

Finance and Resources Committee

10.00am, Tuesday, 23 January 2018

Revenue Monitoring 2017/18 – month eight position

Item number	7.4
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive summary

Members have received a number of previous revenue monitoring reports during the year highlighting underlying pressures within, in particular, the Health and Social Care and Safer and Stronger Communities services. In light of these pressures, a number of measures, including further tightening of workforce and financial controls, a review of discretionary expenditure and identification of other non-recurring income and expenditure savings, have been initiated such that a balanced outturn for the year as a whole is forecast. Attainment of this balanced position will, however, be subject to active management of risks and pressures for the remainder of the year

Revenue Monitoring 2017/18 – month eight position

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 note that a balanced position for the year continues to be forecast;
 - 1.1.2 note that attainment of this position will, however, require active management of risks and pressures, particularly those of a demand-led nature, for the remainder of the year;
 - 1.1.3 note the balanced position projected on the Housing Revenue Account (HRA) after making a £11.58m planned contribution towards housing investment; and
 - 1.1.4 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 eight-month position for the Council's revenue expenditure budget for 2017/18 based on analysis of actual expenditure and income to the end of November 2017.

3. Main report

- 3.1 This report represents the third quarterly revenue monitoring report 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

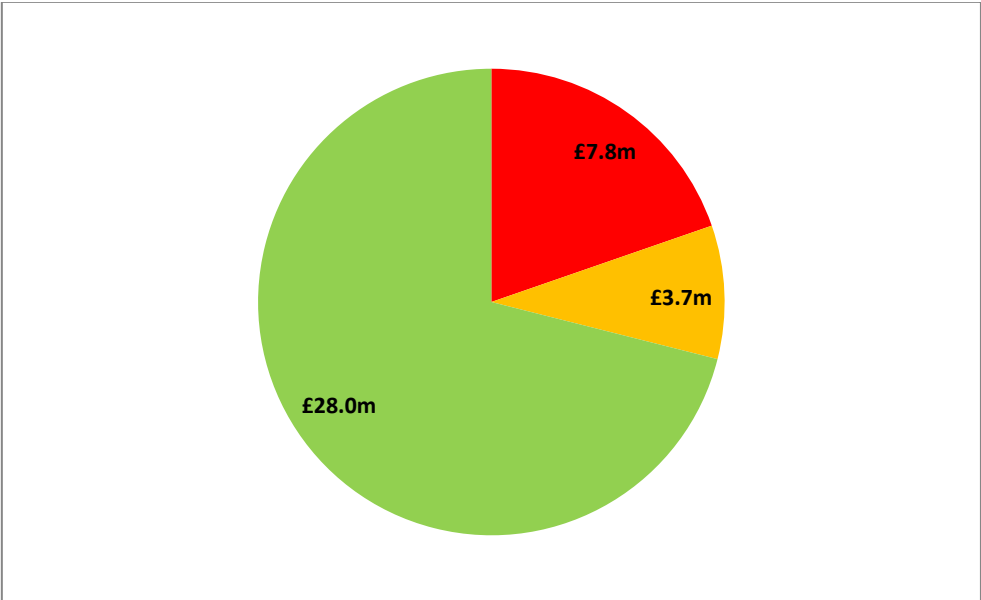
- 3.3 Members will recall that the period five-based monitoring report considered by the Committee on 7 November 2017 outlined a range of actions, including prioritisation of discretionary expenditure and a further tightening of financial and workforce controls that, taken together, contributed to an overall position that was anticipated to be balanced by the year-end.

