

Transport and Environment Committee

10.00am, Thursday, 6 December 2018

Place Directorate - Revenue Monitoring 2018/19 – month six position

Item number	7.14
Report number	
Executive/routine	
Wards	All

Executive summary

The report sets out the projected month six revenue budget monitoring position for Place Directorate.

A corresponding set of management actions has been developed to fully offset identified operational cost pressures. While risks remain around their subsequent delivery this is reflected in the projected forecast.

15% of approved 2018/19 savings are projected to be at risk of delivery on an in-year basis at month six, therefore an over spend of up to £1.072m is forecast.

Place Directorate remains fully committed to making all efforts to deliver identified mitigations and actively developing the budget management strategy and framework to bring the Place revenue budget towards balance. Progress will continue to be reported in respect of mitigation delivery.

Place Directorate - Revenue Monitoring 2018/19 – month six position

1. Recommendations

- 1.1 It is recommended that the Transport and Environment Committee notes:
- 1.1.1 that the half-year budget review undertaken for Place Directorate has concluded there are identified proposed remedial measures to address existing budget pressures. There are inherent risks to the full delivery of these measures.
 - 1.1.2 that approved savings in 2018/19 totalling £6.951m are currently 85% on target to be delivered; £5.879m. The Place Senior Management team (SMT) are looking to continue to work on robust management plans to deliver more of the £1.072m remaining savings.
 - 1.1.3 that Place Directorate are forecasting an overspend of £1.072m in 2018/19. This is an improvement on the period three reported position and Place SMT will continue to work on robust management plans to bring the budget towards balance.

2. Background

- 2.1 The total 2018/19 approved gross budget for Place Directorate is £219.637m. The net budget is £58.680m 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 2018/19 at month six of the financial year.

3. Main report

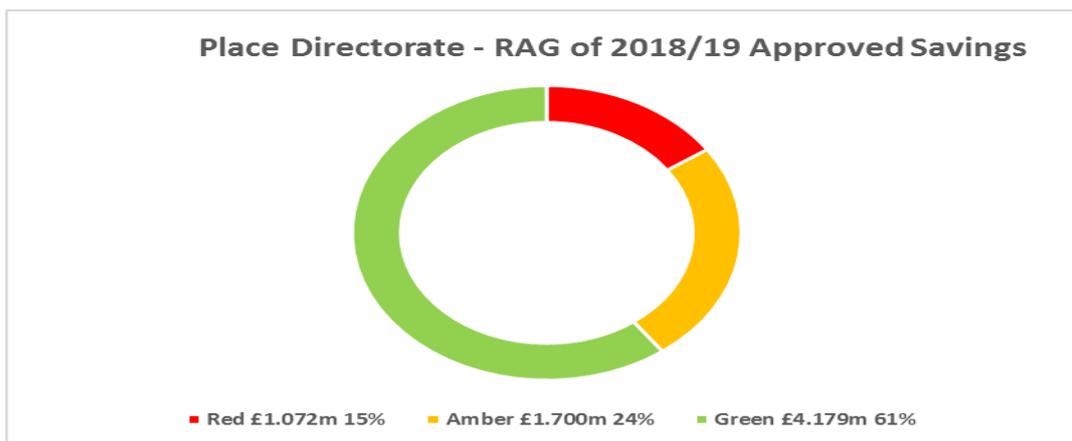
Month Six Position

- 3.1 Place Directorate faces significant budget pressures in 2018/19 in respect of continuing structural budget deficits, identified in year pressures and approved 2018/19 savings. Management action has already been successfully delivered to address elements of this, leaving an unfunded forecast budget pressure at month six of £1.072m. The composition of the forecast over spend is shown by Division in Appendix 1.

- 3.2 Within the 2018/19 budget year the focus of Place SMT and Finance business partners has been increased stability within the budget management strategy of the Directorate by means of better transparency and sustainability of budgets. This approach has involved a wholesale realignment of Place budgets and a comprehensive half-year review at month 6 of budget management performance and iterations made to the strategy as required. There is clarity that the Council's change strategy for future years requires solid foundations within the business as usual financial envelope.
- 3.3 The Place budget management strategy includes a suite of management actions in order to achieve budget sustainability. These actions include related substitutions as appropriate to deliver approved 2018/19 approved savings. The suite of management actions are at varying stages of delivery; not all have been achieved as at month six. However, the half-year review included re-assessment of deliverability and therefore it is hoped that the inherent risks can be managed. Improvements towards achieving a balanced budget have materialised since the month three position was reported and work is ongoing to continue this positive trajectory in respect of budget management.

Savings Implementation Plans

- 3.3 The revenue budget approved by Council in February 2018 requires Place Directorate to achieve incremental savings of £6.951m in 2018/19. These are detailed in Appendix 2.
- 3.4 A red, amber, green (RAG) analysis is undertaken in consultation with Heads of Service. Delivery of all savings is monitored monthly by the Place SMT. At month six this indicated that 85% of these savings, £5.879m were assessed as green or amber with those at red totalling £1.072m and representing the forecast overspend at month six.
- 3.5 The RAG analysis is shown graphically in the following chart:



- 3.6 The status of the £1.072m savings, shown as red in the chart below and set out in Appendix 2, is as follows:
- 3.6.1 Parking – increase charges by 4.5% per annum. There has been a change in parking behaviours in 2018/19, and a subsequent reduction in forecast parking income. This is contrary to the historic trend of rising income. Further analysis is being undertaken to better understand what is driving parking behaviour change and whether a reduced income trajectory is expected to continue in the longer term.
 - 3.6.2 Roundabouts and Verge Advertising. A procurement process has been undertaken in respect of this approved saving. The pressure reflects timing; the full year benefit will not be realised in 2018/19. This is an in-year issue only.
 - 3.6.3 Garden Waste Collection. The take up for this service has exceeded assumptions set out in the budget proposal. The pressure relates to the revised implementation date as the income received for this service spans two financial years. This is an in-year issue only.
- 3.7 In terms of budget sustainability of approved savings, Place SMT have a high degree of confidence that the full year benefit of 2018/19 savings should be delivered in 2019/20. Months 7 to 12 of 2017/18 will see Place SMT continue to work to close the £1.072m gap and make further progress towards delivering a balanced budget.

