

Finance and Resources Committee

10am, Thursday, 7 March 2019

Revenue budget framework 2019/24 – progress update

Item number	7.2
Executive/routine	
Wards	n/a
Council Commitments	n/a

1. Recommendations

- 1.1 Members of the Committee are asked to note that:
- 1.1.1 as of the end of February, some £8.8m of residual pressures for 2019/20 remain within service areas, mitigating actions for which require to be urgently identified; and
 - 1.1.2 robust implementation plans require to be developed for all savings approved for implementation in 2019/20 by 31 March, with a progress update to be provided thereafter to the Committee's next meeting on 23 May.

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Revenue budget framework 2019/24 – progress update

2. Executive Summary

- 2.1 Following the approval by Council on 21 February 2019 of the revenue budget for 2019/20, the report outlines progress and further urgently-required actions in respect of (i) management of service pressures and (ii) development of savings implementation plans for the approved proposals comprising the budget framework.

3. Background

- 3.1 On 21 February 2019, Council approved a balanced one-year budget for 2019/20 as part of a longer-term framework. Taking account of approved service investment and the transfer of funds to the Council Priorities Fund, the budget is underpinned by the delivery of savings totalling some £39.3m, including £2.3m approved for implementation in 2019/20 as part of previous years' budget processes.
- 3.2 The Change Strategy also includes a number of savings planned for implementation in later years of the four-year framework. These will be considered more fully as part of next year's business planning process, including the budget, informed by more detailed development of the proposals concerned.
- 3.3 A number of reports to the Finance and Resources Committee in 2018/19 have emphasised the importance of establishing firm foundations from which to deliver subsequent years' required revenue budget framework savings. The Committee will be aware that while an overall projected revenue overspend for 2018/19 of £1.972m, without further mitigating actions, was reported to the Committee on 1 February 2019, this position reflects some £12m of net pressures across directorates or savings shortfalls, offset by £10m of corporate contributions that are either one-off in nature or already assumed in the budget framework baseline going forward. Recent years have also seen a marked reduction in the proportion of approved savings that are subsequently delivered. For both of these reasons, early and proactive steps require to be taken as a matter of urgency to ensure that the integrity of the wider framework is not compromised.

4. Main report

Management of pressures

- 4.1 The report to the Committee's previous meeting on 1 February 2019 advised members of work underway by Executive Directors and the Chief Officer of the Edinburgh Integration Joint Board to develop mitigating measures to address recurring pressures apparent from a review of both the current year's monitoring and future service planning. These analyses assume continuation of a number of controls being applied in the current year, including robust vacancy management.

Communities and Families

- 4.2 In-year monitoring reports have highlighted a number of primarily demand-led pressures affecting the Directorate, particularly those in respect of rising pupil rolls, home-to-school transport, temporary accommodation and community access to schools, together totalling £8.4m. The Executive Director of Communities and Families has identified a number of mitigating actions thus far, reducing the residual pressure to £4.3m. Additional discussion is required with the directorate's respective Conveners and Vice-Conveners to identify potential measures to reduce this level of residual pressure further.

Place

- 4.3 The Executive Director of Place has undertaken a comprehensive assessment of the net recurring impact of the current year's expenditure levels, taking into account one-off mitigations applied and pressures apparent in 2018/19 and those mitigations confirmed or planned thus far for 2019/20. This assessment indicates a net residual pressure of £3.1m at this time, with work continuing to identify additional measures to reduce its level further.

Resources

- 4.4 Following a Directorate-wide review of recurring pressures and proposed mitigating actions, a residual pressure of £1.4m has been identified, representing the net impact of anticipated savings shortfalls in the Property and Facilities Management Division. The Executive Director of Resources is committed to examining further measures, with a view to mitigating in full this remaining pressure.

Edinburgh Integration Joint Board

- 4.5 Members will be aware that the approved budget motion removed the draft proposal to apply a £3m efficiency target to the Edinburgh Integration Joint Board (EIJB) budget prior to passing on in full the additional monies provided within the Local Government Finance Settlement for health and social care services, expansion of the Carers' Act and the introduction of free personal care for those under 65 years of age. The approved budget also incorporated a transfer to the Council Priorities Fund of further funding of £2.5m, release of which to the EIJB is dependent upon achievement of sustained improvements in service outcomes, including reduced

levels of delayed discharge and shortened assessment waiting times. Taken together, these measures provide up to £15.7m of additional investment (equivalent to a 7.9% uplift on the 2018/19 offer to the EIJB) to reflect increasing demand and new legislation geared towards contributing to better outcomes for service users.