- 3.4 Subsequent analysis of period eight data continues to point to Council-wide expenditure being contained within approved levels for the year as a whole. A high-level service analysis is included as Appendix 1, with details of the mitigating actions or savings, where relevant, set out in the following sections. As emphasised in previous reports, attainment of this balanced position will require sustained and proactive management of known and emerging risks and pressures across all service areas throughout the remainder of the year.
- 3.5 The overall position reflects significant projected overspends within Health and Social Care (£7.1m) and Safer and Stronger Communities (£3.5m), offset by a number of expenditure reductions or additional income contributions of a non-recurring nature or already assumed within the budget framework. Of the £10.6m overspend within these two services, £2.46m is being addressed by means of one-off reductions or slippage in expenditure, £4.08m by savings already assumed or included within the budget framework baseline for 2018/19 and the remaining £4.06m by one-off use of reserves. The assessed on-going implications of these current-year pressures have therefore been reflected within the revenue budget framework reported to the Finance and Resources Committee on 7 November 2017.

Savings delivery

- 3.6 The approved budget for 2017/18 was predicated on the delivery of £39.5m of service-specific and corporate savings. As of November, the overall RAG assessment of these savings indicates that, on the basis of actions planned or already undertaken, some 80% are on target to be delivered in full as shown in the chart below.

RAG assessment of approved budget savings, 2017/18 – November 2017



- 3.7 The majority of the red-assessed savings are those of a transformational or demand-led nature within Health and Social Care, with the remainder

representing savings within the Place Directorate linked to the Roads and Waste Services transformation plans.

- 3.8 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.
- 3.9 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 noted below.

Service-specific budgets - Communities and Families

- 3.10 As of period eight and taking into account agreed reductions in levels of discretionary expenditure and the one-off service investment approved as part of the 2017/18 revenue budget, the Executive Director of Communities and Families is committed to delivering an overall £1m underspend for the year. Attainment of this position is, however, dependent upon both management of a number of demand-led pressures, including a marked recent required increase in the use of out-of-Council area fostering and other placements, and the identification of further savings of around £0.7m by the year-end.

Health and Social Care

- 3.11 The month eight outturn forecast continues to reflect significant demand-led pressures, showing an overall projected overspend of £7.1m. This forecast position takes account of the delivery of £3.93m of the £9.96m planned savings associated with the organisational review but includes £6.03m of slippage on planned transformation-related purchasing savings. While business cases are being progressed for both telecare and support planning and brokerage, at this stage, there is no evidence of delivery of the related savings.
- 3.12 In addition to the non-delivery of savings of £6.03m, growth in demand for care at home services, coupled with increases in direct payments and individual service funds, has resulted in projected expenditure exceeding budget in these areas by £1.8m, after application of an initial £2.2m of recurring funding from the Social Care Fund (SCF) and a subsequent further release of £2m, approved by the Edinburgh Integration Joint Board on 17 November 2017, in recognition of continuing demographic-led growth in demand.
- 3.13 The net position after other smaller pressures and savings across the Health and Social Care budget are offset against the above pressures is an overall overspend of £7.1m. Work is being progressed within the Health and Social Care Partnership as a matter of urgency to continue to develop mitigating measures, including additional controls on recruitment and agency spend, with overall progress in the delivery of projects comprising the financial recovery plan monitored by the recently-created Savings Governance Board.

- 3.14 The 2018/23 budget framework report considered by the Finance and Resources Committee on 7 November 2017 incorporates additional service investment on a recurring basis, albeit confirmation is dependent upon approval of savings elsewhere within the Council as part of setting a balanced 2018/19 revenue budget.

Place

- 3.15 In addition to implementation of 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 eight, the Executive Director of Place has identified net budget pressures of £2.176m (including those in respect of approved savings delivery). A corresponding set of actions has now been developed to offset these pressures fully 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 reported in respect of delivery of these mitigating actions.

Resources

- 3.17 Based on analysis of the period eight position, the Resources Directorate is projecting an overall underspend of £1.46m, reflecting the combined impact of measures to offset projected overspends in other areas of the Council. These savings primarily comprise a combination of acceleration of an element of procurement-related savings initially planned for delivery in 2018/19, a reduced assumed in-year funding requirement for the Customer Transformation programme and one-off employee cost savings. A small number of savings shortfalls are being mitigated by non-recurring measures pending the development of sustainable proposals to be implemented from 2018/19.