Risks

- 3.8 The drivers for the projected over spend are stated in 3.5. The Place budget management strategy however must consider a broader view of risk. The most significant financial risks in the Place Directorate revenue budget for 2018/19 are:
- 3.8.1 It is the responsibility of the Director of Place Directorate to deploy an effective budget management strategy. Transparency and understanding of budgets and their dynamics has increased materially following the significant realignment exercise undertaken earlier in the 2018/19 financial year and the verification of this within the half-year review.

However, in order to realign budgets, proportionate but challenging efficiency targets required to be agreed with managers. There has been significant progress at month 6 in delivery of the identified management actions and the approved 2018/19 savings but inherent risks remain in terms of full delivery. There is a need to monitor and report this on a monthly basis to Place SMT.

Alternative measures will be developed, where a risk emerges as to the achievement of existing mitigations or approved savings. Substitute measures must be tested for appropriateness in the context of agreed policy and Coalition commitments.
 - 3.8.2 Whilst care and due diligence is applied to budget management within Place Directorate, it should be acknowledged that the high level of

demand led service provision and responsibility in terms of being prepared for and responding to severe weather creates significant risk of cost variability in plans and forecasts.

- 3.8.3 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, a permanent sustainable solution still needs to be identified. Work is ongoing to identify options to achieve a permanent solution. In addition to the introduction of realigned budgets and half-year reviews, a more strategic approach is being implemented in terms of budget management and Place SMT is looking to the 2019/20 budget management strategy as part of a rolling process not confined to the current financial year.
- 3.8.4 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 balanced budget.

4. Measures of success

- 4.1 The measure of success is the achievement of a balanced revenue budget position for Place Directorate. Place Directorate has been working to identify, as a priority, proposed remedial measures on an ongoing basis and, based on the outputs of the half-year review and month six monitoring, actions have now been developed to address identified unfunded pressures. Approved 2018/19 savings are 85% on target to be delivered, the budget management strategy has been iterated following the half year review and will seek to deploy measures which bring the Place revenue budget further into balance and deliver more of the remaining 15%, £1.072m.

5. Financial impact

- 5.1 The report projects that Place Directorate net budget will be up to £1.072m over spent once agreed mitigations are delivered. Attainment of this position is subject to the active management of financial risks and, where appropriate the taking of timely remedial action. Place SMT will endeavour to identify and deploy additional measures to bring the out-turn position further into balance.

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

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11. Appendices

Appendix 1 – Place Directorate Revenue Budget Monitoring 2018/19 – Month Six position.

Appendix 2 – Place Directorate – Approved Revenue Budget Savings 2018/19 – Month Six position.

**Place Directorate
Revenue Budget Monitoring 2018/19
Month Six position**

Forecast Revenue Outturn by Service Area

Service Area	Realigned 2018/19 Budget £m	Projected 2018/19 Outturn £m	Projected 2018/19 Variance £m
Place Management	59.358	60.058	0.700
Place Development	(8.649)	(8.277)	0.372
Culture	7.975	7.975	0.000
Total Net Expenditure	58.684	59.756	1.072

Please see Appendix 2, Approved Revenue Budget Savings for more information in respect of the projected 2018/19 forecast variance.

Place Directorate
Approved Revenue Budget Savings 2018/19 - Month Six position

Place Directorate. Approved Revenue Budget Savings 2018/19.

Saving Descripton	Division	Approved Saving 2018/19 £m	Projected Saving 2018/19 £m *	Projected Pressure 2018/19 £m
Income from events in Cultural Venues	Culture	0.050	0.050	0.000
Income from the Scott Monument	Culture	0.025	0.025	0.000
Culture Third Party Payments	Culture	0.155	0.155	0.000
Transport Policy Enforcement	Place Development	0.300	0.300	0.000
Parking permits and pay and display	Place Development	0.300	0.300	0.000
Align Economic Development to new strategy	Place Development	0.600	0.600	0.000
Public Transport Initiatives	Place Development	0.350	0.350	0.000
Parking – increase charges by 4.5% p.a.	Place Development	0.800	0.428	0.372
Fleet financing model	Place Management	0.500	0.500	0.000
Community Recycling Centres	Place Management	0.200	0.200	0.000
Roundabouts and Verge advertising	Place Management	0.300	0.100	0.200
Sign Workshop	Place Management	0.100	0.100	0.000
Garden Waste collection (net of exemption funding) +	Place Management	1.250	0.750	0.500
Grounds Maintenance - Edinburgh Leisure	Place Management	0.375	0.375	0.000
Waste collection improvements to working patterns	Place Management	0.498	0.498	0.000
Events	Place Wide	0.100	0.100	0.000
Fees and Charges Increase	Place Wide	1.048	1.048	0.000
Total 2018/19 Approved Place Savings		6.951	5.879	1.072

*Includes impact of substituted measures in same service area where appropriate.

+ This proposal has exceeded assumptions in terms of sign up. The savings shortfall relates to the revised implementation date which means that income received spans two financial years.