THE CITY OF EDINBURGH COUNCIL

Item no 8
Report no

Revenue Monitoring 2011/12 – Half-Year Position

Finance and Resources Committee

1 November 2011

1 Purpose of report

1.1 This report sets out the overall position of the Council's revenue budget at the half-year position (based on period five data) and the projected outturn for the year.

2 Summary

2.1 At month five, the revenue budget is showing a projected overspend of £0.9m, compared to an overspend of £0.143m from the position reported at month three. The table below summarises the position and full details can be seen in Appendix 1.

Departmental Variances	Period Five Outturn Variance £000	Period Three Outturn Variance £000	Movement £000
City Development	-	143	(143)
Health and Social Care	900	-	900
Total Departmental Variances	**900**	**143**	**757**
Corporate Variances			
Energy / Water Costs	1,540	1,540	-
Carbon Tax	(200)	(200)	-
Total Corporate Variances	**1,340**	**1,340**	**-**
General Revenue Funding	(1,340)	(1,340)	-
General Fund Deficit	**900**	**143**	**757**

2.2 Implementation plans for the revenue savings approved as part of the 2011-2014 budget process have been input to Covalent by all departments to assist in the monitoring of progress against budget.

3 Main report

Revenue Monitoring

Children and Families

3.1 At month five, the projected out turn for the Children and Families department is a balanced position. This is unchanged from the position reported at month three.

3.2 Budget implementation plans have been developed for approved budget savings and an assessment of progress against the delivery of savings has been undertaken by Heads of Service. This has identified potential risks, relating mainly to the phasing of delivery of savings on secondary school management and business support and janitorial services.

3.3 This is under close review and any changes in the phasing of budget savings will be addressed in the context of the overall departmental budget and reported as part of the approved budget process.

City Development

3.4 The department is projecting a break even position at period five.

3.5 Pressures within the City Development budget relate to:

- Unbudgeted pressures within the Economic Development division, relating to redundancy costs for Edinburgh Marketing and support for the Clipper Race. These are being managed within the existing economic development budget;
- Property rationalisation savings, following the lease extension for the advice shop;
- Loss of parking income during tram construction works.

The latter two pressures are currently being offset by compensation sums received in relation to Royal Mile improvements, although other budget options are being considered.

3.6 The approved budget included savings of £2.8m. The department is currently on course to achieve the majority of these, with the exception of savings from property rationalisation.

3.7 The main risks facing the department relate to:

- Loss of parking income, due to adverse weather conditions
- Reduction in other income streams; and

- Pressures on the property repairs budget due to adverse weather and the theft of metals from Council buildings.

3.8 The department currently has no contingency funding to manage these or any other risks that materialise.

Corporate Services

3.9 At month five, the department is projecting a balanced position.

3.10 Of the £1.548m departmental savings required in 2011/12, £1.504m has been fully achieved. Plans to achieve the remaining £0.044m are fully developed and are being implemented.

3.11 Risks relate mainly to the costs of Winter Festivals and Armed Forces Day. At present, there is a high probability that the latter will show an overspend, due in part to additional infrastructure costs and an underachievement of income. There are still a number of outstanding issues to be resolved, however, the final position should be established in the next few weeks.

Finance

3.12 At month five, the department is projecting to break even.

3.13 Although the forecast is breakeven, there have been significant movements within three of the Divisions:

- Revenues and Benefits – savings of £0.202m on ICT costs are being partially offset by additional staff costs of £0.13m, being the additional costs spent on temporary staffing / overtime / CAPITA costs to address processing backlogs. In addition, postage costs are projecting an overspend of £0.054m, as Laserserve has still not been fully implemented, thus the full year budgeted savings have not been achieved.

- Payments and Procurement – projected underspend of £0.044m, mainly due to vacant posts within the payments unit (£0.019m) and a Councillor's salary for which the Council is no longer liable (£0.025m).

- Central Costs – projected overspend of £0.044m in central expenses, mainly due to unbudgeted costs associated with Edinburgh Outlook.

