

Finance and Resources Committee

10am, Thursday, 23 May 2019

Revenue budget framework 2019/24 – progress update

Executive/routine Wards Council Commitments	Routine
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1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
- 1.1.1 note the significant progress made in developing savings implementation plans for those measures approved as part of the 2019/20 revenue budget;
 - 1.1.2 note the specific actions set out in Appendices 2 and 3 as a contribution towards delivering the Council-wide efficiencies target and managing service pressures;
 - 1.1.3 note that release of the £2.5m Council Priorities Fund (CPF) contribution approved as part of the Council's 2019/20 budget remains subject to sustained performance improvement and the bringing forward of a balanced budget by the EIJB including this contribution;
 - 1.1.4 agree, subject to both confirmation of the provisional 2018/19 outturn and ratification by Council on 30 May, earmarking up to £5m from the Council Priorities Fund as an additional contribution to the 2019/20 budget, pending development of sustainable measures to address this savings requirement on a recurring basis;
 - 1.1.5 note, nonetheless, that further measures are urgently required to achieve financial balance in 2019/20 and, to this end, instruct Executive Directors to develop proposals of sufficient value to address the remaining overall estimated shortfall, including ceasing all discretionary expenditure;
 - 1.1.6 note the options considered in other local authorities as set out in Appendix 5 but further note that specific proposals, taking into account the 2018/19 outturn and updates concerning a number of other relevant factors included within the budget framework, will be brought forward as part of the first quarter's monitoring report to the Committee on 15 August 2019;

- 1.1.7 approve the changes to building fees for site inspections and completion of work certificates as set out in Appendix 7 with effect from 1 July 2019 for onward ratification by Council on 30 May; and
- 1.1.8 approve use of Spend to Save funding of £0.153m to take forward the 3G pitch improvements at Leith Academy, subject to onward ratification by Council on 30 May.

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Revenue budget framework 2019/24 – progress update

2. Executive Summary

- 2.1 Since approval of the Council's revenue budget on 21 February 2019, work has continued to develop savings implementation plans and identify potential measures to address the residual service pressures set out in the report to the Committee's previous meeting on 7 March. While substantial progress has been made in each of these areas, a significant in-year gap remains, corresponding actions for which require to be urgently identified. Failure to deliver on-going measures will result in an increase in future years' revenue funding gaps, use of the Council's unallocated reserves and a consequent need to replenish them at least to their previous level.

3. Background

- 3.1 At its meeting on 7 March 2019, members of the Committee considered an update on the Council's revenue budget framework. The report highlighted the overriding importance of both (i) developing robust savings implementation plans and (ii) managing significant pressures in 2019/20 to sustain the wider integrity of the budget framework. The report noted that residual unmitigated service pressures in 2019/20 amounted to some £8.8m, along with a need to identify and secure approval from the Edinburgh Integration Joint Board (EIJB) of savings sufficient to align its spending plans to the assumed levels of provision for Council-delegated services.
- 3.2 In view of this overall position and the trend of decreasing actual savings delivery apparent in recent years, Committee members asked that, as part of the approved motion, the report to be brought back to this meeting include, in addition to an update on the areas mentioned above, further potential savings or income-generating measures in 2019/20 in order that these could be applied, as necessary, where slippage or change in planned actions required alternatives.

4. Main report

- 4.1 On 21 February 2019, Council approved a balanced one-year budget for 2019/20 as part of a longer-term framework. Taking account of approved service investment and sums transferred to the Council Priorities Fund, the budget is underpinned by the delivery of savings totalling some £39.3m, including £2.3m approved for implementation in 2019/20 as part of previous years' budget processes.

- 4.2 In view of the challenging context within which the Council's budget was necessarily set, the update report considered on 7 March signalled a need for action across four main areas, updates on which are provided in the remaining sections of this report:
- (i) Development of robust implementation plans for the specific savings actions totalling £29.2m¹ which were approved for delivery in 2019/20;
 - (ii) Development of detailed and specific proposals to address the £9.5m efficiency savings target which was also approved as part of the 2019/20 budget;
 - (iii) Identification of mitigating actions to address estimated combined residual pressures of £8.8m across the Communities and Families, Place and Resources Directorates; and
 - (iv) Agreement, through the EIJB, of specific plans to address its estimated budget gap in 2019/20.
- 4.3 Addressing each of the above areas in full is required to allow the Council to plan, with reasonable confidence, to maintain expenditure within approved levels in 2019/20. In acknowledging that there is a degree of delivery risk for each aspect, however, elected members, the Chief Executive and Executive Directors, including the Chief Officer of the Edinburgh Health and Social Care Partnership, will need to consider a range of measures to bring the current year's position back into balance, with this specific aspect considered later in this report.
- 4.4 While placing an increased emphasis upon preventative activity should over time offset, or at least mitigate, some of the continuing demand-led pressures upon the Council's services, as noted in the Accounts Commission report included elsewhere on today's agenda, further difficult choices will be required in both this and subsequent years to secure financial sustainability.

Development of savings implementation plans – specific savings

- 4.5 Progress in developing implementation plans for all specific savings approved for delivery in 2019/20 is being regularly reviewed by the Corporate Leadership Team (CLT) Change Board. Additional project management support has also been allocated from the non-recurring £1m approved by Council in October 2018 to assist delivery of the more challenging approved savings measures.
- 4.6 Review of these implementation plans shows positive progress, with 94% of savings by value currently assessed, on the basis of confirmed or planned actions, as green or amber as set out in Appendix 1. Work is continuing both to explore the specific required actions to allow amber savings to be assessed as green and prioritise development of detailed plans for those approved measures currently assessed as red. This activity has been complemented by development of a schedule profiling the expected timing of delivery of these savings to highlight, on a

¹ Of the £29.8m of specific savings approved for delivery in 2019/20, £0.6m relates to areas that form part of wider savings plans or actions to mitigate pressures. As such, these savings are incorporated in determining the updated net residual pressures position considered as part of (iii) above.

timely basis, where corrective action may be required and this analysis will be appended to in-year revenue monitoring reports.

- 4.7 After successive years' efficiencies, the measures required to deliver the 2019/20 savings programme are correspondingly more challenging and there will almost inevitably be a degree of slippage in the year. As a result, the need for mitigating action will require to be assessed and appropriate remedial actions implemented on an ongoing basis.

