

Finance and Resources Committee

10.00am, Thursday, 19 September 2024

Revenue Monitoring 2023/24 – outturn report

Executive/routine
Wards

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 note that the audited revenue outturn position for 2023/24 shows an overall underspend of £2.278m and that this sum has been set aside in reserves pending members' decision on its allocation;
 - 1.1.2 note, as outlined in the revenue monitoring report included elsewhere on today's agenda, the officer recommendation that, in light of both the unbalanced in-year position and significant remaining gaps in future years, no additional expenditure commitments be taken on at this time;
 - 1.1.3 note the contributions to and from the General Fund in 2023/24 as detailed in the report;
 - 1.1.4 note that the Housing Revenue Account achieved a balanced position but this required a £1.7m drawdown from earmarked reserves; and
 - 1.1.5 refer this report to the Governance, Risk and Best Value Committee as part of its workplan.

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Report

Revenue Monitoring 2023/24 – outturn report

2. Executive Summary

- 2.1 The report sets out the 2023/24 revenue outturn position for the Council based on the audited annual accounts, indicating an overall in-year underspend of £2.278m.

3. Background

- 3.1 The Council's statement of accounts for 2023/24 was passed to the external auditor by the statutory deadline of 30 June.
- 3.2 The unaudited annual accounts required to be published on the Council's website by 30 June 2024 and thereafter made available for public inspection for a period of 15 working days. These requirements were met, with the inspection period running from Monday 1 July to Friday 19 July 2024 inclusive.
- 3.3 Correspondence was received from one individual on two separate matters during this period, with responses provided by officers. No objections were received in respect of the Council's financial statements.
- 3.4 Following the phasing out of temporary changes introduced during and immediately following the COVID pandemic, timescales for the audit process have reverted to statutory deadlines, with the audited accounts requiring to be submitted to the Controller of Audit by 30 September. To this end, the audited accounts and auditor's report were considered initially by the Governance, Risk and Best Value Committee on 17 September and are included elsewhere on today's agenda for approval.

4. Main report

- 4.1 The audited outturn position for 2023/24 shows an overall underspend of £2.278m, equating to 0.2% of the Council's total net expenditure. Table 1 below summarises the outturn, with further details provided in Appendix 1.

Table 1 – Summarised Audited Outturn Statement, 2023/24

	Revised Budget	Outturn	Outturn variance (favourable)/ unfavourable
	£000	£000	£000
Directorate-specific budgets	1,158,555	1,183,179	24,624
Non-directorate specific budgets	144,998	130,420	(14,578)
Transfers to / (from) reserves	(28,866)	(36,280)	(7,414)
Sources of funding	(1,274,687)	(1,279,597)	(4,910)
In-year (surplus) / deficit		(2,278)	(2,278)

- 4.2 The month eight revenue monitoring update considered by the Finance and Resources Committee on 25 January 2024 pointed to a projected overall underspend of £0.825m and, as such, the actual outturn represents a small further favourable movement from this position. This movement broadly corresponds to the reduction in the overspend between the last in-year forecast of expenditure and the actual outturn across the Council’s General Fund services

Directorate variances

- 4.3 As noted in Table 1, the Council’s main Directorates showed an overall gross overspend of £24.624m (2.1%) during the year, albeit with the majority of this sum accounted for by the Edinburgh Integration Joint Board (EIJB). Commentaries on the main factors comprising these variances are included in Appendix 2, with additional detail to be reported as appropriate to relevant Executive Committees.
- 4.4 Members should note that these variances relate to core activities and approved member investment, with “legacy” sums for COVID-related impacts in parking income (£4m), additional in-year support for Edinburgh Leisure (£2m) and loss of monuments and museum income (£0.2m) addressed fully by the provision of offsetting funding. In addition, while a £2.912m special dividend was received from Lothian Buses during the year, the budget framework continues to assume loss of the “core” dividend of £6m, with this sum transferred to reserves and applied in setting a balanced budget for 2024/25.

EIJB

- 4.5 The EIJB’s financial performance against its in-year delegated budgets resulted in a break-even overall position in both NHS and Council services. Achievement of this position was, however, only reached after provision of significant additional funding from the partners, with some £4.5m received from NHS Lothian and a total of

£19.1m from the Council¹, including full application of the Council's 2022/23 underspend of £13.6m. Further details of the outturn were reported to the EIJB on 17 June.

