

# The City of Edinburgh Council

10.00am, Thursday 12 February 2015

## Revenue Budget 2015/18 - Further Update – referral report from the Finance and Resources Committee

<b>Item number</b>	4.2(b)
<b>Report number</b>	
<b>Wards</b>	All

### Executive summary

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The Finance and Resources Committee on 3 February 2015 considered a short update report that described a number of further issues for consideration in setting the Council's 2015/16 Revenue Budget as part of a longer-term framework . The report has been referred to the City of Edinburgh Council for decision as part of setting the 2015/16 revenue budget on 12 February 2015.

### Links

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<b>Coalition pledges</b>	See attached report
<b>Council outcomes</b>	See attached report
<b>Single Outcome Agreement</b>	See attached report
<b>Appendices</b>	See attached report

# Terms of Referral

## Revenue Budget 2015/18 - Further Update

### Terms of referral

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- 1.1 The Finance and Resources Committee on 3 February 2015 considered a short update report that described a number of further issues for consideration in setting the Council's 2015/16 Revenue Budget as part of a longer-term framework.
- 1.2 At the Finance and Resources Committee meeting of 15 January 2015, members were advised of a number of changes that had affected budget framework planning assumptions and wider pressures and commitments impacting on the content of the 2015/16 budget. In particular, the report noted that, following the announcement by the UK Treasury of increased employers' contribution rates for the teachers' pension scheme effective from September 2015, provision had been made for an estimated additional liability in 2015/16 of £1.8 million.
- 1.3 The Finance and Resources Committee noted the issues for consideration outlined within the report and referred the report to Council as part of setting the 2015/16 revenue budget on 12 February 2015.

### For Decision/Action

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- 2.1 The Finance and Resources Committee has referred the report to The City of Edinburgh Council for decision as part of setting the 2015/16 revenue budget.

## Background reading / external references

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[Revenue Budget 2015/18 - Further Update](#)

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### Links

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<b>Coalition pledges</b>	See attached report
<b>Council outcomes</b>	See attached report
<b>Single Outcome Agreement</b>	See attached report
<b>Appendices</b>	See attached report

# Finance and Resources Committee

10.00am, Tuesday 3 February 2015

## Revenue Budget 2015/18 – further update

Item number	7.3
Report number	
Executive/routine	
Wards	

### Executive summary

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This short report advises members of a number of further issues for consideration in setting the Council's 2015/16 revenue budget as part of a longer-term framework on 12 February.

### Links

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Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	n/a

## Revenue Budget 2015/18 – update

### Recommendations

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- 1.1 Members of the Finance and Resources Committee are requested to note the issues for consideration outlined within the report and to remit the contents to Council as part of setting the 2015/16 revenue budget on 12 February 2015.

### Background

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- 2.1 At the Finance and Resources Committee meeting on 15 January, members were advised of a number of changes affecting budget framework planning assumptions and wider pressures and commitments impacting on the content of the 2015/16 budget. In particular, the report noted that, following the announcement by the UK Treasury of increased employers' contribution rates for the teachers' pension scheme effective from September 2015, provision had been made for an estimated additional liability in 2015/16 of £1.8m.
- 2.2 Following a review of loans charge forecasts, however, a recurring offsetting savings opportunity had been identified, leaving the overall position in line with that reported to the Finance and Resources Committee on 30 September 2014 i.e. potential overall revenue "headroom" of up to £6.5m in 2015/16, subject to approval and delivery of all framework savings proposals (including those savings approved for delivery in 2015/16 as part of previous years' budget motions) and management of risks and pressures.
- 2.3 The report furthermore noted that additional details of the Scottish Government's allocation of the favourable Barnett Consequentials arising from the Chancellor's Autumn Statement were awaited. Subsequent clarification has been received around the allocation of £95m of the total confirmed additional resources of £127m to be provided to health services in Scotland in 2015/16. NHS Lothian's share of the £65m of Scotland-wide funding for health services announced on 11 January has been confirmed as £4.9m.
- 2.4 In addition, the Scottish Government has now announced that a further £30m of the favourable Barnett Consequentials will be used as part of a three-year, £100m programme of investment to reduce the number of people waiting to be discharged from hospital. The Edinburgh area's approximate share of this sum is £2.5m, with the sum paid, in the first instance, to NHS Lothian.
- 2.5 Any direct or indirect impacts for the Council resulting from application of this additional funding will be reported to the Committee once confirmed.

