

Finance and Resources Committee

10.00am, Thursday, 15 August 2019

Revenue Monitoring 2019/20 – Period three report

Executive/routine
Wards
Council Commitments

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 note the current implementation status for those savings measures approved as part of the 2019/20 revenue budget;
 - 1.1.2 note progress in developing specific actions to address residual directorate pressures;
 - 1.1.3 note the proposed measures set out in Appendix 3, by which it is planned the in-year efficiencies requirement approved by Council in February 2019 will be met;
 - 1.1.4 agree, subject to confirmation of the 2018/19 outturn and ratification by Council on 22 August 2019, earmarking a further £1m from the Council Priorities Fund as an additional contribution to the 2019/20 budget, pending development of sustainable measures to address the associated savings requirement on a recurring basis;
 - 1.1.5 note the continuing assumption that the Edinburgh Integration Joint Board (EIJB) will maintain overall expenditure within the levels of funding delegated to it by the Council and NHS Lothian;
 - 1.1.6 note the requirement to identify and implement further mitigating measures such that a balanced year-end position may be achieved and, in due course, to re-establish the stability of the budget framework; and
 - 1.1.7 note the balanced projected position on the Housing Revenue Account (HRA) after making a £2.228m planned contribution towards housing investment.

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Revenue Monitoring 2019/20 – Period three report

2. Executive Summary

- 2.1 Following consideration of an initial progress report on 23 May 2019, this report provides an update on the period three revenue monitoring position for the Council and progress with the identification and implementation of required savings measures sufficient to achieve a balanced year-end position in 2019/20 and, in due course, to re-establish the stability of the budget framework.

3. Background

- 3.1 On 23 May 2019, members of the Committee considered an update on the Council's revenue budget framework, with a specific emphasis on the projected position for 2019/20. The report noted the significant progress made in developing implementation plans for the directorate-specific savings approved as part of the current year's budget, as well as identification of a range of measures to contribute towards both the 1.55% cross-Council efficiencies target and addressing residual pressures identified by service areas. An update was also provided on steps undertaken towards balancing the EIJB's budget for 2019/20.
- 3.2 In view of the trend of reducing savings delivery apparent in recent years, however, a risk contingency was applied in estimating the actual level of savings that will subsequently be delivered during the year. When combined with residual unmitigated service pressures and additional efficiency-related measures requiring to be identified, the report pointed to a residual gap of some £13.7m. This position assumed approval and subsequent delivery by the EIJB of measures sufficient to result in a balanced position for 2019/20.
- 3.3 Given the recommendations contained within the report to ratify use of sums from the Spend to Save and Council Priorities Funds, as part of the report's onward consideration by Council on 30 May, members agreed that options to address the residual gap highlighted would be brought to the Finance and Resources Committee's meeting on 15 August 2019.
- 3.4 At the meeting of Council on 27 June 2019, in considering a motion from Cllr Whyte on implementation of a Council-wide 1.55% efficiencies requirement in 2019/20,

members additionally agreed that a specific list of proposals addressing the requirement in full would be brought back to this meeting.

4. Main report

4.1 Since the Committee's last meeting, Executive Directors and the Chief Officer of the Edinburgh Integration Joint Board (EIJB), along with their management teams, have continued to work towards delivery of the four main objectives set out in the report to the Finance and Resources Committee on 7 March, namely:

- (i) Development of robust implementation plans for the specific savings actions totalling £29.2m¹ which were approved for delivery in 2019/20;
- (ii) Development of detailed and specific proposals to address the £9.5m efficiency savings target which was also approved as part of the 2019/20 budget;
- (iii) Identification of mitigating actions to address estimated combined residual pressures of £8.8m across the Communities and Families, Place and Resources Directorates; and
- (iv) Agreement, through the EIJB, of specific plans to address its estimated budget gap in 2019/20.

4.2 Addressing each of the above areas in full is required to allow the Council to plan, with reasonable confidence, to maintain expenditure within approved levels in 2019/20. In acknowledging that there is a degree of delivery risk for each aspect, however, elected members, the Chief Executive and Executive Directors, including the Chief Officer of the EIJB, will need to consider a range of measures to bring the current year's position back into balance. Further difficult choices will therefore be required in both this and subsequent years to secure financial sustainability.

Development of savings implementation plans – specific savings

4.3 Progress in developing implementation plans for all specific savings approved for delivery in 2019/20 continues to be regularly reviewed by the Corporate Leadership Team (CLT) Change Board. Additional project management support has also been allocated from the non-recurring £1m approved by Council in October 2018 to assist delivery of the more challenging approved savings measures. A progress update with regard to recruitment, associated costs and key milestones and deliverables for each of the workstreams supported by this additional investment is provided in Appendix 1.

4.4 Review of these implementation plans continues to show positive progress, with 93% of savings by value currently assessed, on the basis of confirmed or planned actions, as green or amber as set out in Appendix 2. This assessment shows, in

¹ Of the £29.8m of specific savings approved for delivery in 2019/20, £0.6m relates to areas that form part of wider savings plans or actions to mitigate pressures. As such, these savings are incorporated in determining the updated net residual pressures position considered as part of (iii) above.

particular, strong progress against those savings measures expected to be delivered, or relevant actions put in place, during the first three months of the year. Work is continuing both to explore the specific actions required to allow amber savings to be assessed as green and prioritise development of detailed plans for those approved measures currently assessed as red.