Council-wide efficiencies target

- 4.8 Of the £9.5m target, gross actions totalling £8.578m have been identified to date as shown in Appendix 2. This total includes the approved drawdown of £0.786m from the Council Priorities Fund which recognised the challenging nature of the 1.55% efficiency savings target.

- 4.9 The efficiencies actions include, but are not limited to, the following workstreams:

- (i) Lean and Automation teams are both in place and together aim to deliver up to £1.75m of savings in 2019/20, with a pipeline of work being developed. In addition to delivering cashable savings, the Lean and Automation teams will support teams to increase processing capacity to address service performance challenges;
- (ii) A review of senior management structures is underway with the intention of releasing savings of £0.5m in 2019/20. A separate review within Communities and Families is seeking the in-year delivery of £0.64m of savings;
- (iii) A Council workforce management panel has been introduced with the aim of bearing down further on non-essential recruitment, agency and overtime spend, complemented by a review of those posts deemed to be pre-approved as essential, such as Teachers and Social Workers;
- (iv) Procurement-related savings of at least £0.4m are being targeted through both robust grants and contract management processes and a revised approach to challenging requisitions and purchases in respect of planned and actual spend. It is estimated that savings of £0.1m will accrue to the General Fund, with the balance relating to the Capital Investment Programme and Housing Revenue Account; and
- (v) Focused income maximisation activity across the Council, generating up to £1m.

- 4.10 In recognition of the need for further development of detailed implementation plans for some elements of the operational efficiency workstream, however, a risk contingency of £1.5m has also been incorporated at this stage, reducing the sum of expected actions to £7.078m. In addition, as part of the roll-forward of the 2019/24 revenue budget process, existing assumptions with regard to the achievability of future years' efficiency-related savings targets will be re-assessed.

Residual pressures

- 4.11 Reporting during 2018/19 consistently highlighted the need to address residual directorate pressures on a sustainable basis through the identification and implementation of appropriate mitigating actions. The update to the Committee's previous meeting on 7 March 2019 intimated that residual net pressures across the Communities and Families, Place and Resources Directorates amounted to £8.8m.
- 4.12 As with the other workstreams noted at paragraph 4.2, work is continuing to identify further actions to reduce this level of pressure. Appendix 3 sets out the composition of gross pressures of £18.247m in the areas concerned, along with associated mitigating actions.
- 4.13 £8m of corporate savings measures were included in the approved 2019/20 budget and, as a result, in contrast to previous years, the ability to mitigate residual service pressures through this route is much more limited. A maximum further £3m of such corporate savings has therefore been reflected within the £13.3m of actions available to offset some of these residual pressures included in Appendix 3, resulting in a requirement to identify and deliver a further £4.947m of savings to address the requirement in full. It should be noted that use of savings from loan charges to offset pressures will result in the loss of opportunity to use this money to fund infrastructure.

Edinburgh Integration Joint Board (EIJB)

- 4.14 The EIJB met on 29 March and agreed £11.9m of budget savings proposals for 2019/20 across the partners as listed in Appendix 4. A report being considered by the EIJB on 24 May intimates a further proposed contribution from reserves of £2.36m, alongside progress on a range of previously-agreed parallel actions.
- 4.15 Allowing for the £2.5m additional contribution which is held within the Council Priorities Fund (release of which is contingent upon sustained performance improvement across a range of key outcome measures) and the proposed use of EIJB reserves noted above, the residual EIJB budget gap in 2019/20 is currently £7.15m. The EIJB will give further consideration to this budget gap and further measures to be initiated at its next meeting on 24 May. Tri-partite work involving the EIJB, NHS and Council partners is continuing, with a shared commitment to exploring achievement of overall financial balance.

- 4.16 The most recent performance update to the EIJB on 29 March 2019 reported the position at January 2019 and evidenced significant improvement across a number of areas as shown below:

	September 2018	January 2019
Total individuals waiting for assessment	1,749	1,245
% of assessments outwith standard priority timescales (14 days Priority A, 28 days Priority B)	52.3%	34.6%
Delayed discharge total	271	192
Waiting in community for a package of care	720	615
Individuals waiting in hospital for a package of care	129	49

- 4.17 Active monitoring of these key indicators will continue to ensure that recent performance improvements are sustained. It is recommended, however, that release of the £2.5m Council Priorities Fund contribution approved as part of the Council's 2019/20 budget remain subject to bringing forward a balanced overall budget for the EIJB (inclusive of the £2.5m CPF contribution). It is also the intention that future management of the EIJB budget is based fully on the arrangements set out within the Integration Scheme.

Teachers' pensions

- 4.18 The Committee has previously been advised of increases in teachers' superannuation contribution rates following a review of actuarial assumptions by the UK Treasury. While it was anticipated, at the time of budget-setting, that these changes would be largely offset by the receipt of Barnett Consequentials that would, in turn, be passed to Local Government by the Scottish Government, the approved budget nonetheless includes provision of £1.5m, being the full-year effect of the unfunded element of around 21%.
- 4.19 It had been anticipated that confirmation of this funding would be included in the UK Government's Spring Statement. This confirmation has not, however, yet been received and, as such, remains a risk to budget framework assumptions. Implementation of the contribution rate increase has, however, been delayed from April to September 2019, with the potential to reduce the level of in-year pressure by around £0.5m. Discussions between the Scottish and UK Governments on this issue are on-going.

Overall projected position for 2019/20

- 4.20 While, as noted earlier in the report, the current assessment is for the majority of savings to be delivered in full, given the trends observed in recent years, it is felt prudent to incorporate a general risk contingency set at 15% i.e. an assumption that 85% of savings identified will be delivered. At this stage, assuming implementation of all the actions included in Appendices 2 and 3, there is therefore a residual gap, after applying this risk contingency, of £13.740m. This position also assumes approval and subsequent delivery by the EIJB of measures sufficient to result in a balanced position in 2019/20.

