

Transport and Environment Committee

10.00am, Friday 11 October 2019

Place Directorate – Financial Monitoring 2019/20 – Month Three Position

Executive/routine
Wards
Council Commitments

1. Recommendations

- 1.1 It is recommended that the Transport and Environment Committee notes the position in respect of the General Fund (GF), revenue budget.

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Executive Director of Place

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Place Directorate – Financial Monitoring 2019/20 – Month Three Position

2. Executive Summary

- 2.1 As at month three, a residual pressure of £1.236m remains in the Place GF revenue budget. 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 and framework to bring the Place revenue budget towards balance.

3. Background

- 3.1 The total 2019/20 approved gross GF 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

Place Directorate GF – Revenue Budget

- 4.1 As reported to Finance and Resources Committee on 15 August 2019, Place Senior Management (SMT) and Divisional Management Teams are continuing work to address the financial challenge faced by the Directorate. A budget management strategy has been formulated and is being further developed to address the required efficiency measures of £2.810m and £9.366m of identified pressures.
- 4.2 A suite of management action has been identified and is being implemented which will address efficiency measures and £8.130m of identified pressures if fully delivered. This leaves an unfunded residual budget pressure at month three of £1.236m. The management actions to address corporate efficiency targets and pressures are shown within Appendix 1.

- 4.3 The revenue budget approved by Council in February 2019 requires Place Directorate to achieve incremental savings of £8.975m in 2019/20. The sum of these approved savings and management action 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 SMT. At month three this indicated that 80% of these savings (£15.868m) were assessed as green or amber with those at red totalling £4.047m. The month three position assumes that all actions in Appendix 1 will be realised in year.
- 4.4 Appendix 1 relates to the Place Directorate as a whole. Pertinent elements at month three which should be brought to the attention of this Executive Committee are set out in Table 1.

Table 1. Transport and Environment Executive Committee related - 19/20 Approved Savings, Efficiency Savings or Mitigations assessed as red.

| Management Action | £000 Red | Narrative |
|---|-----------------|---|
| Parking Action Plan Phase 2. | 299 | This relates to implementation of city centre Sunday parking charges and expansion of controlled parking zones. The Transport Regulation Order (TRO) has not yet been lodged to enable changes. This is partly mitigated by other enforcement income. |
| Joint Procurement of Waste Contracts. | 163 | This relates to contractual arrangements with other Local Authorities. Negotiations are underway but not concluded. £0.163m assessed at red reflects the impact of a three-month delay in agreement of terms. |
| Transport Review. | 250 | This relates to the organisational review of the Transport service. Work is ongoing but as yet not fully achieved to deliver the new structure and service improvements on a cost neutral basis. |
| T&E Part; some approved savings, efficiencies and mitigations impact more than one Executive Committee. | | Pertinent elements within the scope of this Committee include reduction in cost of waste disposal contracts, income from street and environmental enforcement and Place Management senior management review. |

| | | |
|--|--|--|
| 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. |
|--|--|--|

- 4.5 Progress has been made by Place Directorate in terms of making positive inroads to addressing the financial challenge within the first quarter of 2019/20. In addition to monthly reporting of the budget position to Place SMT the comprehensive annual budget realignment exercise commenced in 2018/19 has been undertaken in 2019/20 and will be followed up with a robust mid-year review in October.
- 4.6 This will provide confidence that the budget realignment undertaken earlier in 2018/19 and the associated budget management strategy are based on sound principles on which to increase budget sustainability going forward.

5. Next Steps

- 5.1 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 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.
- 5.3 The reported month three position in respect of the GF revenue budget assumes full delivery of approved savings and management action to address identified financial pressures and risks. Work must be prioritised to treat risks associated with delivery of the measures specified within Appendix 1 as a minimum.
- 5.4 Given the trends observed in recent years, it is felt prudent to incorporate delivery risk contingencies based both on past years' experience and the specific Finance assessments. A council-wide risk contingency has been reported to Finance and Resources Committee pending development of a clearer service monitoring position over the coming months.
- 5.5 The Executive Director of Place is fully committed to making all efforts to identify management action to reduce the budget pressures. However, given the magnitude of these pressures, there is the potential for a significant level of overspend. A clearer monitoring position will be established in the coming months as mitigation measures are implemented.

