

# Transport and Environment Committee

10.00am, Thursday, 5 December 2019

## Place Directorate – Revenue Monitoring 2019/20 – half-year report

Executive/routine Wards Council Commitments	Routine All
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### 1. Recommendations

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- 1.1 Transport and Environment Committee are asked to note:
  - 1.1.1 that the Place Directorate is currently projecting a potential budget pressure of £5.615m for 2019/20;
  - 1.1.2 that the Executive Director of Place is continuing to progress implementation of measures to reduce the potential budget pressure. £3.518m of planned measures have already been identified for implementation before the financial year end, which would reduce the budget pressure to £2.097m. Further measures are being identified to further mitigate the potential budget pressure; and
  - 1.1.3 progress on the implementation of management actions will be reported to the Finance and Resources Committee on 23 January 2020 and the meeting of this committee on 27 February 2020.

**Paul Lawrence**

Executive Director of Place

Contact: Susan Hamilton, Principal Accountant

E-mail: [susan.hamilton@edinburgh.gov.uk](mailto:susan.hamilton@edinburgh.gov.uk) | Tel: 0131 469 3718

## Place Directorate – Revenue Monitoring 2019/20 – half-year report

### 2. Executive Summary

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- 2.1 The report sets out the projected month six revenue monitoring position for the Place Directorate, based on analysis of actual expenditure and income to the end of September 2019, and projections for the remainder of the financial year.
- 2.2 As at month six, following a half-year review of the budget management strategy, a potential overspend of up to £5.615m is forecast in the Place General Fund revenue budget.
- 2.3 Place Directorate remain fully committed to taking the necessary actions to deliver approved savings and address identified operational cost pressures and are actively developing their budget management strategy to bring the Place revenue budget towards balance. £3.518m of management actions are planned to be delivered by the financial year-end, which would leave a residual budget gap of £2.097m. The residual budget gap includes pressures which have emerged within the six months to 30 September 2019. Progress on the implementation of management actions will be reported to the Finance and Resources Committee on 23 January 2020 and to this Committee at its meeting on 27 February 2020.
- 2.4 A separate report to the Council's Finance and Resources Committee meeting on 6 December 2019 sets out the projected Council-wide revenue budget position for the year based on analysis of period six data. A balanced overall position is now forecast with attainment of this position subject to on-going management of service pressures and risks.

### 3. Background

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- 3.1 The total 2019/20 approved gross General Fund revenue budget for the Place Directorate is £236.511m. The net budget is £43.543m after adjusting for income from other parts of the Council, external grants and other income. This budget is net of £8.975m of additional savings (excluding the in-year efficiencies requirement) approved by Council in February 2019.
- 3.2 This report provides an update on financial performance against the above.

## 4. Main report

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### Place Directorate General Fund – Revenue Budget

- 4.1 Given the increasing risks inherent in maintaining expenditure within budgeted levels, earlier in-year reports for 2019/20 were underpinned by adoption of a particular risk management focus, with a corresponding risk contingency captured at Council level. This approach also reflected the comparatively early stage of the year of those reports and the consequent need, in some cases, for additional details of implementation plans to become available. In light of the availability of further months' data, a Directorate-specific position, consistent with relevant responsibilities as set out within Financial Regulations, has been adopted in this half-year report.
- 4.2 A half year review (month six) of the budget management strategy in the Place Directorate for the General Fund revenue budget forecast an overspend of up to £5.615m. This forecast reflects a combination of:
- 4.2.1 brought-forward underlying pressures within services;
  - 4.2.2 anticipated delays, or shortfalls, in delivery against a number of the service-specific savings measures approved as part of the budget motion (as shown in Appendix 1);
  - 4.2.3 an extended period when elements of environmental testing were not being undertaken; and
  - 4.2.4 a need to identify specific plans to address elements of the Directorate's in-year efficiency target of £2.8m.
- 4.3 As part of the budget management strategy review at month six, £3.518m of management actions are planned to be delivered by the financial year end. The Place Senior Management and Divisional Management Teams are working hard to ensure that the management actions agreed are delivered and that actions are identified to manage the residual gap of £2.097m.
- 4.4 The information above is net of the revenue budget (approved by Council in February 2019) requirement for the Place Directorate to achieve incremental savings of £8.975m in 2019/20. A strategy to deliver this, alongside action to address the required efficiency measures of £2.810m and £8.130m of identified pressures has been developed. The sum of these approved savings and management actions to address efficiency targets and pressures is £19.915m. A red, amber, green (RAG) analysis is regularly undertaken in consultation with Heads of Service of these measures. This is shown within Appendix 1. Delivery of all savings is monitored monthly by the Place Senior Management Team and Divisional Management teams.
- 4.5 At month six the RAG indicates that 89% of these savings (£17.817m) were assessed as green or amber with the 11% at red adding to £2.098m. This is a significant improvement on the reported month three position, with the overall forecast showing an improvement of circa £1.7m in the underlying budget position.

