

Finance and Resources Committee

10.00am, Thursday, 19 January 2017

Revenue Monitoring 2016/17 – month nine position

Item number	7.1
Report number	
Executive/routine	
Wards	

Executive summary

The report sets out the projected third-quarter revenue monitoring position for the Council, based on analysis of period eight data. The current forecast points to a balanced overall outturn for the year. Attainment of this position is, however, contingent upon undertaking further actions required to deliver a number of approved savings and active management of significant risks and pressures.

Links

Coalition Pledges	P30
Council Priorities	CP13
Single Outcome Agreement	SO1 , SO2 , SO3 , SO4

Revenue Monitoring 2016/17 – month nine position

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 note the projected balanced position for the year;
 - 1.1.2 note the on-going risks and challenges across all service areas which will require further management actions and active and regular scrutiny for the remainder of the year;
 - 1.1.3 note the balanced position projected on the Housing Revenue Account (HRA) after making a £13.0m planned contribution towards housing investment;
 - 1.1.4 approve in-year funding of £0.06m to take forward a pathfinder proposal examining the potential to establish an Edinburgh-based Social Stock Exchange (SSE);
 - 1.1.5 approve in-year funding of £0.3m to support the work of Transport for Edinburgh in co-ordinating transport provision across the city and wider city region;
 - 1.1.6 approve the allocation of any excess of contract deductions due over related costs incurred as a result of the PPP1 schools emergency to take forward any necessary remedial works in Council buildings sharing similar design features;
 - 1.1.7 refer this report to Council to approve Spend to Save funding of £0.575m to purchase a route management system for the Waste service; and
 - 1.1.8 refer this report to the Governance, Risk and Best Value Committee as part of its work programme.

2. Background

- 2.1 This report sets out the projected overall position for the Council's revenue expenditure budget for 2016/17 based on analysis of period eight data.

3. Main report

- 3.1 This report represents the third of the quarterly revenue monitoring reports for 2016/17. On-going analysis of the revenue position is undertaken in line with

agreed, risk-based principles, with any material changes reported in the intervening periods as required. Budget review and challenge meetings have been held across all service areas and the delivery of approved savings is regularly scrutinised at service management teams. These meetings have helped to enhance the focus on the prompt identification of, and development of appropriate mitigating action to address, service risks and pressures.

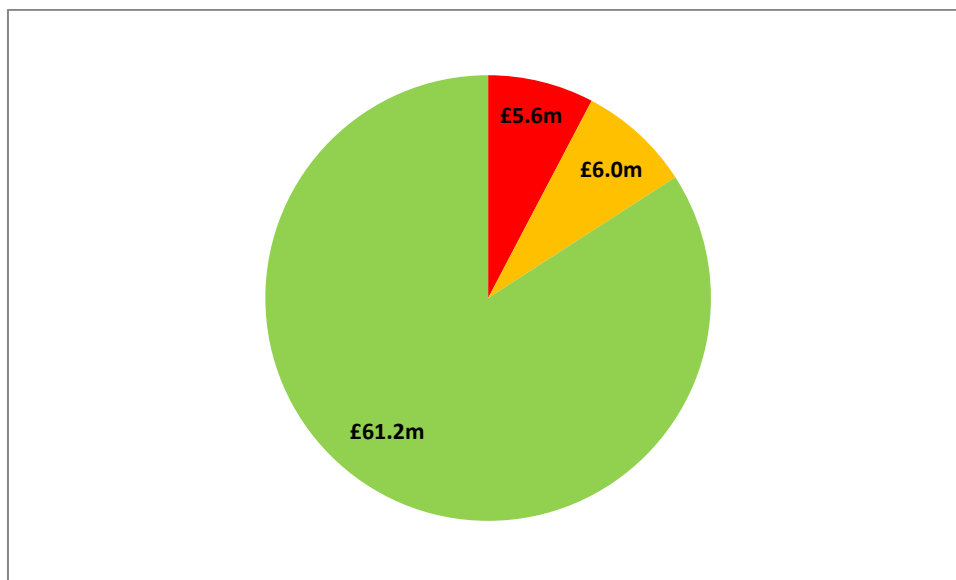
Overall position

- 3.2 As of period eight, the Council is projecting a balanced overall outturn, after taking account of available funding, projected delivery of approved savings, use of reserves and management of service risks and pressures. Services have identified a number of further challenges to attainment of this position, however, and delivery of savings and service pressures will therefore require sustained proactive management throughout the remainder of the year. A high-level service analysis, aligned to the Council's new structure, is included as Appendix 1.

