

Transport and Environment Committee

10am, Tuesday, 30 August 2016

Place Financial Monitoring 2016/17 – Month Three Position

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| Item number | 8.1 |
| Report number | |
| Executive/routine | |
| Wards | |

Executive Summary

Place is forecasting the following outturn positions against its approved 2016/17 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 | P30 |
| Council Priorities | CP13 |
| Single Outcome Agreement | SO4 |

Place Financial Monitoring 2016/17 – Month 3 Position

1. Recommendations

- 1.1 It is recommended that the Transport and Environment Committee notes the Place financial position and the actions underway to manage pressures and deliver savings.

2. Background

- 2.1 Place provides a diverse range of services and budget management presents significant complexity, challenges and risks.
- 2.2 The Council set its budget on 21 January 2016. This included £13m of savings and additional income to be delivered by the Executive Director of Place. The net revenue budget for the service now stands at £50m for 2016/17, reflecting these savings as well as budget transfers required to reflect the Council's new organisation structure. The capital budget for the service stands at £83m.
- 2.3 In addition, the Executive Director of Place is responsible for the financial management of the Housing Revenue Account (HRA). A separate report will be presented to Health Social Care and Housing Committee on HRA financial monitoring.

3. Main report

Revenue Budget

Overall Position

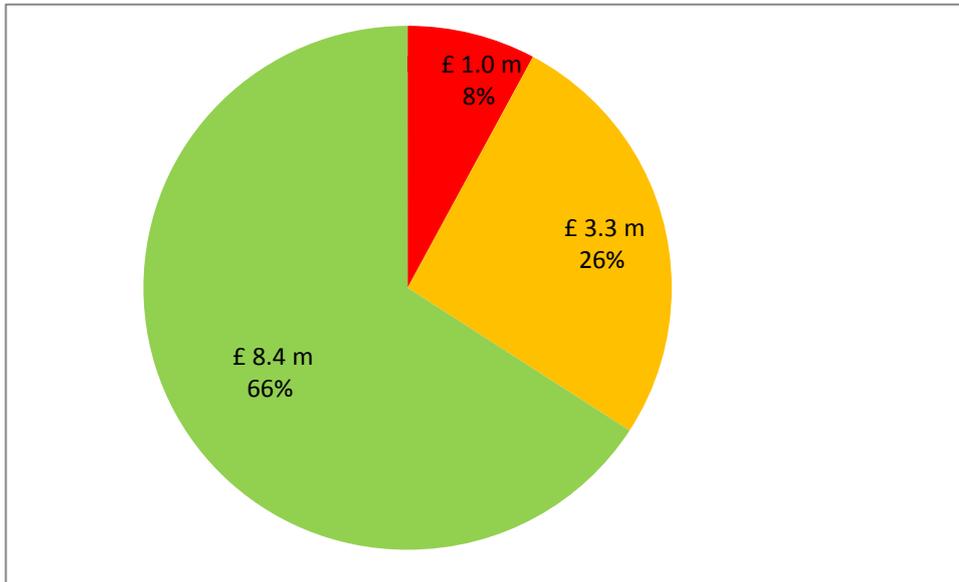
- 3.1 At period three, the Executive Director of Place is projecting a balanced position after taking account of projected delivery of approved savings and management of service risks and pressures. However, delivery of a balanced outturn will be challenging and will require robust budget management.

Savings Delivery

- 3.2 The budget for Place includes £13m of new savings for 2016/17. This includes £8m of staffing savings resulting from the Council's transformation programme, with the remainder to be delivered by other initiatives.

- 3.3 Delivery of all savings is monitored by Place Senior Management Team (SMT) on a monthly basis. Any savings considered to be at risk are reported to the Council Leadership Team. This process ensures that barriers to savings delivery can be removed and mitigation measures put in place where necessary.
- 3.4 At month three, a RAG assessment shows 92% of savings to be on target, as illustrated in the following chart:

RAG Assessment of 2016/17 Savings – July 2016



- 3.5 The red savings total of £1m relates to a saving envisaged for the waste service, which is no longer considered to be achievable within the envisaged timescale. Details of this saving, and other savings now being delivered by alternative means than those approved by Council are included in Appendix 1.
- 3.6 The relatively high level of amber savings reflects the fact that savings from organisational redesign have yet to be fully implemented. Financial estimates show that savings targets can be met, but this will depend on staff leaving the organisation as envisaged as well as reductions in the use of agency staff and overtime. An update on these savings will be provided to Transport and Environment Committee in November.