- 4.5 After successive years' efficiencies, the measures required to deliver the 2019/20 savings programme are correspondingly more challenging and there will almost inevitably be a degree of slippage in the year.
- 4.6 Although the financial risk is to an extent mitigated by the explicit incorporation of a specific contingency (discussed later in this report), effective deployment of the £1m additional project management resource and on-going review of wider savings delivery (and specifically the need for any remedial action) will be crucial to maintaining expenditure within budgeted levels.

Council-wide efficiencies target

- 4.7 The update to the Committee's meeting on 23 May 2019 noted that gross actions totalling £8.578m had, as of that time, been identified. This total includes the approved drawdown of £0.786m from the Council Priorities Fund which recognised the challenging nature of the 1.55% efficiency savings target.
- 4.8 Work within directorates has continued to identify potential measures to address the balance of this requirement. Appendix 3 provides an updated list of proposed measures totalling £9.5m, with the additional measures primarily identified within the Place Directorate. This revised list therefore addresses, in full, the motion agreed by Council on 27 June by setting out the measures by which it is planned that the 1.55% cross-Council efficiencies target be met. Members of the Committee are asked to note this updated list.
- 4.9 Finance has undertaken a readiness assessment of the delivery of the efficiency measures listed in Appendix 3. While some 64% of the measures concerned are currently assessed as green or amber, the analysis highlights a particular need for implementation across a number of cross-Council workstreams. As with the specific savings above, the implications of this assessment for the overall risk contingency are considered in Paragraph 4.23 below.

Residual pressures

- 4.10 Reporting during 2018/19 highlighted the need to address residual Directorate pressures on a sustainable basis through the identification and implementation of appropriate mitigating actions. The update to the Committee's previous meeting on 23 May 2019 intimated gross pressures across the Communities and Families, Place and Resources Directorates of £18.247m.
- 4.11 The report to that meeting also indicated that financial planning would be further informed by in-depth analysis of the 2018/19 outturn. This analysis has highlighted an increase in gross pressures of £1.3m, mainly comprising additional school-related required demographic provision outlined in the following paragraphs.

Communities and Families

- 4.12 In-year monitoring reports have consistently highlighted the impact of rising rolls upon required staffing levels within schools. Actual pupil roll numbers for 2018/19 and projected rolls for 2019/20 indicate a combined overall requirement for 25 additional primary classes since the 2017/18 academic year. Over the same period, the secondary school pupil roll has increased by over 1,000.
- 4.13 The Council's long-term financial plan has, for many years, recognised the cost impacts of these additional pupil numbers on teaching and other staffing requirements. In view of both wider corporate affordability and a desire to incentivise innovative means of meeting this demand, however, a 70% weighting has been applied to the level of corresponding corporate provision included within the budget framework. It has not, however, in recent years been possible to deliver savings in the way, or to the extent, envisaged, with the result that the year-on-year pressure in this area is increasing.
- 4.14 Given this, a review has been undertaken across the wider financial framework of inflation-linked provisions and monies received for education-related commitments and cost pressures relative to planning assumptions to determine whether capacity exists to acknowledge the full estimated cost of the pupil number increase. Following this review, it is proposed to reallocate £2m of these sums to Communities and Families in 2019/20, broadly addressing the current level of demographic pressure.

Further actions

- 4.15 As with the other workstreams noted in Paragraph 4.1, work is continuing to identify further actions to reduce this level of residual pressure. Appendix 4 sets out the composition of both the gross pressures and associated mitigating actions totalling £19.0m. This analysis assumes that the proposal in respect of demographic funding noted above is agreed.
- 4.16 As noted in the Committee's May update, £8m of corporate savings measures were included in the approved 2019/20 budget and, as a result, in contrast to previous years, the ability to mitigate residual service pressures through this route is more limited. A maximum further £3m of such corporate savings has therefore been reflected within the £19.0m of actions available to offset some of these residual pressures included in Appendix 4, resulting in a requirement to identify and deliver a further £0.540m of savings to address the requirement in full. It should be noted that use of savings from loan charges to offset pressures will result in the loss of opportunity to use this money to fund infrastructure.
- 4.17 As with the other savings measures, Finance has undertaken an updated readiness assessment based on plans in place and risks and dependencies to delivery. This analysis indicates that 87% of savings by value are assessed as either green or amber.
- 4.18 The report to the Committee's previous meeting noted that discussions were continuing with regard to mitigating the impact of an increase in employer's superannuation contribution rates following a review of actuarial assumptions for teaching staff by the UK Treasury. While it was anticipated, at the time of budget-

setting, that these changes would be largely offset by the receipt of Barnett Consequentials that would, in turn, be passed to Local Government by the Scottish Government, the approved budget nonetheless includes provision of £1.5m, being the estimated full-year effect of the unfunded element of around 21%.

- 4.19 Since the Committee's last meeting, confirmation has been received from the Scottish Government that offsetting funding, albeit at this stage only a one-off basis, will be provided in line with the assumed funded proportion above. Following the HM Treasury confirmation that implementation of this increase will be delayed until September 2019, however, a one-off saving of £0.5m is available in the current year to offset pressures and is included in the figures above.