Health and Social Care

3.14 At month five the department is projecting an overspend of £0.9m, compared to the balanced position reported at month three.

3.15 The projected overspend relates to a shortfall in staffing costs of £0.9m following the implementation of modernising pay. This includes a £0.4m shortfall in provision for salary increments and £0.5m in reducing the working week from 37 to 36 hours. The reduction in the working week relates specifically to the provision of services which require minimum staff / client ratios.

3.16 Members are asked to note that the Acting Director of Finance is currently reviewing these modernising pay pressures, together with those in other departments. A central budget of £3.828m is in place for modernising pay, although it should be recognised that this is for on-going costs associated with employee appeals as well as potential shortfalls in funding in departmental budgets, and in previous years, the costs of the project team have been met from the central budget. An update on the disaggregation of this budget will be provided in the nine-month monitoring report to the Finance and Resources Committee.

3.17 Purchasing pressures of £1.2m have been identified relating to care at home, residential and nursing homes, direct payments and day care. This overspend has arisen despite the provision of additional demography resources in the budget for pressures identified in last year's monitoring. The purchasing pressures have been offset by the delivery of reablement savings in excess of budgeted savings; Change Fund monies; slippage in prudential costs and in the capacity plans for older people and learning disabilities due to the timing of projects. The department continues to operate within the agreed eligibility criteria and to monitor these costs closely.

3.18 The department is also closely monitoring other identified risks that could result in additional expenditure:

- As a result of quality issues identified in the care home sector, it will be necessary to enhance the review programme and quality assurance arrangements;

- The department continues to monitor how changes in the eligibility criteria for the Independent Living Fund are impacting on the cost of packages of care for people with disabilities.

3.19 Detailed implementation plans have been developed for approved budget savings and progress to deliver these savings is satisfactory. From a total of £6.7m of budget savings for 2011/12, £5.3m (80%) has been delivered. There is a projected shortfall in procurement savings of £0.3m, which has been funded by a delay in filling posts relating to hospital discharge services and the acceleration of staff savings included in year two. The £0.3m procurement shortfall will be fully delivered in 2012/13.

3.20 The implementation of savings plans continues to be closely monitored by operational managers, using Covalent and where a risk to delivery is identified, the senior management team agrees mitigating action to ensure that the departmental budget remains within approved limits.

Services for Communities

3.21 The department is projecting a balance position in 2011/12.

3.22 At the end of August, 88% of the savings programme of £11.1m is forecast as achievable. The projected outturn position assumes that the department can absorb a pressure of £1.3m relating to savings projects classified as red or amber from forecast under spending within the department.

3.23 The department's savings forecast has improved month on month during the year. This is due to senior managers bringing forward 2012/13 savings, mitigating timescale pressures by temporary adjustment of other budgets and identifying substitute savings.

3.24 Savings projects classed as red are:

- Waste fleet charges - £0.861m – delay pending outcome of ABM;
- Transport fleet charges - £0.128m – pending review of data; and
- Fortnightly collection of refuse and trade waste - £0.18m – potential delay in introduction.

3.25 The department has a small contingency budget of £0.325m. This is already fully committed underwriting some of the current savings pressures.

3.26 The department also faces a number of other risks. These include:

- The costs of responding to severe weather this coming winter, supported by the approved proposals from the weather emergency response review;
- Integrating the property conservation service into Housing and Regeneration;
- Managing attendance to achieve the corporate target;
- The impact of the Government's welfare and housing benefit reform agenda on funding and client demand, e.g. changes to the temporary accommodation subsidy rules from April 2011;
- Implementing Council's decision on the ABM programme for the environment;
- Managing pressures on temporary accommodation and bed and breakfast as a result of the current economic outlook and / or from the 2012 duty to house homeless people.

Net Cost of Benefits

3.27 Net costs of benefits continue to project to break even at period five. The most significant risks, which may impact on the outturn, are considered to be:

- Risk of subsidy loss from the Department of Works and Pensions (DWP) relating to local authority errors;

- Risk that eligible overpayments will increase as a result of the current intervention policy and adversely affect the level of subsidy recoverable from the DWP; and

- Risk of further claw-back by the DWP as a result of the 2009/10 and 2010/11 external audit of claims.

