

## Revenue Budget 2012/13 to 2014/15 – Update Report

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### Policy and Strategy Committee

24 January 2012

#### **1 Purpose of report**

- 1.1 This report provides members with an update on the roll forward of the revenue budget to 2012/13 to 2014/15.

#### **2 Summary**

- 2.1 Council approved the 2011/12 budget and indicative budgets for 2012/13 and 2013/14 at its meeting on 10 February 2011. This provided for a balanced budget in 2011/12, a surplus of funding of £2.264m in 2012/13 and a budget deficit of £15.346m in 2013/14.
- 2.2 Members considered a further report on the review of the Long-Term Financial Plan (LTFP) at the meeting of the Finance and Resources Committee on 1 November 2011. This advised members of a number of confirmed and potential changes to the above funding position and reported revised funding gaps of £22.457m / £56.639m / £97.609m in 2012/13, 2013/14 and 2014/15 respectively.
- 2.3 The Financial Settlement, providing confirmed allocations for 2012/13 and provisional allocations for 2013/14 and 2014/15 was announced in December 2011.

#### **3 Main report**

##### **Financial Settlement**

- 3.1 The report to the Finance and Resources Committee on 1 November 2011 appraised members of the main aspects of the Scottish Strategic Spending Review 2012/13 to 2014/15. For local government as a whole, this pointed to an essentially unchanged level of grant support over the three-year period relative to the actual funding provided in 2011/12. Besides requiring to meet significant additional demographic and other service-related demand from within this sum, councils were further asked to support delivery of a number of Scottish Government priorities. It was noted at that time, however, that authority-specific allocations would not be issued until early December.

- 3.2 The Local Government Settlement 2012/13 to 2014/15 was announced on 8 December 2011, with confirmed allocations intimated for 2012/13 and provisional figures given for the following two years. Excluding the additional monies provided to ensure that each council now receives at least 85% of the Scotland-wide average level of per capita grant support, Edinburgh's allocation in each year shows a slight increase over the sums assumed in the LTFF. Around half of this overall increase has been provided in respect of maintaining teacher numbers for which corresponding grant funding has previously been made available in 2011/12. The remaining difference represents the net effect of updating the various needs-based formulae underpinning the grant distribution system.
- 3.3 Supplementary resources provided in light of the Scottish Government's decision that no authority should receive less than 85% of the Scotland-wide per capita average grant support have added some £22 million to Edinburgh's allocation in each of the three years covered by the Settlement announcement. Aberdeen City Council has similarly benefited from the provision of additional funds over the three-year period.
- 3.4 The Settlement announcement also confirmed the proposed increase in business rates poundage for non-domestic properties in 2012/13. The estimated effects of this change on the Council's overall rates liability, alongside the anticipated increases in the following two years, have been incorporated within the LTFF.
- 3.5 Following the Settlement announcement, Leaders were asked to write to the Cabinet Secretary by 20 December 2011, to advise whether their council accepted, in principle, the terms set out within it. Failure to deliver any one of three Scottish Government priorities, namely an on-going Council Tax freeze, maintaining police numbers or maintenance of pupil : teacher ratios, would trigger significant financial sanction through corresponding withholding of revenue grant. The Council Leader, on behalf of the Council, wrote to confirm in-principle acceptance by the date required. The Council Leader is further required to write to the Cabinet Secretary in February to confirm that the approved budget makes full provision for delivery of these national priorities.

### **Resource Allocations**

- 3.6 An update to the funding position for the three-year period to 2014/15 is detailed at Appendix 1.
- 3.7 Adjustments to the assumptions underpinning the LTFF have been reviewed and amended as necessary. Summarising the total of these adjustments to the funding gap identified in November 2011 shows the following position:

	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Funding gap – per F&R 1-11-11	22,457	56,639	97,609
Total proposed adjustments per Appendix 1	(15,570)	(23,230)	(33,893)
<b>Potential Funding Gap (excluding 85% Floor)</b>	<b>6,887</b>	<b>33,409</b>	<b>63,716</b>
85% Funding Floor Mechanism	(21,992)	(23,146)	(22,946)
<b>Total Revised Funding Gap / (Surplus)</b>	<b>(15,105)</b>	<b>10,263</b>	<b>40,770</b>

- 3.8 In addition, a set of officer savings proposals, totalling £5.499m has been submitted to members for consideration as part of the budget process. These are listed in Appendix 2.
- 3.9 It should also be noted that officers have identified a number of budget pressures, which will be considered during the budget process. The implementation of Public Sector Comparators (subject to future Council decisions) would give rise to a financial pressure of approximately £9m in 2012/13.
- 3.10 Given the growing deficit projection for 2013/14 and beyond, and the general economic outlook, it is important that any additional resources, such as the Scottish Government per capita support, are applied in a manner which helps to secure future financial stability. In order to achieve this, it is recommended that these resources are used to enable service change and transformation so that resources are shifted towards priority outcomes and delivery of future savings.