Edinburgh Integration Joint Board (EIJB)

- 4.20 The report to the Committee's meeting on 23 May noted that, assuming both subsequent release of the £2.5m additional contribution held within the Council Priorities Fund and the proposed use of EIJB reserves, the residual EIJB budget gap for 2019/20 was £7.15m.
- 4.21 A further financial update was considered by the EIJB on 21 June 2019. Taking into account the Board's decision at that time not to make a one-off contribution from carried-forward investment monies received in respect of nationally-funded initiatives, the in-year gap remains at £7.15m. Discussions on the use of reserves and other mitigating measures between the partners are continuing.
- 4.22 This gap, in turn, assumes full delivery in 2019/20 of the Partnership's approved savings programme of £11.941m. The RAG status of these measures was reported to the EIJB's Savings Governance Board on 19 July. This analysis indicates that some 71% of savings by value are currently assessed as green or amber. Delivery of the savings programme, identification of measures to meet the gap and management of demand/budget pressures will therefore be critical in ensuring a balanced outturn position in 2019/20. It is proposed that management of the EIJB budget in 2019/20 and future years is based fully on the arrangements set out within the Integration Scheme i.e. that expenditure will be maintained within the levels of funding delegated to it by the Council and NHS Lothian.

Overall projected position for 2019/20

4.23 While, as noted in earlier sections of the report, the current assessment is for the majority of savings to be delivered in full, given the trends observed in recent years, it is prudent to incorporate delivery risk contingencies based both on past years' experience and the specific Finance assessments. At this stage, assuming implementation of all the actions included in Appendices 3 and 4, there is therefore a residual gap, after applying this risk contingency, of £11.416m, representing only a modest improvement relative to the position reported to the Committee's meeting on 23 May 2019. This position also continues to assume approval and subsequent delivery by the EIJB of measures sufficient to result in a balanced position in 2019/20.

Savings Category	Target	Identified	"Weighted" savings identified after application of risk contingency	Gap
	£m	£m	£m	£m
Approved Savings – specific measures	29.173	29.173	24.797 ²	4.376
Approved Savings - 1.55% Efficiencies	9.500	9.500	6.000	3.500
Residual pressures	19.574	19.034	16.034	3.540
Total	58.247	57.707	46.831	11.416

4.24 The net reduction of £2.3m in the residual gap since that reported to the Committee's meeting on 23 May 2019 primarily reflects a combination of:

- (i) upward revisions to the delivery risk contingencies for the efficiencies (particularly the Council-wide lean and income maximisation) workstreams and residual pressure mitigation measures, together totalling £2m;
- (ii) further demographic-related pressures of £1.4m within Communities and Families, based on updated analysis of the 2018 and anticipated 2019 pupil intakes, offset by the provision of £2m of additional funding (i.e. a net *reduction* of £0.6m);
- (iii) reduction in residual pressures and/or additional mitigations identified within the Communities and Families (£1m) and Place (£2.3m) Directorates; and
- (iv) a £0.5m one-off saving relative to the level of 2019/20 budget framework provision following confirmation of the Scottish Government funding

² Assumes actual level of delivery of 85% based on a weighted assessment of currently-assessed green, amber and red savings.

allocation in respect of the increase in employer teachers' superannuation contributions effective from September 2019.

Further measures required to achieve financial balance

- 4.25 In view of both the level of assumed corporate savings (£8m within the approved budget and a further £3m identified in respect of service pressures mitigation) and available timescales for implementation of further measures, focussed action is required to address this residual gap. While discussions around flexibilities in loans fund advances are continuing, these will not provide sustainable savings approaching the level required over the medium-term and any such rescheduling will additionally require to form part of a wider strategy agreed with the Council's external auditor.

Council Priorities Fund

- 4.26 At the meeting of Council on 30 May 2019, members approved the release of up to £5m from the Council Priorities Fund pending development of sustainable measures to address the wider savings requirement on a recurring basis.
- 4.27 The revenue budget outturn report elsewhere on today's agenda indicates a provisional 2018/19 in-year underspend of £1.582m, with this sum set aside in the Council Priorities Fund. Subject to the outcome of the audit process, it is proposed that £1m of this sum be made available to supplement the £5m noted above.
- 4.28 If subsequently applied in full, as shown in Appendix 5, this would reduce the remaining savings requirement in 2019/20 to £5.416m. More fundamentally, however, it does not obviate the need for more difficult choices and prioritisation if financial sustainability is to be maintained during the period of the framework. In addition, use of one-off savings measures to balance the current budget will only increase future funding gaps and the level of savings required.

Development of additional actions

- 4.29 Given the currently unbalanced nature of the budget framework, Executive Directors and the Chief Officer of the EIJB are required to continue to examine all opportunities to control and contain expenditure within budgeted levels in 2019/20. A progress update on both this and any available flexibilities around loans fund rescheduling will be provided as part of a further report to be considered by the Committee on 10 October 2019.

Housing Revenue Account (HRA)

- 4.30 At month three, the HRA is forecasting a balanced position. As set out in the approved budget, it is expected that a £2.228m contribution to housing investment will be able to be made from in-year rentals received. This contribution is, however, dependent on the mitigation of key risks.
- 4.31 There remain significant budget pressures relating to housing repairs and maintenance. Work is underway through the Housing Service Improvement Plan to increase productivity and reduce sub-contractor spend through the introduction of the Total Mobile technology solution. There is also a risk to rental income with the

continued roll-out of Universal Credit; a contingency has therefore been put in place to manage this and will be regularly assessed throughout the year. These key risk areas will continue to be monitored closely and reported to the Housing, Homelessness and Fair Work Committee and Policy and Sustainability Committee as appropriate.

