

# Finance and Resources Committee

**10.00am, Tuesday, 5 September 2017**

## **Revenue Monitoring 2017/18 – month three position**

<b>Item number</b>	7.4
<b>Report number</b>	
<b>Executive/routine</b>	
<b>Wards</b>	

### **Executive summary**

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As of period three, the Council is projecting a significant overall overspend of £5.0m, after taking account of available funding, projected delivery of approved savings, use of reserves and management of service risks and pressures. This overall variance comprises projected overspends in Health and Social Care, Safer and Stronger Communities and Place (together totalling £11.1m), offset primarily by net savings in, or contributions from, corporate areas of £6.1m.

Members are asked to recommend that the Chief Officer of the Edinburgh Health and Social Care Partnership, Executive Director of Place and Head of Safer and Stronger Communities identify potential options to mitigate the projected levels of overspend as a matter of urgency and report on progress to the Committee's next meeting on 28 September.

## Revenue Monitoring 2017/18 – month three position

### 1. Recommendations

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- 1.1 Members of the Finance and Resources Committee are asked to:
  - 1.1.1 note the significant projected overspend position for the year;
  - 1.1.2 note the proposal to apply, subject to the outcome of the external audit process and ratification by Council, the 2016/17 in-year underspend and sums previously earmarked in respect of welfare reform-related changes to address pressures in 2017/18, together supporting the process of longer-term service redesign;
  - 1.1.3 instruct the Executive Director of Place, Chief Officer of the Edinburgh Health and Social Care Partnership and Head of Safer and Stronger Communities to identify, as a matter of urgency, proposed remedial measures to address the projected overspends in their respective areas;
  - 1.1.4 note that those Executive Directors whose Directorates are projecting a balanced or underspend position will be asked to identify opportunities for additional savings in their respective areas;
  - 1.1.5 note that, in light of the above, a further update will be included in the mid-year review to be considered at the Committee's next meeting on 28 September;
  - 1.1.6 note the balanced position projected on the Housing Revenue Account (HRA) after making a £13.5m planned contribution towards housing investment; and
  - 1.1.7 refer this report to the Governance, Risk and Best Value Committee as part of its work programme.

### 2. Background

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- 2.1 This report sets out the projected overall position for the Council's revenue expenditure budget for 2017/18 based on analysis of period three data.

### 3. Main report

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- 3.1 This report represents the first of the quarterly revenue monitoring reports for 2017/18. 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.

- 3.2 A complementary schedule of meetings, aligned to the Council's revised Committee structure, has also been developed at which more detailed, service-specific commentaries will be considered.