Chief Executive (excluding Safer and Stronger Communities)

- 3.18 The period eight-based forecast for services reporting directly to the Chief Executive reflects an overall underspend of £0.368m, representing employee costs arising from vacant posts within the Strategy and Insight and Communications functions. All savings measures approved as part of the 2017/18 are on track to be delivered in full.

Safer and Stronger Communities

- 3.19 Significant service pressures are being faced as a result of the removal of temporary accommodation management fees 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 £8.8m which is partially offset by mitigations totalling £5.3m, resulting in a net residual unfunded budget pressure of £3.5m.
- 3.21 The Acting 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.
- 3.22 The 2018/23 budget framework report considered by the Finance and Resources Committee on 7 November 2017 incorporates £3.5m of additional service investment on a recurring basis, albeit confirmation of this sum is dependent upon approval of savings elsewhere within the Council as part of setting a balanced 2018/19 revenue budget.
- 3.23 At the Housing and Economy Committee's meeting on 2 November 2017, members approved the remit and membership of a new cross-party homelessness task force to review current use of bed and breakfast accommodation and explore alternatives that could better meet the needs of individuals and families with the aim of ultimately ending its use.
- 3.24 In addition to reviewing costs and suitability of existing temporary accommodation provision, the taskforce will look at potential alternatives, including identification of Council properties that may provide supplementary capacity. Alongside the delivery of significant potential financial savings, the task force will play a key role in contributing to the shared objective of reducing homelessness and improving outcomes for those affected within the city

Corporate budgets

- 3.25 The report considered by the Finance and Resources Committee on 7 November 2017 identified an anticipated £2.54m of additional Council Tax income, £1m of savings in loan charges and £4.058m of earmarked reserves to address pressures elsewhere in the budget.
- 3.26 Updated analysis of the size and profile of the Council Tax base, taking account of property numbers, discounts and exemptions, indicates the expected receipt of a further £0.170m of income during the year and this is reflected in the overall projection. In view of remaining risks around additional demand-led expenditure in frontline service areas, however, monitoring will continue over the remainder of the year to determine whether any further income might become available.

Other areas

Pensions auto-enrolment

- 3.27 On 1 October 2017, the Council's pensions auto-enrolment transitional period came to an end, with eligible staff who had previously elected not to join the Local Government Pension Scheme or Scottish Teachers' Superannuation

Scheme automatically re-enrolled in the respective schemes. Although a number of staff have subsequently exercised their right to opt back out of the schemes, as of early December 2017, overall pension scheme membership has increased by around 500, resulting in an increased overall level of employer contributions.

- 3.28 The Council's budget framework included provision for an increase in membership following the ending of the transitional period and, at this stage, the resulting increase in employer contributions is being contained within a balanced overall position for the Council as a whole. In view of the full-year effect of the changes in 2018/19, however, additional analysis will be undertaken to determine whether any further provision requires to be included within the budget framework.

Teachers' pay award

- 3.29 Whilst the 2017/18 pay award for the majority of Council staff was agreed earlier in August 2017, tri-partite negotiations amongst the Scottish Government, COSLA and the main teaching unions have been continuing pending formal agreement. At the special COSLA Leaders' Meeting of 14 December 2017, following assurances from the Scottish Government concerning funding for both 2017/18 and future years, Council Leaders agreed to approve an employer's pay award comprising a 1% increase effective from April 2017, with a further 1% payable from January 2018, an offer that was subsequently accepted by the teaching unions. This level of award falls within the level of provision made within the budget framework and additional funding to be provided by the Scottish Government.

Housing Revenue Account

- 3.30 A balanced position is forecast after making a required £11.58m contribution to fund future delivery of the affordable housing strategy as set out in the HRA business plan, subject to repairs and maintenance expenditure being kept within budgeted levels.