Trends in expenditure

- 4.32 At the Committee's meeting on 23 May 2019, members asked that further details be provided of in-year expenditure trends to consider whether instances of higher-than-average procurement-related expenditure in the early months of the financial year might influence initial full-year spend projections.
- 4.33 At a high level, the outturn report for 2018/19 elsewhere on today's agenda shows little variation between in-year service area projections and actual full-year expenditure, attesting to the broad accuracy of the monitoring process. In addition, however, a detailed analysis has been undertaken of relevant spend over the period from January to June 2019 inclusive to determine if any discernible trends are apparent. The results of this analysis are shown in Appendix 6.
- 4.34 Procurement-related expenditure has been analysed based on the payment date and, due to most payments being made in arrears, mainly relates to the previous month. As a result, for example, April data relates to March expenditure. Due to the requirement to complete the financial statements on an accruals basis, material amounts will have been accrued back to the 2018/19 financial year.
- 4.35 Within the data recorded for April, there are a number of one-off or significant payments, including £6.7m of funding for Edinburgh Leisure, the £7.3m Committee approved for the advance payment against the Council's ICT contract and £1.5m to the Scottish Qualifications Authority for examination fees.
- 4.36 Within the data recorded for May, there are £4m of grant payments for mainly cultural organisations, where 70% of the funding is made available to these organisations at the beginning of the year. Additionally, the payments section was managing a backlog of Health and Social Care invoices in April and May.
- 4.37 Based on a high-level analysis of the data, there is therefore no evidence of a spike in departmental revenue expenditure at the start of the financial year.
- 4.38 Capital expenditure shows a significant increase in expenditure at year end, which is in line with previous financial years. This is due to the requirement to ensure that capital expenditure on projects is certified towards the end of March for asset recording purposes.

5. Next Steps

- 5.1 As noted above, consideration of further measures to bring expenditure back within approved levels is continuing and a further update will be provided to the Committee on 10 October 2019.

6. Financial impact

- 6.1 The report acutely emphasises the importance of proactive management of pressures and delivery of approved savings. In view of the continuing significant projected in-year savings shortfall, however, urgent measures will require to be implemented during the year if the integrity of the framework is to be maintained.

7. Stakeholder/Community Impact

- 7.1 There is no direct relevance to the report's contents. In considering measures to secure the Council's wider financial sustainability, however, members may wish to consider both activities' respective contributions to the key outcomes of the Change Strategy and public engagement feedback on the Council's relative priorities.

8. Background reading/external references

- 8.1 [Finance Update](#), Edinburgh Integration Joint Board, 24 May 2019
- 8.2 [2019/20 Financial Plan](#), Edinburgh Integration Joint Board, 29 March 2019
- 8.3 [Performance Report](#), Edinburgh Integration Joint Board, 29 March 2019
- 8.4 [Revenue Budget Framework 2019/23 – Progress Update](#), Finance and Resources Committee, 7 March 2019
- 8.5 [Coalition Budget Motion](#), City of Edinburgh Council, 21 February 2019
- 8.6 [Feedback on the Change Strategy and Budget Proposals, 2018 and 2019](#), The City of Edinburgh Council, 21 February 2019
- 8.7 [Council Change Strategy: Planning for Change and Delivering Services 2019-2023](#), Finance and Resources Committee, 1 February 2019
- 8.8 [Council Change Strategy – Risks and Reserves 2019-2023](#), Finance and Resources Committee, 1 February 2019
- 8.9 [Revenue Budget Framework 2019/24 – progress update](#), Finance and Resources Committee, 23 May 2019
- 8.10 [Finance Update](#), Edinburgh Integration Joint Board, 21 June 2019

9. Appendices

Appendix 1 – Additional programme management support progress update

Appendix 2 - 2019/20 approved savings – current Finance RAG assessment

Appendix 3 – Efficiencies workstream, 2019/20 – actions identified to date and associated RAG assessment

Appendix 4 – Gross pressures and associated mitigations (with RAG assessments), 2019/20

Appendix 5 – 2019/20 Revenue Budget – Projected Expenditure Analysis

Appendix 6 – Procurement-related spend, January to June 2019

Project	FTE Allocated	FTE Recruited	Business Case Opportunity	Next Milestone
"Your Total Reward"	3 FTE	3 FTE in place	<p>Your Total Reward will review current Local Government Employee pay, terms and conditions and benefits. The project will meet our commitment to consolidate the Living Wage into base pay by 2021 and will seek to progress positively base pay and financial wellbeing for our lowest-paid employees. The project will also restore the pay differential for Grades 1, 2 and 3.</p> <p>The change proposals will remove complexity around pay/terms and conditions and drive a better organisational culture by introducing a simplified reward framework that promotes the right behaviours and supports effective service design/delivery. If approved in totality, the proposals will further reduce our gender pay gap by 1%, improve our Employee Value Proposition and align our pay and benefit terms and conditions to the wider market.</p>	<p>Initial senior stakeholder meetings have commenced with service area-specific data.</p> <p>Senior management feedback will be reviewed and considered in next CLT update.</p> <p>Consultation to commence Autumn 2019.</p>
Operational Efficiencies Programme	1 FTE	1 FTE in place	<p>CLT are reviewing opportunities for £9.5m efficiencies. The Project Manager is in place and developing the framework and tools to support the Programme.</p> <p>To date £6.5m of opportunities are underpinned by a detailed Implementation Plans, with further planning and controls being implemented in the other areas.</p>	<p>Regular reporting to CLT in place.</p> <p>Work ongoing to establish implementation plans for the remaining savings.</p>
Lean and Automation	9 FTE	Team of four internal staff have been recruited, all with Lean experience within CEC	<p>Part of the Efficiencies Programme.</p> <p>The Business Case approved in March 2019 outlined an opportunity for £1.25m in 2019/20.</p>	<p>The board is in place, with Heads of Service now meeting fortnightly to confirm opportunities and agree savings.</p> <p>9 FTE consists of 4 x Lean Experts (all recruited internally); 2 x digital analysts to develop online forms; 2 x new intelligent automation officers and 1 x business change officer to ensure changes delivered are sustainable.</p> <p>The initial pipeline of opportunities has been developed for CLT review.</p>

