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THE CITY OF EDINBURGH COUNCIL

Item No 4

Committee Minutes

Resource Management and Audit Scrutiny Panel

Edinburgh, 16 November 2006

Present:- Councillors Jackson (Convener), Dixon, Gordon Mackenzie, Milligan, Munro, Scobbie and Wheeler.

Also Present:- Councillor Child.

1 Apologies

Apologies for absence were received from Councillors Burns and Maginnis.

2 Minute

Decision

The minute of the Resource Management and Audit Scrutiny Panel of 12 October 2006 was approved as a correct record.

3 Matter Arising from Minute of 12 October 2006

3.1 Non-Domestic Rates – Discretionary Rating Relief (item 5)

Decision

To note that the Executive of the Council on 31 October 2006 had approved the Scrutiny Panel's recommendation that:

(a) In order to allow future requests for discretionary rating relief to be considered in a consistent manner, the current established practice be formalised into a policy with appropriate criteria;

(b) In examining a formal policy in this area, to consider that there be a presumption against granting discretionary rating relief to organisations who are not eligible for mandatory relief or organisations involved in commercial activities.

(Reference – Executive of the Council 31 October 2006 (minute item 17)).

4 Revenue Monitoring 2006/07 – Half Year Position

Standing Order 87(8) requires the Executive of the Council to refer monitoring reports on the Council's Revenue Budget to the Resource Management and Audit Scrutiny Panel at intervals to be determined by the Executive.

The Executive of the Council on 14 November 2006 had considered a report by the Director of Finance on the Council's Revenue Budget at the half year stage (based on period 5 data) and the projected outturn for the 2006/07 financial year.

In addition, the Executive had also considered reports by the Directors of Children and Families, Corporate Services, Culture and Leisure and Health and Social Care on measures to contain projected overspends within their respective revenue budgets.

The Executive had agreed, amongst other things, to refer all the above reports to the Resource Management and Audit Scrutiny Panel as part of its work programme.

Karen Kelly (Head of Financial Services) spoke to the Director of Finance's report on the Council's Revenue Budget at the half year stage. An amended version of Appendix 2 (Children and Families Broad Category Analysis) to the Director of Finance's report was tabled at the meeting. Karen Kelly advised the Panel as follows:

- The half year revenue position showed a projected deficit of £1.222m, a reduction of £8.147m from the £9.369m projected deficit at month 3.
- Within the net projected deficit of £1.222m, there remained a significant number of pressures on service department budgets.
- The projected deficits were a major cause for concern as was the ability of some Departments to reimburse previous budget overspends as part of the budget flexibility scheme.

Thereafter, the Scrutiny Panel considered in detail the revenue position of the following departments:

Children and Families Department

In response to questions from Panel Members, Mike Rosendale (Head of Strategic Planning, Children and Families) and Iain Shaw (Principal Finance Manager, Children and Families) advised as follows:

- The Children and Families Department was forecasting a deficit of £3.6m for 2006/07.

- A Departmental Budget Working Group had been established to review the areas of overspend and identify and address budget under funding. The Group would examine efficiencies that could be delivered in the longer term, including review of non-front line areas of the department's budget.

- The Council had written to the Scottish Executive seeking greater flexibility in the application of the recently announced Schools Fund grant which, if approved, would enable the Children and Families Department to take a significant step towards balancing its 2006/07 Revenue Budget.

- Approximately 400 places in Edinburgh's Early Years and Nursery Centres were allocated to children from other authorities. It was proposed to re-charge the costs to other local authorities and a letter was due to be issued to the authorities affected shortly. It was stressed that no children resident in Edinburgh had been denied an early years or nursery centre place as a result of places being allocated to children from other authorities.

- The Director of Children and Families would report further on the implications arising from the decision taken by the Executive on 14 November 2006 to continue the vacancy freeze on non-essential/non-statutory posts in the Department of Children and Families for the remainder of this financial year.

City Development Department

In response to questions from Panel Members, Andrew Holmes (Director of City Development) advised as follows:

- The City Development Department was projecting an adverse variance of £1.194m which related to Building Design Services.

- A report on Building Design Services would be submitted to the Executive of the Council in December 2006. It was stressed that while Building Design Services covered its costs and overheads it had inherited an unrealistic income generation target and it was this issue that specifically needed to be addressed.