### **Council Priorities Fund**

- 3.1 Members of the Committee will be aware from the report elsewhere on today's agenda that the Director of Health and Social Care has intimated a potential overspend, net of proposed mitigating actions, of some £4.75m in 2014/15.
- 3.2 On 15 January, the Committee considered a report on the Council's risks and reserves as part of the wider budget-setting process. Appendix 2 of that report indicated the anticipated movement on a number of specific funds, including the Council Priorities Fund. This analysis set out a projected fund balance of £6.6m as of 31 March 2015, and commitments thereon in 2015/16 of £3.6m.
- 3.3 Whilst further measures to reduce the level of overspend within Health and Social Care continue to be examined as a matter of urgency, it is proposed to allocate up to £3m of the remaining balance to meet an element of the projected overspend in 2014/15. Drawdown of this level of funding would result in a position whereby the Council Priorities Fund is now fully committed. At the same time, and subject to the management of risks and pressures affecting other service areas and corporate budgets, it would allow the unallocated General Fund reserve to be maintained at the level underpinning the Council's longer-term financial strategy.
- 3.4 Members are also asked to note the existing allocation within the Council Priorities Fund (and thus reflected within the balances reported to the Committee on 15 January) of £2.25m for the anticipated costs associated with the legacy Statutory Notice service in 2015/16.

### **Lothian Buses dividend**

- 3.5 Members will be aware that, as the primary shareholder of Lothian Buses Ltd, subject to the company's continuing profitability, the Council receives an annual dividend. The Lothian Buses Board has now confirmed that in light of the overall level of dividend declared, £5m is payable to the Council in respect of the financial year ended 31 December 2013. The additional level of dividend relative to 2014/15 budget assumptions of £2m this represents will be placed in an earmarked reserve and may be applied, should members so wish, as part of setting the 2015/16 revenue budget.

### **Shared Repairs Service**

- 3.6 Members are reminded that Council approval has been given, subject to the identification of corresponding funding as part of the budget motion, to the establishment of a new Shared Repairs Service, the full-year cost of which is estimated at £2.16m in 2015/16.

## **Organise to deliver – Better Outcomes through Leaner Delivery (BOLD) business cases**

- 3.7 The Finance and Resources Committee meeting of 15 January approved the taking forward of a number of transformation-themed BOLD business cases. Across the four workstreams, these cases set out potential gross annual savings of up to £49m by 2019/20. An element of these savings will accrue to the Housing Revenue Account, whilst others will contribute to meeting savings either previously approved by Council or included within the 2015/16 framework proposals.
- 3.8 While the primary focus of the Council's budget framework is currently on the three-year period to 2017/18 (over which time an overall additional savings requirement of £67m has been identified), indicative planning estimates are also in place for the following two years. Demographic and inflationary-related pressures will continue to affect the Council's budget over this period, reinforcing the need to seek out not just greater efficiency but increasingly prioritise activity according to its contribution to key policy outcomes.
- 3.9 Estimates of available funding over this longer timeframe are inherently more speculative. There is a need to reflect not just trends in wider public expenditure (and revised fiscal rules introduced by the UK Coalition Government in December 2014, under which there may be greater discretion in the level of spending reduction applied to address the underlying structural deficit) but also the potential influence of revised constitutional arrangements arising from the implementation of the Smith Commission's recommendations.
- 3.10 Over the five-year period to 2019/20, the Council's overall savings requirement, based on an assumed continuation of the Scottish Government's current 3% efficiency savings target, is over £100m. On that basis, the BOLD proposals, whilst making a significant overall contribution to addressing this gap, would address, at best, half of this requirement.
- 3.11 This requirement for further savings plans notwithstanding, the report to this Committee on 15 January identified a need for up to £2.9m of BOLD project management funding. In view of the crucial importance of this upfront investment in realising savings in subsequent years, it is recommended that, subject to ratification by Council, corresponding funding be made available from the ICT efficiencies fund. Based on the existing schedule of planned commitments and repayments, this sum can be accommodated within the overall fund balance.
- 3.12 The Channel Shift business case also indicated a requirement for up to £3m of upfront ICT capital investment to realise the full benefits set out. Members are asked to consider this requirement as part of setting the 2015/16 budget.