Savings delivery

- 3.3 Members will recall that approval of a balanced budget for 2016/17 was predicated on the delivery of around £73m of service-specific and corporate savings. As of December, the overall RAG assessment of these savings indicates that, on the basis of actions planned or already undertaken, some 92% are on target to be delivered in full as shown in the chart below.

RAG assessment of approved budget savings, 2016/17 – December 2016



- 3.4 The red-assessed savings cover three specific approved proposals within Place and Health and Social Care respectively and these are shown in Appendix 2. Progress in the delivery of these savings, or where necessary alternative measures, will continue to be closely monitored, with regular updates shared with elected members. Where savings are being met other than by means of the

approved measures, relevant details will continue to be reported to respective Executive Committees.

- 3.5 Amber-assessed savings represent, in the main, those linked to organisational reviews where it is anticipated that further work will confirm full delivery of the budgeted level of saving during the year. In some cases, however, the status reflects the addressing of shortfalls against approved savings targets by means of one-off mitigations, emphasising the need for sustainable measures to be identified going forward.
- 3.6 The net effect of any risk of shortfall in delivery is reflected in the overall position as assessed by service areas in the following sections. Executive Directors also continue to manage a range of risks and pressures, the most material of which, alongside any identified mitigating actions, are included in Appendix 3.

Service-specific budgets – Communities and Families

- 3.7 At period eight, Communities and Families continues to experience budget pressure in many areas of the service including a number of challenges relating to the delivery of approved savings. Areas of significant budget pressure include secure care, out-of-Council residential care and fostering. The phasing and delivery of savings associated with the transformational review within Schools and Lifelong Learning will also result in temporary pressures in 2016/17 in advance of full delivery in 2017/18.
- 3.8 Many of the management actions identified are one-off in nature, meaning that while they assist in addressing the immediate challenge in 2016/17, a permanent sustainable solution still needs to be identified.
- 3.9 In projecting a balanced budget position, the Acting Executive Director of Communities and Families is committed to identifying further mitigating management action to address the forecast pressures, including application of controls on vacancies and discretionary spend and utilisation of departmental reserves and other income.

Health and Social Care

- 3.10 The period eight outturn forecast indicates a projected overspend of £5.4m prior to any assumed additional transitional funding allocation from the Social Care Fund. The adverse movement since period five relates to a projected overspend of £2.0m on employee costs, resulting mainly from three months' delay in the realisation of savings through the service's organisational review. A £3.4m overspend on purchasing budgets is primarily attributable to delays in the implementation of transformation-linked proposals underpinning the approved budget.
- 3.11 On 16 September 2016, the Edinburgh Integrated Joint Board (EIJB) provisionally agreed to allocate up to £3.4m of non-recurring funding from the Social Care Fund to offset unachieved transformation-related savings. Work is

continuing to identify, in the first instance, further opportunities to reduce the level of overspend, such that it may be contained within a balanced outturn position for the Council as a whole. Dialogue is continuing with the EIJB as to how any remaining overspend might be addressed. These short-term Social Care Fund contributions do not, however, obviate the need to identify a sustainable means of realising the approved level of savings in the medium- to longer-term.

Place

- 3.12 The approved service budget is dependent upon the delivery of over £12m of savings in 2016/17 and the Executive Director of Place has, in addition, identified significant pressures, particularly within the Environment Division.
- 3.13 As of period seven, a £5.1m in-year overspend is forecast, representing a £6.1m adverse variance within the Environment Division offset by forecast net underspends totalling £1m across the other Divisions. In view of this, the Executive Director has identified a range of mitigating actions, including further control of employee costs and use of service reserves, together reducing the projected overspend to £1.5m.
- 3.14 The remaining pressure mainly relates to the extended closure and associated loss of income of Mortenhall Crematorium. The Executive Director will continue to investigate all means of addressing this overspend with a view to returning the service to a balanced position although, given the size of the pressure and advanced stage of the financial year, there remains a risk of service overspend.

Resources

- 3.15 As of period eight, the Resources Directorate is reporting a balanced overall position, with the delivery of transformation programme savings, or in a small number of cases substitute savings, assessed to be on track at this stage.

Chief Executive (excluding Safer and Stronger Communities)

- 3.16 As of period eight, a balanced overall position is forecast. Following a detailed assessment of all liabilities associated with the transition to the new ICT service provider, it is now anticipated, based on available information, that these sums can be contained within the budgeted overall level of provision in 2016/17.

