuming full approval and delivery of the savings set out in Appendix 2, a cumulative gap of at least £67.3m would remain over the period to 2028/29.

Addressing the medium-term budget gap will require further development of the strategy, including initiating "spend to save" projects and shifting emphasis to more preventative services, ensuring that the Council can secure fiscal stability while maintaining and, wherever feasible, enhancing essential frontline services. Measures brought forward as part of these subsequent phases will be underpinned by rigorous benchmarking of performance across comparable organisations.

### **Proposed savings measures**

- 4.11 As indicated in the report to the Committee's last meeting on 25 June, officers have been working to develop proposals to address the incremental £29.9m gap in 2025/26. These savings should, however, be seen as part of a wider programme of actions geared towards securing the Council's longer-term financial sustainability, including:
- (i) **management of in-year pressures** (particularly within Early Years and Home to School Transport in the Children, Education and Justice Services Directorate and Homelessness, Repairs and Maintenance and Culture and Wellbeing within the Place Directorate); and
  - (ii) **delivery of pre-approved savings already assumed within the 2025/26 baseline**, including but not limited to Homelessness voids (£3.5m) and Best Value reviews in Waste and Cleansing (£2.5m), Homelessness (£2.5m) and Corporate Services (£2.5m). Following the identification of one-off funding in 2024/25, corresponding recurring savings are also assumed in schools (£5.2m, with a full-year effect of £8.2m) and Edinburgh Leisure (£4.2m) in 2025/26. These sums are, in the majority of cases, in addition to the £48.5m of approved savings within the EIJB and £28.5m within the Council approved for delivery in 2024/25, progress against which is detailed in the revenue monitoring report elsewhere on today's agenda.
- 4.12 As indicated in the report to the Committee in June, these proposals (including measures to address residual pressures) have been, or will be, subject to more detailed scrutiny by relevant Executive Committees as shown in **Appendix 3**. This will include an initial assessment of the potential equalities and sustainability-related impacts of the proposals and signalling where further work with affected stakeholders will likely be required.
- 4.13 Of those proposals referred to the Finance and Resources Committee, a separate report on property optimisation is included elsewhere on today's agenda. Further detail on the remaining proposals is provided in **Appendix 4**.

### **Budget engagement**

- 4.14 An overview of the first stage of the Council's budget engagement is included elsewhere on today's agenda, having been referred on by the Policy and Sustainability Committee. Based on the responses received, this demonstrated a

degree of alignment between the priorities and consequent areas for improvement identified by residents and the additional investment approved by members as part of the 2024/25 budget, including:

- (i) a further £12.5m for roads condition, pavements, lighting, road safety and sustainable drainage systems;
- (ii) an additional £4m (across the 2023/24 and 2024/25 budgets) for cleansing services; and
- (iii) £17m of direct or indirect additional support for Council-delegated adult social care services provided through the Edinburgh Health and Social Care Partnership.

4.15 This investment complements other investment contributing positively to the Council's net-zero aspirations, including building retrofitting and fleet electrification.

4.16 In light of the feedback received as part of this first phase, members are being asked to agree a second stage focusing specifically on neighbourhood-related issues and, where appropriate, the specific proposals brought forward as part of addressing the residual funding gap for 2025/26. The results of these exercises will be reported to the meeting of the Finance and Resources Committee on 4 February 2025.

## **5. Next Steps**

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5.1 As noted in Appendix 3, Executive Committees have considered or will consider, as appropriate, individual savings proposals and updates on the management of pressures of relevance to their respective remits. Oversight of the overall budget development process will, however, remain with the Finance and Resources Committee.

5.2 Given the extent of risks and pressures affecting the budget framework and the ongoing development of some of the proposals presented in this report, a further update will be provided to the Committee's next meeting on 19 November. In this context, members' attention is also drawn to the revenue monitoring report elsewhere on today's agenda where urgent action is required to bring current-year expenditure back within approved levels. Failure to address these pressures on a sustainable basis will add to future years' savings requirements.

## **6. Financial impact**

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6.1 The report presents proposals that, if all approved and delivered in full, would address the residual current estimated savings requirement in 2025/26. Attainment of this position is, however, subject to active management of risks and pressures,

as well as delivery of all previously approved savings. In addition, adverse changes in the Council's key income and expenditure drivers may give rise to an increased overall savings requirement.

