

Finance and Resources Committee

10.00am, Thursday, 29 September 2016

Revenue and Capital Budget Framework 2016/20 – mid-year review

Item number	7.7
Report number	
Executive/routine	
Wards	

Executive summary

On 21 January 2016, Council approved a balanced budget for 2016/17 and indicative balanced budgets for the following two years, subject to grant funding assumptions, delivery of approved savings and active management of a range of risks and pressures. The approved budget motion also established the principle of a mid-year review, formally monitoring progress against the Council's financial commitments and objectives and acting as an early warning system to highlight any potential risks.

This report appraises members of progress in delivering approved savings and a number of changes to budget framework assumptions, including revisions to grant funding projections and an increase in the level of demographic provision. Taken together and subject to a number of required actions to manage pressures and address shortfalls in the delivery of savings previously approved in principle, the overall position remains balanced in 2017/18 and 2018/19.

Links

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Report

Revenue and Capital Budget Framework 2016/20 – mid-year review

Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 note the contents of this report in the context of considering the Council's revenue and capital budget framework;
 - 1.1.2 note that, subject to management of risks and pressures and the identification of mitigating measures and/or alternative savings to offset projected shortfalls in delivery in three specific cases, the budget framework remains balanced in 2017/18 and 2018/19;
 - 1.1.3 note the intention to engage on a reduced number of key "themes" as part of wider consultation on the Council's Transformation Programme; and
 - 1.1.4 authorise Executive Directors to take forward any remaining detailed planning and development of the savings proposals contained within the budget framework including, where relevant to a savings proposal, planning, development and consultation in accordance with the Council's Organisational Review procedure.

Background

- 2.1 On 21 January 2016, Council approved a balanced budget for 2016/17 and indicative balanced budgets for the following two years, subject to grant funding assumptions, delivery of approved savings and active management of a range of risks and pressures. The approved budget motion also established the principle of a mid-year review, formally monitoring progress against the Council's financial commitments and objectives and acting as an early warning system to highlight any potential risks.
- 2.2 This report marks the first such review and therefore sets out:
 - i. progress in delivering approved savings;
 - ii. additional factors, or changes to existing assumptions, impacting on the budget framework;
 - iii. progress in taking forward a number of actions included within the budget motion;

- iv. management of service-specific and corporate risks and pressures; and
- v. specific proposals/groups of proposals to form the focus of public engagement.

Main report

Delivery of approved budget framework savings

- 3.1 While the setting of the Council's budget marks the formal approval of the proposals concerned, this ratification forms part of a much longer cycle of option development, public consultation, service engagement and subsequent savings delivery. Regular progress updates on the delivery of all approved savings for 2016/17 and the following years have been considered by both the Council Leadership Team and Capital Coalition elected members at Budget Challenge meetings. This process began well in advance of budget approval in January and has proven effective in highlighting at an early stage potential barriers to full delivery and, where necessary, informing the subsequent development and assessment of alternative measures.
- 3.2 As of mid-August and based on actions planned, or already undertaken, of a total of £73m of savings approved in 2016/17, some 94% by value are on track to be delivered. The balance of required savings (relating to a small number of approved proposals in Communities and Families and Health and Social Care) is being managed through one-off funding, vacancy control and reductions in discretionary spend, such that a balanced overall Council-wide position for the year is being forecast. As is crucial to all aspects of the budget framework, however, sustainable solutions are required to address any recurring shortfalls going forward.
- 3.3 Planning for savings to be delivered in 2017/18 and subsequent years is, by its nature, at an earlier stage. This said, subject to the undertaking of planned actions, 88% of proposals by value are currently assessed as on track to be delivered and the next few months will therefore be used to develop and refine these as appropriate.

Review of budget framework assumptions

- 3.4 Following the announcement of the 2016/17 Local Government Finance Settlement in December 2015, the Council identified a requirement to deliver at least £148m of recurring annual savings by 2019/20. A firm balanced budget for 2016/17 was then approved on 21 January, with indicative balanced budgets set for the two following years, subject to confirmation of grant funding levels, bringing forward more detailed proposals for those savings approved in principle and active management of risks and pressures. A residual savings requirement of £15.3m was identified in 2019/20.
- 3.5 The expenditure and income assumptions underpinning the budget framework are subject to regular review. Following the most recent review, a number of

proposed changes are set out below, the net effect of which is summarised in Appendix 1.