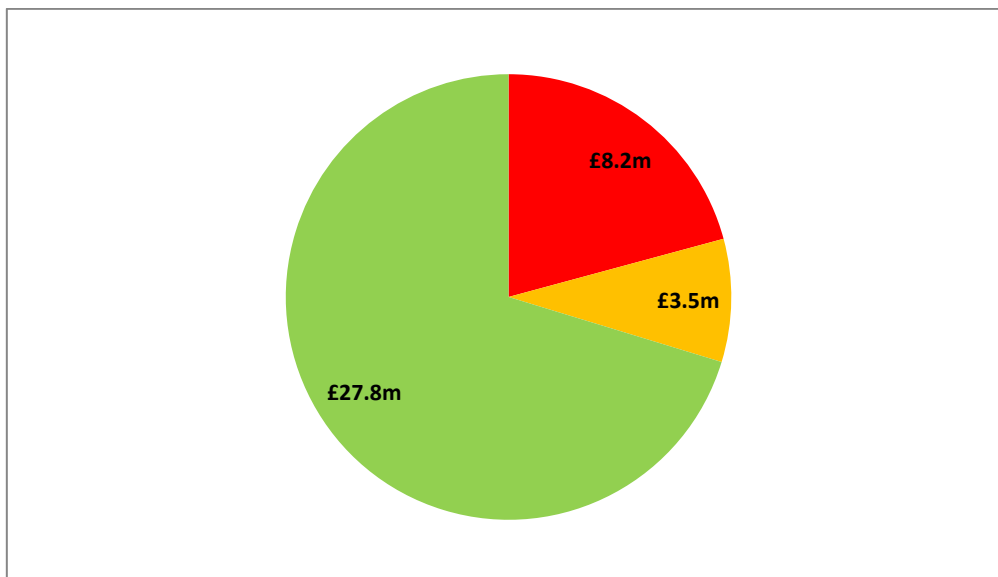
**Overall position**

- 3.3 As of period three, the Council is projecting a significant overall overspend of £5.0m, after taking account of available funding, projected delivery of approved savings, use of reserves and management of service risks and pressures. This overall variance comprises projected overspends in Health and Social Care, Safer and Stronger Communities and Place (together totalling £11.1m), offset primarily by net savings in, and contributions from, corporate areas of £6.1m. A high-level service analysis, aligned to the Council's revised operating structure, is included as Appendix 1.
- 3.4 While the remaining service areas are anticipated to maintain expenditure within budgeted levels, relevant Executive Directors have nonetheless identified a number of challenges to attainment of this position and delivery of approved savings and service pressures will therefore require sustained proactive management throughout the remainder of the year.
- 3.5 As enshrined within the Council's Financial Regulations, Executive Directors are responsible for ensuring that expenditure remains within the budgeted level and that the savings expected from approved efficiency and other measures are delivered. Members are therefore asked to recommend that the Chief Officer of the Edinburgh Health and Social Care Partnership, Executive Director of Place and Head of Safer and Stronger Communities identify potential options to bring expenditure back in line with budgeted levels as a matter of urgency. Those Executive Directors whose Directorates are projecting a balanced or underspend position have further been asked to identify opportunities for additional savings in their respective areas.
- 3.6 Due to the seriousness of the overall position, while the Period 5-based report is not scheduled to be presented to the Finance and Resources Committee until 7 November, a progress update will be provided as part of the mid-year review scheduled for consideration at the Committee's next meeting on 28 September.

### **Savings delivery**

- 3.7 The approved budget for 2017/18 was predicated on the delivery of £39.5m of service-specific and corporate savings. As of July, the overall RAG assessment of these savings indicates that, on the basis of actions planned or already undertaken, some 79% are on target to be delivered in full as shown in the chart below.

#### **RAG assessment of approved budget savings, 2017/18 – July 2017**



- 3.8 The majority of the red-assessed savings are those of a transformational or demand-led nature within Health and Social Care, with most of the remainder representing savings within the Place Directorate linked to the Roads and Waste Services transformation plans.
- 3.9 Amber-assessed savings represent, in the main, those where interim or one-off funding solutions have been identified pending development of sustainable means of delivering the savings concerned.
- 3.10 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 also noted below.

#### **Service-specific budgets - Communities and Families**

- 3.11 As of period three, subject to on-going work reviewing the delivery of approved savings and effectiveness of planned mitigating actions, the Executive Director of Communities and Families is forecasting a balanced overall position for the year. This position is, however, dependent in particular upon management of a number of demand-led service pressures, including increased use of out-of-Council area placements linked to accommodating a number of Unaccompanied Asylum-Seeking Children (UASC) within the city.

## **Health and Social Care**

- 3.12 The month three outturn forecast reflects significant demand-led pressures within Health and Social Care and currently shows a gross overspend of £9.35m. This forecast position takes account of the delivery of £3.9m of savings associated with the organisational review but includes £6.03m of slippage on planned transformation-related purchasing savings.
- 3.13 Work is being progressed to achieve the approved savings by means of agreed business cases for those proposals focused on asset-based assessment, support planning and brokerage and telecare. Work has also begun to identify further opportunities, both centrally and through locality management, for schemes that include: targeted reviews to reduce cost of care packages; business process redesign; and tackling delays across the system. Any in-year savings generated through these initiatives will be applied against the gross overspend.
- 3.14 The Chief Finance Officer of the Edinburgh Integration Joint Board (EIJB) will recommend to the Board the release of £2.25m of recurring funding from the Social Care Fund to recognise ongoing demography-driven demand and other pressures within the care at home purchasing budget. Subject to EIJB approval, this will reduce the level of overspend to £7.1m. A range of further measures, including additional controls on agency spend through adoption of generic job roles and more effective staff rostering, is also being investigated.

