Finance and Resources Committee

10.00am, Thursday, 16 January 2025

Revenue Monitoring 2024/25 – month seven report

Executive Wards	All

1. Recommendations

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

1.1.1 note that, as of month seven, a balanced overall position is now being forecast, albeit with the majority of underlying pressures within service areas being offset by one-off corporate mitigations or savings already assumed in the budget framework going forward;

1.1.2 note that at the meeting of Council on 19 December, members agreed to defer the Edinburgh Integration Joint Board's (EIJB's) planned brokerage payment of £0.9m and in so doing approve additional in-year financial support to the EIJB of up to £11.6m;

1.1.3 note, nonetheless, the on-going need for application of the full range of controls previously put in place and the potential need for further measures to be implemented to retain expenditure within budgeted levels; and

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

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Report

Revenue Monitoring 2024/25 – month seven 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 seven months' financial data and forecasts of income and expenditure for the remainder of the year.

2.2 While £32.6m of net pressures within frontline services are apparent, an increase of £5.3m since the equivalent position at month five, savings in corporate budgets, now additionally reflecting reprioritisation of corporately held reserves, are allowing a balanced overall position to be forecast. These pressures will, however, require to be managed on a sustainable basis going forward if the integrity of the budget framework is not to be compromised.

3. Background

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; and

(ii) **demand-led pressures** across several other areas, particularly in homelessness and adult care services.

3.3 The month five-based update reported to the Committee's previous meeting on 19 November 2024 pointed to a projected overspend, without the taking of further remedial actions, of £12.8m, comprising pressures in service areas of £27.3m offset by corporate mitigations of £14.5m. In view of this position, the report indicated that a range of mitigating measures had already been initiated within both Directorates and the Health and Social Care Partnership, alongside a further review of corporate budgets and reserves, with a potential need for further controls to be implemented to bring expenditure back within approved levels.

3.4 The remainder of the report apprises members of the updated position as of month seven and sets out a number of further actions taken since the report to the Committee's previous meeting on 19 November.

4. Main report

Directorate projections

Children, Education and Justice Services – net overspend of £5.6m

4.1 The overall forecast for the Directorate as of month seven shows a net overspend of £5.6m, an adverse movement of £1.7m since the equivalent position reported at month five. This position primarily reflects significant net pressures, before wider mitigations across the Directorate, in **Home-to-School Transport** (£4.2m) and **Early Years** (£4m). A more detailed update will be reported to the Education, Children and Families Committee on 29 January.

4.2 Net mitigations totalling £2.6m have been confirmed thus far, with a number of further measures under active consideration by the Executive Director and her Senior Management Team. The majority of these mitigations are, however, one-off in nature, re-emphasising the need to prioritise the development of sustainable savings plans if these pressures are not to add to future years' savings requirements.

Place – net overspend of £11.400m

4.3 As of month seven, the Directorate is projecting an overall overspend of £11.400m, a slight deterioration of £0.470m since the equivalent position as of month five. This overall variance comprises three main elements as set out below.

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 £9.120m, the full-year effect of which would result in a pressure of some £18m in 2025/26. Additional detail on the background to this pressure and proposed mitigations was reported to the Housing, Homelessness and Fair Work Committee on 1 October, with a further update provided on 3 December.

4.5 Given the extent of the projected overspend, a number of key areas of focus have been prioritised, including undertaking further analysis of the constituent elements of movements in the number of households requiring to be accommodated, changes to the operation of the Private Sector Leasing scheme, continuing efforts to reduce HRA voids and on-going lobbying of the UK and Scottish Governments concerning the additional costs linked to asylum dispersal policy and Ukrainian resettlement. Following approval of relevant investment in the Council's 2024/25 revenue budget, a Best Value programme has also been initiated to co-ordinate and accelerate relevant on-going work being performed across the Council, comprising distinct workstreams considering sourcing, strategic alignment and operational processes and controls, as well as how the service addresses statutory duties.

4.6 While not arresting the overall growth in household numbers, these actions have, in combination, increased the proportion of households able to be accommodated within suitable accommodation through increases in supply of HRA stock and other relevant property types.

4.7 **Waste Services** is projecting an overall in-year overspend of £1.630m. This variance comprises three main elements: additional agency spend and overtime costs to cover high staff absence rates (£1.4m), additional waste disposal and recycling volumes (£0.5m) and an overrun in the Communal Waste Programme (£0.3m).

4.8 A net pressure of £0.920m is also being reported in **Corporate Facilities Management**, primarily reflecting additional expenditure for reactive repairs across the Council estate. The forecast assumes the application of £1.1m of non-recurring funding from reserves, with a number of further measures approved to seek to reduce the size of the remaining pressure.