Expenditure factors - demographic-related pressures

- 3.6 The Council's budget continues to be influenced by changes in the size and profile of the city's population. In 2016/17, taking into account the anticipated level of contribution from the Integrated Joint Board through the Social Care Fund, some £12m has additionally been provided in respect of demographic-related factors. This total includes sums to reflect growing school pupil rolls, greater client numbers and associated complexity of need within older people's and physical and learning disability services and increasing numbers of at-risk children.
- 3.7 In May 2015, the then Children and Families service undertook a comprehensive analysis of the anticipated impacts of demographic change on its services over the period to 2021/22. This analysis used available school pupil roll projections and other demographic-related data to re-assess the adequacy of the level of provision for such factors included within the Council's Long-Term Financial Plan. The analysis concluded that subsequent upward movement, in particular, in actual school pupil and at-risk children numbers relative to earlier assumptions meant that, based on existing unit costs, additional funding of £2.1m was required in 2016/17 alone. Following an updated assessment of the estimated cost to the Council from April 2016 of the loss of the existing employer's National Insurance rebate for staff in pension scheme membership, an increased level of demographic provision was included in the budget framework. In doing so, it was furthermore acknowledged that the position in respect of future years would require to be considered as part of subsequent years' budget processes.
- 3.8 The projections developed by the service in May 2015 have now been reviewed in light of more recently-published data and these forecasts are assessed to remain appropriate. The projections comprise two distinct elements, one relating to existing factors, such as changes in pupil rolls and numbers of at-risk children, and the other to additional sums predicated on increased infrastructure requirements arising, in particular, from the Local Development Plan (LDP). While addressing the potential medium- and longer-term revenue and capital cost implications of the LDP remains a significant consideration for the Council, pending identification of the required capital funding to construct a number of new schools underpinning the plan, the review of the adequacy of current provision has focused on "existing" factors.
- 3.9 The analysis undertaken by the service points to a cumulative additional funding requirement of £1.399m, £3.902m and £6.452m respectively over the period from 2017/18 to 2019/20, based on current service delivery models and unit costs. As will be outlined later in this report, however, this requirement has been identified against a backdrop of significant reductions in per capita external funding levels. On this basis and recognising opportunities for economies of

scale resulting from service re-design and re-alignment towards more preventative activity as part of the development of a localities-based model, the updated framework includes provision for half of the additional sum calculated in each case. It should be noted, however, that the total sum provided within the framework equates to around 70% of the overall demographic-related requirement identified, based on existing unit costs.

- 3.10 Reviews undertaken in respect of health and social care- and waste-related services have confirmed the on-going appropriateness of the assumed sums in these areas. While the potential for significant pressure has been highlighted in the area of **temporary accommodation** services as part of welfare reform-related changes, pending clarification of the nature of these wider proposals and any off-setting funding that may be made available, no specific provision is assumed at this time.

Health and Social Care

- 3.11 The approved Health and Social Care budget for 2016/17 is underpinned by the delivery of £15m of recurring savings, with £7m of additional funding also provided by Council to reflect underlying pressures within the service. As part of the budget motion on 21 January 2016, Council also provided in-principle approval for a further £6.9m of savings to be delivered in 2017/18. Other than a small inflation-linked increase in charges levied, no further savings within the service are currently assumed in the framework beyond 2017/18.
- 3.12 While recognising the autonomy of the Integrated Joint Board, the Scottish Government has indicated that it expects public bodies, including local authorities, to deliver 3% annual efficiencies across all their services. The budget framework currently includes provision for a number of inflationary factors affecting the Health and Social Care service, including pay awards, care home fees and applicable uplifts in purchased service contracts. The framework additionally includes incremental demographic investment of £5.921m/£5.957m/£6.096m over the period from 2017/18 to 2019/20 inclusive.
- 3.13 As in the case of Communities and Families services, however, amidst significant reductions in funding, this level of additional investment is only affordable through the delivery of corresponding savings. In light of this, while the position for other Council services will be similarly reviewed in due course, the budget framework now assumes an annual efficiency requirement across Health and Social Care services of 3% from 2018/19 onwards. The appropriateness of this planning assumption will be reviewed as additional details of the Local Government Settlement become available.