## **Place**

- 3.15 In addition to the £7.3m of newly-approved savings for delivery in 2017/18, mitigating actions require to be identified to address a number of carried-forward or in-year budget pressures affecting, in particular, the Waste and Roads Services functions.
- 3.16 As of period three, the Executive Director of Place has identified potential mitigations (including those in respect of approved savings delivery) to address the majority of these pressures, albeit additional work is required to develop a number of these proposals fully. Work is continuing to identify potential options to address the remaining £1m shortfall, including examining opportunities to accelerate those early proposals developed as part of the 2018/19 budget development process. Work is also underway to develop the supporting detail of the improvement plans for Roads and Waste Services with a view to offsetting in-year pressures and re-attaining financial sustainability in these areas over the medium term.

## **Resources**

- 3.17 Based on analysis of the period three position, the Resources Directorate is - projecting an overall underspend of £0.5m, reflecting acceleration of an element of savings initially planned for delivery in 2018/19. A small number of savings

shortfalls are being mitigated by one-off measures pending the development of sustainable measures to be implemented from 2018/19.

### **Chief Executive (excluding Safer and Stronger Communities)**

- 3.18 A balanced overall position is being forecast, with all approved savings on track for full delivery in 2017/18.

### **Safer and Stronger Communities**

- 3.19 Significant service pressures are being faced as a result of temporary accommodation management fees being removed from Housing Benefit eligibility with effect from April 2017, combined with changes to the benefits cap which also impact on Housing Benefit income. These pressures are being exacerbated by increasing demand for both Bed and Breakfast and Short-Term Let accommodation as a result of longer average lengths of stay and a shortage of available “move-on” accommodation.
- 3.20 The total projected unfunded budget pressure is currently £8.6m which is partially offset by mitigations totalling £5.1m, resulting in a net residual unfunded budget pressure of £3.5m.
- 3.21 The Head of Safer and Stronger Communities remains fully committed to making all efforts to identify mitigations to reduce the pressure. There is, however, limited scope to achieve this, given the size of the pressure relative to the net budget available. A balanced budget position is not therefore expected to be deliverable by the end of 2017/18.

### **Corporate budgets**

- 3.22 A review of the size of the Council Tax base, taking into account property numbers and bands, reviews of Single Person Discount entitlement and recent years’ collection rates, points to an increase in projected Council Tax income in 2017/18 of £2m.
- 3.23 Based on an analysis of anticipated in-year capital spend and continuation of the policy of no new external borrowings, loans charge savings of £1m relative to budgeted levels are also anticipated.

### **2016/17 outturn**

- 3.24 Subject to the outcome of the external audit process, the Council’s General Fund outturn for 2016/17 showed an overall underspend of £1.058m. It is proposed, assuming ratification by Council, for this sum, currently uncommitted, to be made available to offset in-year pressures.
- 3.25 In view of the in-year underspend in respect of demand-led Council Tax Reduction Scheme expenditure in 2016/17, a provision of £2m was made as part of closing the 2016/17 accounts to provide transitional funding to support longer-term wider service redesign given further welfare reform-related changes due for implementation in 2017/18 and 2018/19. Subject to savings realised

through measures set out in the preceding sections, it is proposed to release this provision in 2017/18, thus mitigating the overall level of overspend.

### **Other areas**

#### **Local Government election**

- 3.26 The Council's approved budget for 2017/18 included £1m in respect of conducting the Local Government election held on 5 May. Analysis of the outturn has confirmed that actual expenditure was maintained within this level.