Savings Category	Target	Identified	Weighted savings identified (assuming 85% delivery)	Gap
	£m	£m	£m	£m
Approved Savings – specific measures	29.173	29.173	24.797	4.376
Approved Savings - 1.55% Efficiencies (net of specific risk contingency)	9.500	7.078	7.078 ²	2.422
Residual pressures	18.247	13.300	11.305	6.942
Total	56.920	49.551	43.180	13.740

Further measures required to achieve financial balance

- 4.21 In view of both the level of assumed corporate savings (£8m within the approved budget and a further £3m identified in respect of service pressures mitigation) and available timescales for implementation of further measures, urgent action is required to address this residual gap.

Council Priorities Fund

- 4.22 It is recommended that, subject to confirmation of the 2018/19 revenue outturn, funds be earmarked within the Council Priorities Fund (CPF) pending development of additional actions of sufficient full-year value to address the related savings requirement on a sustainable basis. The Fund's current uncommitted balance is around £5m. While, if subsequently applied in full, this would reduce the remaining savings requirement in 2019/20 to £8.740m, it does not, however, obviate the need for more difficult choices and prioritisation if financial sustainability is to be maintained during the period of the framework.

² No further assumed delivery weighting applied due to explicit incorporation of risk contingency.

Responsibilities of Executive Directors and Chief Officer of Edinburgh Health and Social Care Partnership

- 4.23 As set out in the Council's Financial Regulations, Executive Directors are accountable for the financial performance of their directorates against the budget allocated and may incur revenue expenditure in furtherance of agreed Council policies only to the extent that budgetary provision has been made. As part of ensuring the overall sustainability of the Council's financial planning and management arrangements, Executive Directors also have a responsibility to review their respective budgets on an on-going basis. This includes the active monitoring and management of service pressures, delivery of approved savings and application of approved service investment, particularly in cases where this investment is targeted towards delivery of longer-term savings.

Responsibilities of elected members

- 4.24 Elected members' responsibilities include ensuring proper control is exercised over the authority's expenditure through scrutiny of periodic financial reports comparing expenditure with the level of budgetary provision.

Development of additional actions

- 4.25 The decisions required in the current and subsequent financial years are undoubtedly challenging but, against a backdrop of a real-terms reductions in funding, increasing demand, inflationary pressures and relative protection of health and social care and schools-related services, now need to be considered.
- 4.26 At the previous meeting of the Finance and Resources Committee on 7 March 2019, members agreed a motion requesting the identification of further potential savings or income-generating measures in 2019/20 in order that these could be applied, as necessary, where slippage or change in planned actions required alternatives.
- 4.27 To this end and as an initial contribution to this consideration, Appendix 5 includes a number of measures proposed, or implemented, in other Scottish councils. Members should note that this is not an exhaustive list of options but demonstrates the scope for decision-making capable of dealing with projected funding shortfalls. Executive Directors and their Heads of Service will work with elected members to review a range of options with a view to developing, as appropriate, additional mitigating measures for implementation as part of the first quarter's monitoring report to be considered at the Committee's next meeting on 15 August. This update will be informed, amongst other factors, by detailed analysis of the 2018/19 outturn, updated information on the position in respect of teachers' pensions noted at 4.19 above and any available flexibilities around loans fund advances, pending updating of relevant guidance and regulations by the Scottish Government. In the meantime, however, Executive Directors are instructed to cease all discretionary expenditure.

- 4.28 An extract of the relative priorities of citizens, as expressed through the online budget simulator used as part of the recent public engagement exercise, is furthermore included as Appendix 6 to inform this consideration.
- 4.29 The Accounts Commission *Challenges and Performance* report elsewhere on today's agenda reiterates that councils cannot be expected to deliver continuous improvement across all services in the current financial climate and, by extension, requires the taking forward of conversations with communities on relative priorities. Development of a sustainable revenue budget is also essential to delivery of wider priorities, including progressing the Wave 4 schools programme and to meet the requirements of the Prudential Framework.

Building standards services – fees for site inspections and completion of work certificates

- 4.30 In setting the Council's revenue budget for 2019/20 on 21 February 2019, members approved a number of income-generating measures set out in the earlier Change Strategy report considered by the Finance and Resources Committee on 1 February 2019. Part of the savings approved included a proposal to increase fees and charges for Building Standards services for Site Inspections and Confirmation of Completion of Work.
- 4.31 The current fees do not cover the costs of operating the service and have not changed for over ten years. The proposed revisions to fees included in Appendix 7, effective from 1 July, would bring Edinburgh more into alignment with other Scottish city authorities. The resulting income will be monitored and reported to CLT as part of the governance arrangements for tracking the delivery of the Income Maximisation strand of the budget savings for 2019/20. Subject to members' approval, these amended charges will be referred to Council for ratification on 30 May.

Spend to Save application – pitch improvements, Leith Academy

- 4.32 Leith Academy's synthetic pitch is in very poor condition and currently not used for curricular PE lessons, with limited community use. There is therefore significant pressure from the school and local community sports clubs to replace the current 2G pitch carpet to support the school's PE delivery and sports development in the surrounding area.
- 4.33 An independent site inspection report for the current pitch has been undertaken and a corresponding cost plan for the refurbishment developed. It is estimated that a 2G to 3G upgrade would cost of the order of £0.206m, inclusive of a 5% contingency.
- 4.34 Several meetings with the school and stakeholders have taken place. Total external funding contributions of £0.053m are anticipated, resulting in an estimated net funding requirement of £0.153m.
- 4.35 Upgrading the carpet from 2G to 3G will increase use of the pitch and it is anticipated that additional income of £26,000 per annum will be generated from increased lets. The additional income will be partially offset by annual maintenance costs, which are estimated at £5,600.

- 4.36 The additional annual net revenue generated of £20,400 is estimated to result in a payback period of 7.5 years. While this is longer than the average payback period for the fund, given the current fund balance of £2.5m, will not preclude the taking forward of other eligible projects. Subject to members' approval, this decision will be referred to Council for ratification on 30 May.

5. Next Steps

- 5.1 Executive Directors will work with elected members in developing further required savings actions with reference to both required timescales for implementation and the measures' alignment to the Council's key priorities and outcomes.

6. Financial impact

- 6.1 While significant progress has been made since the Committee considered the previous revenue budget update on 7 March 2019, the report nonetheless re-emphasises the importance of proactive management of pressures and delivery of approved savings. In view of the latest assessment, however, further measures will require to be implemented during the year if the integrity of the framework is to be maintained.