4.9 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.

Corporate Services – balanced position

4.10 As outlined in a report elsewhere on today's agenda, the Executive Director of Corporate Services continues to project a balanced overall position for the year.

Edinburgh Integration Joint Board (EIJB) – net funding gap of £15.6m for Council-delegated services

4.11 Following the approval by Council to defer the planned in-year brokerage repayment of £0.9m, the Chief Financial 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 £15.6m. This adverse movement from the position reported at month five reflects a combination of slippage in savings programme delivery and growth relative to previous assumptions in both care at home and residential care.

4.12 The month five report sought explicit approval to increase the level of the Council's in-year contribution to the EIJB given the unbalanced overall position projected at that time. While the above forecast represents a significant subsequent adverse movement, given that this additional expenditure can be contained within an overall position that is balanced, further in-year approval is not required at this time, albeit the recurring element of this further pressure will require to be considered as part of setting 2025/26's budget. The management team of the Edinburgh Health and Social Care Partnership has also been instructed to review all non-essential expenditure and prioritise savings programme delivery in the remaining months of the year.

Overall position – Service Directorates and EIJB

4.13 Taken together, the above sums correspond to total service area pressures of £32.600m, an increase of £5.270m from the position reported at month five. More detailed analysis and commentary at Directorate level, including the identification of corresponding mitigating actions, will be presented to relevant Executive Committees.

Savings and one-off mitigations in corporate budgets

4.14 In light of the pressures within frontline service areas outlined above, savings have now been identified to offset these in full as set out below. Given that the majority of these measures are one-off in nature or already assumed in the budget framework going forward, however, underlying pressures will require to be managed on a sustainable basis going forward if the integrity of the budget framework is not to be compromised.

	Anticipated cost/(saving) relative to budgeted levels, £m	Comments
Application of funding provided in 2024/25 Settlement for 2023/24 pay award	(3.674)	Available for offset on the basis that a balanced overall position was achieved in 2023/24 without the need to use unallocated reserves hence no requirement to reinstate these in the current year
Energy costs	(0.667)	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	(2.148)	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 2023/24 underspend	(2.278)	Following the conclusion of the audit process, the prior year's underspend is available, on a one-off basis, to offset in-year pressures.
Reprioritisation of service reserves	(5.000)	Discussions with service areas have resulted in the identification of £5m of reserves that may be reprioritised to address in-year pressures.
Reprioritisation of corporate reserves	(16.230)	Represents (i) release of £9m of timing-related savings in loans charge provision not now required to address future years' programme shortfalls (ii) release of £5m income provision related to the St James GAM performance payment pending baselining of relevant annual sums and (iii) application of £2.2m of Welfare Reform earmarked balance against pressures within Homelessness Services.
Non-Domestic Rates – Empty Property Relief (EPR)	(2.000)	Following changes to the Council's EPR policy effective from April 2024, the approved budget assumed receipt of net additional income of £7m. Based on the actual increase in billable liability and sums paid to date, it is now anticipated that £2m of additional income will be received.
Other net variances	0.597	Primarily represents the net effect of the Council's additional contribution towards the teaching and non-teaching pay awards for 2024/25 (£1.4m) less net savings in core loans charge/interest and investment income provision (£1m).
	(32.600)	

4.15 Following confirmation of the level of Barnett Consequential-related funding passed on, in full, by the Scottish Government, COSLA Leaders have now agreed the distribution of sums provided to offset the cost of increased employer's superannuation contributions for teaching staff effective from April 2024. The Council's funding allocation addresses these additional liabilities in full and, as such, removes an element of funding risk for both 2024/25 and subsequent years.

Savings delivery

4.16 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

5.1 While a balanced in-year position is now projected, given the extent of demand-led pressures affecting services, it is imperative that Executive Directors and the Senior Management Team of the EHSCP continue to exert tight control over the management of expenditure and delivery of approved savings to ensure that a balanced position is achieved at the year-end. Sustainable management of these underlying pressures is also required going forward if the foundations of the budget framework are not to be compromised.