- One of the measures identified to contain the budget pressures was a recharging of the costs of retained office buildings to Departments. These additional buildings were required as the result of a need to accommodate more staff than had been envisaged in the Business Case for the Fit for Future Project.

- Planning for the expiry of the current lease of Chesser House would be a significant challenge facing the Council in future years.

Health and Social Care Department

In response to questions from Panel Members, Monica Boyle (Head of Quality and Resources) advised as follows:

- The Health and Social Care Department was projecting an adverse variance of £0.898m.

- In reviewing the department's options for reducing expenditure, careful consideration was given to the impact of any reductions on delayed discharge as one of the key priorities for the department was to ensure that national targets for delayed discharge were achieved.

- 70% of the Health and Social Care budget was spent on Older People's Services.

- A number of measures to contain the projected overspend had been identified and these would be monitored and reviewed on a monthly basis.

- The department had recently appointed a Project Manager to look at the further efficiency savings in learning disabilities which it was hoped would lead to significant savings in future years.

Corporate Services Department

In response to questions from Panel Members, Ian Raven (Performance and Development Unit Manager) advised as follows:-

- The Corporate Services Department was projecting an adverse variance of £134,000.

- The adverse variance had been generated predominantly as a consequence of the Hungry for Success initiative by the Scottish Executive. Efforts to address this issue and bring the final expenditure back within budget were continuing through discussion with the Children and Families Department and through a major restructuring of the Catering and Cleaning STOs to deliver a more efficient structure and a more effective way of working.

- The withdrawal of confectionary and vending services from schools on instructions received from the Children and Families Client Team had caused a significant reduction in the STOs income level.

- Consideration was being given to whether the other STOs in the Corporate Services Department could generate additional contributions to cover any eventual shortfall in the School and Welfare Catering STO.

Culture and Leisure Department

In response to questions from Panel Members, Gwen Doswell (Head of Support and Quality Services) advised as follows:-

- The half year monitoring position was projecting an overspend of £195,000 for the Culture and Leisure Department.

- The variance had arisen primarily as a result of a delay in the refurbishment and upgrading of the Ratho Adventure Centre and a reduction in rental income at Port Edgar.

- While the delay to the refurbishment and upgrading of the Ratho Adventure Centre had been due to unforeseen contingencies it was expected that future revenue generation would be as previously budgeted.

- Part of the Culture and Leisure budget for 2007/08 was transferred to Services for Communities as a result of the Council Review 2007. The remaining balance from which any further savings could be made was therefore significantly reduced and was causing severe difficulty in achieving reductions in expenditure without cutting services.

Councillor Child (Executive Member for Sustainability and Finance) indicated that the projected departmental deficits were a major area of concern. She stressed that it was important that Directors took appropriate action to contain expenditure within approved budgets but was not convinced enough departmental time and effort was spent scrutinising budgets to secure financial savings for future years.

Decision

1) To note the following decision of the Executive of the Council of 14 November 2006:

   (a) To accept the recommendations in the Council-wide revenue report by the Director of Finance and reports from Directors with the exception of any reductions in respect of school-based budgets and budgets where there is a direct impact on front-line services for vulnerable children or on the Council's ability to meet delayed discharge targets in partnership with Lothian Health;

(b) To note that regular monitoring information was submitted to the Council Management Team and to instruct all Chief Officers to minimise, in the context of the above, any projected overspends during the remainder of the year with a view to ensuring the overall budget of the Council is brought into balance;

(c) To instruct that a "non-essential/non-statutory posts" vacancy freeze continue to operate for the remainder of this financial year in the Department of Children and Families;

(d) To note that the report on Building Design Services would be considered in the next cycle;

(e) To review the overall revenue budget position at the meeting of the Executive to be held on 12 December 2006.

(f) That the reports be referred to the appropriate Scrutiny Panels for consideration.

2) To note that the Director of Children and Families will include in his next revenue monitoring report a summary of all the implications arising from the decision taken by the Executive on 14 November 2006 to continue the vacancy freeze on "non-essential/non-statutory posts" in the Department of Children and Families for the remainder of the current financial year.