Loan Charges

3.28 Loan charges are currently projecting an underspend against budget of £4m, based on current expenditure plans and the outturn for last year. However, this saving is being utilised to meet loans fund costs of additional tram borrowing and to meet the pension strain costs arising from the cessation of tie Limited.

Corporate Priorities Fund

3.29 The report on the Edinburgh Tram Project to Council on 2 September 2011 identified revenue funding of £0.445m in 2011/12 and 2012/13 for support for businesses, of which £0.09m already exists. The additional funding is to support the following initiatives:

- Town centre co-ordinators - £0.06m (City Development);

- Annual events strategy - £0.05m (Corporate Services);

- Additional support for Edinburgh's Christmas and Hogmanay - £0.07m (Corporate Services);

- Costs for public relations support - £0.03m (Corporate Services) and

- Contingency monies - £0.145m (to be retained centrally).

3.30 As there is no revenue source of funding to meet these costs, members are asked to refer this report to Council to approve use of the corporate priorities fund.

Housing Revenue Account

3.31 The Housing Revenue Account (HRA) is forecast at break even, assuming voluntary debt repayment in line with the approved budget.

3.32 The HRA faces potential pressures in areas such as energy costs and temporary accommodation.

3.33 The HRA value for money strategy and action plan, the asset management strategy and the annual HRA business plan process all contribute to a sustainable HRA on an ongoing basis.

4 Financial Implications

4.1 The financial implications arising from the revenue monitoring outlined in this report are that the Council is projecting an overspend of £0.9m at month five, which will be an on-going cost in future years. As noted at 3.16, this relates to modernising pay pressures within the Health and Social Care Department. The Acting Director of Finance is reviewing disaggregation of the corporate budget provision, which will mitigate, either fully or partially, the pressure in Health and Social Care. The outcome of this review will be included in the nine-month report to the Finance and Resources Committee.

4.2 Members are asked to refer this report to Council to approve use of the Corporate Priorities Fund for the additional support to business identified in the Edinburgh Tram report to Council on 2 September 2011.

5 Equalities Impact

5.1 There is no relationship between the matters described in this report and the public sector general equality duty.

5.2 There are no equalities implications arising from this report.

6 Environmental Impact

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

7 Conclusions

7.1 The revenue monitoring position at month five shows a projected overspend of £0.9m.

7.2 Although departments are currently projecting a balanced position, there are a number of significant risks facing departments. Directors have therefore been asked to ensure that agreed efficiencies are implemented and delivered and that departments continue to control expenditure within budget.

8 Recommendations

8.1 Finance and Resources Committee is requested to:

a) Note the projected overspend of £0.9m on the revenue monitoring at month five;

b) Note that the Acting Director of Finance is reviewing disaggregation of the corporate budget provision for modernising pay, which may fully or partially mitigate the above pressure;

c) Note that there are a number of significant risks currently being managed within the departmental projections;

d) Refer this report to Council to approve use of the Council Priorities Fund for the additional support to business identified in the Edinburgh Tram report to Council on 2 September 2011;

e) Note the balanced position on the Housing Revenue Account.

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Appendices	1 – Revenue Monitoring Period Five Statement
Contact/tel/Email	Alison Henry: 0131 469 3172: alison.henry@edinburgh.gov.uk
Wards affected	All
Single Outcome Agreement	All
Background Papers	Departmental monitoring statements