Energy costs

- 3.14 Like other public sector organisations, the Council has in recent years targeted reductions in energy consumption through installation of specific energy-efficiency equipment and wider promotion of good house-keeping measures. Although influenced by both changes in energy consumption and relevant

conversion factors, the Council's carbon footprint reduced by some 6.8% in 2015/16 and further reductions in consumption and associated expenditure are forecast in the current year, subject to weather conditions.

- 3.15 Medium- to longer-term projections of energy costs are inherently uncertain, particularly in later years when the proportion of advance purchasing is lower and, as such, the susceptibility to price volatility higher. On the basis of available forecasts and anticipated reductions in consumption going forward, however, the level of incremental provision for subsequent years' inflationary uplifts has been revised downwards by £1m by 2019/20.

Apprenticeship Levy and superannuation costs

- 3.16 The UK Chancellor of the Exchequer's Autumn Statement in late November 2015 confirmed the introduction of an apprenticeship levy for larger employers to be implemented from April 2017. Payment will be set at 0.5% of each employer's basic wage bill, in the Council's case equating to an annual liability, after taking account of the rebate to which all employers are entitled, of around £1.8m. The Scottish Government will determine how the revenue raised in Scotland in respect of the levy is then allocated. While it is anticipated that at least an element of this revenue will be "recycled" to councils, on a prudent basis, the full sum has been incorporated within the framework on a recurring basis with effect from 2017/18.
- 3.17 While no specific plans have yet been announced, recent indications point to a further potential increase in employer superannuation contribution rates for teachers effective from 2019/20¹. In addition, evidence from other local authorities following the ending of the auto-enrolment "transitional period", the effect of which is to defer full introduction for those existing staff members who have previously confirmed their wish to opt out of their employer's pension scheme, suggests significant subsequent increases in scheme membership. The transitional period for the Council ends at the end of September 2017 so, in that sense, full provision for the apprenticeship levy provides some potential short-term contingency against an increase in membership levels in excess of current budget framework assumptions, although further recurring provision may be required in the longer term.

Inflationary contingency and staff release cost funding

- 3.18 Besides specific financial provision to reflect additional expenditure requirements arising from such factors as employee pay awards and demographic change, the budget framework includes allowance for more general inflationary pressures upon the Council's budget. Provision was also

¹ The budget framework already provides for a phased total increase in employer contribution rates of 1.5% over the period from 2018/19 to 2020/21 for Local Government Pension Scheme (LGPS) scheme members as intimated as part of the most recent triennial Lothian Pension Fund valuation.

previously made for £11.5m of additional annual costs arising from the implementation of Modernising Pay arrangements in October 2010. A re-assessment of the required overall level of provision across these areas has allowed some £3.6m of the remaining unutilised provision to be redirected to address other pressures in 2017/18.

- 3.19 In addition, in recognising the significant staff release costs associated with the Transformation Programme, on-going annual provision of £2.5m was made within the framework. Review of staff release costs incurred to date and anticipated by the end of the programme indicates that the remaining level of earmarked reserve funding identified should be sufficient to meet all costs, thereby again allowing the current framework allocation to be redirected to address other pressures.

Revenue grant funding projections

- 3.20 Members will recall that, following the later-than-usual publication of the UK-wide Spending Review in 2015, the Scottish Government issued only a one-year budget for 2016/17. While it was anticipated at the time that a multi-year draft budget would then be issued in September 2016, following the United Kingdom's vote on membership of the European Union, the Scottish Budget announcement is not expected to be issued until after the UK Chancellor's Autumn Statement (now confirmed to be on 23 November). As was the case for 2016/17, it is now the Scottish Government's intention to issue the Draft Budget and Local Government Finance Settlement on the same day, likely to be in mid-December. Scottish Government Ministers have also confirmed that the announcement will cover only one year.
- 3.21 In addition to any feed-through impact of current economic uncertainty on the level of UK-wide public expenditure, as part of the Scotland Act, the Scottish Government will acquire additional powers over income tax rates and thresholds from April 2017. The level of funding support made available to Local Government in 2017/18 and beyond will be further influenced by Scottish Government priorities and changes to Council Tax multipliers for higher-banded properties.
- 3.22 While necessarily based on a range of projections and assumptions, the recently-published Fraser of Allander Institute report on the Scottish Budget provides an insight into potential levels of revenue grant and non-domestic rates funding over the next few years. Under the scenario presented within the report, overall external council funding (excluding Council Tax) is forecast to reduce by an average of 2.5% per year in real terms over the period to 2020/21.
- 3.23 The Council's cash-terms level of grant funding reduced by 3.1% in 2016/17. The budget framework approved by Council on 21 January assumed further reductions of 1.24% and 0.5% respectively in 2017/18 and 2018/19, with a "flat-cash" (i.e. no change) settlement in 2019/20. On the basis of the above recent forecasts and indications received through COSLA, it would seem

