

Governance, Risk and Best Value Committee

10.00am, Tuesday 28 November 2017

Revenue Monitoring 2017-18 - Month Five Position - referral from the Finance and Resources Committee

Item number	7.4
Report number	
Wards	All

Executive summary

On 7 November 2017 the Finance and Resources Committee considered a report that set out the projected overall position for the Council's revenue expenditure budget for 2017/18 based on analysis of period five data. The report has been referred to the Governance, Risk and Best Value Committee for consideration as part of its work programme.

Terms of Referral

Revenue Monitoring 2017/18 – Month Five Position

Terms of referral

- 1.1 On 28 September 2017 the Finance and Resources Committee noted the current projections of expenditure and income with mitigating actions identified to bring net expenditure back in line with approved levels over the remainder of the year
- 1.2 On 7 November 2017 the second quarterly revenue monitoring report for 2017/18 was presented which set out the projected overall position for the Council's revenue expenditure budget for 2017/18 based on analysis of period five data.
- 1.3 The Finance and Resources Committee agreed:
 - 1.3.1 To note that, in light of the further tightening of financial and workforce controls, additional anticipated income and prioritisation of discretionary expenditure, a balanced position for the year was now projected by the year-end.
 - 1.3.2 To note that attainment of this position would require active management of risks and pressures, particularly those of a demand-led nature, for the remainder of the year.
 - 1.3.3 To note the balanced position projected on the Housing Revenue Account (HRA) after making a £11.58m planned contribution towards housing investment.
 - 1.3.4 To agree the Spend to Save application in respect of the Edinburgh International Climbing Arena and refer this decision to Council for ratification of use of the Fund.
 - 1.3.5 To refer the report by the Executive Director of Resources to the Governance, Risk and Best Value Committee as part of its work programme.

For Decision/Action

- 2.1 The Finance and Resources Committee has referred the report to the Governance, Risk and Best Value Committee on 28 November 2017 for consideration as part of its work-programme.

Background reading / external references

Finance and Resources Committee 7 November 2017.

Laurence Rockey

Head of Strategy and Insight

Contact: Louise Williamson, Assistant Committee Clerk

E-mail: louise.p.williamson@edinburgh.gov.uk | Tel: 0131 529 4264

Links

Appendices

Appendix 1 - report by the Executive Director of Resources

Finance and Resources Committee

10.00am, Tuesday, 7 November 2017

Revenue Monitoring 2017/18 – month five position

Item number	7.3
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive summary

Members considered an interim period five-based revenue monitoring update at the Finance and Resources Committee's meeting on 28 September 2017. While underlying pressures within Health and Social Care and Safer and Stronger Communities contributed to a projected overall overspend, net of mitigating actions, of £4m, the report indicated that a further tightening of financial and workforce controls had been introduced in September 2017. Alongside prioritisation of discretionary expenditure and anticipated additional income, implementation of these actions contributes to a projected overall position by the year-end that is now balanced. Attainment of this outcome is, however, dependent upon active management of risks and pressures for the remainder of the year.

Revenue Monitoring 2017/18 – month five position

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
- 1.1.1 note that, in light of the further tightening of financial and workforce controls, additional anticipated income and prioritisation of discretionary expenditure, a balanced position for the year is now projected by the year-end;
 - 1.1.2 note that attainment of this position will 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;
 - 1.1.4 consider the Spend to Save application in respect of the Edinburgh International Climbing Arena and, subject to approval, refer this decision to Council for ratification of use of the Fund; and
 - 1.1.5 refer this report to the Governance, Risk and Best Value Committee as part of its work programme.

2. Background

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

3. Main report

- 3.1 This report represents the second 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.