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 balanced overall position for the year whilst highlighting the importance of active management of risks and pressures in maintaining expenditure within 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 Chief Executive has tasked Executive Directors with identifying mitigating actions to address in-year pressures and to review opportunities for additional savings proposals. These actions have allowed, subject to management of other risks and pressures, the continuing forecasting of a balanced position by the year-end.

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. An overview of the engagement feedback on the 2018/19 proposals will be considered at the Committee's next meeting on 8 February 2018.

10. Background reading/external references

Service monitoring statements for period eight

[Approved 2017-18 - 2020-21 Revenue Budget and 2017-18 - 2021 Capital Investment Programmes - plans for supplementary investment](#), Finance and Resources Committee, 23 March 2017

[Revenue Monitoring 2017-18 - month three position](#), Finance and Resources Committee, 5 September 2017

[Revenue Budget Monitoring 2017- 18 - update](#) – Finance and Resources Committee, 28 September 2017

[Revenue Monitoring 2017-18 - month five position](#) – Finance and Resources Committee, 7 November 2017

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11. Appendices

Appendix 1 – Service analysis, Period 8

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

REVENUE MONITORING 2017-18

PERIOD 8 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	341,081	225,537	225,893	356	0.2%	340,081	(1,000)	(0.3%)
Place	66,111	41,319	43,262	1,943	4.7%	66,111	0	0.0%
Resources	166,856	112,035	111,402	(633)	(0.6%)	165,396	(1,460)	(0.9%)
Health and Social Care	184,480	110,906	116,386	5,480	4.9%	191,580	7,100	3.8%
Chief Executive	11,363	8,533	8,209	(324)	(3.8%)	10,995	(368)	(3.2%)
Safer and Stronger Communities	25,567	18,095	20,427	2,332	12.9%	29,067	3,500	13.7%
Valuation Joint Board Requisition	3,741	2,494	2,494	0	0.0%	3,741	0	0.0%
General Fund Services Subtotal	799,199	518,919	528,073	9,154	1.8%	806,971	7,772	1.0%
Other income and expenditure								
Net Cost of Benefits	(62)	(41)	100	141	n/a	(62)	0	0.0%
Early Release Costs	1,010	673	712	39	0%	1,010	0	0.0%
Other non service-specific costs	24,064	16,043	8,233	(7,810)	0%	24,064	0	0.0%
Interest and investment income	(8,811)	0	0	0	0%	(8,811)	0	0.0%
Loan Charges	115,120	0	0	0	0%	114,120	(1,000)	(0.9%)
Contributions to Earmarked Funds	3,087	0	0	0	0%	87	(3,000)	(97.2%)
Return of 2016/17 surplus from Council Priorities Fund	0	0	0	0	0%	(1,058)	(1,058)	n/a
Income from Council Tax	(266,342)	(177,561)	(177,561)	0	0%	(269,056)	(2,714)	(1.0%)
- Council Tax Reduction Scheme	23,277	15,518	15,518	0	0%	23,277	0	0.0%
General Revenue Grant	(335,479)	(223,653)	(223,653)	0	0%	(335,479)	0	0.0%
Distribution from NDRI pool	(355,063)	(236,709)	(236,709)	0	0%	(355,063)	0	0.0%
In-year overspend / (underspend)	0					0	0	n/a

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

			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
Reablement 1	Health and Social Care	630	630	0	0	Business cases for savings yet to be finalised and actioned	Savings are being targeted primarily through the Telecare and Support Planning and Brokerage projects. More robust governance arrangements are now in place (through the Savings Governance Board and the CLT Change Board) to monitor the delivery of these workstreams, however progress will need to be accelerated to ensure that savings targets can be achieved in 2018/19. The Support Planning and Brokerage project is currently undertaking a test of change of 270 service users in the North East locality.
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	1,720	1,720			At this stage, a number of Environment-related savings are assessed as "red" pending continuing work on improvement plans for Roads and Waste Services.	
Total Place			1,720	0	0		
Total all areas			7,750				