£1m additional programme management support update (continued)

Project	FTE Allocated	FTE Recruited	Business Case Opportunity	Next Milestone
Depots and Yards	2 FTE	1 FTE in place Additional PM to start on 15 July	The Business Case approved in March 2019 outlined an opportunity for £0.5m savings in 2020/21.	Business Case on Cultural Storage is currently undergoing financial scrutiny. This is an enabler to the Depot Strategy and Cultural Venue Review.
Asset Management: Service Design	3 FTE	1 FTE in place Offers issued for the remaining 2 FTE	The Business Case approved in March 2019 outlined an opportunity to deliver savings of £0.25m in 2019/20, with a total target of £2.45m through to 2021/22.	To date £0.093m has been secured towards the £0.250m target in 2019/20 Service Design Community engagement exercises in Gracemount and Trinity. A progress report is included elsewhere on today's agenda.
Fleet Review	1 FTE	1 FTE in place	The Business Case approved in March 2019 identified £1.5m of potential savings.	Full Business Case and Project Initiation Document to be produced for Change Board review Autumn 2019.

Change Strategy: Approved Budget Proposals 2019/20 - delivery assessment

Ref	Proposal	Department	2019/20 approved saving	Green	Amber	Red
CP.17	Enabling Educational Efficiencies – Third Party Grants (2018/19 additional spend)	C&F	0.250	0.250		
CP.45	Invest in Revenue Collection Officers	C&F	0.175	0.175		
CP.46	Invest to reduce temporary accommodation voids rates	C&F	0.090		0.090	
CP.47	Adoption of Scottish Government Framework for electricity and gas	C&F	0.030		0.030	
CP.56	NHS commissioned services	C&F	0.100	0.100		
CP.59	Carers' Act Funding	C&F	0.075	0.075		
CP.65	Efficiencies in the delivery of accommodated children's services	C&F	0.510	0.405	0.105	
CP.68	Library service - reduce book fund	C&F	0.200	0.200		
CP.69	ASN adaptations to mainstream schools	C&F	0.100	0.100		
CP.72	Heritage language	C&F	0.042	0.042		
CP.83	Support for Learning Management	C&F	0.200	0.200		
CP.90	Police funding	C&F	0.522	0.522		
		Total C&F	2.294	2.069	0.225	0.000
CP.04 (i)	Edinburgh Leisure (Year 1 - Pay uplift)	C&F	0.350	0.350		
		Total CE - Ed L	0.350	0.350	0.000	0.000
CP.33	Funding the Edinburgh Partnership and Third Sector Interface	CE	0.040	0.040		
CP.89	Reduce capacity in Strategy and Communications	CE	0.200	0.200		
		Total CE	0.240	0.240	0.000	0.000
CP.08	Asset Management Strategy and Service Reprovisioning	Resources	0.250	0.091		0.159
CP.21	ICT Solutions Organisational Review	Resources	0.450	0.450		
CP.27	ICT/CGI Partnership Arrangements	Resources	0.050	0.050		
CP.28	Print and Mail Strategy	Resources	0.090		0.090	
CP.38	Emergency Service Provision for Edinburgh Shared Repairs Service	Resources	0.218	0.218		
CP.39	Investment portfolio rationalisation	Resources	0.415		0.415	
CP.40	Non Domestic Rates Appeals	Resources	0.800		0.800	
CP.42	Additional advertising income	Resources	0.470	0.070	0.400	
CP.44	Increasing Income from Castle Terrace Car Park	Resources	0.500	0.500		
CP.61	Business support services review	Resources	1.000	1.000		
CP.62	Property and FM: Management and Investment Estate Savings	Resources	0.515	0.515		
CP.63	Reduction in Executive Director of Resources budget	Resources	0.126	0.126		
CP.77	Upfront Payments	Resources	0.200		0.200	
CP.79	Property Maintenance Programme (2018/19 additional spend)	Resources	0.850	0.850		
CP.87	Corporate Learning and Development – Budget Reduction	Resources	0.250	0.250		
CP.88	Monitoring Officer (MO) – Budget Reduction	Resources	0.107	0.107		
CP.91	ICT Partnership – Contract Optimisation	Resources	1.200	1.200		
		Total Resources	7.491	5.427	1.905	0.159
CP.01(ii)	Improved Approach to Street and Environmental Enforcement	Place	0.750		0.500	0.250
CP.05	Tourism and Marketing Reform	Place	0.300	0.300		
CP.06	Localities Phase Two	Place	0.300		0.150	0.150
CP.14	Area-Based Regeneration	Place	0.250		0.125	0.125
CP.13	Parking Action Plan Phase 2	Place	0.369		0.070	0.300
CP.23	Fleet Review	Place	0.500		0.500	
CP.25 (2)	Commercialism and Income Maximisation - Full Cost Recovery	Place	0.200		0.180	0.020
CP.25 (3)	Commercialism and Income Maximisation - Statutory Consents	Place	0.825	0.577	0.127	0.122
CP.25 (4)	Commercialism and Income Maximisation - Pre-planning Applications	Place	0.100	0.100		
CP.25 (5i)	Commercialism and Income Maximisation - Culture	Place	0.150	0.150		
CP.25 (5ii)	Commercialism and Income Maximisation - Parks and Greenspaces	Place	0.150	0.020		0.130
CP.32	Joint Procurement of Waste Contracts	Place	0.325		0.163	0.163
CP.49	Re-provision of public conveniences	Place	0.250		0.250	
CP.50	Clean and Green (2018/19 additional spend)	Place	0.250	0.250		
CP.51	Roads (Additional funding) (2018/19 additional spend)	Place	0.250	0.250		
CP.78	Capitalisation of Road Maintenance Budget	Place	0.500	0.500		
CP.81	Transport Reform	Place	0.500		0.500	
CP.82	Economic Development	Place	1.200		1.200	
CP.85	New Ways of Working - Public Safety and Business Continuity	Place	0.130		0.130	
		Total Place	7.299	2.147	3.894	1.259
CP.15	Council Tax	Corporate	3.000	3.000		
CP.15	Loans charges	Corporate	5.000	5.000		
CP.19	Workforce Modernisation and Change Management	Corporate	0.500			0.500
CP.26	Contract Optimisation	Corporate	0.100	0.100		
CP.84	EDI	Corporate	1.047	1.047		
		Total	9.647	9.147	0.000	0.500
Total newly-approved saving (excluding efficiencies)			27.321	19.380	6.024	1.918
Previously-approved savings for delivery in 2019/20:						
	Parking - increase charges by average of 4.5% per annum over four years	Place	0.800	0.400	0.400	
	Cultural grants	Place	0.052	0.052		
	Discretionary income	C&F	0.096	0.096		
	Discretionary income	HSC	0.013	0.013		
	Discretionary income	Place	0.824	0.618	0.100	0.106
	Discretionary income	Resources	0.067	0.067		
		Council-wide total	1.000	0.794	0.100	0.106
Total approved savings for delivery in 2019/20 (excluding efficiencies)			29.173	20.626	6.524	2.024