7. Stakeholder/Community Impact

- 7.1 There is no direct relevance to the report's contents. In considering measures to secure the Council's wider financial sustainability, however, members may wish to consider both activities' respective contributions to the key outcomes of the Change Strategy and public engagement feedback on the Council's relative priorities.

8. Background reading/external references

- 8.1 [Finance Update](#), Edinburgh Integration Joint Board, 24 May 2019
- 8.2 [2019/20 Financial Plan](#), Edinburgh Integration Joint Board, 29 March 2019
- 8.3 [Performance Report](#), Edinburgh Integration Joint Board, 29 March 2019
- 8.4 [Revenue Budget Framework 2019/23 – Progress Update](#), Finance and Resources Committee, 7 March 2019
- 8.5 [Coalition Budget Motion](#), City of Edinburgh Council, 21 February 2019
- 8.6 [Feedback on the Change Strategy and Budget Proposals, 2018 and 2019](#), The City of Edinburgh Council, 21 February 2019
- 8.7 [Council Change Strategy: Planning for Change and Delivering Services 2019-2023](#), Finance and Resources Committee, 1 February 2019
- 8.8 [Council Change Strategy – Risks and Reserves 2019-2023](#), Finance and Resources Committee, 1 February 2019

9. Appendices

Appendix 1 - 2019/20 approved savings – current Finance RAG assessment

Appendix 2 – Efficiencies workstream, 2019/20 – actions identified to date

Appendix 3 – Gross pressures and associated mitigations, 2019/20

Appendix 4 – EIJB approved savings, 2019/20

Appendix 5 – Options published by other local authorities

Appendix 6 – Key findings from online budget simulator process used as part of 2019/20 budget engagement process

Appendix 7 - Proposed changes to building fees for site inspections and completion of work certificates with effect from 1 July 2019

2019/20 approved savings - current Finance RAG assessment

Approved saving	Department	2019/20 approved saving	Current Finance RAG assessment		
			Green	Amber	Red
Enabling Educational Efficiencies – Third Party Grants (2018/19 additional spend)	Communities and Families	0.250	0.250		
Invest in Revenue Collection Officers	Communities and Families	0.175	0.175		
Invest to reduce temporary accommodation voids rates	Communities and Families	0.090		0.090	
Adoption of Scottish Government Framework for electricity and gas	Communities and Families	0.030		0.030	
NHS commissioned services	Communities and Families	0.100	0.100		
Carers' Act Funding	Communities and Families	0.075	0.075		
Efficiencies in the delivery of accommodated children's services	Communities and Families	0.510	0.405	0.105	
Library service - reduce book fund	Communities and Families	0.200	0.200		
ASN adaptations to mainstream schools	Communities and Families	0.100	0.100		
Heritage language	Communities and Families	0.042	0.042		
Support for Learning Management	Communities and Families	0.200	0.200		
Police funding	Communities and Families	0.522	0.522		
	Total Communities and Families	2.294	2.069	0.225	0.000
Edinburgh Leisure (£0.350m efficiency saving is fully offset by a pay award-related uplift, resulting in unchanged 2019/20 service payment)	Communities and Families	0.350	0.350		
	Total Edinburgh Leisure	0.350	0.350	0.000	0.000
Funding the Edinburgh Partnership and Third Sector Interface	Services reporting to Chief Executive	0.040	0.040		
Reduce capacity in Strategy and Communications	Services reporting to Chief Executive	0.200	0.100	0.100	
	Total for services reporting to Chief Executive	0.240	0.140	0.100	0.000
Asset Management Strategy and Service Reprovisioning	Resources	0.250			0.250
ICT Solutions Organisational Review	Resources	0.450	0.450		
ICT/CGI Partnership Arrangements	Resources	0.050	0.050		
Print and Mail Strategy	Resources	0.090		0.090	
Emergency Service Provision for Edinburgh Shared Repairs Service	Resources	0.218	0.218		
Investment portfolio rationalisation	Resources	0.415		0.415	
Non Domestic Rates Appeals	Resources	0.800		0.800	
Additional advertising income	Resources	0.470		0.470	
Increasing rental income	Resources	0.500	0.500		
Business support services review	Resources	1.000		1.000	
Property and FM: Management and Investment Estate Savings	Resources	0.515	0.515		
Reduction in Executive Director of Resources budget	Resources	0.126	0.126		
Upfront Payments	Resources	0.200		0.200	
Property Maintenance Programme (2018/19 additional spend)	Resources	0.850	0.850		
Corporate Learning and Development – Budget Reduction	Resources	0.250	0.250		
Monitoring Officer – Budget Reduction	Resources	0.107	0.107		
ICT Partnership – Contract Optimisation	Resources	1.200		1.200	
	Total Resources	7.491	3.066	4.175	0.250
Improved Approach to Street and Environmental Enforcement	Place	0.750		0.375	0.375
Tourism and Marketing Reform	Place	0.300	0.300		
Localities Phase Two	Place	0.300			0.300
Area-Based Regeneration	Place	0.250		0.125	0.125
Parking Action Plan Phase 2	Place	0.369			0.369
Fleet Review	Place	0.500		0.500	
Commercialism and Income Maximisation - Full Cost Recovery	Place	0.200		0.180	0.020
Commercialism and Income Maximisation - Statutory Consents	Place	0.825	0.577	0.177	0.072
Commercialism and Income Maximisation - Pre-planning Applications	Place	0.100	0.100		
Commercialism and Income Maximisation - Culture	Place	0.150	0.150		
Commercialism and Income Maximisation - Parks and Greenspaces	Place	0.150			0.150
Joint Procurement of Waste Contracts	Place	0.325		0.325	
Re-provision of public conveniences	Place	0.250		0.250	
Clean and Green (2018/19 additional spend)	Place	0.250	0.250		
Roads (Additional funding) (2018/19 additional spend)	Place	0.250	0.250		
Capitalisation of Road Maintenance Budget	Place	0.500	0.500		
Transport Reform	Place	0.500		0.500	
Economic Development	Place	1.200		1.200	
New Ways of Working - Public Safety and Business Continuity	Place	0.130			0.130
	Total Place	7.299	2.127	3.632	1.541
Council Tax	Corporate	3.000	3.000		
Loans charges	Corporate	5.000	5.000		
Workforce Modernisation and Change Management	Corporate	0.500		0.500	
Contract Optimisation	Corporate	0.100	0.100		
EDI	Corporate	1.047	1.047		
	Total	9.647	9.147	0.500	0.000
		27.321	16.899	8.632	1.791
Parking - increase charges by average of 4.5% per annum over four years	Place	0.800	0.400	0.400	
Cultural grants	Place	0.052	0.052		
Discretionary income	Council-wide	1.000	0.750	0.250	
		29.173	18.101	9.282	1.791
			62%	32%	6%