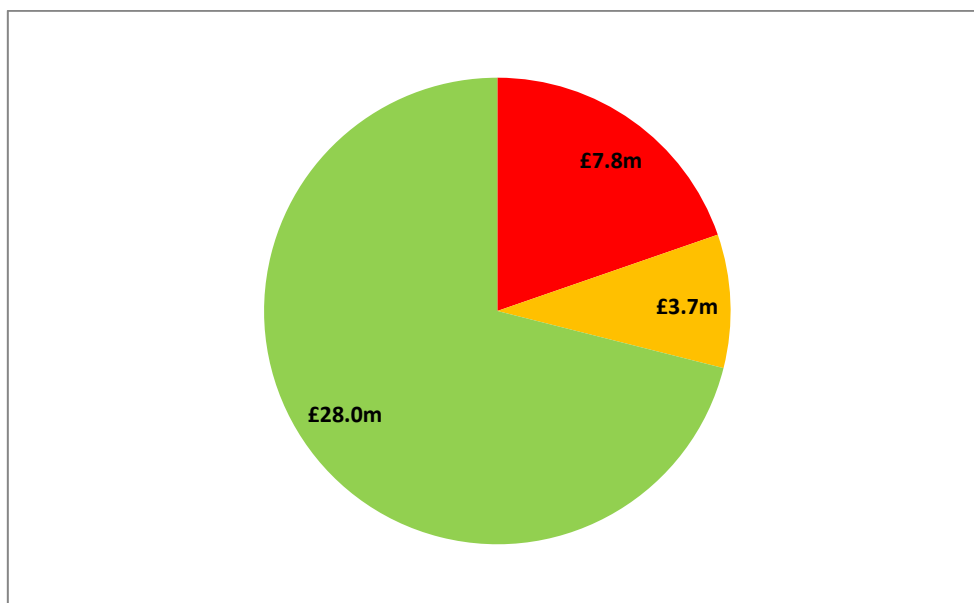
Overall position

- 3.3 Members considered an interim period five-based revenue monitoring update at the Finance and Resources Committee's meeting on 28 September 2017. The report indicated a projected overall year-end overspend of £4m, representing the net effect of significant overspends in Health and Social Care (£9.1m) and Safer and Stronger Communities (£3.5m) offset by one-off savings (or savings already assumed in the budget framework in future years) of £8.6m.
- 3.4 In light of the projected position at that time, the report indicated that a further tightening of financial and workforce controls had been introduced. Alongside prioritisation of discretionary expenditure, anticipated additional income and active management of risks and pressures for the remainder of the year, implementation of these actions contributes to a projected overall position that is now balanced by the year-end. A high-level service analysis is included as Appendix 1, with details of the mitigating actions or savings set out in the relevant following sections. Attainment of this position will require sustained and proactive management of known and emerging risks and pressures across all service areas throughout the remainder of the year. A progress update will therefore be provided as part of the period eight-based report to be considered at the Committee's next meeting on 23 January 2018.
- 3.5 In interpreting this overall position, it should be noted that of the total of £10.6m of underlying net pressures within Health and Social Care and Safer and Stronger Communities, £2.63m are being addressed by means of one-off reductions or slippage in expenditure, £3.91m 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 current-year pressures have therefore been reflected within the revenue budget framework as reported to the Finance and Resources Committee on 27 October.

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 September, 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 – September 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 also noted below.

Service-specific budgets - Communities and Families

- 3.10 As of period five, subject to on-going work reviewing the delivery of approved savings and the effectiveness of planned mitigating actions in respect of any material shortfalls, the Executive Director of Communities and Families is committed to delivery of an overall underspend of £1.0m in 2017/18.
- 3.11 A prioritised review of discretionary spend and the one-off service investment approved as part of the budget has also been undertaken, resulting in the identification of a £1m reduction in expenditure, included in the overall outturn above, that is available to offset net pressures apparent elsewhere within the Council.
- 3.12 This position is, however, dependent in particular upon management of a number of demand-led service pressures identified within the directorate budget, including increased use of out-of-Council area accommodation placements and transitional costs arising from the transfer of non-core hour management of school sports facilities to Edinburgh Leisure.

Health and Social Care

- 3.13 The month five outturn forecast reflects significant demand-led pressures within Health and Social Care, showing a gross overspend of £11.9m. This forecast position takes account of the delivery of £3.9m of savings associated with the organisational review but includes £6.03m of slippage on planned transformation-related purchasing savings.
- 3.14 In addition to the non-delivery of savings of £6.03m, the 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 £3.8m, after the application of £2.2m of recurring funding from the Social Care Fund (SCF) approved by the Edinburgh Integration Joint Board (EIJB). In recognising the financial impacts of demographic growth, however, a recommendation will be made to the EIJB's meeting on 17 November 2017 to release from the SCF on a recurring basis the £2m provision for additional inflation, reducing the overall overspend in this area to £1.8m.
- 3.15 Other smaller pressures and savings across the Health and Social Care budget are projected to deliver £0.6m of net savings to offset the above pressures, bringing the forecast overall overspend to £7.1m.
- 3.16 In recognition of the severity of the overall service projection, 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 attend the Committee's meeting to provide an overview of the emerging conclusions from this work.
- 3.17 In the interim, work is being progressed to identify and implement remedial measures to address the projected overspend, including additional controls on recruitment and agency spend. Business cases and detailed implementation plans for a number of transformation-based initiatives are being developed. A Savings Governance Board has also been created to monitor delivery of the projects and workstreams which form part of the financial recovery plan and to consider additional savings proposals.