Other non-service areas

- 4.6 Even after full application of 2022/23's Council-wide underspend, net pressures of £11m were apparent in General Fund service budgets. As noted during the year, opportunities to deliver savings in corporate budgets therefore formed a key element in achieving overall balance, with the outturn reflecting £13.3m of net savings in these areas, representing the combined impact of the following:
- (i) additional Council Tax income, primarily due to higher cumulative levels of buoyancy relative to budget assumptions, of £4.9m;
 - (ii) net savings across loans charges and interest on revenue balances received (given continuing high interest rates in historical terms during the year) of £3.2m; and
 - (iii) savings against the budgeted level of provision for energy costs, based on projected framework rates, of £5.2m.
- 4.7 Reports during the year indicated the potential need to draw down funds temporarily from the Council's unallocated reserve given the timing of receipt of Scottish Government to support the non-teaching pay award for 2023/24. Given the wider outturn, this drawdown was not required, with the funds concerned available to offset, on a one-off basis, wider service pressures as noted in the month three revenue budget monitoring report included elsewhere on today's agenda.

Approved savings delivery

- 4.8 In total, the approved budget included some £26.6m of savings in 2023/24 but, in contrast to recent years, the majority of these were in service budgets where delivery is generally more challenging. Given this, rates of delivery by value, at 84.4%, somewhat unsurprisingly showed some year-on-year deterioration.
- 4.9 Although the majority of savings were realised, delays in implementation across a number of approved measures within the Place Directorate resulted in only partial in-year delivery. These included savings related to the release of empty Housing Revenue Account properties to alleviate costs of temporary accommodation and additional income from parking penalty charge notices. These timing-related shortfalls are expected to be addressed in full in 2024/25.

¹ At the meeting of Council on 2 November 2023, members agreed to provide additional funding of up to £14.1m to contribute towards the EIJB's projected in-year deficit. This sum was in addition to the £0.380m of additional funding previously approved under urgency provisions for time-critical repairs to the Castlegreen and North Merchiston Care Homes prior to their transfer back to the Council. A further £4.610m contribution was then approved at the meeting of Council on 27 June, with the EIJB's Medium-Term Financial Strategy making provision for repayment of £2.6m of this sum over a three-year period.

Spend to Save Fund

- 4.10 Three new eligible project applications were approved during the year. Up to £2m was provided to support delivery of the Council's Medium-Term Financial Plan (with £0.907m drawn down in 2023/24), up to £0.600m to support the bouldering project at the Edinburgh International Climbing Arena (where work has now commenced with an expected completion date by October 2024) and up to £0.150m for Transient Visitor Levy (TVL) project management.
- 4.11 A total of £0.353m was received through a combination of repayments from previously supported projects and interest on fund balances, resulting in a year-end balance of £2.876m. £1.8m of this sum was made available for member investment as part of the 2024/25 budget motion, with the remaining sum also committed to approved projects, emphasising the importance of continuing repayments from supported projects to retain the fund's viability.

Housing Revenue Account (HRA)

- 4.12 The 2023/24 HRA outturn showed a net overspend of £8.7m against budget. The net budgeted target was to generate a surplus of £7m which would be transferred to the Strategic Housing Investment Fund (SHIF) to support future investment. However, to address the net overspend position and present a balanced HRA, a drawdown of £1.7m was required from reserves
- 4.13 The net overspend can be largely attributed to the void property position. The repairs and maintenance budget was £6.7m overspent, primarily due to the strategy to target and reduce the number of empty homes. Progress in bringing empty homes into use was, however, behind the targets set for 2023/24, contributing to a shortfall in budgeted rental income of £1.7m and higher-than-budgeted Council Tax payments on empty properties of £0.7m. It should be noted that the reduction in empty homes, despite being behind target, delivered £0.475m of additional rental income in 2023/24 with a full year impact of £1.36m for 2024/25.
- 4.14 Further pressures of £0.8m for utilities inflation and £0.8m for loans charges, due to an increase in borrowing requirement for investment priorities and higher than budgeted interest costs, were also a factor. These pressures were mitigated through positive variances totalling £2.0m relating to rent arrears write-off, bad debt provision, Tenant Hardship Fund, fire insurance and interest on revenue balances.

Reserves

- 4.15 As of 31 March 2024, the General Fund reserves totalled £353.238m, an increase of £86.932m from the preceding year. A more detailed analysis of changes in the Council's level of allocated and unallocated reserves is included in Appendix 3.

5. Next Steps

- 5.1 Following initial consideration by the Governance, Risk and Best Value Committee on 17 September 2024, the audited accounts are presented elsewhere on today's agenda for approval.