- 4.6 The Chief Officer of the EIJB has previously advised that, based on the original Change Strategy proposals that formed the basis of public engagement in January and early February, £19.4m of savings would require to be identified and delivered in 2019/20 to maintain financial balance. Following the removal of the assumed £3m efficiency target, this requirement has reduced to £16.4m, with a potential further reduction to £13.9m subject to evidencing the on-going service outcome improvements noted above.
- 4.7 The Chief Officer has convened, with the non-executive directors of the EIJB, a number of development sessions to explore potential savings options to address this remaining gap, with one such session planned for the day before the Committee's meeting. Taking into account this feedback and the Partnership's wider transformation programme, it is the Council's expectation that a set of proposals addressing the relevant savings requirement in full will then be presented to the EIJB's meeting on 29 March 2019.

Overall position

- 4.8 Taken together, residual 2019/20 pressures across the Communities and Families, Place and Resources Directorates total £8.8m, with a further requirement for at least £13.9m of savings to be approved by the EIJB to align its spending plans to the assumed levels of provision for Council-delegated services included within the budget framework.

Responsibilities of Executive Directors and Chief Officer of EIJB

- 4.9 As set out in the Council's Financial Regulations, Executive Directors are fully accountable for the financial performance of their directorates against the budget allocated and may incur revenue expenditure in furtherance of agreed Council policies only to the extent that budgetary provision has been made. As part of ensuring the overall sustainability of the Council's financial planning and management arrangements, Executive Directors also have a responsibility to review their respective budgets on an on-going basis. This includes the active monitoring and management of service pressures, delivery of approved savings and application of approved service investment, particularly in cases where this investment is targeted towards delivery of longer-term savings.
- 4.10 Given these responsibilities and the range of demand-led and other risks to which the Council's budget is exposed, it is crucial that robust plans are in place to manage residual pressures within their respective service areas. To this end, Executive Directors and the Chief Officer of the EIJB have been instructed by the Chief Executive, liaising as appropriate with relevant Conveners and Vice-Conveners, to develop specific plans to mitigate these residual pressures in full,

with these measures to be reported to the Finance and Resources Committee's next meeting on 23 May 2019.

Implementation of approved savings

- 4.11 As noted earlier in this report, the approved balanced budget also reflects the assumed delivery of £39.3m of savings in 2019/20, building on the £280m of savings approved since 2012/13. Given the extent of required savings during that time (equivalent to over a quarter of the Council's current revenue budget), a number of more recent years' savings, particularly those rooted in improved demand management, have posed particular challenges in implementation. The budget framework for 2019/20 also assumes £8m of savings across the corporately-held budgets of Council Tax income and loans charge expenditure, areas upon which significant reliance has been placed in previous years to offset pressures in Directorates and the EIJB.
- 4.12 In view of these increasing challenges, Council has previously approved up to £1m of one-off funding to support the engagement of dedicated, fixed-term project managers, as employees, to develop a number of the proposals comprising the Change Strategy. In this regard, particular attention is drawn to the efficiencies workstream, the associated 2019/20 savings target for which (£9.5m) represents nearly a quarter of the overall in-year requirement. While a number of strands, including further tightening of workforce controls, incorporating: vacancies; agency; and overtime expenditure, a further review of income maximisation opportunities and procurement savings delivery, process automation and creation of a Council-wide LEAN team are being actively progressed, more detailed scoping work is underway and an update on the specific plans and required actions around this savings workstream will therefore be brought to the Committee's meeting on 23 May.
- 4.13 This fixed-term project management resource will be supplemented by an enhanced emphasis upon robust senior officer and elected member scrutiny of the development and implementation of all approved savings proposals. These have been categorised according to their materiality, strategic alignment and extent of required process change, with proportionate accompanying monitoring arrangements, incorporating key milestones, clearly-assigned responsibilities and associated timescales, being developed. In the immediate term, the priority is to develop all such plans by 31 March. Progress with the subsequent implementation of all of the approved proposals for 2019/20 (listed in Appendix 1) will be reported on a quarterly basis to the Finance and Resources Committee, with a number of the proposals also included within the Council's wider change portfolio, updates on which will be reported to the Governance, Risk and Best Value Committee.

5. Next Steps

- 5.1 Following the approval by Council of the 2019/20 revenue budget on 21 February 2019, work on the development of both savings implementation plans and measures to manage pressures is continuing, with a further readiness assessment of approved savings deliverability by the Head of Finance to be reported to CLT prior to the new financial year.
- 5.2 Given the extent, at this stage, of unmitigated service pressures and recent years' reductions in the proportion of approved savings subsequently delivered, a further update will be provided to the Committee's next meeting on 23 May.