THE CITY OF EDINBURGH COUNCIL

REVENUE MONITORING 2011-12

PERIOD 5

SERVICE ANALYSIS

Account	Approved 2011-12 Budget £000	Virements £000	Revised Budget £000	Budget to Date £000	Actual to Date £000	Variance to Date £000	Variance to Date %	Projected Outturn £000	Projected Variance £000	Projected Variance %
Children and Families	383,709	2,802	386,511	170,013	165,594	-4,419	-2.6%	386,511	0	0.0%
City Development	17,764	2,969	20,733	14,997	13,132	-1,865	-12.4%	20,733	0	0.0%
Corporate Services (incl STOs)	54,614	1,711	56,325	32,659	35,841	3,182	9.7%	56,325	0	0.0%
Finance	12,667	-57	12,610	7,583	7,273	-310	-4.1%	12,610	0	0.0%
Health and Social Care	174,349	51	174,400	68,108	68,842	734	1.1%	175,300	900	0.5%
Services for Communities (incl STOs)	132,569	-6,565	126,004	50,806	51,991	1,185	2.3%	126,004	0	0.0%
Joint Board Requisitions -										
Police	44,705	0	44,705	18,627	18,627	0	0.0%	44,705	0	0.0%
Fire	21,885	0	21,885	9,119	9,119	0	0.0%	21,885	0	0.0%
Valuation	3,773	0	3,773	1,572	1,572	0	0.0%	3,773	0	0.0%
General Fund Services Subtotal	**846,035**	**911**	**846,946**	**373,484**	**371,991**	**-1,493**	**-0.4%**	**847,846**	**900**	**0.1%**
Net Cost of Benefits	1,534	0	1,534	557	4,539	3,982	714.9%	1,534	0	0.0%
Single Status	3,828	0	3,828	0	0	0	n/a	3,828	0	0.0%
Pension Fund - Lump Sum Payment	10,525	0	10,525	4,385	4,385	0	0.0%	10,525	0	0.0%
Non-Domestic Rates	1,000	0	1,000	0	0	0	n/a	1,000	0	0.0%
Non-Domestic Rates - Discret. Relief	350	0	350	0	0	0	n/a	350	0	0.0%
Carbon Tax	900	0	900	0	0	0	n/a	700	-200	-22.2%
Energy Costs	0	0	0	0	0	0	n/a	1,540	1,540	n/a
Corporate Savings Targets	-322	188	-134	0	0	0	n/a	-134	0	0.0%
Insurance Excesses	250	0	250	0	0	0	n/a	250	0	0.0%
Loans Charges / Interest on Rev Bals	104,529	0	104,529	0	0	0	n/a	104,529	0	0.0%
Dividend and Investment Income	-3,000	0	-3,000	0	0	0	n/a	-3,000	0	0.0%
One-off Contingency Funding	0	1,340	1,340	0	0	0	n/a	0	-1,340	-100.0%
Prior Year and Other Adjustments	63	-162	-99	0	0	0	n/a	-99	0	0.0%
Total General Fund	**965,692**	**2,277**	**967,969**	**378,426**	**380,915**	**2,489**	**0.7%**	**968,869**	**900**	**0.1%**
Funding										
General Grant Funding	-448,132	-683	-448,815	-249,964	-249,964	0	0.0%	-448,815	0	0.0%
Non Domestic Rates	-295,874	-1,568	-297,442	-65,437	-65,437	0	0.0%	-297,442	0	0.0%
Council Tax	-226,125	0	-226,125	0	0	0	n/a	-226,125	0	0.0%
Operating Deficit / (Surplus)	**-4,439**	**26**	**-4,413**	**63,025**	**65,514**	**2,489**	**3.9%**	**-3,513**	**900**	**N/A**

Contribution to / (from) Reserves										
Earmarked Reserves										
- BT Efficiencies Fund	945	0	945	0	3,215	3,215	n/a	945	0	0.0%
- Contingency Fund	2,000	0	2,000	0	0	0	n/a	2,000	0	0.0%
- Dilapidations Fund	1,473	-83	1,390	0	0	0	n/a	1,390	0	0.0%
- VERA Repayments	0	57	57	0	0	0	n/a	57	0	0.0%
- Spend to Save Fund	21	0	21	0	21	21	n/a	21	0	0.0%
Total Contribution to / (from) Reserves	4,439	-26	4,413	0	3,236	3,236	n/a	4,413	0	N/A

In-Year Deficit	**0**	**0**	**0**					**900**	**900**	**0**

Housing - HRA	**0**	**0**	**0**	**-20,317**	**-20,427**	**-110**	**N/A**	**0**	**0**	**N/A**