Efficiencies workstream, 2019/20 - actions identified to date

Action	Description of Action	2019/20 £000
	Approved Budget Savings 2019-20: Operational Efficiencies at 1.55% of Net Expenditure	9,500
Management Savings (C&F)	Communities and Families will review managerial structures and will produce a revised senior management structure. The part year savings for 2019/20 are estimated at £0.64m.	640
Workforce Control (C&F)	Communities and Families will apply targeted vacancy control taking account of service needs and priorities. Essential child protection services and schools budgets will be exempt from additional vacancy controls.	700
Workforce Control (C&F)	Family & Household Support and Quality Assurance have a number of existing vacancies. These vacancies will be frozen pending a wider review of the service which will also re-structure management posts.	350
Workforce Control - Reduction in Agency and Overtime (Place)	Enhanced workforce controls will be implemented in Place to reduce overtime and agency spend. Recognising instances where permanent staff are not used for operational and economic reasons due to seasonal or irregular service patterns, an overall 5% reduction has been assumed. For illustration, this represents the equivalent of 16 FTE at grade 5.	450
Reduction in Discretionary Expenditure (Place)	Development and implementation of proposals to reduce further discretionary expenditure across the Place directorate, including staff travel.	250
Place Development - Efficiencies	Development and implementation of a range of efficiency measures. It is anticipated that the material aspects of this workstream will come from the Housing Service Improvement Plan, through a focus on productivity and efficiency; and Economic Development, through a review of third party contract arrangements.	730
Place Management - Efficiencies	Development and implementation of a range of efficiency measures.	530
Workforce Control (Resources)	A 1.55% efficiencies savings target has been allocated to Finance (£52,000), HR (£59,000) and Legal and Risk (£25,000). The saving is anticipated to be achieved as follows: Finance-employee turnover; HR-full year effect of 2018/19 Organisational Review; Legal and Risk-review of recharge rates and time recording processes.	136
Customer and Digital Services - Efficiencies	Implementation of a range of savings measures across Business Support, Customer and Digital Services, including employee turnover savings; employee savings achieved through changes in service delivery; review of existing contracts; channel shift savings; and review of income from external customers.	656
Operational Efficiencies - Lean Business Processes	Development and implementation of a pipeline of Lean reviews to simplify business processes, eliminate waste and develop lean and efficient processes, ensuring that we are making best use of our existing technologies; enabling development of a culture of continuous improvement and improving the quality and consistency of service.	1,250
Operational Efficiencies - Intelligent Automation	Development and implementation of a pipeline of reviews to automate high volume, low value repetitive business transactions to release savings, increase capacity, improve processing quality and accuracy, and enhance management information.	500
Operational Efficiencies - Income Generation	Development and implementation of proposals to generate additional income.	1,000
Operational Efficiencies - Reduction in Senior Management	Review and reconfiguration of senior management structures across the Council to reduce costs.	500
Operational Efficiencies - Procurement	This workstream will develop a range of contract management efficiencies through robust grants and contract management, with a focus on the top Council suppliers, in terms of influenceable spend; and, implement a revised approach to requisitions / purchases, to enable a targeted constructive challenge of spend.	100
Council Priorities Fund	This represents the drawdown of the balance set aside in the Council Priorities Fund which recognised the challenging nature of the £9.5m (1.55%) efficiencies savings target for 2019/20.	786
	Operational Efficiencies - Gross Actions	8,578

Action	Description of Action	2019/20 £000
Operational and Other Efficiencies - Savings Delivery Risk Adjustment	Interim risk adjustment applied against efficiencies workstream savings targets pending development of detailed savings implementation plans.	-1,500
Operational Efficiencies - Net Actions		7,078
Operational Efficiencies - Remaining Gap		2,422

Gross pressures and associated mitigations, 2019/20

Pressure	Description of Budget Pressure	2019/20 £000
Home to School Transport	Expenditure on home to school transport increased from £5.5m in 16/17 to £7.4m in 18/19. In addition, approved savings of £0.4m in 2018/19 have not yet been delivered. The majority of the additional expenditure relates to children with additional support needs and there has been a significant increase in children receiving individual or high cost shared transport.	2,700
Homelessness	The shortage of suitable temporary accommodation is leading to the service having to place individuals in bed and breakfast accommodation. This is the most costly provision as the proportionate level of housing benefit the Council receives for B&B is low in comparison to other accommodation types.	2,000
Community Access to Schools	The budget for community access to secondary schools assumes a net surplus of £1.3m but at present is achieving £0.25m. Additional PPP and facilities management charges introduced in recent years have affected the net surplus being delivered.	1,050
Schools - Demography	Demography funding provided in recent years has been insufficient to meet the full impact of rising school rolls on the cost of the budget allocations determined through the Scheme of Devolved School Management.	1,000
Schools - Non Devolved Costs	Non-devolved costs for maternity cover, grounds maintenance and other central costs are in excess of available budgets.	900
Management Savings (C&F)	Proposals for approved management savings of £0.35m have not yet been fully developed and implemented.	350
Residual Pressures 2018/19 - Waste and Cleansing	Waste and Cleansing services have experienced underlying pressures including additional employee costs and higher than anticipated Landfill Tax expenditure. Measures, including the implementation of Millerhill operations and additional contract management efficiencies, are in place to address these underlying deficits through the Waste Improvement Plan and wider budget realignment.	2,935
Residual Pressures 2018/19 - Deferred Delivery of Approved Savings (Place)	Management action will be required in 2019/20 to deliver the full impact of savings approved by Council in February 2018 including: Economic Development review (£0.3m); Fleet savings (£0.2m); Roundabout and Verge advertising (£0.2m); and Garden Waste collection (£0.5m).	1,200
Residual Pressures 2018/19 (Place)	There are a range of underlying budget pressures across Place Directorate including a shortfall in Pay and Display parking income; additional expenditure in Parks and Greenspace; and increasing legal fees relating to planning appeals.	1,820
Staff Increments 2019/20 (Place)	The estimated impact of staff increments in 2019/20 is £1.2m. Budget management measures including vacancy control and removal of discretionary spend budgets have been applied in 2018/19 and it will be significantly more challenging for managers to meet this cost than has previously been the case.	1,200
Transport Review 2019/20	There were a number of vacancies within the Transport service during 2018/19. The proposed structure within the current Roads and Transport organisational review represents an increase on current staffing. Further work will be undertaken to ensure that the final organisational structure is affordable and sustainable.	1,200
Parking Income 2019/20	In 2018/19, there was a marked change in parking behaviours which resulted in reduced pay and display income. A further provision of £0.45m is assumed against parking income in 2019/20 and this will be closely monitored on an ongoing basis.	450
Property and Facilities Management	This pressure represents residual savings of £0.903m to be achieved from the Asset Management Strategy which was approved by Act of Council 2016 and Property and Facilities Management employee turnover savings of £0.539m approved by Act of Council 2018.	1,442
	Gross Pressures	18,247

