

Finance and Resources Committee

10.00am, Thursday, 28 September, 2017

Revenue Budget Monitoring 2017/18 – Update

Item number	7.1
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive Summary

At its meeting on 5 September, the Finance and Resources Committee considered the first in-year Council-wide revenue monitoring report for 2017/18. Based on current projections of expenditure and income and taking account of mitigating actions identified to date, the report advised as to a potential full-year overspend of £5.0m. Given the seriousness of this position, members of the Committee approved a number of measures with the intention of bringing net expenditure back in line with approved levels over the remainder of the year and noted that a further update would be considered by the Committee on 28 September.

Work to identify and deliver appropriate mitigating actions is continuing apace and the report notes a slight improvement in the projected overall position, albeit highlighting further pressures within the Health and Social Care that will require concerted and sustained action to re-attain financial stability within the service.

Revenue Budget Monitoring 2017/18 – Update

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to note that:
- 1.1.1 there is a slight improvement in the net overall projected position for the year, albeit this includes a further worsening of the outturn forecast within Health and Social Care;
 - 1.1.2 an intensive four-week period of review of current and planned employee cost expenditure has been initiated across all Directorates with a view to identifying further potential efficiencies;
 - 1.1.3 more detailed, service-specific monitoring updates will continue to be considered at relevant Executive Committees;
 - 1.1.4 the Interim Chief Officer of the Edinburgh Health and Social Care Partnership will provide a service-specific update to the Finance and Resources Committee on 7 November; and
 - 1.1.5 a further, Council-wide update will also be brought to the Committee's meeting on 7 November.

2. Background

- 2.1 At its meeting on 5 September, the Finance and Resources Committee considered the first in-year Council-wide revenue monitoring report for 2017/18. Based on current projections of expenditure and income and taking account of mitigating actions identified to date, the report advised as to a potential full-year overspend of £5.0m. Given the seriousness of this position, members of the Committee approved a number of measures with the intention of bringing net expenditure back in line with approved levels over the remainder of the year and noted that a further update would be considered by the Committee on 28 September.

3. Main report

- 3.1 Since the Finance and Resources Committee's last meeting on 5 September 2017, a range of urgent actions has been initiated across all service areas, focusing analysis on key elements of influenceable spend, with a view to identifying further potential efficiencies, additional income and opportunities to reduce, or delay, any

expenditure of a discretionary nature. While a full Period 5-based report will be considered by the Committee at its meeting on 7 November, this report sets out the main conclusions arising from preliminary analysis of Period 5 data, in line with the reporting timeline intimated at the Committee's meeting on 5 September. The following sections focus in particular upon changes from the position reported at Period 3, although sight should not be lost of the need for on-going and active management of the risks and pressures implicit in the forecasts as of that time.

Overall position

- 3.2 The projected overall position, summarised in Appendix 1, indicates a slight improvement in the Council-wide outturn to an anticipated year-end overspend of £4m. This position reflects the net impact of:
- (i) £2m of additional savings, or reductions in expenditure, across the Communities and Families, Place and Resources Directorates;
 - (ii) the release, based on an assessment of actual and anticipated commitments, of £1m of the sums put aside as part of the 2016/17 accounts closure process to take forward any necessary works in buildings sharing similar design characteristics to the Council's PPP1 schools; and
 - (iii) further pressures of £2m within Health and Social Care, primarily attributable to additional care at home and Self-Directed Support (SDS) expenditure since Period 3.

Service-specific projections - Communities and Families

- 3.3 The Executive Director of Communities and Families has identified net residual pressures of £1.1m at this time, primarily representing additional, demand-led expenditure for out-of-Council accommodation and transitional net costs arising from the transfer of non-core hour management of school sports facilities to Edinburgh Leisure.
- 3.4 Work is continuing to identify additional mitigating actions and the Director is committed to delivering a balanced position by the year-end. In view of the request for all Directorates to review opportunities for further reductions in expenditure to contribute to bringing the Council's overall position back in line with approved levels, however, the programme of one-off investment reported to the Committee on 23 March 2017 (totalling some £3.5m) will additionally be reviewed to identify £0.5m of expenditure that may be reduced, or not incurred, in the current year.

Place

- 3.5 Total unbudgeted pressures of £4.430m have been identified within the Place service, towards which mitigating measures sufficient to allow a balanced position to be achieved are planned. A corresponding set of actions has now been developed and while a number of risks remain around their subsequent delivery, a break-even position is being forecast at this time. Progress will continue to be actively monitored and reported in respect of mitigation delivery.