## **7. Poverty Impact**

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- 7.1 Despite the challenging budget position over the coming years, the focus of the financial plan and associated change programme will be on the Council's three priorities as set out in the business plan i.e. ending poverty in Edinburgh, becoming a net-zero city and creating good places to live and work. On-going work in the development of the MTFP will enshrine these principles.
- 7.2 A specific Integrated Impact Assessment (IIA) on the implications of various levels of Council Tax and other fees and charges will be prepared as part of a wider programme seeking to embed IIA-related considerations at all stages of budget development. Council officers are also working closely with external partners, including the Scottish Women's Budget Group, in examining opportunities to widen the scope of gender budgeting and other equalities-related considerations as applied to the budget process.

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

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- 8.1 Despite the challenging budget position over the coming years, the focus of the financial plan and associated change programme will be on the Council's three priorities as set out in the business plan i.e. ending poverty in Edinburgh, becoming a net-zero city and creating good places to live and work. On-going work in the development of the MTFP will enshrine these principles.
- 8.2 In addition, consideration will be given to the relative costs, and any corresponding preventative investment requirements, in respect of climate change adaptation.

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

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- 9.1 The MTFP is a crucial vehicle for the Council encompassing a strategic approach to financial management that examines the resources available over a multi-year timeframe, aiming to create a sustainable and resilient fiscal framework.
- 9.2 This approach not only facilitates the alignment of financial resources with long-term goals but also enhances transparency, accountability and the efficient allocation of resources. With effective medium-term financial planning, the Council can better anticipate financial challenges, make informed decisions and ensure that public funds are utilised effectively to address the evolving needs and aspirations of our communities. This approach will aid the Council to navigate economic uncertainties, safeguard essential services and promote the long-term well-being of Edinburgh's



residents. Consultation and engagement with communities will lie at the heart of this process.

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

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- 10.1 [Savings Proposals](#), Education, Children and Families Committee, 3 September 2024
- 10.2 [Budget Engagement Phase 2](#), Policy and Sustainability Committee, 22 August 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 – progress update](#), Finance and Resources Committee, 25 June 2024
- 10.5 [Financial Update](#), Edinburgh Integration Joint Board, 17 June 2024
- 10.6 [Draft Medium-Term Financial Strategy](#), Edinburgh Integration Joint Board, 18 March 2024
- 10.7 [Revenue Budget Framework and Medium-Term Financial Plan \(MTFP\) 2024/29 – further update](#), Finance and Resources Committee, 6 February 2024
- 10.8 [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 – Budget strategy principles
- 11.2 Appendix 2 – Proposals to address residual savings gap, 2025/26
- 11.3 Appendix 3 – Committee reporting – key dates
- 11.4 Appendix 4 – Proposals falling within remit of Finance and Resources Committee

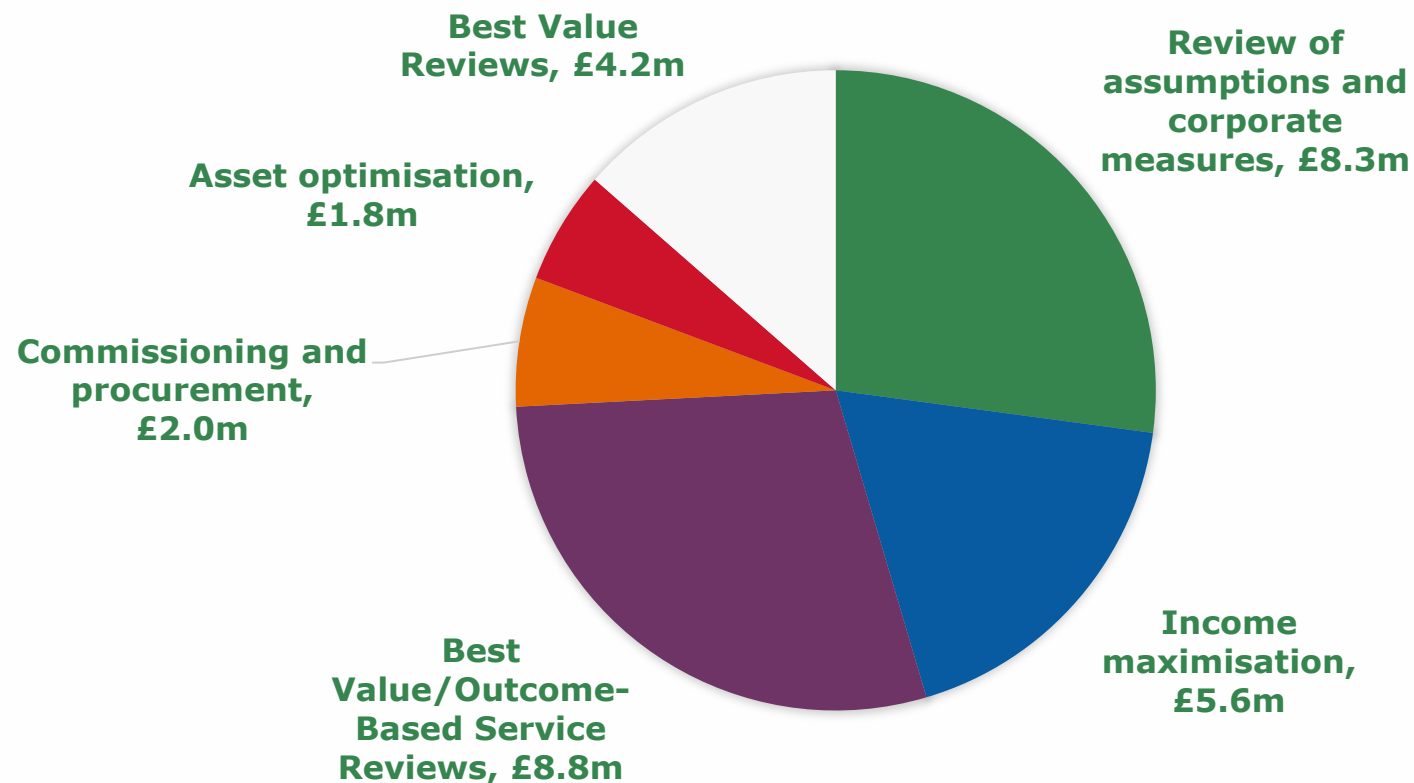
## Budget Strategy – underlying principles

