

Transport and Environment Committee

10.00am, Thursday, 5 October 2017

Place Directorate - Revenue Monitoring 2017/18 – month three position

Item number	7.9
Report number	
Executive/routine	
Wards	All
Council Commitments	C16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 43

Executive summary

The report sets out the detailed projected month three revenue budget monitoring position for Place Directorate. The report also includes an update on the provisional month five position.

Operational cost pressures are being faced by the service which are predominantly within the Waste and Roads services. At month three, management actions had been identified and delivered to address some of the continuing structural budget deficit, in year operational pressures and approved savings. This left a projected unfunded budget pressure of £7.104m towards which further mitigations totalling £6.100m had been identified but not yet brought to fruition. An over spend against budget of £1.004m was projected at period three.

An update on the provisional Council revenue monitoring position at month five was received by Finance and Resources Committee on 28 September 2017. For Place Directorate budget pressures of £4.430m were identified at period five. A corresponding set of actions has now been developed to fully offset pressures 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 mitigation delivery.

Place Directorate remains fully committed to making all efforts to deliver identified mitigations. This will be realised by enforcing reductions in discretionary spend, augmentations to existing improvement plans and seeking to accelerate action planned for 2018/19.

Place Directorate - Revenue Monitoring 2017/18 – month three position

1. Recommendations

- 1.1 It is recommended that the Transport and Environment Committee notes:
- 1.1.1 the net projected residual budget pressure of £1.004m after identified mitigations which remained at month three;
 - 1.1.2 that approved savings in 2017/18 totalling £7.323m are currently 72% on target to be delivered; £5.293m. The net projected residual budget pressure includes management plans to deliver the remaining savings.
 - 1.1.3 that Place Directorate has now identified proposed remedial measures to address the projected overspend position and while a number of risks remain around delivery of mitigating actions, a break-even position is now being forecast in the provisional month five monitoring.

2. Background

- 2.1 The total 2017/18 approved gross budget for Place Directorate is £197.800m. The net budget is £64.000m after adjusting for income from other parts of the Council, external grants and other income.
- 2.2 This report sets out the projected overall position for the Place Directorate revenue expenditure budget for 2017/18 at month three of the financial year.

3. Main report

- 3.1 Place Directorate face significant budget pressures in 2017/18 in respect of continuing structural budget deficits, identified in year pressures and approved 2017/18 savings. Management action has already been successfully delivered to address elements of this leaving a unfunded budget pressure at month three of £7.104m. Further mitigations had been identified but not yet brought to fruition totalling £6.100m.
- 3.2 Work was initiated by the Place Management Team to identify further solutions to be brought forward in 2017/18 to bridge the £1.004m budget gap. This included examination of opportunities to develop the supporting detail of the improvement plans for Roads and Waste Services with a view to offsetting in

year pressures and re-attaining financial sustainability in these areas over the medium term. Improvements towards achieving a balanced budget have materialised month on month and we expect this to continue.

Unfunded Budget Pressures - £7.104m

- 3.3 At month three, projected unfunded budget pressures of £7.104m were identified.

The main budget pressure resides within Waste Services. The period three forecast was £6.953m. There is a continuing structural budget issue in this area. To address this there is a four year plan spanning 2017-2020 to bring the collective Environment service into a balanced budget position. Within the £6.100m of mitigations referred to in 3.1, £3.523m refer to Environment and relate to cost efficiencies from full implementation of transformation savings, planned de-fleeting of vehicles and the winding down of current rail haulage arrangements. The forecast has improved from period two and we expect this to continue.

