Finance committee reject cost-saving advice

On the council papers presented today there was Plan A to outsource the Facilities Management services to make savings, and there was Plan B to keep the service in-house and which still aims to make some savings.

The Finance and Resources Committee met this morning amid last-minute politically-based motions put on the table by the Capital Coalition which reaffirmed the council's stance against privatisation of services.

The Deputy Chief Executive set out the risks in both plans to the committee, including the number of redundancies which will be required if outsourcing is not adopted. It has already been announced that compulsory redundancies will now be required, but the decision on how many redundancies there will be has been deferred to the end of October after a consultation period with staff and unions.

It is the council's stated aim to find as many redundancies as possible on a voluntary basis, but it seems clear that the council is probably veering towards a U-turn on its flagship policy of not making people leave their jobs to make savings.

Over the last three to four years over £100 million of savings have already been made, but now more needs to be shaved off council spending.

Conservative councillor Allan Jackson said that the council was not good at delivering some of the services it tries to, and it would be a good idea to put some things like waste management out to private contractors. He suggested that few local businesses actually use the council's own waste management service rather than engaging a private contractor, and he took this as an example of something that the council does not do very well.

Despite the fact that the report before the committee recommended outsourcing of Facilities Management and asked for Plan A to be implemented, along with full details of the savings that would produce, this suggestion was thrown out by a majority decision of the committee. Instead the council will carry on with tweaks in their property portfolio and service delivery to make the necessary savings of £126m over the next four years.

The administration have always been against outsourcing in principle and the terms of the motion which the SNP and Labour Groups produced this morning made that abundantly clear saying that as far as outsourcing was concerned it was 'explicitly rejected'.

This means that rather than contracting an outside company to deliver the Facilities Management service, the council will now adopt Plan B which according to the council report will need additional spending of around £5.4million to cover additional investment and redundancy costs.

The report suggested that there will be less in the way of annual savings under Plan B. Outside consultants Deloitte said that the savings by 2024/25 will be about £2.7million per annum, but these will be realised later and are not guaranteed.

If the council had adopted Plan A (also called the Enterprise Wide Strategic Partner Model) the savings would have been about £6.1million, although a couple of councillors admitted that there are risks in setting up a contract with an outside provider too.

The ongoing overspend on management of the council's properties is in the order of £9million per year and this will most likely increase.

Across the whole report before the committee Plan A was given five stars by council officers on the basis that it scored ‘significantly better’ than the other possibilities on the table. In particular the officers explained that it would deliver more than two and a half times the annual financial benefits of any other option on the table.

So why was it rejected so roundly? It appears that the Capital Coalition will now adopt these new proposals for delivering these services in-house with specialised support. The budget will now be set on a four-year framework as agreed this morning and this will now form the basis of the Council’s annual public engagement exercise, which will start next Monday.

Councillor Alasdair Rankin, Finance Convener, said: “This is the start of a long process. There were some important decisions made today and we have agreed the framework for achieving the savings needed over the next four years.

“With greater demand for our services and our overall budget remaining the same we need to take action to ensure we safeguard frontline services for the people of Edinburgh.

“We are very clear about the scale of the financial challenge that the Council is facing we will work tirelessly to ensure that the services we provide are the ones which people need and want. The decisions taken today are the next step to achieving this.”

UNISON Edinburgh made a considered and much watered-down deputation to the committee today based on the promise from the administration that the Facility Management services will not be outsourced. They claimed that there is a lot of confusion among staff at the moment owing to conflicting suggestions from the council, and also that the staff who remain after any redundancies will be put under increased strain.

Union spokesman Gerry Stovin said that the promises made under Plan A are not realistic. The contracts would be complex and there are many pitfalls which were glossed over in the council report. He suggested that the savings could be made without compulsory redundancies at all and now that the position is better outlined they will have more meaningful discussions. Mr Stovin also explained that most of their members are against privatisation and want to remain council employees.

Amanda Kerr, Edinburgh UNISON branch secretary said: "Following concerted UNISON pressure, we welcome this re-think and the dropping of privatisation plans. We also welcome the delay on redundancies, however we still have a long way to go and we will be building for a lobby of the next Finance and Resources Committee on 29 October."

The possibility of outsourcing this part of the council's services was first examined in 2010 in some detail. At that point it was proposed that all property and facilities management operations were handed over to MITIE under the Alternative Business Model generally favoured by the Conservative Group and the previous administration, but the idea was rejected then. The council decided to retain these services in-house and ploughed forward with a scheme to drive cost efficiency and improve customer service.

That scheme has not been a complete success in terms of reducing spending and UNISON commented that part of the problem was down to computer systems not being put in place as promised. It appears that there will have to be a lot of work done within the council to ensure that any new plans actually deliver the savings required.