1. **Addressing Underlying Budget Pressures:** The first step involves an examination of the underlying budget pressures. This entails identifying and understanding the specific financial factors that contribute to the budget gap. By pinpointing these pressures, we can tailor our strategies towards addressing them directly.
2. **Delivering Approved Savings Measures:** Approved savings measures will play a pivotal role in closing the budget gap. Identifying the suite of measures will require scrutinising existing expenditures, identifying areas of potential efficiency and implementing cost-cutting measures without compromising essential services.
3. **Council Tax Increases (5% p.a.) and Tax Base Growth:** An annual increase of 5% in Council Tax, coupled with tax growth as a result of the growing population, is assumed within the budget baseline. This approach requires a careful balance to ensure fairness and equity in taxation while generating the necessary funds to alleviate the budgetary shortfall.
4. **Service Reviews and Savings Plans:** Comprehensive service reviews will be conducted. This involves a systematic evaluation of service delivery, identifying areas for efficiency gains and implementing targeted savings plans, whilst maintaining key performance on service delivery.
5. **Further Devolved Taxes (e.g. Visitor Levy):** Exploring the implementation of devolved taxes, such as the Visitor Levy, aims to diversify revenue sources. By leveraging the economic activity generated by visitors, we can generate additional funds to offset the budget gap.
6. **Asset Rationalisation/Maximisation - Corporate Property Plan:** A corporate property plan will be initiated to optimise our assets. This will involve assessing the portfolio of corporate properties, identifying surplus or underutilised assets and strategically divesting or repurposing them to maximise value.
7. **Income Maximisation - Including Exploring Options for Flexibility on Fees and Charges:** A proactive approach to income maximisation will involve exploring options for flexibility on fees and charges. This may include renegotiating national fees and charges set to better align with the Council's financial needs or ensuring full-cost recovery in relation to discretionary services.
8. **Prudent Investment in Priorities:** Prudent investment in key priorities, such as Integrated Front Door and Swift, is essential. Strategic allocation of resources will strengthen essential services and infrastructure, ensuring a solid foundation for future financial stability.
9. **Invest to Save Business Cases:** Initiating "invest to save" business cases that provide opportunities for strategic investments that yield long-term cost

savings. These cases will demonstrate how upfront investments will lead to efficiencies and ultimately contribute to closing the budget gap.

10. **Realignment to Preventative Services:** A shift towards preventative services is crucial for long-term financial sustainability. By proactively addressing issues before they escalate, we can reduce the demand for costly reactive interventions, ultimately easing the budgetary burden over time.