Place

- 3.18 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.
- 3.19 As of period five, the Executive Director of Place has identified net budget pressures of £4.43m (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

- 3.20 Based on analysis of the period five 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 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)

- 3.21 The period five-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

- 3.22 Significant service pressures are being faced as a result of temporary accommodation management fees being removed from Housing Benefit eligibility with effect from April 2017, combined with changes to the benefits cap which also impact on Housing Benefit income. These pressures are being exacerbated by increasing demand for both Bed and Breakfast and Short-Term Let accommodation as a result of longer average lengths of stay and a shortage of available “move-on” accommodation.
- 3.23 The total projected unfunded budget pressure is currently £8.5m which is partially offset by mitigations totalling £5.0m, resulting in a net residual unfunded budget pressure of £3.5m. Following the Council-wide review of discretionary expenditure, £0.17m of uncommitted one-off service investment has been identified that is available to mitigate the overall service overspend to £3.33m.
- 3.24 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.

Corporate budgets

- 3.25 The update report considered by the Finance and Resources Committee on 28 September 2017 indicated that a review of the size and profile of the Council Tax base, taking into account property numbers and bands, Single Person

Discount entitlement and recent years' collection rates, pointed to an increase in projected Council Tax income in 2017/18 of £2m. Based on the most current data, it is now estimated that a further £0.54m of additional income is available to offset pressures elsewhere within the Council.

- 3.26 Based on an analysis of anticipated in-year capital spend and continuation of the policy of no new external borrowing, loans charge savings of £1m relative to budgeted levels are also anticipated.
- 3.27 In both of the above areas, in-year monitoring will continue over the remainder of the year to determine whether any further savings relative to budget might become available.
- 3.28 Following the conclusion of the 2016/17 audit and ratification by Council of the annual accounts, approval has been secured to apply the 2016/17 underspend (£1.058m) and sums previously earmarked in respect of (i) welfare reform-related changes (£2m) and (ii) works in buildings sharing similar design characteristics to the Council's PPP1 schools (£1m) in the current year. Taken together, these measures address £4.058m of net expenditure pressures elsewhere, allowing a balanced overall position to be projected.

Other areas

Housing Revenue Account

- 3.29 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.

Spend to Save application

- 3.30 Members of the Committee may be aware that the Council operates a spend to save fund, whereby upfront revenue investment is provided to support the taking forward of projects that will deliver savings in subsequent years. This investment is then repaid according to savings profiles agreed upon approval of the project concerned, allowing the fund to support eligible schemes on an ongoing basis.
- 3.31 An application has been received from Edinburgh Leisure (EL) in respect of installing a mains sewer connection for the Edinburgh International Climbing Arena (EICA), further details of which are provided in Appendix 3. While operated by EL, the EICA is owned by the Council and the proposed investment will enhance a Council-owned asset. The installation cost of the connection is estimated at £0.437m, with consequent annual savings of £0.09m, resulting in a 4.9-year payback period. EL has confirmed that, should the actual cost exceed this level, the excess will be met directly by EL. Members of the Committee are asked to consider this application and, if approved, refer the decision to Council for ratification of use of the Fund.

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. This process has resulted in an improvement in the month five position relative to that projected at period three and, subject to management of other risks and pressures, attainment 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.

10. Background reading/external references

Service monitoring statements for period five.