6. Financial impact

- 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 position set out in the report indicate pressures arising within the Place Directorate which require to be addressed.

7. Stakeholder/Community Impact

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

8. Background reading/external references

- 8.1 Finance and Resources Committee, [1 February 2019](#)
- 8.2 Report to Finance and Resources Committee, 15 August: [Revenue Monitoring 2019/20](#) – Period three report.

9. Appendices

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

Appendix 1 – Place Directorate – General Fund Approved Revenue Budget Savings 2019/20 – Month Three 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 | 0 | 500 | 250 | T&E PART |
| Approved Savings | Localities Phase Two | 300 | 0 | 150 | 150 | 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 | 0 | 125 | 125 | T&E PART |
| Approved Savings | Parking Action Plan Phase 2 | 369 | 0 | 70 | 299 | T&E ALL |
| Approved Savings | Fleet Review | 500 | 0 | 500 | 0 | T&E ALL |
| Approved Savings | Clean and Green (2018/19 additional spend) | 250 | 250 | 0 | 0 | T&E ALL |
| Approved Savings | Roads (Additional funding) (2018/19 additional spend) | 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 & Conser | 1,025 | 574 | 307 | 144 | T&E PART |
| Approved Savings | Commercialism and Income Maximisation - Parks and Greenspaces | 150 | 20 | 0 | 130 | |
| Approved Savings | Joint Procurement of Waste Contracts | 325 | 0 | 162 | 163 | T&E ALL |
| Approved Savings | Re-provision of public conveniences | 250 | 0 | 250 | 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 | 0 | 1,200 | 0 | |
| Approved Savings | New Ways of Working - Public Safety and Business Continuity | 130 | 0 | 130 | 0 | |
| Approved Savings | Parking - increase charges by average of 4.5% per annum over four years | 800 | 400 | 400 | 0 | |
| Approved Savings | Discretionary income (Fees and Charges) | 824 | 618 | 100 | 106 | 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 | 235 | 235 | Place Wide |
| Mitigations/Efficiencies | Place Development - Efficiencies | 730 | 250 | 250 | 230 | |
| Mitigations/Efficiencies | Place Management - Efficiencies | 530 | 0 | 265 | 265 | T&E PART |
| Mitigations/Efficiencies | Service Containment of Increment Costs (Place) | 1,200 | 300 | 400 | 500 | 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 | 1,000 | 200 | 0 | |
| Mitigations/Efficiencies | Implement Service Reforms (Place) | 200 | 0 | 100 | 100 | |
| Mitigations/Efficiencies | Reduction in Budget Pressures (Place) | 1,000 | 250 | 750 | 0 | Place Wide |
| Mitigations/Efficiencies | Value for Money Audits (Place) | 300 | 0 | 150 | 150 | T&E PART |
| Mitigations/Efficiencies | Contract Efficiencies (Place) | 600 | 0 | 200 | 400 | T&E PART |
| Mitigations/Efficiencies | Pentland Hills Operations (Place) | 100 | 0 | 50 | 50 | |
| Mitigations/Efficiencies | Localities and Communities Investment Funding | 130 | 130 | 0 | 0 | |
| Mitigations/Efficiencies | Transport Review | 1,200 | 700 | 250 | 250 | T&E ALL |
| Mitigations/Efficiencies | Planning Appeals | 300 | 150 | 150 | 0 | |
| Mitigations/Efficiencies | Millerhill Operations (Place) | 1,800 | 1,800 | 0 | 0 | T&E ALL |
| | | 19,915 | 7,974 | 7,894 | 4,047 | |
| Total Approved Savings | (excludes efficiency target) | 8,975 | 3,214 | 4,394 | 1,367 | |
| Total Mitigations/Efficiencies | (includes efficiency target) | 10,940 | 4,760 | 3,500 | 2,680 | |
| Total Management Action to be Delivered £000 | | 19,915 | 7,974 | 7,894 | 4,047 | |
| Total Management Action to be Delivered % | | 100% | 40% | 40% | 20% | |