6. Financial impact

- 6.1 The report identifies an audited surplus for the year of £2.278m.
- 6.2 This net surplus has been set aside in reserves pending members' decision on its allocation, albeit the officer recommendation remains that, in light of both the unbalanced in-year position and significant remaining gaps in future years, no additional expenditure commitments be taken on at this time.

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

10. Background reading/external references

- 10.1 [Unaudited Annual Accounts 2023/24](#), The City of Edinburgh Council, 27 June 2024
- 10.2 [Financial Update](#), Edinburgh Integration Joint Board, 17 June 2024
- 10.3 [Revenue Monitoring 2023/24 – month eight report](#), Finance and Resources Committee, 25 January 2024
- 10.4 [Revenue Monitoring 2023/24 – month five report](#), Finance and Resources Committee, 21 November 2023
- 10.5 [Finance Update](#), Edinburgh Integration Joint Board, 16 November 2023
- 10.6 [Revenue Budget 2023-24 Update - referral from the City of Edinburgh Council](#), Finance and Resources Committee, 30 March 2023

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

11. Appendices

- 11.1 Appendix 1 – Audited revenue budget outturn statement, 2023/24
- 11.2 Appendix 2 - Service outturn commentaries, 2023/24
- 11.3 Appendix 3 - Reserve balances, 31 March 2024

Appendix 1

Audited revenue budget outturn statement, 2023/24

	Revised Budget	Outturn	Outturn Variance (favourable)/ unfavourable
Directorates (Note 1)	£000	£000	£000
Corporate Services (including Chief Executive's Office)	89,168	88,290	(878)
Education, Children and Justice Services	476,856	481,227	4,371
Health and Social Care	298,458	317,547	19,089
Place	290,299	292,340	2,041
Lothian Valuation Joint Board	3,774	3,774	-
Directorate totals	1,158,555	1,183,179	24,624
Non-directorate specific areas			
Loan Charges/interest on revenue balances	83,405	80,232	(3,173)
Other non-service specific costs	18,094	9,551	(8,543)
Council Tax Reduction Scheme (Note 2)	28,647	27,421	(1,226)
Non-Domestic Rates Empty Property Relief (EPR)	14,979	16,817	1,838
Net Cost of Benefits	(127)	(689)	(562)
Dividends received (Lothian Buses)	-	(2,912)	(2,912)
Non-directorate specific areas total	144,998	130,420	(14,578)
Movements in reserves			
Net contribution to / (from) earmarked parts of the General Fund	(15,119)	(8,895)	6,224
Net contribution from 2022/23 underspend	-	(13,638)	(13,638)
Contribution to / (from) Capital Fund	(8,759)	(8,759)	-
Movements to/ (from) reserves total	(23,878)	(31,292)	(7,414)
Sources of funding			
General Revenue Grant	(552,075)	(552,075)	-
Distribution from Non-Domestic Rates pool	(377,317)	(377,317)	-
Council Tax	(345,295)	(350,205)	(4,910)
Sources of funding total	(1,274,687)	(1,279,597)	(4,910)
In-year (surplus) / deficit	-	(2,278)	(2,278)

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

Note 2 – uncommitted funds linked to the in-year underspend in respect of the Council Tax Reduction Scheme of £1.226m were transferred to an earmarked reserve and are included in the balance shown within the “Movements in reserves” section. Dividends received and provisions released during the year have been set aside in accordance with the approved budget for 2024/25.

Directorate/service outturn commentaries

Education, Children and Justice Services (£4.371m overspend, representing 0.9% of net service budget)

As of month eight, an overall overspend of £4.65m had been projected, primarily reflecting underlying pressures totalling £7.9m in (i) out-of-authority residential and secure accommodation placements, (ii) home to school transport and (iii) early years services following the transition to a fully needs-based funding allocation methodology. The extent of these net pressures was anticipated to be mitigated by a number of one-off timing-related underspends, primarily in staffing, totalling £3.25m.

The outturn position was consistent with this forecast. Addressing these pressures on a recurring basis forms a key part of re-establishing the financial sustainability within the Directorate and a corresponding update is included elsewhere on today's agenda.

Place (£2.041m overspend, representing 0.7% of net budget)

The overall Directorate variance primarily represented a combination of net pressures within the Operational Services (£1.9m) and Housing and Homelessness (£1.4m) Divisions, with these offset in part by savings relative to budget within the Sustainable Development Division.