6. Financial impact

6.1 As of month seven, a balanced overall position is now 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 indicates that 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

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

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

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

10.1 Revenue Monitoring 2024/25 – month five report, Finance and Resources Committee, 19 November 2024

10.2 Financial update, Edinburgh Integration Joint Board, 1 November 2024

10.3 Mitigating Museums and Galleries Budget Pressures 2024-25, Culture and Communities Committee, 3 October 2024

10.4 Response to the Monitoring Officer report on conflicting legal obligations, Housing Homelessness and Fair Work Committee, 1 October 2024

10.5 Revenue Monitoring 2024/25 – month three report, Finance and Resources Committee, 19 September 2024

10.6 Managing In-Year Pressures, Education, Children and Families Committee, 3 September 2024

10.7 Assisted Home to School Transportation Budget Pressures, Education, Children and Families Committee, 3 September 2024

10.8 Revenue Budget Framework and Medium-Term Financial Plan (MTFP) 2024/29 – further update, Finance and Resources Committee, 6 February 2024

10.9 Revenue Budget Framework and Medium-Term Financial Plan (MTFP) 2024/29 – progress update, Finance and Resources Committee, 25 January 2024

11. Appendices

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 7

	Revised Budget	Projected Outturn	Outturn Variance	Percentage Variance
Directorate / Division	**£000**	**£000**	**£000**	
Corporate Services (including Chief Executive's Office)	91,369	91,369	0	0.0
Children, Education and Justice Services	519,269	524,869	5,600	1.1
Health and Social Care	331,430	347,030	15,600	4.7
Place	296,137	307,537	11,400	3.8
Lothian Valuation Joint Board	4,063	4,063	0	0.0
Directorate / Division total	**1,242,268**	**1,274,868**	**32,600**	**2.6**
Non-service specific areas				
Loan Charges / interest and investment income	80,093	79,093	(1,000)	(1.2)
Other non-service specific costs less sums to be disaggregated:	46,213	44,920	(1,293)	(2.8)
- Energy (additional in-year provision)	667	0	(667)	(100.0)
- Discretionary Rates	720	720	0	0.0
Tram Shares	14,550	14,550	0	0.0
Council Tax Reduction Scheme	27,382	27,382	0	0.0
Non Domestic Rates - Empty Property Relief	8,329	6,329	(2,000)	(24.0)
Net Cost of Benefits	(127)	(127)	0	0.0
Non-service specific areas total	**177,827**	**172,867**	**(4,960)**	**(2.8)**
Movements in reserves				
Net contribution to / (from) earmarked funds	(52,498)	(77,990)	(25,492)	48.6
Net contribution to / (from) unallocated funds	0	0	0	n/a
Movements in reserves total	**(52,498)**	**(77,990)**	**(25,492)**	**48.6**
Sources of funding				
General Revenue Funding	(604,099)	(604,099)	0	0.0
Non-Domestic Rates	(407,645)	(407,645)	0	0.0
Council Tax	(355,852)	(358,000)	(2,148)	(0.6)
Sources of funding total	**(1,367,596)**	**(1,369,744)**	**(2,148)**	**(0.2)**
In-year (surplus) / deficit	**0**	**0**	**0**	**0.0**

Approved savings, 2024/25 - status as of month seven

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	
Children, Education and Justice Services						
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.
Total savings	**1,563**	**1,298**	**265**	**0**	**0**	
Corporate Services						
Corporate Services - Best Value Review	500	500	0	0	0	The measure identified for 2024/25 is non-recurring but recurring savings have been identified to address this initial element of the cumulative Corporate Services Best Value target in 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	
Total savings	**1,005**	**769**	**0**	**236**	**0**	
Place						
Homelessness (cumulative target)	3,450	3,450	0	0	0	Voids have reduced from 1,464 in June 2023 to 1,068 in August 2024 with an estimated benefit of 194 households coming out of temporary accommodation with a corresponding annual saving of £4.6m.
Property Rationalisation (cumulative target)	1,000	1,000	0	0	0	
Energy Efficiency	500	500	0	0	0	
Place Efficiencies	395	185	210	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	522	0	478	0	There has been slippage in development and implementation of the Best Value saving. The service is considering options for full delivery of the approved £2.5m saving from 2025/26. The projected slippage in 2024/25 is being offset on a non-recurring basis by vacancies arising from timescales for implementation of additional investment in Cleansing services.
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	An updated review of the financial model confirms that a reduced contribution to Edinburgh Trams is achievable in 2024/25.
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 has 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	67	0	112	0	One employee has now left the Council. Full-year remaining pressure is now £0.071m.
Total savings	**13,255**	**12,369**	**281**	**605**	**0**	
Corporate						
NDR Empty Property Relief	7,000	7,000	0	0	0	Given the timing of billing and recovery, it remains too early to assess fully 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 and contribute a further £2m to offset wider service pressures.
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.
Total savings	**12,650**	**11,250**	**0**	**1,400**	**0**	
	28,473	**25,686**	**546**	**2,241**	**0**	
		90.2%	**1.9%**	**7.9%**	**0.0%**	