Efficiencies workstream, 2019/20 - identified savings measures

Action	Description of Action	2019/20 £000	Green	Amber	Red
	Approved Budget Savings 2019-20: Operational Efficiencies at 1.55% of Net Expenditure	9,500			
Management Savings (C&F)	Communities and Families will review managerial structures and will produce a revised senior management structure. The part year savings for 2019/20 are estimated at £0.64m.	640	406	234	
Workforce Control (C&F)	Communities and Families will apply targeted vacancy control taking account of service needs and priorities. Essential child protection services and schools budgets will be exempt from additional vacancy controls.	700		700	
Workforce Control (C&F)	Family & Household Support and Quality Assurance have a number of existing vacancies. These vacancies will be frozen pending a wider review of the service which will also re-structure management posts.	350	350		
Workforce Control - Reduction in Agency and Overtime (Place)	Enhanced workforce controls will be implemented in Place to reduce overtime and agency spend. Recognising instances where permanent staff are not used for operational and economic reasons due to seasonal or irregular service patterns, an overall 5% reduction has been assumed. For illustration, this represents the equivalent of 16 FTE at grade 5.	900		450	450
Reduction in Discretionary Expenditure (Place)	Development and implementation of proposals to reduce further discretionary expenditure across the Place directorate, including staff travel.	650	180	235	235
Place Development - Efficiencies	Development and implementation of a range of measures to manage identified pressures and risks. It is anticipated that the material aspects of this workstream will come from process improvements and through a review of third party contract arrangements.	730	250	250	230
Place Management - Efficiencies	Development and implementation of a range of efficiency measures.	530		265	265
Workforce Control (Resources)	A 1.55% efficiencies savings target has been allocated to Finance (£78,000), HR (£59,000) and Legal and Risk (£25,000). The saving is anticipated to be achieved as follows: Finance-employee turnover; HR-full year effect of 2018/19 Organisational Review; Legal and Risk-review of recharge rates and time recording processes.	162	162		
Workforce Control (Chief Executive)	Proportionate share of Council-wide workforce control target	46	46		
Customer and Digital Services - Efficiencies	Implementation of a range of savings measures across Business Support, Customer and Digital Services, including employee turnover savings; employee savings achieved through changes in service delivery; review of existing contracts; channel shift savings; and review of income from external customers.	656	389	100	167
Operational Efficiencies - Lean Business Processes	Development and implementation of a pipeline of Lean reviews to simplify business processes, eliminate waste and develop lean and efficient processes, ensuring that we are making best use of our existing technologies; enabling development of a culture of continuous improvement and improving the quality and consistency of service.	1,250		350	900
Operational Efficiencies - Intelligent Automation	Development and implementation of a pipeline of reviews to automate high volume, low value repetitive business transactions to release savings, increase capacity, improve processing quality and accuracy, and enhance management information.	500		300	200
Operational Efficiencies - Income Generation	Development and implementation of proposals to generate additional income.	1,000			1,000
Operational Efficiencies - Reduction in Senior Management	Review and reconfiguration of senior management structures across the Council to reduce costs.	500	199	301	
Operational Efficiencies - Procurement	This workstream will develop a range of contract management efficiencies through robust grants and contract management, with a focus on the top Council suppliers, in terms of influenceable spend; and, implement a revised approach to requisitions / purchases, to enable a targeted constructive challenge of spend.	100		100	
Council Priorities Fund	This represents the drawdown of the balance set aside in the Council Priorities Fund which recognised the challenging nature of the £9.5m (1.55%) efficiencies savings target for 2019/20.	786	786		
	Operational Efficiencies - Gross Actions	9,500	2,768	3,285	3,447
Operational and Other Efficiencies - Savings Delivery Risk Adjustment	Interim risk adjustment applied against efficiencies workstream savings targets pending development of detailed savings implementation plans.	-3,500			
	Operational Efficiencies - Net Actions	6,000			
	Operational Efficiencies - Remaining Gap	3,500			