## Revenue Budget 2025/26 – proposals to address residual savings gap



*Note this excludes previously approved savings including: Waste and Cleansing £2.5m, Homelessness £2.5m, Schools £5.2m and Corporate Services £2.5m*

## Revenue Budget 2025/26 – proposals to address residual savings gap

		2025/26 £m	2026/27 £m	2027/28 £m	Exec committee
<b>Review of Assumptions and Corporate Measures</b>					
NDR Appeals	Estimated reduction in liability arising from appeals	0.8	0.8	0.8	F&R
Demography Funding	Updated assessment of demographic impacts	1.0	1.5	2.0	F&R
Inflation - Utilities	Updated assessment of utilities inflation projections	3.5	3.5	3.5	F&R
Inflation - General	Reduce general non-pay provision from 3% p.a. to 2.5% p.a.	1.0	2.0	3.0	F&R
NNDR - Voids	Prudent assumption of additional revenue generated from revised Empty Property Relief policy	1.1	1.1	1.1	F&R
Tram Operations	Review of financing of lifecycle costs	0.9	0.9	0.9	F&R
		<b>8.3</b>	<b>9.8</b>	<b>11.3</b>	

# Revenue Budget 2025/26 - proposals to address residual savings gap

		2025/26 £m	2026/27 £m	2027/28 £m	Committee
<b>Income Maximisation</b>					
Fees and Charges	Updated assessment of additional income (£1.7m p.a.) from baseline 5% annual uplift assumption	0.7	1.4	2.1	F&R
Wider Achievement	Additional income including transfer of Community Access to Schools to Edinburgh Leisure	0.7	TBC	TBC	CEJS
Pay and Display	Apply a 10% uplift from April 2025	0.6	0.6	0.6	TEC
Controlled Parking	Additional income from approved extensions into Fettes and Portobello	0.6	0.6	0.6	F&R
Budget Realignment	Realignment of additional baseline income from Parking and Cruise Liners	0.9	0.9	0.9	F&R
Flexibility on Fees and Charges	COSLA and SG considering increased flexibility on charging including Garden Waste disposal costs and inflation on Penalty Charge Notices	1.5	2.0	2.5	F&R
		<b>5.0</b>	<b>5.5</b>	<b>6.7</b>	

# Revenue Budget 2025/26 - proposals to address residual savings gap

		2025/26 £m	2026/27 £m	2027/28 £m	Exec committee
<b>Best Value / Outcome-Based Service Reviews</b>					
Transport ALEOS	Discussions ongoing with Lothian Buses, including investment, dividend and concessionary fares	4.0	5.0	6.0	TEC
Early Years	Strategy to maximise use of local authority internal capacity and provide greater flexibility for parents	2.0	3.0	4.0	EC&F
Children's Services	Balance of Care / Reduce External Provision	1.5	2.5	2.5	EC&F
School Business Support	Review Business Management Support	0.5	0.9	0.9	EC&F
Central Education	Review of Central Education Staffing	0.3	0.3	0.3	EC&F
Regulatory Services	Maximise income recovery and efficiency in regulatory services	0.5	0.5	0.5	REG
		<b>8.8</b>	<b>12.2</b>	<b>14.2</b>	

# Revenue Budget 2025/26 - proposals to address residual savings gap

		2025/26 £m	2026/27 £m	2027/28 £m	Exec committee
<b>Commissioning and Procurement</b>					
Commissioning & Contract Management	Additional savings across Children, Education and Justice Services within wider strategic programme	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	EC&F
<b>Asset Rationalisation / Maximisation</b>					
Property Strategy	Expand public sector hub delivery at Waverley Court	0.5	1.0	1.0	F&R
Non-Core Assets	Rationalisation and Disposal of Non-Core Assets	1.0	1.0	1.0	F&R
Commercial Property	Net income uplift of commercial property portfolio	0.25	0.5	0.75	F&R
		<b>1.75</b>	<b>2.5</b>	<b>2.75</b>	



# Revenue Budget 2025/26 - proposals to address residual savings gap

		2025/26 £m	2026/27 £m	2027/28 £m	Exec committee
<b>Best Value Reviews</b>					
Corporate Services	Increase Corporate Services target to £3m including Strategy and Insight	0.5	0.5	0.5	F&R
Place	Service efficiencies, including review of charging	3.0	3.0	3.0	TBC
Financial Strategy and Best Value	CEJS options including Inclusion and Wider Achievement to be further developed to strengthen the outline business case	1.15	1.15	1.15	Deferred
		<b>4.65</b>	<b>4.65</b>	<b>4.65</b>	
<b>Programme Costs</b>					
Change and Delivery Team	Costs of Programme / Project Management Support offset against estimated savings	<b>(0.5)</b>	(0.5)	(0.5)	