Pressures and Risks

- 3.7 In addition to savings monitoring, finance staff have worked closely with service managers to review and re-assess the main service pressures and risks. The most material are considered to be:

Pressures

- Waste services costs in excess of budget - £1.5m (in addition to £1m savings shortfall detailed in paragraph 3.5).
- North Bridge essential maintenance - £0.975m.
- Mortonhall income loss during refurbishment - £0.45m.

Risks

- Reductions in service income (eg planning fees and parking charges) due to changes in economic conditions.
- Increased cost of gritting and snow clearing in the event of a severe winter.

3.8 Details of pressures and mitigations are included in Appendix 2.

Mitigation of Pressures and Contingency Planning

3.9 In view of the financial challenges described above, the Executive Director of Place needs to implement a number of measures to ensure that expenditure can be contained within budget.

3.10 At month three, there are earmarked reserves of £3.6m available to address pressures and risks relating to waste services, North Bridge and severe winter weather. This is a one-off solution while service managers develop longer-term mitigations to address ongoing pressures.

3.11 The level of risk inherent in the Place budget means that further contingency measures are likely to be required. All budgets will therefore be reviewed to determine where pressures may be reduced and additional income may be generated. Last financial year, for example, there were significant under spends in Transport, and Neighbourhood budgets. There was also an increased level of planning and building warrant and parking income. Following the outcome of this review, further measures may be required and will be reported to Transport and Environment Committee in November.

Capital Budget

3.12 The revised Capital Investment Programme (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.

3.13 In view of this recent realignment, a balanced position is forecast at month three.

4. Measures of success

4.1 General fund revenue expenditure for 2016/17 is within budgeted levels.

4.2 Successful delivery of Place's CIP within budget levels.

5. Financial impact

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

6. Risk, policy, compliance and governance impact

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

7. Equalities impact

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

8. Sustainability impact

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

9. Consultation and engagement

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

10. Background reading/external references

- 10.1 None.

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11. Links

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|---------------------------------|---|
| Coalition Pledges | P30 – Continue to maintain a sound financial position including long term financial planning |
| Council Priorities | CP13 – Transformation, Workforce, Citizen & partner engagement, Budget |
| Single Outcome Agreement | SO4 – Edinburgh’s communities are safer and have improved physical and social fabric |
| Appendices | Appendix 1 – Delivery of Approved Savings by Alternative Measures Appendix 2 – Management of Pressures |

Appendix 1

Delivery of Approved Savings by Alternative Measures

| Environment | Efficiencies in the waste service | £1m | Review of waste disposal did not identify required level of savings in advance of the opening of zero waste facility at Millerhill. Savings shortfall to be met from ring-fenced reserves. |
|-------------------------------|--|------|--|
| Planning and Transport | Savings in planning and building control system costs to realised by renegotiation of contract with ICT provider | 0.22 | Centralisation of ICT budgets has meant that this saving is no longer available to the Department and target has been met corporately. However, contract with new ICT service provider is generating significant savings |
| Environment | Review allotment service and increase rents | 0.03 | Allotment prices have not increased as savings can be made in planned repairs, pest control, waste management and utility costs. |

Appendix 2

Management of Pressures

| Service Area | Description of Pressure | Value £m | Mitigating Action |
|------------------------|--|----------|--|
| Environment | Available budget for waste services is insufficient to collect and dispose of Edinburgh's waste. | 1.5 | Earmarked waste reserves are available to offset this pressure in 2016/17. However, this is not a permanent solution and the service is developing options to reduce this pressure from 2017/18 onwards. |
| Environment | Loss of income from crematorium during period that the facility is closed for refurbishment. | 0.45 | The pressure is being mitigated by maximising income and holding back non urgent expenditure elsewhere in the Place directorate |
| Planning and Transport | Costs of revenue works required for health and safety repairs to North Bridge. | 0.975 | This pressure has been mitigated through the carry forward of an underspend from 2015/16 and additional income within the wider transport service. |