3) To recommend to the Executive of the Council:-

(a) That a review of all inter-authority charging be undertaken as part of the ongoing budget review process;

(b) That all Directors be reminded of the importance of ensuring that appropriate management action was taken to bring expenditure into line with approved budgets.

(References – Executive of the Council 14 November 2006 (minute item 7); report no E/329/06-07/F by the Director of Finance and amended version of Appendix 2 (Children and Families Broad Category Analysis) tabled at the meeting; report no E/345/06-07/CS by the Director of Corporate Services; report no E/338/06-07/C&F by the Director of Children and Families; report no E/343/06-07/CL by the Director of Culture and Leisure and report no E/340/06-07/HSC by the Director of Health and Social Care, all submitted.)

5 Capital Monitoring 2006/07 – Half Year Position

Standing Order 87(8) requires the Executive of the Council to refer monitoring reports on the Council's Capital Investment Programme to the Resource Management and Audit Scrutiny Panel at intervals to be determined by the Executive.

The Executive of the Council on 14 November 2006 had considered a report by the Director of Finance outlining the overall position of the Council's Capital Budget at the half year position (based on period 5 data). The Executive had agreed, amongst other things, to refer the Director of Finance's report to the Resource Management and Audit Scrutiny Panel as part of its work programme.

Karen Kelly (Head of Financial Services) gave a brief overview of the Director of Finance's report and advised the Panel as follows:

- The total projected variance against budget was an underspend of £25.634m
- The slippage represented 21.7% of the overall capital programme and slippage of this magnitude was a significant concern.
- Projects now experiencing slippage were originally approved over three years ago and there was serious concern over the delivery of these schemes and the capability to deliver them in a number of Council Departments.
- Cash flow monitoring statements had been introduced, but these had not yet proved to be effective in encouraging project managers to provide realistic phasing of project costs.
- Improving financial resource planning and project delivery was a major part of the remit of the new Corporate Asset Management Group which was established this year and chaired by the Director City Development.
- A new training module for capital projects had just been introduced and would be rolled out to all Departments in due course.

Councillor Child (Executive Member for Sustainability and Finance) was disappointed at the large levels of slippage and stressed that it was extremely important that the Council made optimum use of its capital resources.

Decision

1) To note the following decision by the Executive of the Council of 14 November 2006;

a) To note the position in the Non-HRA monitoring detailed in Appendix A of the report by the Director of Finance;

b) To note the position in the HRA monitoring detailed in Appendix C of the Director's report;

c) To note the prudential indicators detailed in Appendix D of the Director's report;

d) To approve the removal of prudential funding for Salary Sacrifice Schemes;

e) To refer the report to the Resource Management and Audit Scrutiny Panel as part of its work programme;

f) In view of the significant underspend on the Capital Programme, to ask the Chief Executive to report to Council on 23 November 2006 on a programme of refurbishment works for pavilions and pitches which could be carried out within slippage in the current financial year;

g) That the Chief Executive report to the Executive in December on improving financial resource planning and project delivery.

2) To note that the Chief Executive's report as detailed in 1(g) above would also be submitted to the Resource Management and Audit Scrutiny Panel.

(Reference – Executive of the Council 14 November 2006 (minute item 8); report no E/330/06-07/F by the Director of Finance, submitted).

6 Comparative Analysis of Council Performance 2005/06

The Executive of the Council on 14 November 2006 had considered a report by the Director of Corporate Services on a comparison of the Council's performance with that of urban Councils in relation to the Accounts Commission Statutory Performance Indicators for 2005/06. The report also included a review of year on year performance within the Council and identified areas for improvement.

The Executive had noted the Director of Corporate Services' report and had referred the performance improvement plan relating to the Finance Department to this Scrutiny Panel for consideration.

Andrew Mackay (Corporate Projects Manager, Performance and Development Unit) gave a brief overview and summarised the main elements of the Director of Corporate Services' report.

Karen Kelly (Head of Financial Services) provided the Panel with a verbal update on current performance levels within the Finance Department.

Decision

To note the decision of the Executive of the Council of 14 November 2006 and the performance improvement plan for the Finance Department.

(References – Executive of the Council 14 November 2006 (minute item 9); report no. E/325/06-07/CS by the Director of Corporate Services, submitted).