- 4.6 A separate report to the Council's Finance and Resources Committee meeting on 6 December 2019 sets out the projected Council-wide revenue budget position for the year based on analysis of period six data. A balanced overall position is now forecast with attainment of this position subject to on-going management of service pressures and risks. Further updates on the position will be reported to the Finance and Resources Committee on 23 January 2020 and to this Committee on 27 February 2020. The implications of service overspends in 2019/20 for future years will be considered as part of the 2020/23 budget process.
- 4.7 Appendix 1 relates to the Place Directorate as a whole. The elements of the budget which relate to the Transport and Environment remit and which are currently assessed as red are set out in Table 1.

**Table 1. Transport and Environment Executive Committee –  
2019/20 Approved Savings, Efficiency Savings or Mitigations assessed as red.**

<b>Management Action</b>	<b>£000 Red</b>	<b>Narrative</b>
Parking Action Plan Phase 2.	169	This relates to implementation of city centre Sunday parking charges and expansion of controlled parking zones. The delay in implementation is, in part, mitigated by other income. This will continue to be monitored. The position is improved from month three.
Joint Procurement of Waste Contracts.	163	This relates to securing efficiencies in the contracts that City of Edinburgh has in place for waste disposal. Negotiations are underway but are not yet concluded.  This is an improvement from month 3.
Transport Review.	180	Plans are being developed to deliver a new organisational structure for Roads and Transport Infrastructure and Transport Network and Enforcement. These take account of the costs associated with the new structure and arrangements for service improvement. The intention is that this will be cost neutral however detailed delivery plans are still being progressed. This is improved from month three.
T&E Part; some approved savings, efficiencies and mitigations impact more than one		There are a number of savings and mitigations which have identified within Place and which will include services which sit within the Transport and Environment remit. These are being progressed by individual service

Executive Committee.		managers in line with the allocated revenue budgets for service.
Place wide net cost efficiencies; reduction in overtime, agency and discretionary spend.		All services will require to reduce costs to achieve Directorate Efficiency Savings. Impacts on specific Executive Committees will be reported as appropriate.
Material Emergent Pressures.	0.614	This relates to an extended period when elements of environmental testing were not being undertaken

- 4.8 Progress has been made by Place Directorate in terms of making positive inroads to addressing the financial challenge within the first six months of 2019/20. In addition to monthly reporting of the budget position the comprehensive annual budget realignment exercise which commenced in 2018/19 has been repeated in 2019/20 and a half year review of the budget position and management actions has been carried out.
- 4.9 The Place Senior Management and Divisional Management Teams are continuing work to address the financial challenge faced by the directorate. Of £19.9m of savings requiring to be delivered in the year, almost 90% are now assessed as either green or amber. The budget management strategy, underpinned by a robust mid-year review, has been updated to reflect additional measures which have been required to reduce the level of overspend further.

## 5. Next Steps

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- 5.1 The 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.
- 5.2 In addition to the introduction of realigned budgets and half-year reviews, a more strategic approach is being implemented in terms of budget management. The Place Senior Management Team intends the 2019/20 budget management strategy to be part of a rolling process, not confined to the current financial year. Where planned savings and mitigations are not fully delivered in year, they will be factored into future year budget management strategies to be delivered and addressed alongside identified pressures.
- 5.3 The Place Senior Management Team and Divisional Management teams are fully committed to identifying management action to reduce the budget pressures and to

ensuring that management actions are being implemented to support the delivery of a balanced budget within the directorate. However, given the magnitude of these pressures, there is the potential risk that the directorate may report an overspend at the end of this financial year. This is being addressed on an on-going basis by the Executive Director and Senior Managers. The implications of in year service overspend for future years will be considered as part of the 2020/23 budget process.

## **6. Financial impact**

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- 6.1 The Council's Financial Regulations set out Executive Directors' responsibilities in respect of financial management, including regular consideration of their service budgets. The Executive Director of Place regularly reviews the directorate budget position alongside the identification and implementation of management actions to achieve a balanced budget in year. The position set out in this report shows that the Place directorate is currently forecasting an overspend in 2019/20 and therefore there are pressures which are still to be addressed.

## **7. Stakeholder/Community Impact**

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- 7.1 Consultation was undertaken as part of the budget setting process.

