

Transport and Environment Committee

10am, Tuesday, 27 October 2015

Services for Communities Financial Monitoring: 2015/16 – Half Year Position

Item number	7.10
Report number	
Executive/routine	
Wards	

Executive summary

Services for Communities (SfC) is forecasting the following outturn positions against its approved 2015/16 revenue and capital budgets:

- General fund revenue budget – balanced
- General fund capital budget – £1.6m slippage

These forecasts should be considered in the context of significant pressures and risks in both capital and revenue budgets.

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	SO4

Services for Communities Financial Monitoring: 2015/16 – Half Year Position

Recommendations

- 1.1 It is recommended that the Transport and Environment Committee notes Services for Communities (SfC) financial position and the actions underway to manage pressures.

Background

- 2.1 SfC provides a diverse range of services and budget management presents significant complexity, challenges and risks. The gross revenue budget for SfC stands at £460m. Taking account of income, the net revenue budget is £133m. The general fund capital allocation for SfC is £86m.
- 2.2 At month 3 the Department was reporting a balanced position for both general fund revenue and capital budgets. This was after proposing additional savings measures of £1.65m to address pressures in Health and Social Care budgets. These measures were considered by Finance and Resources Committee on 27 August 2015 and approved by Council on 17 September.
- 2.3 This report provides updated forecasts based on financial performance for the first half of the financial year.

Main report

- 3.1 SfC is currently projecting a balanced position for 2015/16, although it is reporting significant pressures and risks.

Pressures and Risks

- 3.2 Finance staff have worked closely with service managers to review and re-assess the main pressures and risks in the SfC revenue budget. The most material continue to be:
 - a Corporate Property Savings Shortfall - £4.1m
The Integrated Property and Facilities Management improvement programme (iPFM) has not delivered the level of savings originally anticipated. Corporate Property have identified a number of measures to address this pressure, and the shortfall has reduced significantly from the £5.5m reported at month 3.

b Waste Services Shortfall - £2.2m

This pressure is due to a number of factors, including additional landfill tax, removal of food waste grants, staffing budget pressures, additional vehicle costs, recycling redesign delays and increasing waste volumes. In addition, the time taken to secure agreement to implement savings in public conveniences has contributed to this pressure.

c Property Repairs and Maintenance

The reactive property repairs and maintenance budget was overspent by £1.5m in 2014/15. This level of expenditure was required to make properties wind and watertight and meet all health and safety requirements. An additional £2m has been provided in the current financial year, but there is still a risk that it will not be sufficient.

d Edinburgh Building Services (EBS)

A combination of an increase in operating costs due to changes in terms and conditions and a reduction in income has created a gap in the surplus projected for EBS Housing.

Savings Implementation

- 3.3 The SfC budget for 2015/16 contains £10.5m of new savings, £7.5m of which were approved in February 2015 with the balance having been approved in previous budgets. The implementation of each saving is being tracked and reviewed by SfC senior management team on a monthly basis.
- 3.4 Savings are given a red, amber or green status, depending on the level of confidence there is that they will be delivered. At the half year, 50% of savings have a green status, 18% have an amber status and 21% have a red status. The savings with a red status relate to Corporate Property and are included in the pressure described in paragraph 3.2.

Contingency Planning

- 3.5 In view of the financial challenges described above, SfC needs to implement a number of measures to ensure that expenditure can be contained within budget. Currently, a contingency of £3.1m has been created by reducing budgets across the service on a one-off basis. These measures are being carefully monitored and reported to SfC senior management team alongside SfC's other savings.
- 3.6 In addition, there are £2.5m of earmarked balances remaining, which may be used to address shortfalls in Waste and Corporate Property.

- 3.7 Together these measures are insufficient to address pressures and risks in full. In order to achieve a balanced position, the Director of Services for Communities continues to review all budgets to determine where pressures may be reduced and additional income may be generated. Last financial year, following the decision to stop discretionary/non-committed expenditure in the last quarter, there were significant under spends in Transport, Neighbourhood budgets. There was also an increased level of planning and building warrant income.
- 3.8 If pressures cannot be contained, it may be necessary to implement further budget reductions to manage risks and pressures.

Capital Investment Programme (CIP)

- 3.9 The capital monitoring team within Finance has worked closely with project managers to revise forecasts for capital expenditure.
- 3.10 At the half year SfC is projecting £1.6m of slippage against its general fund capital budget. The lack of design capacity following a number of recent resignations is resulting in delays to the carriageways and footways programme and other transport projects. This has contributed to £1.1m of slippage. SfC is hoping to recruit to these posts by November, but delays are still anticipated. In addition, the project to replace the cremators at Mortonhall has been combined with roof replacement works. This generates economies of scale and minimises service disruption, but will result in slippage of £0.4m.
- 3.11 In order to reduce the level of slippage, the Acting Director of Services of Communities is seeking to accelerate other capital projects, where this is practical. This includes bringing forward school boiler replacements and other essential works within the Asset Management Programme.

Measures of success

- 4.1 General fund revenue expenditure for 2015/16 is within budgeted levels.
- 4.2 Successful delivery of the SfC's capital investment programme within budget levels.

Financial impact

- 5.1 There are no direct financial implications arising from this report.

Risk, policy, compliance and governance impact

- 6.1 There are no direct risk, policy, compliance or governance implications arising from this report.

Equalities impact

- 7.1 The contents of this report, analysis and recommendations do not impact the Equality Act 2010 public sector general equality duty.

Sustainability impact

- 8.1 Successful delivery of SfC's budget will support continued improvement in environmental standards such as cleanliness and recycling.

Consultation and engagement

- 9.1 Consultation on budget proposals was undertaken as part of the Council's budget process.

Background reading/external references

None.

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Links

Coalition pledges	P30 – Continue to maintain a sound financial position including long term financial planning
Council outcomes	CO25 – The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	SO4 – Edinburgh's communities are safer and have improved physical and social fabric
Appendices	