

# Transport and Environment Committee

10 am, Tuesday, 25 August 2015

## Services for Communities Financial Monitoring: Month 3 2015/16

Item number  
Report number  
Executive/routine  
Wards

### Executive summary

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Services for Communities (SfC) is forecasting the following outturn positions against its approved 2015/16 revenue and capital budgets:

- General fund revenue budget – balanced
- General fund capital budget – balanced

These forecasts should be considered in the context of significant pressures and risks in both capital and revenue budgets.

### Links

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Coalition pledges	<a href="#">P30</a>
Council outcomes	<a href="#">CO25</a>
Single Outcome Agreement	<a href="#">SO4</a>

## Services for Communities Financial Monitoring: Month 3 2015/16

### Recommendations

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- 1.1 It is recommended that the Transport and Environment Committee notes Services for Communities (SfC) financial position and the actions underway to manage pressures.

### Background

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- 2.1 SfC provides a diverse range of services and budget management presents significant complexity, challenges and risks.

#### 2014/15

- 2.2 In 2014/15 SfC achieved a balanced revenue outturn. This was achieved against a backdrop of budget pressures of over £10m. These pressures were addressed by careful budget management throughout the financial year. In response to budget pressures in Health and Social Care, Corporate Leadership group agreed to stop discretionary/non committed expenditure in the final quarter. The resulting saving in SfC meant that the service did not require £3m of earmarked reserves, which had been set aside for shortfalls in savings from the Council's internal improvement programmes.
- 2.3 SfC was also able to bring forward asset management works to generate acceleration of £4m in its capital investment programme. This acceleration was used to offset slippage elsewhere in the Council, ensuring the Council fully utilised available capital resources.

#### 2015/16

- 2.4 The Council set its budget for 2015/16 on 12 February 2015. Additional SfC savings of £7.5m were approved and additional revenue funding was provided for property repairs and maintenance, roads and footway improvements and a new shared repairs service. The budget also provided additional capital funding for roads and pavements (£3m) and property improvements (£3.4m).
- 2.5 Following these decisions the gross revenue budget for SfC now stands at £460m. Taking account of income, the net revenue budget is £133m. The general fund capital allocation for SfC is £86m.

- 2.6 SfC is also responsible for the Housing Revenue Account (HRA). Financial monitoring of this account will be reported separately to Health, Social Care and Housing Committee.

## Main report

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### Revenue Budget

- 3.1 SfC is currently projecting a balanced position for 2015/16, although is reporting significant pressures and risks.
- 3.2 In addition, in order to address severe financial difficulties in the Health and Social Care budget, Corporate Leadership Group agreed to identify measures to reduce expenditure across the Council. SfC has developed proposals totalling £1.65m. The total funding package for Health and Social Care, including services for SfC contribution, will be considered by the Finance and Resources Committee on 27 August 2015.

### Pressures and Risks

- 3.3 Finance staff have worked closely with service managers to provide an initial assessment of the main pressures and risks in the SfC revenue budget. The most material are considered to be:
- Corporate Property Savings Shortfall - £5.5m  
The Integrated Property and Facilities Management improvement programme (iPFM) has not delivered the level of savings originally anticipated. This area is being reviewed as part of the Transformation Programme and initiatives are being taken forward within Corporate Property to reduce this gap, but there is still likely to be a significant over spend in the current financial year.
  - Waste Services Shortfall - £2.2m  
This pressure is due to a number of factors, including additional landfill tax, removal of food waste grants, staffing budget pressures, additional vehicle costs, recycling redesign delays and increasing waste volumes. In addition, the time taken to secure agreement to implement savings in public conveniences has contributed to this pressure.

- Property Repairs and Maintenance

The reactive property repairs and maintenance budget was overspent by £1.5m in 2014/15. This level of expenditure was required to make properties wind and watertight and meet all health and safety requirements. An additional £2m has been provided in the current financial year, but there is still a risk that it will not be sufficient.

- Edinburgh Building Services (EBS)

A combination of an increase in operating costs due to changes in terms and conditions and a reduction in income has created a gap in the surplus projected for EBS Housing.

### Savings Implementation

3.4 The SfC budget for 2015/16 contains £10.5m of new savings, £7.5m of which were approved in February 2015 with the balance having been approved in previous budgets. The implementation of each saving is being tracked and reviewed by SfC senior management team on a monthly basis.

3.5 Savings are given a red, amber or green status, depending on the level of confidence there is that they will be delivered. At month 3, 50% of savings have a green status, 24% have an amber status and 26% have a red status. The savings with a red status relate to Corporate Property and are included in the pressure described in paragraph 3.3.

### Contingency Planning

3.6 In view of the financial challenges described above, SfC needs to implement a number of measures to ensure that expenditure can be contained within budget. Currently, a contingency of £4.3m has been created by reducing budgets across the service on a one-off basis. Budgets for Transport and Housing have each been reduced by £1m, with other areas of SfC implementing reductions of up to £0.4m. Additional income is also forecast from tram advertising. These measures are being carefully monitored and reported to SfC senior management team alongside SfC's other savings.

3.7 In addition, there are £2.6m of earmarked balances remaining, which may be used to address shortfalls in Waste and Corporate Property.

3.8 Together these measures are insufficient to address pressures and risks in full. In order to achieve a balanced position, the Director of Services for Communities is reviewing all budgets to determine where pressures may be reduced and additional income may be generated. Last financial year, following the decision to stop discretionary/non-committed expenditure in the last quarter, there were significant under spends in Transport, Neighbourhood budgets. There was also an increased level of planning and building warrant income.

- 3.9 Following this analysis, it may be necessary to implement further budget reductions to manage risks and pressures.

### **Capital Investment Programme (CIP)**

- 3.10 The revised CIP has been realigned and re-phased to ensure that projects reflect the most up to date cash flow projections. The capital monitoring team within Finance has worked closely with project managers to ensure that optimism bias has been avoided where possible. Project managers have been asked to consider risk issues such as adverse weather or other uncontrollable factors that can impact on delivery and to build this into budgeted cash flows.
- 3.11 In view of this recent realignment, a balanced position is forecast at month 3.

### **Measures of success**

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- 4.1 General fund revenue expenditure for 2015/16 is within budgeted levels.
- 4.2 Successful delivery of the SfC's capital investment programme within budget levels.

### **Financial impact**

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- 5.1 There are no direct financial implications arising from this report.

### **Risk, policy, compliance and governance impact**

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- 6.1 There are no direct risk, policy, compliance or governance implications arising from this report.

### **Equalities impact**

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- 7.1 The contents of this report, analysis and recommendations do not impact the Equality Act 2010 public sector general equality duty.

### **Sustainability impact**

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- 8.1 Successful delivery of SfC's budget will support continued improvement in environmental standards such as cleanliness and recycling.

## Consultation and engagement

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9.1 Consultation on budget proposals was undertaken as part of the Council's budget process.

## Background reading/external references

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None.

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## Links

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<b>Coalition pledges</b>	<b>P30</b> – Continue to maintain a sound financial position including long term financial planning
<b>Council outcomes</b>	<b>CO25</b> – The Council has efficient and effective services that deliver on objectives
<b>Single Outcome Agreement</b>	<b>SO4</b> – Edinburgh's communities are safer and have improved physical and social fabric
<b>Appendices</b>	