

Transport and Environment Committee

10am, Tuesday, 12 January 2015

Services for Communities Financial Monitoring: 2015/16 – Month 8 position

Item number 8.6
Report number
Executive/routine
Wards

Executive summary

The services previously included in the Services for Communities directorate (SfC) are forecasting the following outturn positions against approved 2015/16 revenue and capital budgets:

- General fund revenue budget – balanced; and
- General fund capital budget – £2.4m 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 the financial position of the Services for Communities (SfC) account and the actions underway to manage pressures.

Background

- 2.1 The services previously provided by SfC comprise a diverse range of services and budget management presents significant complexity, challenges and risks. The gross revenue budget for these services is £460m. Taking account of income, the net revenue budget is £133m. The general fund capital allocation for SfC is £86m.
- 2.2 At the half year, the acting director of SfC reported a balanced position for both general fund revenue budgets and £1.6m of slippage against capital budgets. This was after proposing additional savings measures of £1.65m to address pressures in Health and Social Care budgets.
- 2.3 This report provides updated forecasts based on financial performance for the first eight months of the financial year.

Main report

Revenue Budget

- 3.1 A balanced position continues to be forecast for the services previously comprising SfC, although there are 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 - £3.7m

The Integrated Property and Facilities Management improvement programme (iPFM) has not delivered the level of savings originally anticipated.

Corporate Property has identified a number of measures to address this pressure, and the shortfall has reduced slightly from the £4.1m reported at the half-year.

b Waste Services Shortfall - £2.7m

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.

e Temporary Accommodation

Increased demand for temporary accommodation has resulted in additional expenditure on bed and breakfast accommodation. This has created an expenditure pressure of £1m.

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 Council approved a £1.65m increase to the savings requirement on 17 September 2015 in order to address pressures in Health and Social Care. The implementation of each saving is being tracked and reviewed by Place 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 month 8, 74% of savings have a green status, 5% 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.
- 3.5 It should be noted that £2.4m of savings currently classed as green, have been achieved by mitigating actions, rather than through the original proposals. A list of these savings and mitigating actions is included in Appendix 1.

Contingency Planning

- 3.6 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.
- 3.7 The Head of Housing and Regulatory Services has put forward a package of measures to address £1.7m of pressures within the Housing service. The measures include vacancy management, voluntary release, ensuring that recharges to the HRA are correct and acceleration of 16/17 savings.
- 3.8 In addition, there are £2.5m of earmarked balances remaining, which may be used to address shortfalls in Waste and Corporate Property.
- 3.9 Together these measures are insufficient to address all risks in full. In order to achieve a balanced position, the Executive Director of Place continues to review all budgets to determine where pressures may be reduced and additional income may be generated.

Capital Investment Programme (CIP)

- 3.10 The capital monitoring team within Finance has worked closely with project managers to revise forecasts for capital expenditure.
- 3.11 At the half year the Executive Director of Place is projecting £2.4m of slippage against general fund capital budgets. As reported at the half-year, lack of design capacity following a number of resignations has resulted in delays to the carriageways and footways programme and other transport projects. This has contributed to £1.7m of slippage. 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.
- 3.12 In order to reduce the level of slippage, the Executive Director of Place 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	

Appendix 2

Delivery of Approved Savings by Alternative Measures

Service Area	Original Proposal	Saving £m	Mitigating Action
Service-wide	Reduce expenditure on agency staff	(0.477)	Vacancy management pending organisational review
Corporate Property	Corporate Catering service delivery	(0.192)	Economies of scale from increase school meal uptake
Transport	Review Taxi Card provision	(0.500)	Vacancy management pending organisational review
Transport	Review value for money in supported bus services	(0.200)	Vacancy management pending organisational review
Community Safety	Develop in-house service for Licensing training	(0.050)	Vacancy management pending organisational review
Service-wide	Share of Council-wide workforce savings	(0.848)	Vacancy management pending organisational review
Community Safety	CCTV Monitoring Rationalisation Combine Services	(0.025)	Vacancy management pending organisational review
Environment	Increased enforcement and education	(0.125)	Vacancy management pending organisational review