prudent to revise downwards these assumptions and, in view of this, the updated framework increases the assumed cash-terms reduction in 2017/18 to 2.5% (equating to an overall reduction of about £18m) and that in 2018/19 to 1%. A flat-cash settlement is then assumed in each of the following two years. Analysed over the period from 2016/17 to 2020/21 as a whole, this revised assumed level of cash-terms reduction is consistent with the real-terms change noted above, although members should be aware that there remains the potential for the actual level of reduction to be more severe than this.

- 3.24 In addition, while the budget framework includes provision for an uplift on all staff salaries in 2017/18, should a lower level of increase be negotiated, the resulting savings could act as a “buffer” against a lower level of grant funding settlement in that year, with the position for following years subject to review as additional details become available.
- 3.25 While the effect on the budget framework would be expected to be net-neutral, members are reminded of the Scottish Government’s intention, subject to securing Parliamentary approval, to amend the multipliers applied to properties within Council Tax bands E to H with effect from April 2017. Across Scotland as a whole, these changes are expected to increase annual Council Tax income by some £110m, with around £16m of this raised in Edinburgh. Discussions over the distribution amongst authorities of these additional monies, which will be targeted specifically at reducing gaps in educational attainment, are continuing. Based on a distribution informed by free school meal entitlement, Edinburgh’s allocation may be around £8m. Any difference between the amount collected within an authority’s area and its assessed need under the distribution formula will be addressed by means of a corresponding adjustment to its revenue grant.

Overall impact of changes

- 3.26 Review of the expenditure and income assumptions within the budget framework has sought to strike an appropriate balance between accommodating known or emerging pressures and contingencies and maintaining the integrity and, in particular, sustainability of the model as a whole. On that basis, subject to delivery of all approved savings and management of pressures, the framework remains balanced in 2017/18 and 2018/19.
- 3.27 Members may recall that the framework approved in January 2016 contained a time-limited “contingency” in 2017/18 and 2018/19. This has been applied to address anticipated reductions in grant funding and other expenditure pressures over this period with a view to providing greater stability to plan for, and deliver, further necessary savings in 2019/20 and beyond. Subject to the caveat around the delivery of Health and Social Care services above, as previously indicated it is envisaged that the residual gaps in 2019/20 (£15.4m) and 2020/21 (a further £11m) will be addressed through delivery of efficiencies

associated with the bedding-in of the changes resulting from the transformation programme.

Progress in delivery of further actions set out within budget motion

3.28 In addition to approving a range of specific savings proposals, the budget motion instructed officers to undertake a number of wider actions. An initial update on progress was provided to the Finance and Resources Committee on 12 May 2016, indicating that work towards meeting a number of the objectives was already well underway. Since that time, further actions have been undertaken including:

- i. Following consideration by the Finance and Resources Committee on 17 March 2016 of an initial report on **deepening current joint working with voluntary sector partners**, a further report on lessons learned from the recent grant awards programme was considered by Council in June;
- ii. The report by the Acting Director of Services for Communities to the Corporate Policy and Strategy Committee on 4 August 2015 advised that there is a likelihood that some properties are not identified as Common Good and therefore not included on the **Council's asset register for the Common Good**. A team has now been established, in line with the provisions of the Community Empowerment (Scotland) Bill, which will be responsible for compiling the Common Good Asset Register as reported to Council on 2 June 2016. The team's initial focus will be on examining those assets historically thought to be Common Good;
- iii. An initial assessment of the actual **equalities and rights impacts**, and consequent effectiveness of the mitigating measures put in place, of the approved budget proposals for 2016/17 was considered by the Finance and Resources Committee on 9 June; and
- iv. On-going investment in **energy efficiency** measures and promotion of effective energy management means that, based on estimated consumption and energy tariffs, the Council is on target to reduce energy spend in 2016/17 by £1m compared to 2015/16 levels.