#### **4 Financial Implications**

- 4.1 The revised budget position, excluding consideration of officers' savings proposals over the next three years is as follows:

	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Potential Funding Gap (excluding 85% Floor)	6,887	33,409	63,716
Potential (Resources) / Funding Gap (including 85% Floor)	(15,105)	10,263	40,770

## **5 Equalities Impact**

- 5.1 Matters relating to the revenue budget have a high degree of relevance to the Equality Act 2010 general public sector equality duties to -
- (i) eliminate unlawful discrimination, harassment and victimisation;
  - (ii) advance equality of opportunity; and,
  - (iii) foster good community relations.
- 5.2 Of the total number of specific savings proposals 78% were assessed as having low relevance to equality, 22% as having medium relevance to equality and 0% as having high relevance to equality. In line with the Council's agreed policy all proposals assessed to be of medium or high relevance require to undergo a full equalities impact assessment. Work is currently underway to complete the impact assessment, devise a range of mitigating actions to address negative impacts and utilise this information to inform relevant decision making.

## **6 Environmental Impact**

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

## **7 Conclusions**

- 7.1 The revised LTFP, taking account of the Scottish Government per capita support, shows a funding surplus of £15.105m in 2012/13 and cumulative funding gaps of £10.263m and £40.770m in 2013/14 and 2014/15 respectively.
- 7.2 As noted in 3.10 above, it is important that the available resources in 2012/13 are applied in a manner which helps to secure future financial stability and therefore that these resources are used to enable service change and transformation so that resources are shifted towards priority outcomes and delivery of future savings.

## **8 Recommendations**

- 8.1 The Policy and Strategy Committee is asked note the contents of this report and remit to Council, for decision on 9 February 2012.

**Alastair D Maclean**  
Director of Corporate Governance

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Appendices	1	Updated Extract of Long-Term Financial Plan
	2	Officer Proposals for Additional Budget Savings

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Wards affected	All
Single Outcome Agreement	All
Background Papers	Strategic Spending Review 2012/13 – 2014/15 – Report to Finance and Resources Committee 1 November 2011 Finance Circular 11/2011 – issued 8 December 2011 Finance Circular 12/2011 – issued 22 December 2011

**ESTIMATE OF REVISED SAVINGS REQUIREMENT, 2012/13 TO 2014/15**

NB In the following analysis, figures are shown on an absolute, as opposed to incremental, basis.

	2012/13 £000	2013/14 £000	2014/15 £000	Notes
<b>Revised LTFP position reported to Finance and Resources Committee, November 2011</b>	<b>22,457</b>	<b>56,639</b>	<b>97,609</b>	

**Proposed adjustments to assumptions:**

Capital programme re-phased - no need for additional borrowing	-316	-1,223	-1,444	Additional borrowing previously included in report to Finance and Resources Committee, November 2011.
Inflation factors - including energy costs, contract inflation and NDR	774	800	1,100	
Additional Funding in Settlement (excluding 85% funding)	-3,399	-2,116	-3,283	Figure shown is net of changes to the level of Government Grant support since Council's approval of the budget in February 2011
Less: Sums to be allocated to specific functions	1,633	1,633	1,633	Earmarked for teaching and loan charges for the new Gaelic school.
Teachers' Terms & Conditions	-1,000	-1,000	-1,000	Although the McCormac Review will not deliver the savings expected in class contact time it is expected that other changes will save £1m against existing funding.
Demography adjustments	842	2,272	5,318	Demography provisions have been reviewed and the figures shown represent the bids from the relevant services.
Change Fund - Adjustment to CEC share	320	440	640	Revised provision based on Council's expected share of Health Change Fund contribution, with this share also used for Early Years contribution.
DWP and Other Funding Reductions	336	336	336	
Pension stability mechanism	-2,917	-2,369	-4,873	Lothian Pension Fund has notified employers of the pension rates which will apply for the next 5 years and these are lower than the LTFP provision
Carbon Tax	-200	-200	-200	Revised provision based on estimated actual liability in current year
Fire Requisitions	-168	0	0	Fire Board budget is subject to final approval of the Board but current proposals will result in a small saving against the LTFP.
Remove all inflation except pay and contract	-6,750	-11,182	-15,777	This is effectively a standard cut across all service areas and will remove general inflation allowances except those related to pay, energy, contracts and nationally determined care fees in 2012/13 and reduce to 1% per annum the level of provision within the LTFP in subsequent years.
Remove central provision for teacher increments	-800	-1,600	-1,600	This brings Children and Families into line with the rest of the Council whereby staff increments are expected to be funded from within service staffing budgets.
Deferral of removal of contracted out rate of NI	0	-6,065	-12,130	This pressure may be delayed until 2015 - confirmation awaited.
Use of Police and Fire Reserves	-1,818	0	0	This is a one-off saving. Boards have agreed to refund excess surplus in the current year. It should be noted however that Police & Fire reserves are to be subject to a wider CoSLA/Scottish Government Protocol
Scottish Water	-1,000	-1,000	0	National review of current water billing and collection arrangements - transitional arrangements
Zero Waste Fund *	-6,200	-3,100	-2,100	Saving within Zero Waste Budget compared to funding required to deliver changes
Waste Pressures *	2,000	1,100	0	Estimate of provision required to manage various risks and pressures in relation to waste recycling changes
Property Conservation *	2,500	0	0	One-off costs in relation to property conservation investigation and setting up new service
Community Safety *	500	500	500	Pressure relating to management layering savings not being achieved
Council Tax Income	-500	-500	-500	Review of Council Tax base
Jubilee Holiday	250	0	0	Costs of additional holiday.
Other Minor Changes in Resource Allocation Model	343	44	-513	
<b>Total Adjustments to LTFP</b>	<b>-15,570</b>	<b>-23,230</b>	<b>-33,893</b>	