Gross pressures and associated mitigations, 2019/20

Pressure	Description of Budget Pressure	2019/20 £000
Home to School Transport	Expenditure on home to school transport increased from £5.5m in 16/17 to £7.4m in 18/19. In addition, approved savings of £0.4m in 2018/19 have not yet been delivered. The majority of the additional expenditure relates to children with additional support needs and there has been a significant increase in children receiving individual or high cost shared transport.	2,700
Homelessness	The shortage of suitable temporary accommodation is leading to the service having to place individuals in bed and breakfast accommodation. This is the most costly provision as the proportionate level of housing benefit the Council receives for B&B is low in comparison to other accommodation types.	1,400
Community Access to Schools	The budget for community access to secondary schools assumes a net surplus of £1.3m but at present is achieving £0.25m. Additional PPP and facilities management charges introduced in recent years have affected the net surplus being delivered.	1,050
Schools - Demography	Demography funding provided in recent years has been insufficient to meet the full impact of rising school rolls on the cost of the budget allocations determined through the Scheme of Devolved School Management.	2,363
Schools - Non Devolved Costs	Non-devolved costs for maternity cover, grounds maintenance and other central costs are in excess of available budgets.	900
Residual Pressures 2018/19 - Waste and Cleansing	Waste and Cleansing services have experienced underlying pressures including additional employee costs and higher than anticipated Landfill Tax expenditure. Measures, including the implementation of Millerhill operations and additional contract management efficiencies, are in place to address these underlying deficits through the Waste Improvement Plan and wider budget realignment.	2,935
Residual Pressures 2018/19 - Deferred Delivery of Approved Savings (Place)	Management action will be required in 2019/20 to deliver the full impact of savings approved by Council in February 2018 including: Economic Development review (£0.3m); Fleet savings (£0.2m); Roundabout and Verge advertising (£0.2m); and Garden Waste collection (£0.5m).	1,200
Residual Pressures 2018/19 (Place)	There are a range of underlying net budget pressures across Place Directorate including a shortfall in Pay and Display parking income; additional expenditure in Parks and Greenspace; and increasing legal fees relating to planning appeals.	847
Staff Increments 2019/20 (Place)	The estimated impact of staff increments in 2019/20 is £1.2m. Budget management measures including vacancy control and removal of discretionary spend budgets have been applied in 2018/19 and it will be significantly more challenging for managers to meet this cost than has previously been the case.	1,200
Transport Review 2019/20	There were a number of vacancies within the Transport service during 2018/19. The proposed structure within the current Roads and Transport organisational review represents an increase on current staffing. Further work will be undertaken to ensure that the final organisational structure is affordable and sustainable.	1,200
Parking Income 2019/20	In 2018/19, there was a marked change in parking behaviours which resulted in reduced pay and display income. A further provision of £0.45m is assumed against parking income in 2019/20 and this will be closely monitored on an ongoing basis.	450
Place - One-Off Mitigations in 2018-19	This pressure represents the reversal of a range of one-off measures which were applied in 2018-19.	1,606
Property and Facilities Management	This pressure includes residual savings of £0.903m to be achieved from the Asset Management Strategy which was approved by Act of Council 2016 and Property and Facilities Management employee turnover savings of £0.539m approved by Act of Council 2018.	1,723
	Gross Pressures	19,574