Action	Description of Mitigating Action	2019/20 £000
Homelessness - Reduction in use of Bed and Breakfast	A range of actions to reduce the use of Bed and Breakfast including 60 additional Private Sector Leasing properties (with lease premiums payable in order to attract landlords to the scheme), and 18 additional HRA properties being made available for temporary accommodation from the end of 2018/19.	1,000
Homelessness - Additional Housing Benefit	Increased income from a reduction in Housing Benefit clawbacks, resulting from a change in the mix of temporary accommodation types and the conversion of B&B properties to Shared Accommodation with access to cooking and cleaning facilities.	500
Home to School Transport	Implementation of a range of actions to seek to reduce the pressure including: A more equitable home to school transport policy; a review of individual and high cost packages to identify alternative options; a new framework agreement for external transport hire; and a Transport Allocation Panel to assess all requests for individual transport.	700
Community Access to Schools	A number of actions are being considered to seek to reduce the pressure including: transfer of the management of primary and special school lets and non-sports lets to Edinburgh Leisure; a revised opening hours model to reduce additional PPP and facilities management costs; and harmonisation of prices with Edinburgh Leisure.	600
Early Years	Maintenance of existing staffing vacancies pending reconfiguration of the organisational structure to realign staffing responsibilities to fulfil the requirements of Early Learning and Childcare Expansion.	750
Additional Income (C&F)	Fees and charges were increased by 5% on average and it is anticipated that this will deliver additional income above the level of budgeted increase.	120
Service Containment of Increment Costs (Place)	Development and implementation of a range of savings measures across service areas to offset the cost of staff increments in 2019/20.	1,200
Localities and Communities Investment Funding	The Council's budget for 2018/19 approved an allocation of £0.25m to support investment in Communities and Localities with decisions on investment approved through Locality Committees. Due to the timing of approval and the lead in time required to deliver projects, it is estimated that expenditure incurred in 2019/20 will be £0.12m.	130
Operational Efficiencies - Senior Management Review (Place)	Review of senior management arrangements within Place Management.	100
Realise Full Year Impact of Previously Approved Savings (Place)	Not all 2018-19 savings were realised in full. Management action will be undertaken to deliver the full impact of the Economic Development review (£0.3m); Fleet savings (£0.2m); Roundabout and Verge advertising (£0.2m); and Garden Waste collection.	1,200
Implement Service Reforms (Place)	Development and implementation of service reforms to be implemented in year. Potential areas for change include reforms to Council Transport Companies; and implementation of cashless parking to reduce cash handling costs.	200
Reduction in Budget Pressures (Place)	Development and implementation of proposals to challenge and reduce the impact of identified cost pressures. This will include detailed analysis of the reduction in Pay and Display parking income which emerged in 2018-19 to consider potential action to mitigate the effect.	500
Value for Money Audits (Place)	The proposal will build on case studies from other Local Authorities where VFM audits have been undertaken in terms of frequency of service operations, associated costs and citizen satisfaction. Association for Public Service Excellence (APSE) reports and recommendations will be evaluated for adoption of best practice.	300
Contract Efficiencies (Place)	Further contract management efficiencies will be negotiated and implemented in Place Management. The proposal will not impact on front line service delivery.	600
Millerhill Operations (Place)	The full year benefit of Millerhill operations will be realised in 2019-20.	1,800
Pentland Hills Operations (Place)	The proposal relates to a review of operating arrangements including consideration of the allocation of operating costs between funding partners.	100

Action	Description of Action	2019/20 £000
Re-Profile of Expenditure	Carry forward of Property and Facilities Management earmarked balance from 2018/19 to mitigate the 2019/20 budget pressure.	500
Corporate Budgets	Corporate budgets will be reviewed on an ongoing basis to seek to secure additional savings of up to £3m through a range of measures, including proactive treasury management to increase investment income and maximisation of Council Tax income through continuation of improvements in collection rates and ongoing review of the council tax base, discounts and exemptions.	3,000
Mitigation of Budget Pressures - Total Actions		13,300
Budget Pressures - Remaining Gap		4,947