<b>Revised position</b>	<b>6,887</b>	<b>33,409</b>	<b>63,716</b>
Additional Funding through 85% mechanism	-21,992	-23,146	-22,946
<b>Funding (Availability) / Gap</b>	<b>-15,105</b>	<b>10,263</b>	<b>40,770</b>
<b>Incremental Funding (Availability) / Gap</b>	<b>-15,105</b>	<b>25,368</b>	<b>30,507</b>

\* Separate Briefing Notes issued

**OFFICER SAVINGS PROPOSALS - 2012-2015 BUDGET PROCESS**

In the following analysis, figures are shown on an incremental basis.

	2012/13 £000	2013/14 £000	2014/15 £000	Total £000
<b>Children and Families</b>				
- Community and Learning Development - rates	10	0	0	10
- Community and Learning Development - sessional staff budget	30	0	0	30
- Department-wide - purchasing inflation	61	0	0	61
- Department-wide - review of back office support	289	0	0	289
- Department-wide - supplies and services	167	0	0	167
- Planning and Performance - workforce development	100	0	0	100
- Resources - Firrhill dilapidations	101	0	0	101
- Schools and Community Services - long-term leave	400	0	0	400
<b>Total Children and Families</b>	<b>1,158</b>	<b>0</b>	<b>0</b>	<b>1,158</b>
<b>City Development</b>				
- Review of parking dispensation charges	60	0	0	60
- SESTRAN contribution	35	0	0	35
- Staffing accessible transport	17	0	0	17
<b>Total City Development</b>	<b>112</b>	<b>0</b>	<b>0</b>	<b>112</b>
<b>Corporate Governance</b>				
- Communications - reduction in staffing	112	0	0	112
- Consultants - end current arrangements	20	0	0	20
- Contact Centre - reduction in staffing	30	0	0	30
- Culture and Sport - reduction in supplies / increased income	50	0	0	50
- Financial Services - reduction in staffing / audit fee	50	0	0	50
- Human Resources - reduction in staffing	150	50	0	200
- ICT - rationalisation and other efficiencies, including telephones	830	210	0	1,040
- Legal and Admin Services - reduction in supplies / increased income	50	0	0	50
- Payments and Procurement - reduction in staffing	50	0	0	50
- PSP - reduction in staffing	149	0	0	149
<b>Total Corporate Governance</b>	<b>1,491</b>	<b>260</b>	<b>0</b>	<b>1,751</b>
<b>Health and Social Care</b>				
- Care home fees and residents charges	430	0	0	430
- Criminal justice overheads	100	0	0	100
- Joint CHP / Council efficiencies	100	0	0	100
- Procurement - de-registration	640	0	0	640
- Residential fees - Council care homes	140	0	0	140
<b>Total Health and Social Care</b>	<b>1,410</b>	<b>0</b>	<b>0</b>	<b>1,410</b>
<b>Services for Communities</b>				
- Department-wide - 3% uplift on fees and charges	250	0	0	250
- Environment - cease allocation of free sacks to city centre properties	68	0	0	68
- Environment - reduction in staffing	25	0	0	25
- Environment - sponsorship of roundabouts	25	0	0	25
- Environment - Zero Waste procurement savings	150	0	0	150
- Housing and Regeneration - commissioning	450	0	0	450
- Housing and Regeneration - HMO Licensing - overhead allocation	100	0	0	100
<b>Total Services for Communities</b>	<b>1,068</b>	<b>0</b>	<b>0</b>	<b>1,068</b>
<b>Total - All Departments</b>	<b>5,239</b>	<b>260</b>	<b>0</b>	<b>5,499</b>