Management of risks and pressures

3.29 While the focus of the budget process is generally on the specific new measures that form the basis of elected member and public consideration, active management of risks and pressures is also vital to delivering a balanced budget and thereby maintaining financial stability. Executive Directors' responsibility to manage such risks and pressures within a balanced overall position is enshrined within the Financial Regulations.

3.30 At this stage, Executive Directors have identified a number of expenditure pressures, as well as some savings proposals, a shortfall against which is now

forecast. While there is, in some cases, an overlap between the respective elements, the main expenditure pressures identified are:

- i. as part of developing the **Looked-After Children (LAC) Transformation Plan**, the then Director of Children and Families set a number of demanding targets seeking to reduce growth in absolute numbers of looked-after children and shifting the relative balance of care from external to internal settings. While the strategy has proved highly successful (with actual numbers of looked-after children in 2016 being consistent with 2011 levels, alongside an increase in foster placements with CEC carers and fewer placements in residential care), it is not now anticipated that the full five-year level of saving will be delivered, with an overall budgetary shortfall of £4.55m projected in 2017/18. This sum is broadly evenly split between underlying pressures in residential care and fostering and shortfalls against previously-approved targets within the LAC Plan. Given the tightness of the budget framework, the Executive Director is required to bring forward measures to mitigate the overall pressures or, alternatively or additionally, identify further savings proposals for consideration; and
 - ii. a report considered by the Transport and Environment Committee on 30 August 2016 set out a revised vision for **Transport for Edinburgh** as the strategic driver of integrated transport provision within the city. While the nature and scope of the company's activities will determine its precise expenditure and income profile, there is likely to be an on-going funding requirement from the Council.
- 3.31 The Chief Officer of the Edinburgh Health and Social Care Partnership has identified a number of potential risks around the availability of funding to meet the costs of key policy initiatives, particularly the full-year effect of the introduction of a Living Wage across the adult care sector from October 2016 and, in due course, any net call on councils in respect of the Carers' Act, particularly with regard to the waiving of current charges and costs of additional respite care. A range of further considerations was set out in the Financial Update report considered by the Integration Joint Board on 16 September. These risks, alongside financial implications of policy decisions around addressing waiting lists, will be informed by wider Settlement-related discussions through COSLA and with the Scottish Government.
- 3.32 While endeavouring to manage significant existing pressures within the overall service budget, the Executive Director of Place has identified potential opportunities to deliver significant service improvement and potential savings through the provision of additional upfront investment within, in particular, Waste and Roads services. Members will be provided with further details of these proposals as the budget process progresses.

Budget framework proposals

- 3.33 As outlined earlier in the report, in setting an indicative balanced overall position for 2017/18 and 2018/19, Council previously provided in-principle approval for a number of proposals. These proposals are set out in Appendix 2 for members' information. While previous sections of the report outline a number of changes to budget framework assumptions, subject to identification of mitigating actions and/or funding sources to address the issues and pressures above, full delivery of the proposals affecting later years of the framework would maintain this balanced position.
- 3.34 The savings proposals developed to address the funding gap in the second and third years of the framework comprise a combination of:
- i. those representing either the full-year effect of plans put in place in 2016/17 or otherwise considered "business as usual" and not substantially different from those already approved for delivery in the current year; and
 - ii. new proposals for delivery in 2017/18 or those representing a step change from the nature of the changes already approved for 2016/17.
- 3.35 Following the in-principle approval secured by means of the budget motion, officers have been developing business cases addressing savings proposals in the second category. In the majority of cases, detailed business cases have now been developed through the Transformation Programme and been the subject of detailed discussion both at the Project Board and with relevant Service Conveners. This consideration has resulted in the issuing of corresponding proposals, couched within four key themes relating to wider transformation across the Council, that will now form the basis of a number of weeks' public engagement.
- 3.36 In three specific cases, however, the plans developed through the Transformation Programme point to anticipated shortfalls against framework savings assumptions. In the case of **school instrumental music tuition** (£1.668m in 2017/18), despite consideration of a wide range of potential service delivery and charging models, it has not been possible to develop proposals striking the required balance between delivering the level of savings assumed within the framework and securing on-going service access. In addition, initial plans developed to support Phase 2 of the **Safer and Stronger Communities** organisational review have highlighted potential recurring annual savings shortfalls totalling £1m across the Advice Services and CCTV areas, with the proposals only part-meeting relevant savings targets. Assessment of potential changes to the delivery model for **school business support** also points to a recurring shortfall of £1.2m.