## **8. Background reading/external references**

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- 8.1 Place Directorate – Financial Monitoring 2019/20: Month Three position – report to Transport and Environment Committee on [11 October 2019](#) (Item 17.2).
- 8.2 Revenue Monitoring 2019/20 – half year report – report to Finance and Resources Committee, [6 December 2019](#)

## **9. Appendices**

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- 9.1 Appendix 1 – Place Directorate: General Fund Approved Revenue Budget Savings 2019/20 – Month Six Position.

## Appendix 1 – Place Directorate – General Fund Approved Revenue Budget Savings 2019/20 – Month Six Position

Category	Title	Total £000	Green £000	Amber £000	Red £000	Relevance to Transport & Economy Executive Committee
Approved Savings	Tourism and Marketing Reform	300	300	0	0	
Approved Savings	Improved Approach to Street and Environmental Enforcement	750	250	350	150	T&E PART
Approved Savings	Localities Phase Two	300	100	100	100	T&E PART
Approved Savings	Commercialism and Income Maximisation - Pre-planning Applications	100	100	0	0	
Approved Savings	Commercialism and Income Maximisation - Culture	150	150	0	0	
Approved Savings	Area-Based Regeneration	250	125	125	0	T&E PART
Approved Savings	Parking Action Plan Phase 2	369	100	100	169	T&E ALL
Approved Savings	Fleet Review	500	300	200	0	T&E ALL
Approved Savings	Clean and Green (2018/19 additional spend)	250	0	250	0	T&E ALL
Approved Savings	Roads (Additional funding) (2018/19 additional)	250	250	0	0	T&E ALL
Approved Savings	Capitalisation of Road Maintenance Budget	500	500	0	0	T&E ALL
Approved Savings	Commercialism and Income Maximisation - Full Cost Recovery & Consents	1,025	830	195	0	T&E PART
Approved Savings	Commercialism and Income Maximisation - Parks and Greenspaces	150	20	65	65	
Approved Savings	Joint Procurement of Waste Contracts	325	0	162	163	T&E ALL
Approved Savings	Re-provision of public conveniences	250	40	210	0	T&E ALL
Approved Savings	Cultural grants	52	52	0	0	
Approved Savings	Transport Reform	500	0	500	0	T&E ALL
Approved Savings	Economic Development	1,200	1,200	0	0	
Approved Savings	New Ways of Working - Public Safety and Business Continuity	130	85	45	0	
Approved Savings	Parking - increase charges by average of 4.5% per annum over four years	800	600	200	0	
Approved Savings	Discretionary income (Fees and Charges)	824	618	206	0	Place Wide
Mitigations/Efficiencies	Workforce Control - Reduction in Agency and Overtime (Place)	900	0	450	450	Place Wide
Mitigations/Efficiencies	Reduction in Discretionary Expenditure (Place)	650	180	335	135	Place Wide
Mitigations/Efficiencies	Place Development - Efficiencies	730	250	480	0	
Mitigations/Efficiencies	Place Management - Efficiencies	530	112	282	136	T&E PART
Mitigations/Efficiencies	Service Containment of Increment Costs (Place)	1,200	700	500	0	Place Wide
Mitigations/Efficiencies	Operational Efficiencies - Senior Management Review (Place)	100	0	50	50	T&E PART
Mitigations/Efficiencies	Realise Full Year Impact of Previously Approved Savings (Place)	1,200	700	350	150	
Mitigations/Efficiencies	Implement Service Reforms (Place)	200	0	100	100	
Mitigations/Efficiencies	Reduction in Budget Pressures (Place)	1,000	1,000	0	0	Place Wide
Mitigations/Efficiencies	Value for Money Audits (Place)	300	0	150	150	T&E PART
Mitigations/Efficiencies	Contract Efficiencies (Place)	600	400	100	100	T&E PART
Mitigations/Efficiencies	Pentland Hills Operations (Place)	100	50	50	0	
Mitigations/Efficiencies	Localities and Communities Investment Funding	130	130	0	0	
Mitigations/Efficiencies	Transport Review	1,200	870	150	180	T&E ALL
Mitigations/Efficiencies	Planning Appeals	300	300	0	0	
Mitigations/Efficiencies	Millerhill Operations (Place)	1,800	1,800	0	0	T&E ALL
		<b>19,915</b>	<b>12,112</b>	<b>5,705</b>	<b>2,098</b>	
<b>Total Approved Savings</b>	(excludes efficiency)	8,975	5,620	2,708	647	
<b>Total Mitigations/Efficiencies</b>	(includes efficiency)	10,940	6,492	2,997	1,451	
<b>Total Management Action to be Delivered £000</b>		<b>19,915</b>	<b>12,112</b>	<b>5,705</b>	<b>2,098</b>	
<b>Total Management Action to be Delivered %</b>		<b>100%</b>	<b>61%</b>	<b>29%</b>	<b>11%</b>	