#### **2017/18 employee pay award**

- 3.27 Following acceptance by the three representative trade unions, agreement has been reached on the 2017/18 pay award for the Scottish Joint Council (SJC) for Local Government Employees and Chief Officials. The agreed settlement will see a flat-rate increase of £350 (applied pro-rata where applicable), effective from 1 April 2017, paid to all staff whose basic remuneration is no higher than £35,000 and 1% for those above this level. In order to maintain parity with the wider employee pay award, the Scottish Local Government Living Wage will also increase from £8.33 to £8.51 per hour from this time. Over the non-teaching Local Government workforce as a whole, the agreement equates to an average increase of about 1.55%.
- 3.28 While the level of settlement is slightly above that assumed in the budget framework, the resulting additional expenditure has been met within the overall inflationary provision. The actual level of pay award has also been reflected in the employee cost baseline for the 2018/19 budget. The equivalent position for the teachers' award will be confirmed once discussions have concluded.

#### **Housing Revenue Account**

- 3.29 A balanced position is forecast after making a required £13.5m contribution to fund future delivery of the affordable housing strategy as set out in the HRA business plan, subject to repairs and maintenance expenditure outturning in line with budget.

## **4. Measures of success**

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- 4.1 Achieving a balanced overall budget outturn position for 2017/18 and successful delivery of approved savings and key service performance indicators.

## **5. Financial impact**

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- 5.1 The report's contents point to a potential in-year overspend, highlighting the importance of prompt action to bring expenditure back in line with approved levels.

- 5.2 The Council's Financial Regulations set out Executive Directors' responsibilities in respect of financial management, including regular consideration of their service budgets.

## **6. Risk, policy, compliance and governance impact**

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- 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 2017/18 savings are assessed as being on track to be delivered.

## **7. Equalities impact**

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- 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**

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- 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**

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- 9.1 The Corporate Leadership Team (CLT) has formally reviewed and discussed the month 3 position and year-end projection. As a consequence, the Chief Executive has tasked Executive Directors with identifying mitigating actions to address in-year pressures and to review opportunities for additional savings proposals.



- 9.2 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 regular consultation and engagement.

## 10. Background reading/external references

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- 10.1 Service monitoring statements for period three.

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## 11. Appendices

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Appendix 1 – Service analysis, Period 3

Appendix 2 – 2017/18 budget savings RAG assessment – savings assessed as red in part or in full

## REVENUE MONITORING 2017-18

## PERIOD 3 REPORT

## SERVICE ANALYSIS

Account	Revised Budget £000	Budget to Date £000	Actual to Date £000	Variance to Date		Projected Outturn £000	Projected Variance	
				£000	%		£000	%
Communities and Families	341,812	85,453	85,453	0	0.0%	341,812	0	0.0%
Place	64,070	16,018	18,153	2,136	13.3%	65,070	1,000	1.6%
Resources	165,619	39,080	37,576	(1,504)	(3.8%)	165,119	(500)	(0.3%)
Health and Social Care	184,201	41,445	43,207	1,762	4.3%	191,301	7,100	3.9%
Chief Executive	11,086	3,221	3,168	(53)	(1.6%)	11,086	0	0.0%
Safer and Stronger Communities	25,715	6,429	6,902	473	7.4%	29,215	3,500	13.6%
Valuation Joint Board Requisition	3,741	935	935	0	0.0%	3,741	0	0.0%
<b>General Fund Services Subtotal</b>	<b>796,244</b>	<b>192,581</b>	<b>195,394</b>	<b>2,814</b>	<b>1.5%</b>	<b>807,344</b>	<b>11,100</b>	<b>1.4%</b>
<b>Other income and expenditure</b>								
Net Cost of Benefits	(62)	(16)	51	67	n/a	(62)	0	0.0%
Early Release Costs	1,010	253	857	605	0%	1,010	0	0.0%
Other non-service specific costs	24,611	6,153	3,218	(2,935)	0%	24,611	0	0.0%
Interest and investment income	(8,811)	(2,203)	0	2,203	0%	(8,811)	0	0.0%
Loan Charges	114,442	28,611	0	(28,611)	0%	113,442	(1,000)	-0.9%
Contributions to Earmarked Funds	6,292	1,573	0	(1,573)	0%	4,292	(2,000)	-31.8%
Income from Council Tax	(266,342)	(66,586)	(66,586)	0	0%	(268,342)	(2,000)	-0.8%
- Council tax reduction scheme	23,277	5,819	5,819	0	0%	23,277	0	0.0%
Revenue support grant	(335,598)	(83,900)	(83,900)	0	0%	(335,598)	0	0.0%
Distribution from NDRI pool	(355,063)	(88,766)	(88,766)	0	0%	(355,063)	0	0.0%
Return of 2016/17 surplus from Council Priorities Fund	0	0	0	0	0%	(1,058)	(1,058)	n/a
<b>In-year Deficit / (Surplus)</b>	<b>0</b>					<b>5,042</b>	<b>5,042</b>	<b>n/a</b>