- 3.37 In the context of these potential shortfalls, members may wish to reconsider savings options not taken forward in previous years. In this regard, there may be opportunities to invest more fully in preventative services to realise future savings through reducing consequent demand. One such example is CCTV infrastructure, where, in addition to improving response times, service investment may serve as the platform for wider transformation and reduce the “on-site” staffing requirement for both the Council and its partners, particularly Police Scotland. While this would require a significant initial capital investment, currently estimated at £10.6m, relevant details will be reported to members as the budget process progresses.
- 3.38 Potential opportunities for loan debt re-provisioning, resulting in £2m of recurring annual revenue savings from 2017/18, have also been identified. It is officers’ recommendation, however, that these sums be used to supplement existing repairs and maintenance expenditure.

Capital Budget Framework 2016/20 update

- 3.39 Council approved the five-year capital programme for the period 2016/21 in January 2016. At a general level, the ability to commit additional investment over and above that included in the current programme remains difficult due to:
- i. reductions in the level of General Capital Grant;
 - ii. the large number of capital receipts underpinning the existing capital programme or earmarked to supplement planned repairs and maintenance spend through use of the Capital Fund and providing funding towards future LDP Infrastructure requirements; and
 - iii. the on-going lack of sustainable “headroom” within the revenue budget to support, on a recurring basis, the additional loans charge expenditure linked to additional borrowing.
- 3.40 As part of the 2016/21 CIP, Directors also identified their respective top three priorities, highlighting unfunded pressures totalling around £142m. Amongst these priorities are:
- i. **South Morningside Primary School**, with an estimated total cost of £12.7m (note the commencement of this is dependent on the new-build Dumbryden Care Home being delivered based on site transfer);
 - ii. **New-build Dumbryden Care Home** with an estimated funding gap of £1m / £4.3m based on whether a 60-bedded or 90-bedded option is progressed;
 - iii. Replacement **Meadowbank Sports Centre** with an estimated funding gap of £5.9m, however further work is currently being carried out to provide more

cost certainty around the total cost / funding package and will conclude later this financial year; and

- iv. Refurbishment and enhancement programme for **North Bridge** which is likely to cost at least £9m. Members will be aware of the action recently taken in response to routine inspection work.
- 3.41 As no firm grant allocations have been advised beyond the current year, an estimate of each year's General Capital Grant settlement has been factored in to the CIP for the period 2017/18 to 2020/21 based on a prudent estimate of the possible Scotland-wide funding and adjusted for the £10.3m allocation for 2016/17 which is to be paid over the three-year period 2017/18 to 2019/20 (based on a prudent assumption of receiving this all in 2019/20). Based on these assumptions, there is currently £7m of unallocated funding in each of 2019/20 and 2020/21.
- 3.42 Current indications suggest that the next Scottish Government Finance Settlement will be announced in December 2016 and, as with the revenue equivalent, this will be a one-year settlement rather than the previously- envisaged three-year award confirmation.
- 3.43 It is projected that the Scotland-wide quantum of capital funding for 2017/18 will likely show an increase relative to the figure for 2016/17. However, the precise distribution of this sum across sectors and on to individual councils will depend on Scottish Government priorities and as such the potential for General Capital Grant for 2017/18 to be higher than the estimate factored in to the current CIP may be limited. Any confirmed increase in grant funding will be considered for allocation by members, taking cognisance of capital priorities, as part of the wider 2016/20 budget framework process.

Measures of success

- 4.1 Relevant measures in setting the revenue budget include:
- i. Accurate capturing and quantification of the key determinants of the Council's overall expenditure requirement and available sources of income, allowing a balanced overall budget for 2017/18 and subsequent years to be set as part of a longer-term sustainable framework;
 - ii. Development of savings and investment options aligned to the Council's priority outcomes, with due opportunity provided for public consultation and engagement; and
 - iii. Subsequent delivery of the approved savings, particularly where these are linked to additional service investment, along with key service performance indicators.