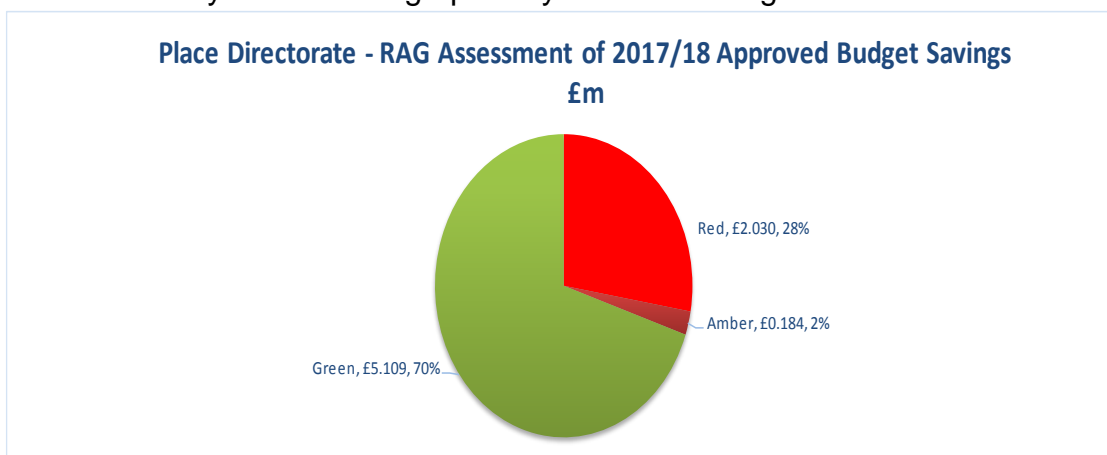
At month three there was a forecast budget pressure within Roads Services of £3.250m. As with the Environment service there is a plan to bring the Roads service into a balanced budget position. £1.000m of the mitigations referred to in 3.1 are in respect of planned improvements in this service. The forecast has improved from period two and we expect this to continue.

Other mitigations planned to be delivered Directorate wide when combined with identified underspends against budget left a net forecast unfunded budget pressure of £1.004m at month three. Place Directorate initiated work to identify, as a priority, appropriate remedial measures to address the full projected overspend.

Approved Budget Savings 2017/18 - £7.323m

- 3.4 The approved savings for Place Directorate in 2017/18 total £7.323m.
- 3.5 A red, amber, green (RAG) analysis is undertaken in consultation with Heads of Service. Delivery of all savings is monitored monthly by the Place Senior Management Team. At month three this indicated that 72% of these savings, £5.293m were assessed as green or amber. Actions have been identified to deliver the remainder of the savings. Progress in the delivery of the savings programme is reviewed regularly.

The RAG analysis is shown graphically in the following chart:



Further Management Action

- 3.6 The total projected budget pressure, at month three was £7.104m including any as yet unrealised savings. Mitigating management action to deliver further savings of £6.100m had been identified at month three leaving a residual £1.004m of further efficiencies to be found to deliver a balanced budget. This total includes planned management action to deliver approved budget savings.
- 3.7 Some of the management actions that have already been identified are one-off in nature, meaning that, although they assist in addressing the immediate challenge in 2017/18, a permanent sustainable solution still needs to be identified. Work is ongoing to identify options to achieve a permanent solution.
- 3.8 Place Directorate is committed to delivering mitigating management action to address identified budget pressures on an ongoing basis and will continue to report on progress towards the delivery of a balance budget in 2017/18.

Update

- 3.9 An additional revenue monitoring report was received by Finance and Resources Committee on 28 September 2017 in respect of the provisional Council revenue monitoring position at period five. For Place Directorate total projected budget pressures of £4.430m were identified at period five. A corresponding set of actions has now been developed 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 mitigation delivery.

4. Measures of success

- 4.1 The measure of success is the achievement of a balanced revenue budget position for Place Directorate. The net projected residual budget pressure at month three was £1.004m, assuming mitigations identified are delivered. However, Place Directorate has been working to identify, as a priority, proposed remedial measures on an ongoing basis and, based on provisional month five

monitoring, actions have now been developed to address the full projected overspend.

5. Financial impact

- 5.1 The report's contents note a projected overspend of £1.004m for the year based on period three monitoring. Provisional month five monitoring projects a break-even position. This updated position is subject to active monitoring, management of risks and full delivery of identified mitigations.

6. Risk, policy, compliance and governance impact

- 6.1 The delivery of a balanced budget outturn for the year is the key target, monthly progress has been made in the identification and delivery of mitigation actions on both a one off and recurring basis. This approach will continue to be complied with. The risks associated with cost pressures, and savings delivery targets are regularly monitored and reviewed by the Place Senior Management Team, and management action is taken as appropriate.

7. Equalities impact

- 7.1 There are no negative equality or human rights impacts arising from this report.

8. Sustainability impact

- 8.1 There are no impacts on carbon, adaptation to climate change or sustainable development arising from this report.

9. Consultation and engagement

- 9.1 As is the norm, there has been no external consultation or engagement in producing this report.

10. Background reading/external references

None

Paul Lawrence

Executive Director of Place

Contact: Susan Hamilton, Principal Accountant

E-mail: susan.hamilton@edinburgh.gov.uk Tel: 0131 469 3718

11. Links

Nil