The net overspend in **Operational Services** reflected additional expenditure of £3m on repairs and maintenance, in turn linked to an increase in planned preventative maintenance corrective repairs alongside an increase in reactive/emergency repairs due to winter/weather-related issues. The extent of this pressure was mitigated, in part, by one-off or time-limited income. As noted elsewhere on today's agenda, the service area has been examining options to reduce repairs and maintenance spend back towards budgeted levels on a sustainable basis, alongside consideration of the related service implications.

The outturn position for **Homelessness Services** reflected demand-led pressures in temporary accommodation. The overall number of households requiring to be accommodated in March 2024 was some 205 more than the budgeted level, requiring increased use of more expensive bed and breakfast accommodation and thus giving rise to a net pressure, after offsetting additional income, of £1.5m. This overspend also reflected delays in the freeing up of Housing Revenue Account (HRA) properties to alleviate use of temporary accommodation. Contractual inflation-related provider uplifts also exceeded the budgeted level by some £3m.

These combined pressures of £4.5m were partially offset by timing-related savings of £1.9m in employee costs (albeit impacting the preventative capacity of the service) and £1.2m of other savings, mainly in income as a result of increases in the Housing Benefit collection rate.

Net savings of £1.7m were achieved in **Sustainable Development**, primarily comprising one-off staffing savings and unbudgeted income across Business Growth and Inclusion and Planning.

Corporate Services (including Chief Executive's Office) (£0.878m underspend, representing 1.0% of net budget)

The overall service outturn for Corporate Services was consistent with in-year reporting, where a £1.092m underspend had been forecast as of month eight. The outturn position reflected timing-related (and thus non-recurring) savings in employee costs, alongside reduced expenditure requirements relative to sums approved within the revenue budget to support implementation of the recommendations arising from the Independent Review into Whistleblowing and Organisational Culture, net of other one-off costs.

Reserve balances, 31 March 2024

As of 31 March 2024, the General Fund reserves totalled £353.238m, an increase of £86.932m from the preceding year. While also reflecting the drawdown of £18m of general and specific COVID-related funding and £4.5m from the Devolved School Management (DSM) reserve, the majority of this movement represented the net effect of the creation, less one year's drawdown, of the service concessions reserve in light of the permitted financial "flexibilities" in this area.

	Balance at 31-Mar-23 £000	Transfers Out 2023/24 £000	Transfers In 2023/24 £000	Balance at 31-Mar-24 £000
Balances Set Aside to Manage Financial Risks and for Specific Investment				
Balances set aside for specific inv.	115,346	(15,226)	42,394	142,514
Workforce management	13,144	(1,352)	1,800	13,592
Council Priorities Fund	13,638	(13,638)	11,790	11,790
IFRS9 Gains	453	0	3,426	3,879
Dilapidations fund	4,257	(3,808)	165	614
Insurance funds	22,726	(571)	2,835	24,990
Covid Contingency	33,317	(14,300)	0	19,017
Service Concessions - permitted flexibility	0	(19,041)	101,841	82,800
	<u>202,881</u>	<u>(67,936)</u>	<u>164,251</u>	<u>299,196</u>
Balances Set Aside from Income Received in Advance				
Licensing and Registration income	5,503	(302)	664	5,865
Pre-paid PPP monies	4,640	0	332	4,972
Unspent grants	8,034	(4,856)	2,510	5,688
Council Tax Discount Fund	5,250	(3,406)	3,947	5,791
Other minor funds	179	0	61	240
City Strategic Investment Fund	1,082	0	145	1,227
Covid Fund	4,381	(3,596)	0	785
	<u>29,069</u>	<u>(12,160)</u>	<u>7,659</u>	<u>24,568</u>
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings				
Energy efficiency	269	0	13	282
Salix / CEEF	803	(51)	276	1,028
Spend to save	3,430	(907)	353	2,876
	<u>4,502</u>	<u>(958)</u>	<u>642</u>	<u>4,186</u>
Balances Set Aside under Devolved School Management Scheme and Pupil Equity Fund				
Devolved School Management*	4,023	(4,488)	0	(465)
	<u>25,831</u>	<u>(78)</u>	<u>0</u>	<u>25,753</u>
Unallocated General Reserve	<u>25,831</u>	<u>(78)</u>	<u>0</u>	<u>25,753</u>
Total General Reserve	<u>266,306</u>	<u>(85,620)</u>	<u>172,552</u>	<u>353,238</u>

* - As the DSM scheme operates on a cost-neutral basis, plans are in place to reinstate these reserves in the coming year