EIJB approved savings, 2019/20

EIJB approved savings, 2019/20		2019/20 £000
Proposal	Description of Savings Proposal	
Grip and Control		
Transport efficiencies	Implementation of a range of efficiencies, including: the introduction of a revised assisted transport policy which aims to reduce dependency on transport provided by the Partnership, whilst maximising independence through utilising individual and community based resources; introduction of greater "grip and control" around provision of staff transport.	500
Reduction in agency staffing expenditure	A range of grip and control measures to reduce expenditure in relation to agency and supplementary staffing, particularly across the care home estate and within disability services.	700
Budget control and efficiencies in ATEC24 Service	Introduction of better grip and control in relation to the processes for requesting and authorising spend against the NHS budget for the equipment service provided by the ATEC 24 service	250
S2C GP practices	Establishment of a dedicated post will ensure greater grip and control within Section 2C GP practices and provide day to day operational support to address current projected overspends.	250
3 Conversations Model / Edinburgh Offer / Service Redesign		
Home care	Right sizing the internal home care service, to achieve a scaled, effective in-house managed service, which is focused on provision of reablement and complex care. Mainstream care at home can then be purchased from the external market.	500
Overnight home care	Modernisation of the existing overnight home care service to bring it into line with other out-of-hours/responder systems. Introduction of better continence care to reduce the need for overnight support and meet outcomes in a more cost effective and less intrusive way.	250
Overnight support	Introduction of a city-wide responder service to support a strategy of shared overnight support, aligned with better use of assistive technology. This would provide a more cost effective and less intrusive way of alternative to traditional sleepover services for those service users whose needs can be appropriately met in this way.	250
Expansion of Be Able model of day care	Increase access to the successful Be Able programme of older people's day care by refocusing our resources on providing high-end support and reablement approaches. Increase the number of Be Able sessions from 9 a week to 15 a week. Move away from the provision of internal mainstream daycare with the resulting closure of 2 day care centres.	92
Closure of Gylemuir House Care Home	The lease for Gylemuir House does not permit the physical upgrades and improvements which are necessary to meet the terms of Care Inspectorate registration. Gylemuir cannot provide this service going forward and will need to be closed. There is sufficient capacity across the rest of the care home estate to manage the immediate demand for interim care, pending a wider redesign of the bed base.	2,250
Delivery design	Reconfiguration of organisational structure to support our move towards the 3 Conversations whole-system model of delivery. Simplification of locality management structures to provide more supportive management and professional governance.	350
Mental health and disabilities services efficiencies	A range of efficiency measures within mental health and disability services, including a review of the current management arrangements for internally provided services; reviews of packages of care, aligned with the 3 Conversation model, to ensure fair and equitable provision of support in areas such as short breaks and housing with support; a review of out of Edinburgh placements for mental health.	736
Community/hospital interface	This proposal seeks to create a city-wide sustainable Hospital @ Home service as part of a wider review and rationalisation of a variety of disparate, specialist teams working within the community.	375
Other		
Scheduling efficiencies in the internal home care service	Introduction of a new IT scheduling system for the internal home care service, leading to greater efficiency in scheduling and a consequent reduction in current administration costs.	125
Uplifts to rates	Honouring the commitment to support providers to deliver the Scottish Living Wage whilst also working with those providers in 19/20 to deliver increased efficiencies and reduced costs.	550

Proposal	Description of Savings Proposal	2019/20 £000
Efficiencies in hosted and set aside services	Continue to work in partnership with NHS Lothian on this area of budget pressure.	2,140
Increases to charges	Discretionary charges for health and social care services (including care at home, day care and telecare and community alarm services) increased by 5%, pending the development of a more comprehensive charging strategy for services.	500
Prescribing	A range of prescribing efficiency measures which includes actions that have taken place in 18/19 that impact on expenditure in 19/20 have been estimated at £0.5m. Schemes for next year include; polypharmacy reviews, scriptswitch, rebates, GP practice intervention project, dietetic reviews of oral nutritional supplementation and a care home waste reduction initiative.	2,123
Total		11,941

Option	Description of Savings Option
Options published by other Local Authorities	
Roads and Transportation Review	Prioritisation and efficiency review including: out of hours service and shift working; organisational structure; overtime; vehicles; and winter maintenance.
Review of Scheme of Devolved School Management	Efficiency review of the DSM scheme including consideration of revised training allocations and review of central staffing allocations.
Early Years / Early Learning and Childcare	A review of the whole Early Years service taking account of the expanded Early Learning and Childcare (ELC) provision.
Instrumental Music Service	27 councils have introduced charging for instrumental music tuition with various discounts and exemptions applying.
Review of Culture and Leisure	A reduction in the management fee across Culture and Leisure services
Revision of staffing allocations to Schools	Re-basing all staffing allocations across Primary, Secondary and ASN schools to ensure transparency and fairness following national class size guidance and removing all ad-hoc allocations. A whole system approach to teacher wellbeing will be introduced to manage staff absence and reduce absence and supply staff.
Changes to the Level or Approach to Service Delivery	Changes to service levels including: reductions in roads service provision; reductions in ground maintenance; and reduction in the frequency of services delivered by Facilities Management.
Early Years Operational Efficiencies	Optimisation of the future operating model supporting the expansion of Early Learning and Childcare, to deliver economies of scale and operational efficiencies arising from the extended day and extended year service provision.
Specialist Teachers	Transformational change of support for pupils to a whole system approach to wellbeing and in clusters. The service will embrace third sector partners and work closely with established groups within the Community Planning Partnership to develop a whole community approach to inclusion and support for young people.
Service Prioritisation	
Service Prioritisation	The Accounts Commission <i>Challenges and Performance</i> report elsewhere on this agenda reiterates that councils cannot be expected to deliver continuous improvement across all services in the current financial climate and, by extension, requires conversations with communities on relative priorities. An extract of the relative priorities of citizens, as expressed through recent public engagement, is included as Appendix 6.

Information for other local authorities is based on a desk-based review of published budget papers. Further analysis and engagement would be required to inform budget decisions.

The online budget simulator

Process

The online budget planner presented information on how the Council currently allocates its resources. This tool allows stakeholders to view this information, make changes to the levels of spending in each service area, and understand some of the consequences that might result from making that level of change in each service area's budget. Participants had discretion to increase or decrease funding to all services in 5% increments from -20% to +10%, or to leave funding at current levels.

To encourage meaningful feedback and for ease of use, not all Council services were included in the online planner. It is estimated that Scottish Local Authorities provide in the region of 600 to 700 distinct services, and the complexity of this level of financial information would discourage public engagement and inclusive engagement.

Services with large budgets were included automatically – such as schools and care. Smaller services were grouped together if they were closely related and their combined revenue budgets exceeded £3m. Purely internal services such as Human Resources and Finance had their budgets proportionately allocated to the services they support. This last decision was taken to provide insight into how participants would make meaningful choices between services they receive, rather than reduce funding in areas where they believed there would be no consequences for service delivery.

Initially, participants needed to balance the budget over four years before they could submit (around 11% savings were needed), but this was relaxed after six weeks to allow respondents to submit a one-year budget.

Insights

The following table shows the average change in all service areas included in the online planner.