Financial impact

- 5.1 Delivery of a balanced budget in any given year is contingent upon the development, and subsequent delivery, of robust savings, alongside management of all risks and pressures, particularly those of a demand-led nature.

Risk, policy, compliance and governance impact

- 6.1 An annual report on the risks inherent in the budget process is considered by the Finance and Resources Committee in January and referred to Council as part of setting the revenue and capital budgets.
- 6.2 The savings assurance process is intended to ensure that, as far as is practicable, those proposals approved by Council deliver the anticipated level of financial savings in a way consistent with the expected service impacts outlined in the respective budget proposals. This process has been aided by the integration into a single cost reduction plan of savings derived from the respective transformation and service prioritisation programmes, monitoring against which is being reported to the Finance and Resources Committee on a bi-monthly basis.
- 6.3 Recent improvements to the budget monitoring process should also enhance CLT and elected member scrutiny of the management of service pressures and delivery of approved savings. A summary of progress is reported to the Finance and Resources Committee on a quarterly basis, with additional detail and commentary on risks, mitigations and alternative measures (as appropriate) reported to Executive Committees.

Equalities impact

- 7.1 While there is no direct additional impact of the report's contents, all budget proposals are now subject to an initial relevance and proportionality assessment and, where appropriate, a formal Equalities and Rights Impact Assessment is then undertaken. The equalities and rights impacts of any substitute measures identified to address savings shortfalls are similarly assessed.
- 7.2 As noted at 3.28 above, an initial assessment of the actual equalities and rights impacts of those budget proposals assessed to have the potential for significant relevance was reported to the Finance and Resources Committee on 9 June.

Sustainability impact

- 8.1 While there is no direct additional impact of the report's contents, the Council's revenue budget includes expenditure impacting upon carbon, adaptation to climate change and contributing to sustainable development. In addition, all

budget proposals are now subject to an upfront assessment across these areas.

Consultation and engagement

- 9.1 As in previous years, an extensive programme of engagement will be undertaken within the context of the Council's wider transformation programme. The main elements of the proposed programme were set out in a report to the Finance and Resources Committee on 18 August 2016.

Background reading/external references

[2016/20 Revenue and Capital Budget Framework](#), Finance and Resources Committee, 24 September 2015

[2016/20 Revenue and Capital Budget Framework](#), Finance and Resources Committee, 26 November 2015

[2016/20 Revenue and Capital Budget Framework](#), Finance and Resources Committee, 14 January 2016

[Council's Budget 2016/17 – Risks and Reserves](#), Finance and Resources Committee, 14 January 2016

[Capital Investment Programme/Plan 2016/17 to 2023/24](#), Finance and Resources Committee, 14 January 2016

[Capital Coalition Budget Motion](#), City of Edinburgh Council, 21 January 2016

[Business Bulletin](#), Finance and Resources Committee, 17 March 2016

[Revenue and capital budget framework 2016/20: potential equalities and rights impacts of approved proposals](#), Finance and Resources Committee, 9 June 2016

[Revenue Monitoring 2016/17 – Period 3 position](#), Finance and Resources Committee, 18 August 2016

[Scotland's Budget 2016](#), Fraser of Allander Institute, September 2016.

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Links

Coalition pledges	P30 - Continue to maintain a sound financial position including long-term financial planning
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Council outcomes	CO25 - The Council has efficient and effective services that deliver on objectives.
Single Outcome Agreement	
Appendices	One – Revisions to revenue budget framework assumptions, 2017/18 to 2019/20 Two – Savings approved for delivery in 2017/18 as part of January 2016 budget motion

REVISIONS TO BUDGET FRAMEWORK ASSUMPTIONS, 2017/18 TO 2019/20

	2017/18 £m	2018/19 £m	2019/20 £m
Indicative (surplus)/deficit per approved budget framework, 21 January 2016	(0.061)	(0.061)	15.339

Changes to framework assumptions - expenditure:
Increases in expenditure:

Demography - additional provision based on updated Communities and Families assessment	0.700	1.951	3.226
Creation of "buffer" against further reduction in Scottish Government grant funding in 2017/18, subject to level of pay award (1% assumed)	2.678	2.678	2.678
Introduction of apprenticeship levy with effect from April 2017	1.800	1.800	1.800

Decreases in expenditure:

Health and Social Care - introduction of assumed 3% efficiencies requirement from 2018/19	0.000	(5.592)	(11.296)
Energy tariffs - reduction in level of uplift provided	0.000	(0.750)	(1.000)
Revisions to staff release cost provision and other inflationary assumptions	(4.930)	(8.331)	(7.699)

Changes to framework assumptions - income:

General Revenue Grant - revised assumptions, providing for a total 2.5% year-on-year reduction in 2017/18 and a further 1% overall reduction in 2018/19	8.867	12.352	12.352
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Other:

Application of contingency/risk provision underpinning approved framework in January 2016	(9.053)	(4.047)	0.000
Updated budget framework position, 29 September 2016	0.000	0.000	15.400

SAVINGS APPROVED FOR DELIVERY IN 2017/18 AS PART OF JANUARY 2016 BUDGET MOTION

Appendix 2

Area	Division	Savings 2017/18 £m
Chief Executive (including Safer and Stronger Communities)		
Strategy and Insight	Strategy	0.330
Transformation and Business Change	Strategy	0.317
Digital and IT	Strategy	0.348
Information Management	Strategy	0.140
Members' Services	Strategy	0.107
Re-design of Safer and Stronger Communities (including Advice)	Safer and Stronger Communities	0.880
Re-design of Homelessness Services (General Fund share)	Safer and Stronger Communities	0.098
Total Chief Executive (including Safer and Stronger Communities) savings		2.220
City Strategy and Economy		
Culture service restructure	Culture	0.123
Culture Third Party Payments	City Strategy and Economy	0.155
Economy Third Party Payments	City Strategy and Economy	0.154
Review funding arrangements for Winter Festivals	Culture	0.400
Total City Strategy and Economy savings		0.832
Communities and Families		
Efficiencies within social, emotional and behavioural needs (SEBN) secondary provision	Children's Services	0.675
Review of support staff within all Special Schools Management	Children's Services	0.292
C&F Third Party Payments	All service	1.095
Sport Third Party Payments	Communities and Families	0.119
Reduce residential provision by four beds	Communities and Families	0.407
Reconfiguration of residential provision	Children's Services	0.250
Reconfigure primary and secondary social, emotional and behaviour difficulties support	Children's Services	0.076
Parenting support review	Children's Services	0.073
Family Solutions review	Children's Services	0.050
Redesign of Libraries Service	Children's Services	0.102
Redesign of Music Instructor Service	Schools & Lifelong Learning	2.546
Prioritise the funding which supports schools in areas of deprivation	Schools & Lifelong Learning	1.668
Efficiencies in the revenue implications of infrastructure development	Schools & Lifelong Learning	0.070
Total Communities and Families savings		0.050
7.473		
Health and Social Care (revised savings as approved by Edinburgh Integrated Joint Board, 13 May 2016)		
Transformation: Organisational Review	Service-wide	5.437
Transformation: re-ablement, demand management and telecare	Service-wide	4.969
Mental Health and Redesign	Mental Health	0.080
Social Care Fund		(3.543)
Total Health and Social Care savings		6.943
Place		
Public Health	Environment	0.154
Licensing and Trading Standards	Housing and Regulatory Services	0.040
Transport	Planning and Transport	0.324
Management	All service	0.964
Increase parking charges by an average of 4.5% per year over four years	Planning and Transport	1.050
Parks and Greenspace	Environment	0.236
Task Force	Environment	0.383
Waste Services	Environment	0.364
Stop Repairs and Maintenance of Stair Lighting Service in Tenements	Housing and Regulatory Services	0.250
Reduce internal transport	Environment	0.100
Total Place savings		3.865

Area	Division	Savings 2017/18 £m
Resources		
Finance	Finance	0.126
Commercial and Procurement	Finance	0.457
Internal Audit and Risk	Legal and Risk	0.040
Legal Services	Legal and Risk	0.259
Human Resources	Human Resources	0.101
Business Support	Customer	5.540
Customer Services	Customer	2.776
Asset Management (gross savings)	Property and Facilities Management	0.800
Total Resources savings		10.099
Council-wide		
Reduce use of agency staffing by 20%	All	1.333
Increase in discretionary income - Retail Price Index (RPI) plus 2%	All	1.000
Total Council-wide savings		2.333
Total savings		33.765