

Transport and Environment Committee

10.00am, Tuesday, 1 November 2016

Place Financial Monitoring 2016/17 – Half-Year Position

Item number	8.6
Report number	
Executive/routine	Routine
Wards	All

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

Coalition Pledges	P30
Council Priorities	CP13
Single Outcome Agreement	SO4

Place Financial Monitoring 2016/17 – Half-Year 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 new 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 At its meeting of 30 August 2016, Transport and Environment considered a report detailing the financial position for the first quarter. This report provides an update on this position.

3. Main report

Revenue Budget

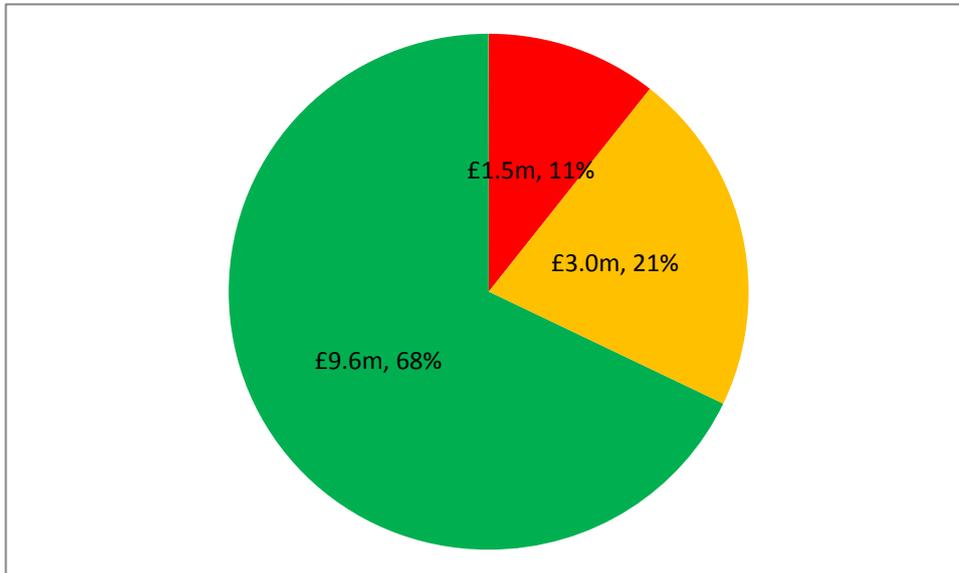
Overall Position

- 3.1 At the half-year, 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 plus £1m pre-approved savings. 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 six, a RAG assessment shows 89% of savings to be on target, as illustrated in the following chart:



- 3.5 £1m of savings classified as red relates to a saving envisaged for the waste service, which is no longer considered to be achievable within the envisaged timescale. The other significant saving not being delivered in the current financial year relates to tram advertising income. Details of these savings, 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.

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 - £2.7m includes £1m savings shortfall detailed in paragraph 3.5).
- North Bridge essential maintenance - £0.5m.
- Mortonhall income loss during refurbishment - £1.5m.

Risks

- Reductions in service income (eg planning fees and building warrants) 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 the half year, 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 Concerted work is being undertaken between Finance and Place managers to identify and implement sufficient mitigations to balance the departmental budget as a whole. Good progress has been made to date, however this exercise must remain an ongoing priority.

Capital Budget

3.12 The capital monitoring team within Finance has worked closely with project managers to monitor progress on delivery of capital projects. At the half year, Place is projecting a balanced position. Delivery on capital works is currently on track, including good progress being made on the construction stage of the Water of Leith Phase 2 Flood Prevention project.

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

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

Service Area	Original Proposal	Saving £m	Mitigating Action
Environment	Efficiencies in the waste service	1.00	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	Tram advertising income	0.50	This is unlikely to be received in 2016/17 as no contract is in place. Savings shortfall to be met from excess income generated over budget in other areas of the service area.
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.	1.7	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.	£1.5	This pressure is being partially offset by £0.5m of additional income generated by scientific services. Additional savings across the Directorate are being investigated and planned to mitigate.
Planning and Transport	Loss of income at Edinburgh Roads Services following implementation of new structure.	2.0	Key posts have recently been filled to facilitate a prioritisation exercise to programme work which can be matched to the Edinburgh Roads Services skill base to maximise income generation opportunities. This pressure is being partially offset by related under spends.
Planning and Transport	Costs of revenue works required for health and safety repairs to North Bridge.	0.5	This pressure has been mitigated through the carry forward of an under spend from 2015/16 and additional income within the wider transport service.