Safer and Stronger Communities

- 3.17 At month eight, Safer and Stronger Communities is projecting a balanced position. While forecast pressures have been identified relating to the delivery of approved savings and a requirement for bed and breakfast and short-term let accommodation in excess of the budgeted level, at this stage it is anticipated that mitigating management action, including vacant posts and accelerated savings in some service areas, will be available to offset these on a one-off basis.

Corporate budgets

- 3.18 The period five report indicated that work was on-going to assess the extent of potential savings across corporate areas of the budget, particularly Council Tax and loans charges. An assessment of the size and profile of the Council Tax base, including the level of exemptions and discounts, indicates that an additional £2m of income relative to budgeted levels should be delivered in 2016/17, with adjustments also incorporated within the base budget for future years.
- 3.19 The approved budget framework assumed receipt of a dividend from EDI of £0.5m in 2016/17. The Council has been advised, however, that no dividend is likely to be paid in the current year.

Other areas – Transport for Edinburgh

- 3.20 The budget framework report of 29 September 2016 advised of likely budgetary requirements linked to Transport for Edinburgh's enhanced strategic role in integrating transport provision across the city and wider city region. Subject to receipt of Committee approval, net expenditure of £0.3m is anticipated in the current year and, going forward, £0.4m will be incorporated in the budget framework to support a range of relevant initiatives.

Social Stock Exchange

- 3.21 The Social Stock Exchange (SSE) is the world's first regulated exchange dedicated to businesses and investors seeking to achieve a positive social and environmental impact through their activities. Listed organisations require to pass an in-depth assessment of both their financial standing and commitment to delivering these wider impacts, as well as the potential to generate viable investment returns. Once admitted, organisations are free to trade within this regulated marketplace, with potential investors able to choose investment opportunities, often in their local area, aligned to their wider goals.
- 3.22 Following initial discussions with the SSE, a pathfinder proposal to examine the potential for an Edinburgh-based, but Scotland-wide, exchange has been developed, under which a three-month research and scoping study will inform preparation of a detailed business case. The pilot will assess potential demand from both the business community and prospective investors and validate eligible organisations, informing consideration by Council in early 2017. The pilot will also seek to quantify the investment requirement to launch a fully-fledged Edinburgh SSE.
- 3.23 The cost of the pilot scheme is £60,000 and Committee approval is sought to authorise the expenditure which can be contained within the balanced overall position set out in the preceding paragraphs.

PPP1 schools emergency

- 3.24 At the Finance and Resources Committee's meeting on 3 November 2016, members considered a report setting out the additional costs incurred as a result of the temporary unavailability from early April 2016 of seventeen schools and two other facilities constructed as part of the PPP1 programme. As of the time of writing, discussions with the Edinburgh Schools Partnership are continuing with a view to finalising the corresponding contractual sums due to the Council over this period. Members are asked to approve that any excess of deductions due over costs incurred be earmarked to take forward any necessary remedial work identified through the programme of property surveys undertaken in buildings of similar construction.

Spend to Save

- 3.25 The Executive Director of Place has identified an opportunity to invest in a route management system that will support the delivery of key aspects of the waste and cleansing improvement plan by reducing the number of missed bins and increasing first-time resolution of customer queries (additional detail is included in Appendix 4). Upfront funding of £0.575m is sought from the Spend to Save fund to allow procurement of the system, with the resulting savings in overtime, fuel consumption and reduced Contact Centre staffing expected to repay the upfront investment within 5.25 years. Subject to Committee's approval, this application will be submitted for onward ratification by Council on 26 January.

Housing Revenue Account

- 3.26 A balanced position is forecast after making a required £13.0m contribution to fund future delivery of the affordable housing strategy as set out in the HRA business plan. Approved budget savings of £1.664m in relation to reductions in housing management, repairs and maintenance and ICT costs are forecast to be achieved.

4. Measures of success

- 4.1 Achieving a balanced overall budget outturn position for 2016/17 and successful delivery of approved savings and key service performance indicators.

5. Financial impact

- 5.1 The report's contents point to a balanced overall position. Attainment is, however, contingent upon undertaking further actions required to deliver a number of approved savings and active management of significant risks and pressures for the remainder of the year.

- 5.2 The Council's Financial Regulations set out Executive Directors' responsibilities in respect of financial management, including regular consideration of their service budgets such that overall expenditure is contained within approved levels.