### **Management of pressures**

- 3.13 The previous update report to this Committee indicated that the Director of Health and Social Care and Acting Director of Services for Communities had

been instructed to develop proposals to return their services' budgets to a sustainable footing based on the level of resources underpinning their respective resource allocations.

- 3.14 Having reviewed the projected pressures and identified a range of proposed mitigating measures, the Acting Director of Services for Communities has now given assurance that these can be contained within the service's overall budget in 2015/16 as set out in the budget framework.
- 3.15 The Director of Health and Social Care has undertaken a similar assessment but at this time, the level of identified mitigating actions falls short of that required to balance the budget, leaving a residual shortfall of £5.5m which members may therefore wish to consider as part of the 2015/6 budget-setting process. It should be noted, however, that as in the current year, a number of these mitigating actions will require to be discussed further with NHS Lothian colleagues. The Director will continue to develop proposals to reduce the projected 2015/16 overspend, and a further update will be provided in advance of the Council meeting on 12 February 2015.

## Measures of success

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- 4.1 Relevant measures in setting the Council's revenue budget include:
- Accurate capturing and quantification of the key determinants of the Council's overall expenditure requirement and available sources of income, allowing a balanced overall budget for 2015/16 to be set as part of a longer-term framework;
  - Development of savings and investment options aligned to the Council's priority outcomes, with due opportunity provided for public consultation and engagement; and
  - Subsequent delivery of the approved savings, particularly where these are linked to additional service investment.

## Financial impact

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- 5.1 Inclusion of additional revenue investment within the budget framework is contingent upon the development, and subsequent delivery, of corresponding savings, alongside management of all risks and pressures, particularly those of a demand-led nature.

## Risk, policy, compliance and governance impact

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- 6.1 The savings assurance process is intended to ensure that, as far as is practicable, those proposals approved by Council deliver the anticipated level of financial savings in a way consistent with the anticipated service impacts

outlined in the respective budget templates.

## Equalities impact

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- 7.1 Those proposals comprising the budget framework have been assessed for their corresponding potential equalities and human rights impacts. The results of these assessments are summarised elsewhere on this agenda and will be referred to Council to ensure that members pay due regard to them in setting the Council's 2015/16 budget on 12 February 2015.

## Sustainability impact

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- 8.1 The proposals comprising the budget framework have also been subject to an assessment of their likely corresponding carbon impacts. As with the equalities impacts, the results of these assessments are summarised elsewhere on this agenda and will be referred to Council to ensure that members pay appropriate regard to them in setting the Council's 2015/16 budget on 12 February 2015.

## Consultation and engagement

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- 9.1 The contents of the budget framework have been the subject of considerable public and stakeholder engagement. The budget planner, in particular, has brought together the revenue and capital aspects of the budget and provided additional insight into the priorities of the city's residents. A summary of the main themes emerging from the public engagement is included in a separate report on today's agenda.

## Background reading/external references

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[Revenue Budget 2015/18 Update](#), Finance and Resources Committee, 15 January 2015

[Revenue Budget 2015/18 and Capital Budget 2015/2020 – update](#), Finance and Resources Committee, 27 November 2014

[Revenue and Capital Budget Framework](#), Finance and Resources Committee, 30 September 2014

[2015/18 Revenue and Capital Budget Update](#), Finance and Resources Committee, 7 May 2014

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## Links

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<b>Coalition pledges</b>	P30 – Continue to maintain a sound financial position including long-term financial planning
<b>Council outcomes</b>	CO25 – The Council has efficient and effective services that deliver on objectives
<b>Single Outcome Agreement</b>	n/a
<b>Appendices</b>	None