Resources

- 3.6 The Period 3-based forecast reported to the Committee's meeting on 5 September pointed to an in-year underspend of £0.5m, primarily representing acceleration of staffing-related savings associated with the Transformation Programme. Following the request for further savings opportunities to be considered, the Executive Director of Resources has now additionally indicated that the £0.5m contingency in respect of the Customer Transformation Plan will not be applied in 2017/18, allowing it to contribute towards wider savings requirements. Application of this funding at this time does, however, reduce the level of contingency available to support the programme in 2018/19.

Health and Social Care

- 3.7 In contrast to the improved situation across other service areas, the initial Period 5-based position for Health and Social Care reflects an overall increase in projected overspend of £2m, primarily due to additional care at home and Self-Directed Support (SDS) expenditure apparent since Period 3. The forecast reflects service levels at Period 5 and does not include provision for any further uplift in activity.
- 3.8 In recognition of the severity of this situation, the Financial Update considered by the Integrated Joint Board on 22 September set out the main elements of a two-month fundamental re-assessment and re-focusing of the Edinburgh Integration Joint Board's plans, centred upon performance, quality and affordability as a route towards re-establishing financial stability. The Interim Chief Officer of the Edinburgh Health and Social Care Partnership will provide an update on this assessment to the Finance and Resources Committee at the meeting on 7 November. In the interim, a range of measures, including authorisation of recruitment to all Council vacancies by the Interim Chief Officer, additional workforce controls and refocusing of existing savings proposals and evaluation of additional savings proposals through a strengthened programme management approach, are being examined.

Further planned actions

- 3.9 While the overall Council-wide projection reflects a modest level of improvement, it is clear that further actions are required both to return current-year expenditure to within budgeted levels and form sustainable foundations upon which to base the Council's medium-term budget framework.
- 3.10 As an initial step, however, an intensive four-week period of analysis and engagement between all Directors and HR Business Partners, looking in detail at current vacancies, use of agency staff and review of fixed-term contracts with a view to identifying potential efficiencies, has been initiated and the results of this analysis, along with a wider progress update, will be reported as part of the Committee's next update on 7 November.

4. Measures of success

- 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

- 5.1 The report's contents point to a potential in-year overspend, highlighting the importance of continuing 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

- 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

- 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 The Corporate Leadership Team (CLT) has formally reviewed and discussed the in-year monitoring 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

Interim service monitoring statements for period five

[Revenue Monitoring 2017/18 – Month Three Position](#), Finance and Resources Committee, 5 September 2017

[Financial Update](#), Edinburgh Integration Joint Board, 22 September, 2017

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11. Appendices

Appendix 1 – Interim service analysis, Period 5

REVENUE MONITORING 2017-18

INTERIM PERIOD 5 REPORT

SERVICE ANALYSIS

Account	Revised Budget £000	Projected Outturn £000	Projected Variance	
			£000	%
Communities and Families	341,812	341,312	(500)	-0.1%
Place	64,070	64,070	0	0.0%
Resources	165,450	164,450	(1,000)	-0.6%
Health and Social Care	184,201	193,301	9,100	4.9%
Chief Executive	11,437	11,437	0	0.0%
Safer and Stronger Communities	25,815	29,315	3,500	13.6%
Valuation Joint Board Requisition	3,741	3,741	0	0.0%
General Fund Services Subtotal	796,526	807,626	11,100	1.4%
Other income and expenditure				
Net Cost of Benefits	(62)	(62)	0	0.0%
Early Release Costs	1,010	1,010	0	0.0%
Other non-service specific costs	24,329	24,329	0	0.0%
Interest and investment income	(8,811)	(8,811)	0	0.0%
Loan Charges	114,442	113,442	(1,000)	-0.9%
Contributions to Earmarked Funds (net)	6,292	3,292	(3,000)	-47.7%
Income from Council Tax	(266,342)	(268,342)	(2,000)	-0.8%
- Council tax reduction scheme	23,277	23,277	0	0.0%
Revenue support grant	(335,598)	(335,598)	0	0.0%
Distribution from NDRI pool	(355,063)	(355,063)	0	0.0%
Return of 2016/17 surplus from Council Priorities Fund	0	(1,058)	(1,058)	n/a
In-year Deficit / (Surplus)	0	4,042	4,042	n/a