6. Risk, policy, compliance and governance impact

- 6.1 The delivery of a balanced budget outturn for the year is the key target. The risks associated with cost pressures, increased demand and savings delivery targets are regularly monitored and reviewed and management action is taken as appropriate.
- 6.2 Ongoing communications by the Council's section 95 Officer have reinforced the respective responsibilities of Executive Directors and Heads of Service to maintain expenditure within approved budgets in accordance with the Financial Regulations. Directors also have a requirement to ensure that savings identified are both achievable and delivered to maintain a sustainable budget across the Council. With this in mind, structured plans are in place for review and feedback on current and future years' savings proposals. This has contributed positively to a position where the majority of approved 2016/17 savings are also assessed as being on track to be delivered.

7. Equalities impact

- 7.1 While there is no direct additional impact of the report's contents, all budget proposals are now subject to an initial relevance and proportionality assessment and, where appropriate, a formal Equalities and Rights Impact Assessment is then undertaken. The equalities and rights impacts of any substitute measures identified to address savings shortfalls are similarly assessed.

8. Sustainability impact

- 8.1 While there is no direct additional impact of the report's contents, the Council's revenue budget includes expenditure impacting upon carbon, adaptation to climate change and contributing to sustainable development. In addition, all budget proposals are now subject to an upfront assessment across these areas.

9. Consultation and engagement

- 9.1 There is no external consultation and engagement arising directly from this report, although the Council's budget continues to be subject to a process of annual consultation and engagement.

10. Background reading/external references

10.1 Service monitoring statements for period eight.

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Links

Coalition pledges	P30 – Continue to maintain a sound financial position including long term financial planning
Council Priorities	CP13 – Deliver lean and agile Council services
Single Outcome Agreement	SO1 – Edinburgh's economy delivers increased investment, jobs and opportunities for all SO2 – Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health SO3 – Edinburgh's children and young people enjoy their childhood and fulfil their potential SO4 – Edinburgh's communities are safer and have improved physical and social fabric
Appendices	Appendix 1 – Service analysis Appendix 2 – 2016/17 budget savings RAG assessment – savings assessed as red in part or in full Appendix 3 – Service risks and pressures Appendix 4 – Spend to Save Fund application – route management system

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Savings description	Service area	Approved level of saving, 2016/17 (£000)	RAG Status (insert relevant element of saving under each heading. These amounts should be shown net of any assumed mitigating action)			Approved further level of saving, 2017/18 to 2019/20	RAG Status (insert relevant element of saving under each heading. These amounts should be shown net of any assumed mitigating action)			Categorisation	Basis of current status	Planned actions and associated timescales for delivery of savings
			Red	Amber	Green		Red	Amber	Green			
Transformation: Organisational Review	Health and Social Care	5,818	1,718	0	4,100	5,437	0	4,937	500	Health and Social Care	This RAG status reflects the level of savings achieved to date from the release of staff under VERA and VR from HQ, disability services, older people's services and assessment and care management. It also takes into account a level of current vacancy, the use of agency and continued recruitment into the reconfigured disability service to reach agreed staffing levels. The current assessment of implementation is that the review, originally planned for December 2016, will slip by three months which is reflected in the revised red RAG status of £1.718m.	The next stage is to finalise implementation of the organisational review. A detailed plan for reduction in agency spend will be developed.
Transformation: Re-ablement; Demand Management; Telecare	Health and Social Care	4,137	3,376	511	250	4,969	0	4,969	0	Health and Social Care	These savings proposals are being revisited through the H&SC Transformation Programme. A prudent approach has been taken when assessing in-year delivery and this is reflected in the £0.761m at amber or green. A significant step-up in 2017/18 is forecast.	The next stage is to agree the business cases and develop implementation plans which take account of the preliminary work undertaken.
Total Health and Social Care		9,955	5,094			10,406	0					

Savings description	Service area	Approved level of saving, 2016/17 (£000)	Red	Amber	Green	Approved further level of saving, 2017/18 to 2019/20	Red	Amber	Green	Categorisation	Basis of current status	Planned actions and associated timescales for delivery of savings
Tram Advertising Income	Place	500	500	0	0	0	0	0	0	Planning and Transport	The approved budget saving is predicated on generation of additional income through the Council's existing advertising contract by selling naming rights and "wrapping" Edinburgh Trams. As of the time of writing, however, no specific plans have been agreed to contribute towards the current year's income target.	Ongoing dialogue with contractor.
Total Place		500	500	0	0	0	0	0	0			
Total all areas			5,594									

NB While the analysis above captures, by value, all savings assigned a red status in 2016/17, there are a number of other savings where an element is assessed as amber, hence the total shown is lower than in the equivalent figure in Paragraph 3.3.