BUDGET SAVINGS RAG ASSESSMENT, JULY 2017 - APPROVED PROPOSALS WITH ANY ELEMENT CURRENTLY ASSESSED AS RED

Appendix 2

			RAG Status (insert relevant element of saving under each heading. These amounts should be shown net of any assumed mitigating action)				
Savings description	Service area	Approved level of saving, 2017/18 (£000)	Red	Amber	Green	Basis of current status, including brief details of confirmed or planned mitigating actions	Planned actions and associated timescales for delivery of savings
Edinburgh Connect	Communities and Families	142	30	0	112	The Council and the NHS are jointly reviewing the Connect service and as part of the review, one-year only additional funding of £30K has been agreed.	Savings will be delivered in full from April 2018.
Review of support staff within all Special Schools	Communities and Families	292	50	0	242	The majority of savings have been delivered and the actions to ensure full-year savings next year will be in place by December. The £50K shortfall has been covered from one-off savings in another area.	
Review allowances within family-based care	Communities and Families	158	73	25	60	£60K relates to kinship care and is achieved. The £98K relating to adoptions allowances is expected to be delivered over four years through existing adopters moving onto a new rate band. The temporary shortfall in savings will be covered from other mitigating actions.	
Total, Communities and Families			153				

Savings description	Service area	Approved level of saving, 2017/18 (£000)	Red	Amber	Green	Basis of current status, including brief details of confirmed or planned mitigating actions	Planned actions and associated timescales for delivery of savings
Reablement 1	Health and Social Care	630	630	0	0	Business cases for savings yet to be finalised and actioned	Work is currently being progressed to achieve the approved savings via agreed business cases for proposals focussed on asset-based assessment, support planning & brokerage, telecare, etc. Work has also begun to identify further opportunities, both centrally and through locality management for schemes that include: targeted reviews to reduce cost of care packages; business process redesign and; tackling delays across the system.
Telecare	Health and Social Care	960	960	0	0	Business cases for savings yet to be finalised and actioned	
Review Team	Health and Social Care	300	300	0	0	Business cases for savings yet to be finalised and actioned	
Support planning and brokerage	Health and Social Care	2,880	2,880	0	0	Business cases for savings yet to be finalised and actioned	
Review of financial allocation system	Health and Social Care	750	750	0	0	Business cases for savings yet to be finalised and actioned	
Reablement 2	Health and Social Care	510	510	0	0	Business cases for savings yet to be finalised and actioned	
Total Health and Social Care		6,030					
Place	Environment	2,030	2,030			At this stage, all Environment-related savings are assessed as "red" pending continuing work on improvement plans for Roads and Waste Services.	
Total Place		2,030	2,030	0	0		
Total all areas			8,213				