

Department of Finance Revenue Budget Monitoring 2011/12 Month 5 Position – To 31st August 2011

Finance and Resources Committee

1 November 2011

1 Purpose of Report

To advise the Finance and Resources Committee of the revenue monitoring position for the Finance Department after five months of the financial year and provide an update on the projected outturn for the year 2011-2012.

2 Summary

2.1 The overall projection is that the Department will breakeven for 2011/12.

2.2 There remain a number of risks in the Finance budget, primarily relating to:

- Demand led pressure relating to council tax and housing benefit services.
- Cost of pension strain costs required to manage staff reductions.
- A potential shortfall in income streams which are not known with certainty until the year end.

There is no contingency fund available to meet costs associated with any of these risks.

3 Main Report

Background

3.1 This is the second revenue monitoring report for 2011/12 to be reported to the Finance and Resources Committee.

3.2 The approved net budget for the Finance Department in the current year is £12.7m. This budget was based on the Department achieving cuts and efficiency savings of over 9%. Agreed budget virements of £0.057m have subsequently been applied.

Month 5 Position - Divisional Analysis

3.3 A divisional analysis of the period five forecast is included in Table 1 below.

Table 1: Divisional Analysis

Division	Revised Budget £'000	Month 5 Projected Outturn £'000	Month 5 Projected Variance £'000	Period 3 Projected Outturn £000's	Movement from Period 3 Variance £000's
Revenues and Benefits	3,939	3,939	0	3,939	0
Payments and Procurement	5,400	5,400	0	5,400	0
Financial Services	6,988	6,988	0	6,988	0
Central Support Income	(3,717)	(3,717)	0	(3,717)	0
Total	12,610	12,610	0	12,610¹	0

3.4 All divisions are projecting to spend in line with approved budget.

Revenues and Benefits

3.5 Although this division's overall projection is on budget, there have been significant budget movements.

There is a net saving of £0.072m for ICT investment costs budgeted for 2011/12, which will now not go ahead due to delays with the Alternative Business Model (ABM) programme outcome and uncertainty surrounding Welfare Reforms. This net saving comprises £0.202m of unspent ICT investment costs offset by approved staffing savings not being delivered of £0.130m. This will also impact upon deliverability of 2012/13 and 2013/14 approved savings.

This has been offset by budget pressures, including £0.054m on postage costs due to the Laserserve system not being fully implemented.

Savings Implementation Plans

3.6 In order to ensure that the department remains within the budget agreed for 2011/12 Savings Implementation Plans have been developed and the majority of approved savings for 2011/12 are on track to be delivered. Where required, management action has been taken to identify alternative budget savings where there was a risk that the original savings proposals could not be delivered.

Risks

3.7 The financial position for 2011/12 is subject to a number of risks. The most significant risks are considered to be:

¹ Revised to reflect 2011/12 budget Virements for comparison purposes

- a) Risk of additional costs to address higher volume of processes relating to council tax and housing benefits.
- b) Risk of under-recovery of income for areas where the final outturn cannot be estimated with certainty until the year end. (E.g. intervention income and Procurement capital re-charges)
- d) Risk of additional pension strain costs being incurred to manage staff reductions.
- e) Risk of unbudgeted legal costs associated with debt recovery, following withdrawal of the in-house service provided by legal services.

Implications for 2012/13 Budget

- 3.8 There are potential budget pressures facing the department which are likely to have an effect upon the 2012/13 budget. Proposed ICT investment has been deferred due to the delayed decision on the Corporate and Transactional Services (CATS) work stream within the ABM programme and uncertainty surrounding Welfare Reform. This will have an impact upon the department's ability to deliver approved savings in 2012/13 associated with this investment. The impact of this and any alternative savings options available are currently being assessed.

Contingency Planning

- 3.9 The Department has no contingency with which to manage these risks. Work is ongoing with divisional managers to establishing a contingency budget.

Capital

- 3.10 Although capital funding of £0.144m is available in 2011/12, it is anticipated that this will not be utilised until 2012/13 and 2013/14.

4 Financial Implications

- 4.1 There are no direct financial implications arising from this report.

5 Equalities impact

- 5.1 There is no relationship to the public sector general equality duty to the matters described in this report and no direct equalities impact arising from this report.

6 Environmental impact

- 6.1 There are no adverse environmental impacts arising from this report.

7 Conclusions

- 7.1 The Department is projecting a break even position against the revenue budget at period five.

- 7.2 There are a number of risks in the Finance Department budget including risk of demand led pressures relating to housing and council tax benefits processing and potential shortfall in income targets.
- 7.3 The position will continue to be monitored closely and further reports will be provided to the Finance & Resources Committee during the financial year.

8 Recommendations

- 8.1 It is recommended that Finance and Resources Committee:
- a) Notes that the Department is currently projecting a breakeven position for 2011/12;
 - b) Notes the risks in the Finance 2011/12 budget position;
 - c) Notes the potential effect upon the department's ability to deliver savings in 2012/13 is currently being quantified and if possible, alternative savings options identified, as detailed in Para.3.8.

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Appendices	None
Contact/tel/e-mail	Laura Duncan : Tel: 529 6244 e-mail: laura.duncan@edinburgh.gov.uk
Wards affected	None
Single Outcome Agreement	National Outcome 15 - Our public services are high quality, continually improving, efficient and responsive to local people's needs
Background Papers	None