Action	Description of Mitigating Action	2019/20 £000	Green	Amber	Red
Homelessness - Reduction in use of Bed and Breakfast	A range of actions to reduce the use of Bed and Breakfast including 60 additional Private Sector Leasing properties (with lease premiums payable in order to attract landlords to the scheme), and 18 additional HRA properties being made available for temporary accommodation from the end of 2018/19.	1,000			1,000
Homelessness - Additional Housing Benefit	Increased income from a reduction in Housing Benefit clawbacks, resulting from a change in the mix of temporary accommodation types and the conversion of B&B properties to Shared Accommodation with access to cooking and cleaning facilities.	600	600		
Home to School Transport	Implementation of a range of actions to seek to reduce the pressure including: A more equitable home to school transport policy; a review of individual and high cost packages to identify alternative options; a new framework agreement for external transport hire; and a Transport Allocation Panel to assess all requests for individual transport.	700	400	300	
Community Access to Schools	A number of actions are being considered to seek to reduce the pressure including: transfer of the management of primary and special school lets and non-sports lets to Edinburgh Leisure; a revised opening hours model to reduce additional PPP and facilities management costs; and harmonisation of prices with Edinburgh Leisure.	600	250	350	
Early Years	Maintenance of existing staffing vacancies pending reconfiguration of the organisational structure to realign staffing responsibilities to fulfil the requirements of Early Learning and Childcare Expansion.	750	750		
Additional Income (C&F)	Fees and charges were increased by 5% on average and it is anticipated that this will deliver additional income above the level of budgeted increase.	120	120		
Service Containment of Increment Costs (Place)	Development and implementation of a range of savings measures across service areas to offset the cost of staff increments in 2019/20.	1,200	300	400	500
Localities and Communities Investment Funding	The Council's budget for 2018/19 approved an allocation of £0.25m to support investment in Communities and Localities with decisions on investment approved through Locality Committees. Due to the timing of approval and the lead in time required to deliver projects, it is estimated that expenditure incurred in 2019/20 will be £0.12m.	130	130		
Operational Efficiencies - Senior Management Review (Place)	Review of senior management arrangements within Place Management.	100		50	50
Realise Full Year Impact of Previously Approved Savings (Place)	Not all 2018-19 savings were realised in full. Management action will be undertaken to deliver the full impact of the Economic Development review (£0.3m); Fleet savings (£0.2m); Roundabout and Verge advertising (£0.2m); and Garden Waste collection.	1,200	1,000	200	
Implement Service Reforms (Place)	Development and implementation of service reforms to be implemented in year. Potential areas for change include reforms to Council Transport Companies; and implementation of cashless parking to reduce cash handling costs.	200		100	100
Reduction in Budget Pressures (Place)	Development and implementation of proposals to challenge and reduce the impact of identified cost pressures. This will include detailed analysis of the reduction in Pay and Display parking income which emerged in 2018-19 to consider potential action to mitigate the effect.	1,000	250	750	
Value for Money Audits (Place)	The proposal will build on case studies from other Local Authorities where VFM audits have been undertaken in terms of frequency of service operations, associated costs and citizen satisfaction. Association for Public Service Excellence (APSE) reports and recommendations will be evaluated for adoption of best practice.	300		150	150
Contract Efficiencies (Place)	Further contract management efficiencies will be negotiated and implemented in Place Management. The proposal will not impact on front line service delivery.	600		200	400
Millerhill Operations (Place)	The full year benefit of Millerhill operations will be realised in 2019-20.	1,800	1,800		
Transport Review (Place)	Review has reduced pressure through refinement of structure and a review of permissible capitalisation of costs in respect of creation of Council transport assets.	1,200	700	250	250
Planning Appeals (Place)	Policy to be agreed and applied to minimise cost to Council of defending cases.	300	150	150	
Pentland Hills Operations (Place)	The proposal relates to a review of operating arrangements including consideration of the allocation of operating costs between funding partners.	100		50	50
Property and Facilities Management	Pressures within the Division are forecast to be partly mitigated by a one-off saving of £1.134m in the budget for rates for the Council's operational properties. The anticipated reduction in rates liabilities is dependent upon the outcome of property rating revaluation appeals and therefore carries risk until revised rates revaluations are confirmed. Confirmation is anticipated in early October 2019.	1,134		1,134	

Action	Description of Mitigating Action	2019/20			
		£000			
Re-Profile of Expenditure	Carry forward of Property and Facilities Management earmarked balance from 2018/19 to mitigate the 2019/20 budget pressure.	500	500		
Schools - Demography	In light of the pressures noted above, it is proposed that £2m of corporate funding relating to currently-uncommitted inflation-related allowances and wider education-related commitments and pressures be reallocated to address demographic-related pressures within the Communities and Families Directorate.	2,000	2,000		
Corporate Budgets	Corporate budgets will be reviewed on an ongoing basis to seek to secure additional savings of up to £3m through a range of measures, including proactive treasury management to increase investment income and maximisation of Council Tax income through continuation of improvements in collection rates and ongoing review of the council tax base, discounts and exemptions.	3,000	3,000		
Teachers' pensions	While available only on a one-off basis, confirmation has now been received from the Scottish Government on the level of mitigating funding to be made available following changes to the teachers' superannuation contribution rate effective from September 2019. Given the later-than-anticipated implementation, there is expected to be an in-year saving of £0.5m relative to the level of provision contained within the budget framework.	500	500		
	Mitigation of Budget Pressures - Total Actions	19,034	12,450	4,084	2,500
Residual pressures - mitigations	Interim risk adjustment applied against mitigating actions pending development of detailed savings implementation plans.	-3,000			
Budget Pressures - Remaining Gap		3,540			

2019/20 Revenue Budget - Projected Expenditure Analysis
Period 3

	£m	£m
Projected service outturns (favourable)/unfavourable, prior to application of risk contingency		4.926
Comprising:		
Chief Executive's Service	0.000	
Communities and Families	4.750	
(less proposed reallocation of inflationary provision/other education-related funding to offset school-related demographic pressures)		(2.000)
Place Resources	1.236	
	0.940	
Health and Social Care*	0.000	
Non service-specific variances (favourable)/unfavourable		(4.286)
Comprising:		
Other inflationary-related uplifts	(1.000)	
Teachers' pensions - in-year saving due to revised implementation date for increase in employer's superannuation rate	(0.500)	
Investment income	(1.000)	
Approved contributions from reserves		
Council Priorities Fund - efficiencies workstream	(0.786)	
Sources of funding		
Council Tax	(1.000)	
Net overall projection prior to application of risk adjustments		0.640
Risk adjustments		10.776
Comprising:		
Approved Savings - £29.173m at 15%		4.376
Efficiencies (including Council-wide savings)		3.400
Residual pressure mitigation		3.000
Risk-adjusted projected outturn prior to reserves funding		11.416
Additional contributions from reserves:		
Council Priorities Fund (including £1m in respect of provisional 2018/19 underspend)	(6.000)	
Projected outturn		5.416

* - position shown for Health and Social Care assumes identification, and subsequent delivery, of sufficient measures to result in a balanced overall position for 2019/20.

Procurement-related spend, January to June 2019