6. Financial impact

- 6.1 There is no financial impact arising directly from this report although it re-emphasises the importance of proactive management of pressures and delivery of approved savings.

7. Stakeholder/Community Impact

- 7.1 There is no direct relevance to the report's contents.

8. Background reading/external references

- 8.1 [Revenue Budget Framework 2018/23 Update](#), Finance and Resources Committee, 12 June 2018
- 8.2 [Review of Political Management Arrangements](#), The City of Edinburgh Council, 28 June 2018 (contains within Appendix 5 the current Financial Regulations)
- 8.3 [Council Change Strategy: Planning for Change and Delivering Services 2019-2023](#), Finance and Resources Committee, 27 September 2018
- 8.4 [Council Change Strategy: Planning for Change and Delivering Services 2019-23](#), Finance and Resources Committee, 1 February 2019
- 8.5 [Local Government Finance Settlement 2019/20 – Further Update](#), The City of Edinburgh Council, 21 February 2019
- 8.6 [Coalition Budget Motion](#), The City of Edinburgh Council, 21 February 2019

9. Appendices

- 9.1 One – revenue budget framework savings approved for delivery in 2019/20

Approved savings for delivery in 2019/20			
Saving name	Directorate	2019/20 (£m)	Theme
Full-cost recovery	Place	0.200	1. Income Maximisation
Statutory consents	Place	0.825	
Pre-planning applications	Place	0.100	
Culture	Place	0.150	
Parks and Greenspaces	Place	0.150	
Advertising income	Resources	0.470	
Leased property income	Resources	0.500	
Upfront payments	Council-wide	0.200	
Back-office support (ICT and Business Support)	Resources	1.450	
Support for Learning - Management	Communities and Families	0.200	2. Workforce Modernisation and Change
Workforce modernisation	Council-wide	0.500	
Communities and Families - Management	Communities and Families	0.200	
Economic Development	Place	1.200	3. Service Reduction
Heritage language	Communities and Families	0.042	
Book Fund	Communities and Families	0.200	
Strategy and Communications	Services reporting to Chief Executive	0.200	
Council Tax (income)	Corporate	3.000	4. Corporate and Capitalised Budgets
Borrowing costs	Corporate	5.000	
Procurement	Resources	0.100	
Business Rates	Resources	0.800	
Revenue and capital (includes roads maintenance capitalisation and school adaptations)	Place/Communities and Families	0.600	5. Operational Redesign
Property investment portfolio	Resources	0.415	
Fleet costs	Place	0.500	
Public toilets	Place	0.250	6. Service Reform
Residential Care	Communities and Families	0.510	
New Ways of Working - Public Safety and Business Continuity	Place	0.130	7. Maintaining Service Investment
Communities and Families one-year extra grant funding	Communities and Families	0.250	
Street Cleaning one-year additional investment	Place	0.250	
Roads one-year additional funding	Place	0.250	
Property Maintenance - additional investment	Resources	0.850	
Print and Mail	Resources	0.090	8. Digital Delivery
Area-Based Regeneration	Place	0.250	9. Place Making
Parking Action Plan Phase 2	Place	0.369	
Localities Phase Two	Place	0.300	
Improved Approach to Street and Environmental Enforcement	Place	0.750	
Marketing Edinburgh	Place	0.300	10. Arm's Length Bodies
EDI	Council-wide	1.047	
Culture and Leisure	Communities and Families	0.350	
Transport for Edinburgh	Place	0.500	11. Operational Efficiencies
Efficiency target	Corporate	9.500	
Other efficiencies in contract and discretionary spend	Various	2.466	12. Homelessness Investment
Voids rates	Communities and Families	0.090	
Revenue Officers	Communities and Families	0.175	
Scottish Government Framework for electricity and Gas	Communities and Families	0.030	13. Partnership working
Edinburgh Partnership	Services reporting to Chief Executive	0.040	
Third Party arrangements (contractual and grants)	Communities and Families	0.175	
Police funding	Communities and Families	0.522	
Joint Waste	Place	0.325	
Asset Management Strategy and Service Reprovisioning	Resources	0.250	14. Service Design and Our Assets
		37.021	
Savings approved as part of previous years' budgets			
Asset Management Strategy	Resources	0.400	
Discretionary income	Council-wide	1.000	
Parking - increase charges by average of 4.5% per annum over four years	Place	0.800	
Cultural grants	Place	0.052	
		2.252	
Total savings to be delivered in 2019/20		39.273	