Fig 2. Average change for all services, for all submitted budgets using the online planner

Services	Average change
Mental health services	-3.8%
Care at home for older people	-4.8%
Roads, transport and infrastructure	-5.0%
Secondary schools	-5.3%
Primary schools	-5.4%
Services for people with disabilities	-5.4%
Residential care for older people	-5.4%
Waste, cleansing and environmental wardens	-6.3%
Residential care for children, child protection services and additional support for learning	-6.6%
Parks, greenspace and local environment	-7.1%
Culture	-7.1%
Nursery schools, nursery classes and early years centres	-7.2%
Economic development	-8.2%
Planning, building & trading standards and environmental health	-8.5%
Sport and leisure	-8.6%
Community learning and development	-8.9%
Community safety and CCTV	-8.9%
Libraries	-9.1%

The amount of spending on **mental health services** was reduced by less than any other service area and had the largest proportion of participants (13%) who balanced their budgets and increased spending in this area. There was strong agreement about the importance of mental health services across all demographic groups, with Council colleagues making the largest overall reduction to this service area (-5%). Amongst those who submitted only a one-year budget, there was no net reduction in spending in this area.

Care at home for older people had an overall reduction of 4.8%. There were obvious demographic and age differences in relation to participant budgets for this service; men reduced this service area by twice as much (-5%) as women (-2%); and younger participants made larger reductions (-5%, those aged under 25) compared to older participants (-3%, those aged 45 and over).

Roads, transport and infrastructure spending was reduced by 5% overall, and showed no large differences by demographic group. However, 12% of participants wanted to see spending in this area increase – this was the second highest proportion of participants whose budgets included an increase after mental health services.

Spending on **primary schools** and **secondary schools** was very similar, with both having an overall reduction of just over 5%. Parents of school-age children made only a 4% reduction in both services; perhaps unsurprisingly, parents of school-age children prioritised primary and secondary schools over all other service areas – including nursery schools and child protection services. Spending on schools tended to be reduced by more by older participants (-6% to -8%, those aged 45 and over) and by Council colleagues (-8%).

Services for people with disabilities had a 5.4% overall reduction and was reduced by men (-6%) more than women (-3%). The same pattern was observed for **residential care for older people**, with an overall 5.4% reduction and larger reductions from men (-6%) than women (-4%). However, unlike care at home, there was no strong pattern in submitted budgets based on the age of participants, with younger and older participants making similar choices.

Waste, cleansing and environmental wardens had a net budget reduction of 6.3%. Council colleagues made the largest reductions (-8%) of any group, with the smallest reductions (-4%) made by those aged 65 and over.

Spending on **residential care for children, child protection services and additional support for learning** had an average reduction of 6.6%. Participants aged over 65 made much larger cuts (-9%), as did men (-8%), while parents made a reduction only slightly better than the average (-6%).

Parks, greenspace and the local environment had a net 7.1% reduction, with the largest reduction being made by those aged under 25 (-9%), compared to only a 6% amongst those aged 65 and over.

Spending on **culture** was reduced by 7.1% on average, with Council colleagues making a 10% reduction overall and the smallest reductions being made by participants under 25 (-6%) and women (-6%).

The 7.2% reduction in the budget for **nursery schools, nursery classes and early years centres** was the largest of any of the education services. While Council colleagues cut this budget by 7%, this was less than they reduced primary and secondary budgets (-8%). Those aged 65 and over made an overall reduction of 10% for this budget – the joint-highest reduction this age group made for any service area.

The 8.2% reduction in spending on **economic development** includes the most divergent views amongst participants. Those aged under 25 made an average reduction of only 4%, and by contrast those in other age groups made reductions of 9%. Council colleagues and parents both targeted the service with larger cuts, each group submitting average 11% reductions – this was the highest reduction parents made to any service area.

Planning, building & trading standards and environmental health had an average 8.5% reduction in spending. This was consistent across most age groups, with only those aged 65 and over cutting the service by 6%. This service grouping showed the smallest change in overall budget change based on the total saving submitted by participants – those who submitted only a one-year budget reduced spending on this area by 7%, compared to those who submitted a four-year budget reducing spending by 13% – a gap of only 6%. By contrast, the gap between one-year and four-year budgets were 18% for primary schools, 13% for mental health services, and 10% for culture.

Participants reduced spending on **sport and leisure** by 8.6%. The group making the smallest reduction overall were those aged 65 and over (-6%), while Council colleagues made the largest reduction (-11%) and most other groups were similar.

The 8.9% reduction in **community learning and development** included the largest reduction made by Council colleagues (-12%) and reductions tended to increase as participant age increased. Those aged under 25 made average 7% reductions, increasing to 10% reductions amongst those aged 65 and over.

Community safety and CCTV was reduced by an average of 8.9% and showed little variation amongst demographic groups.

Libraries had their budgets reduced by, on average, 9.1%. This service had one of the largest reductions in one-year budgets (7%, joint equal with economic development), but also had one of the largest reductions in four-year budgets (17%, joint fourth overall). There were no significant differences by demographic group.

Proposed changes to building fees for site inspections and completion of work certificates with effect from 1 July 2019

Category	Scale	Current Fees and Charges	New Fees and Charges
Property Inspections (PI) Domestic	Site visits	£125.00	£375.00
Property Inspections (PI)	Site visits	£50.00	£100.00
Confirmation of Completion – Commercial	Estimated work cost up to £10,000	£250.00	£500.00
	Estimated work cost up to £30,000	£460.00	£920.00
	Estimated work cost up to £50,000	£580.00	£1,160.00
	Estimated work cost up to £80,000	£760.00	£1,520.00
	Estimated work cost up to £100,000	£880.00	£1,760.00
	Estimated work cost up to £200,000	£1,380.00	£2,760.00
	Estimated work cost up to £300,000	£1,880.00	£3,760.00
	Estimated work cost up to £400,000	£2,380.00	£4,760.00
	Estimated work cost up to £500,000	£2,882.00	£5,764.00
	Estimated work cost up to £600,000	£3,755.00	£7,510.00
	Estimated work cost up to £750,000	£4,630.00	£9,260.00
	Estimated work cost over £750,000	By Arrangement	By Arrangement
	Confirmation of Completion -Domestic	Site Visit	£125.00
Site Visit		£50.00	£100.00