Risk or pressure description	Service area	Estimated financial impact, 2016/17 (£000)	Any estimated further impact, 2017/18 to 2019/20 (£000)	Residual risk after taking account of mitigating actions, 2016/17	Residual risk status, 2016/17	Explanatory notes, including description of any recurring pressures and mitigating measures implemented or proposed to date. This analysis should include consideration of the Council's key risks as they affect the service area's activities.
Waste Service Pressure	Place	5,300	(1,800)	3,150		Following analysis of the 2015/16 position and the roll-out of recent service changes (recycling redesign, ceasing commercial waste at CRC sites, etc.) it is estimated that the pressure in waste services for 2016/17 will be around £3.15m, without any further savings measures. The market for recyclate continues to be volatile and there is a risk that the cost of disposing recyclable waste could increase this overspend significantly.
North Bridge	Place	1,150	(200)	465		Following routine inspection work, significant expenditure is required on North Bridge. Prior to capital funding being made available (£12m is required), enabling revenue funding is required for these preparatory works and to set up a project team to carry out initial work to develop the scope of the capital project. Some of these costs have been met from within the overall transport budget, but the service is unable to contain the full cost.
Mortonhall - Income shortfall	Place	2,000	(2,000)	1,400		The crematorium is currently closed for refurbishment work. This is resulting in a significant loss of income, which is being partially offset by additional income from Scientific Services. The service is developing a mitigation plan to help address the income shortfall, but this is unlikely to address the pressure in full.
Sub-total		8,450	(4,000)	5,015		

Risk or pressure description	Service area	Estimated financial impact, 2016/17 (£000)	Any estimated further impact, 2017/18 to 2019/20 (£000)	Residual risk after taking account of mitigating actions, 2016/17	Residual risk status, 2016/17	Explanatory notes, including description of any recurring pressures and mitigating measures implemented or proposed to date. This analysis should include consideration of the Council's key risks as they affect the service area's activities.
Out of Council Residential Care (Pressure)	Communities and Families	1,200	1,200	1,200		The service has annual approved savings of £1.8m against Out of council residential placements by 2017/18 compared to the 2012/13 budget. This has proved very challenging to deliver at the same time as reductions of £3.5m have been made to internal residential services. The service has assessed that there will be an ongoing demand for approximately £1.2m of placements in future. This pressure has been reported to CLT and the service is in the process of identifying alternative savings for 2017/18 onwards.
Secure Care (Risk)	Communities and Families	1,200	1,200	1,200		The budget for secure places is 8. Average usage for 2015/16 was 13 and in March 2016 this number was 16. If the average usage of 13 continues then the pressure will be £1.375m. Changing this pattern of secure risk requires culture change and practice changes across a range of children's services. Further to the recent transformation process for children's services, frontline manager engagement on this issue was put in place from June 2016.
Sub-total		2,400	2,400	2,400		
Total all services		10,850	(1,600)	7,415		

Spend to Save proposal - Waste Route Management System

Appendix 4

Project	Description	Outcome	Coalition Pledges and Council Outcomes	Funding	Risk	Payback Period
Waste Route Management System	Purchase of a new route management system will support delivery of key aspects of the service improvement plan. The system will provide operational crews with higher-quality information to reduce the number of missed bins and allow greater first-time resolution of customer queries.	Investment in the system will improve the overall waste and recycling service. Savings will be generated initially through reductions in overtime linked to delayed collections, lower fuel consumption as a result of both fewer missed collections and more efficient vehicle routing and a reduced associated staffing requirement within the Contact Centre. Further ICT-related savings are anticipated from April 2018.	<p>P44 - Prioritise keeping our streets clean and attractive</p> <p>P49 Continue to increase recycling levels across the city and reduce the proportion of waste going to landfill</p> <p>CO17 - Clean - Edinburgh's streets and open spaces are clean and free of litter and graffiti</p> <p>CO18 - Green - we reduce the local environmental impact of our consumption and production</p> <p>CO19 - Attractive places and well-maintained - Edinburgh remains an attractive city through the development of high-quality buildings and places and the delivery of high standards and maintenance of infrastructure and public realm</p> <p>CO24 - The Council communicates effectively internally and externally and has an excellent reputation for customer care</p>	£575,000	Medium	5.25 years