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

[Revenue Monitoring 2017-18 - month three position](#) – 5 September 2017

[Revenue Budget Monitoring 2017- 18 - update](#) – 28 September 2017

Stephen S. Moir

Executive Director of Resources

Contact: Hugh Dunn, Head of Finance

E-mail: hugh.dunn@edinburgh.gov.uk | Tel: 0131 469 3150

11. Appendices

Appendix 1 – Service analysis, Period 5

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

Appendix 3 – Spend to Save funding application – Edinburgh International Climbing Arena

REVENUE MONITORING 2017-18

PERIOD 5 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	341,818	149,545	151,464	1,919	1.3%	340,818	(1,000)	(0.3%)
Place	64,042	26,684	29,624	2,940	11.0%	64,042	0	0.0%
Resources	165,635	69,769	68,371	(1,398)	(2.0%)	164,175	(1,460)	(0.9%)
Health and Social Care	184,123	75,305	79,175	3,870	5.1%	191,223	7,100	3.9%
Chief Executive	11,088	5,784	5,634	(150)	(2.6%)	10,720	(368)	(3.3%)
Safer and Stronger Communities	25,857	12,684	15,247	2,563	20.2%	29,187	3,330	12.9%
Valuation Joint Board Requisition	3,741	1,559	1,559	0	0.0%	3,741	0	0.0%
General Fund Services Subtotal	796,304	341,330	351,074	9,743	2.9%	803,906	7,602	1.0%
Other income and expenditure								
Net Cost of Benefits	(62)	(26)	100	126	n/a	(62)	0	0.0%
Early Release Costs	1,500	625	1,428	803	0%	1,500	0	0.0%
Other non-service specific costs	23,639	9,850	5,773	(4,076)	0%	23,639	0	0.0%
Interest and investment income	(8,811)	0	0	0	0%	(8,811)	0	0.0%
Loan Charges	115,019	0	0	0	0%	114,019	(1,000)	(0.9%)
Contributions to Earmarked Funds	6,137	0	0	0	0%	3,137	(3,000)	(48.9%)
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)	(110,976)	(110,976)	0	0%	(268,886)	(2,544)	(1.0%)
- Council tax reduction scheme	23,277	9,699	9,699	0	0%	23,277	0	0.0%
General Revenue Grant	(335,598)	(139,833)	(139,833)	0	0%	(335,598)	0	0.0%
Distribution from NDRI pool	(355,063)	(147,943)	(147,943)	0	0%	(355,063)	0	0.0%
In-year overspend / (underspend)	0	(37,273)	(30,678)	6,596	2.9%	0	0	n/a

BUDGET SAVINGS RAG ASSESSMENT, SEPTEMBER 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	Work is currently being progressed to achieve the approved savings via agreed business cases for proposals focussed on asset-based assessment, support planning and brokerage, telecare, etc. Work has also begun to identify further opportunities, both centrally and through locality management for schemes that include: targeted reviews to reduce cost of care packages; business process redesign and; tackling delays across the system.
Telecare	Health and Social Care	960	960	0	0	Business cases for savings yet to be finalised and actioned	
Review Team	Health and Social Care	300	300	0	0	Business cases for savings yet to be finalised and actioned	
Support planning and brokerage	Health and Social Care	2,880	2,880	0	0	Business cases for savings yet to be finalised and actioned	
Review of financial allocation system	Health and Social Care	750	750	0	0	Business cases for savings yet to be finalised and actioned	
Reablement 2	Health and Social Care	510	510	0	0	Business cases for savings yet to be finalised and actioned	
Total Health and Social Care			6,030				
Place	Environment	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	1,720	0	0		
Total all areas			7,750				

Spend to Save proposal - Edinburgh International Climbing Arena - connection to main sewer

Project	Description	Outcome	Coalition Pledges and Council Outcomes	Funding	Risk	Payback Period
Edinburgh International Climbing Arena (EICA) - connection to main sewer	<p>The EICA is managed on the Council's behalf by Edinburgh Leisure. EICA was originally constructed without a connection to the mains sewerage system. The current system of waste removal involves EL pumping the waste to a holding tank, where it is uplifted by a private contractor by tanker on average two to three times per day. This has significant on-going cost implications and is not environmentally-friendly.</p> <p>The proposal is to create a permanent connection to the mains sewerage system using the nearby farmer's field. Heads of terms have been agreed in principle. Construction is planned between January and March so that the farming business will not be affected.</p>	<p>Net annual savings of £0.09m will be generated. The proposal will also reduce energy costs and emissions associated with pumping effluent to the holding tank and subsequent uplift by tanker.</p>	<p>A Resilient City – our built and natural environment is protected and enhanced - Edinburgh is clean, attractive and well looked-after</p>	<p>£437,000</p>	<p>Low</p>	<p>4.9 years</p>