## Committee Reporting – Key Dates

20 August	Edinburgh Integration Joint Board (EIJB)	Update on month 3 forecast, savings programme progress and recovery actions
29 August	Council	Future Libraries – Progress Update
3 September	Education, Children and Families	Pressures updates (Early Years, SDS); Home to School Transport; 2025/26 savings options
19 September (today's meeting)	Finance and Resources Committee	2024/25 monitoring report; 2025-2029 Framework update report
	Finance & Resources Committee (Property)	Place-Based Property Improvement Programme, including options to deliver property rationalisation-related savings
24 September	EIJB	To be confirmed
1 October	Housing, Homelessness and Fair Work	HRA Budget update; Savings delivery update (Best Value review); Pressures update, including exceptional homelessness-related pressures
3 October	Culture and Communities	Month 3 monitoring and pressures mitigation plan update
10 October	Transport and Environment Committee (supplemented at December meeting)	Savings delivery update (Waste and Cleansing); New 2025/26 Savings Options update (Tram, Pay & Display 10% uplift, etc.)

## Proposals falling within remit of Finance and Resources Committee and projected associated savings in 2025/26

	£m	
<b>Review of assumptions and corporate measures</b>		
Non-Domestic Rates appeals	0.800	Following Pan-Lothian discussions with the Assessor, reductions in applicable rateable values resulting in annual savings of £0.6m have been confirmed and it is anticipated that further savings of up to £0.2m will be negotiated.
Demography funding	1.000	Updated pupil roll projections for 2025 show a reduction relative to previous assumptions, with an overall reduction in the school roll of some 250 now anticipated. Although this position masks offsetting trends in the secondary (increasing) and primary (decreasing) rolls, in overall terms it allows some £1m of the existing budget framework provision in this area to be reallocated towards the funding gap.
Inflation - utilities	3.500	While, given that only around 60% of electricity and gas for 2025/26 has currently been purchased, the precise level of saving cannot be quantified, volumes purchased to date show significant reductions on the equivalent unit prices for 2024/25 and the level of assumed saving is considered prudent on that basis. A further update in this area will be provided in subsequent reports as greater certainty is obtained.
Inflation - general	1.000	The budget framework currently provides for inflation of 3% across a range of non-pay expenditure. Given the most recent CPI rate of 2.2% and wider projections, it is proposed to revise this assumption to 2.5%, resulting in a saving of £1m.
Non-Domestic Rates (NDR) - empty properties	1.100	The Council implemented a revised policy for NDR empty property relief with effect from April 2024, reducing both the scope and duration of most categories of relief, with a corresponding budgetary assumption of additional net retained income of £7m. While the costs of increases in the baseline and NDR poundage also now require to be met by the Council, based on the level of additional sums billed and payments received to date, it is anticipated that an additional £1.1m can be applied against the savings gap. As with utilities above, an update will be provided as part of the November report.
<b>Income maximisation</b>		
Tram operations - review of lifecycle costs	0.900	Reflecting the impact of post-pandemic working patterns on overall patronage, the Council's budget framework provides for £6.9m of annual running costs support for Edinburgh Trams. Through a combination of additional passenger numbers and changes in accounting for lifecycle costs, a saving of £0.9m against this assumption has been identified.
Fees and charges	0.700	The budget baseline includes an assumption of a 5% increase in most discretionary fees and charges, generating £1m. Following the cumulative effect of recent years' increases, particularly in parking, however, it is estimated that this baseline assumption will now generate a total of £1.7m, contributing a further £0.7m to the budget gap in 2025/26.
Controlled parking	0.600	The additional sum reflects net income associated with the approved extension of controlled parking into Fettes and Portobello during 2025/26.
Budget realignment	0.895	This reflects the realignment of additional existing baseline income from parking and cruise liners.
Flexibility on fees and charges	1.500	This assumption reflects joint work between COSLA and the Scottish Government to consider increased flexibility in charging, including Garden Waste disposal costs (legislation in Scotland currently restricts charging to costs of collection only) and more regular inflationary uplifts on Penalty Charge Notices following the "catch-up" increase introduced in April 2023. Work is also continuing, through COSLA, to examine the potential to introduce a specific Cruise Ship levy to reflect the significant impact these tourists have on local communities.
Corporate Services - additional savings	0.500	This sum reflects a proposed £0.5m increase in the annual savings to be generated through a Best Value review of Corporate Services from £2.5m to £3m.
	<b>12.495</b>	