

## Revenue Monitoring 2011/12 – Outturn

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City of Edinburgh Council

23 August 2012

### Purpose of report

- 1 To refer to Council, for approval, a recommendation of the Finance and Resources Committee arising from consideration of the Council's revenue budget at the year end, based on the 2011/12 unaudited financial statements.

### Main report

- 2 At its meeting on 31 July 2012 the Finance and Resources Committee considered the attached report by the Director of Corporate Governance on Revenue Monitoring 2011/12 – Outturn.
- 3 The report set out the overall position of the Council's revenue budget at the year-end, based on the unaudited financial statements.
- 4 As part of its decision the Finance and Resources Committee recommended that the Council approve:
  - a) **the set aside of the in-year surplus of £0.361m, together with the net monies of £7.342m returned from the review of provisions; and**
  - b) **the use of £1.1m from the Council Priorities Fund for school maintenance works in 2012/13 and up to £0.8m from the Insurance Fund for the replacement of the roof at Kaimes Special School.**

### For Decision

- 5 The Finance and Resources Committee has invited the Council to approve the recommendations detailed at 4 a) and b).

**Carol Campbell**  
Acting Head of Legal and Administrative Services

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Appendices	Report by the Director of Corporate Governance
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Wards affected	All
Background Papers	None

## Revenue Monitoring 2011/12 - Outturn Report

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### Finance and Resource Committee

31 July 2012

#### 1 Purpose of report

1.1 This report sets out the overall position of the Council's revenue budget at the year end, based on the unaudited financial statements.

#### 2 Main Report

2.1 The unaudited outturn position shows an underspend of £0.361m, equivalent to 0.04% of total expenditure. The table below summarises the outturn variance, together with movements from the reported period eight position and full details are provided in Appendix 1. Service commentaries, including explanations of movements from month eight can be seen in Appendix 2.

2.2 2011/12 was the third successive year that all departments within the Council have spent within their revenue budgets.

	Outturn Variance	Period Eight Projected Variance	Movement from Period Eight
	£000	£000	£000
<b>Service Variances</b>			
Children and Families	(3,618)	-	(3,618)
City Development	(42)	-	(42)
Corporate Governance	(261)	-	(261)
Health and Social Care	(573)	-	(573)
Services for Communities	(550)	-	(550)
<b>Total Service Variances</b>	<b>(5,044)</b>	-	<b>(5,044)</b>
<b>Other Variances</b>			
Trams	5,155	-	5,155
Provision for repayment DWP grant	1,650	-	1,650
tie Pension Cessation Costs	4,798	-	4,798
Statutory Repairs	4,280	-	4,280
<b>Total Other Variances</b>	<b>15,883</b>	-	<b>15,883</b>

	<b>Outturn Variance</b>	<b>Period Eight Projected Variance</b>	<b>Movement from Period Eight</b>
<b>Corporate Variances</b>			
Net Cost of Benefits	(443)	-	(443)
Energy Costs	(1,540)	-	(1,540)
Carbon Tax	(95)	-	(95)
Rates	(411)	-	(411)
Prior Year and Other Adjustments	(3,717)	-	(3,717)
Loan Charges / Interest on Rev Bals	(3,419)	-	(3,419)
Council Tax / Community Charge	(1,575)	(2,000)	425
<b>Total Corporate Variances</b>	<b>(11,200)</b>	<b>(2,000)</b>	<b>(9,200)</b>
<b>In- Year Surplus</b>	<b>(361)</b>	<b>(2,000)</b>	<b>1,639</b>
Monies returned from review of provisions	(11,042)	-	(11,042)
Less: Used for Statutory Repair bad debts	1,700	-	1,700
Less: Used for VERA Payments	2,000	-	2,000
<b>Balance transferred to Council Priorities Fund</b>	<b>7,342</b>	<b>-</b>	<b>7,342</b>

### Children and Families

- 2.3 Children and Families achieved an underspend of £3.6m in 2011-12, against a budget of £390m (0.9%). This figure is stated prior to finalisation of the outturn position on devolved school budgets.
- 2.4 The out-turn position incorporates net underspends which were achieved within the schools and community services (£2.9m) and support to children and young people (£0.7m) budget areas.

### Corporate Governance

- 2.5 The outturn was an underspend of £0.261m against a budget of £69.2m (0.4%), which is an improvement from the balanced position projected at period eight.

### Economic Development

- 2.6 There were no significant variances within the Economic Development service compared to the 2011/12 budget or to the position forecast at month eight.

### Health and Social Care

- 2.7 Net expenditure was £182.195m compared to a budget of £182.768m, resulting in a net underspend of £0.573m, equivalent to 0.3% of the budget.

## **Services for Communities**

- 2.8 Net expenditure was £132.304m, compared to a budget of £132.854m. This shows an underspend of £0.550m, or 0.4% of budget.

## **Other Variances**

- 2.9 Edinburgh Trams - the tram variance relates to revenue costs associated with the tram project, which cannot be offset by Transport Scotland funding – further details can be seen in Appendix 2.
- 2.10 Provision for Repayment of DWP Grant - the variance of £1.65m relates to a provision included in the 2011/12 Financial Statements for grants previously received from the Department of Works and Pensions (DWP) in relation to property, plant and equipment, which may require to be repaid.
- 2.11 tie Pension Cessation Costs – Lothian Pension Fund has a number of admitted bodies. Under pension fund arrangements, if an employer is unable to meet any deficit, additional contributions will be required from each remaining employer in the fund in proportion to their liabilities. However, where it has been established that there is a link between the employer and a Council, then that Council will meet the total of any deficit. Thus, the Council was responsible for meeting the costs of tie's pension deficit. The full cost of this was £4.798m.
- 2.12 The 2010/11 Financial Statements had identified this as a post balance sheet event and that payment could be over a period of up to five years. Having reviewed the outturn position, and recognising the financial constraints facing the Council in the coming years, it was considered prudent to meet the cost in full in 2011/12.
- 2.13 Statutory Repairs – there has been a robust review of the requirement to provide for non collection of income, both for works already billed, and against the costs for works where bills have not yet been issued.
- 2.14 As is usual practice, there have been a number of bad debts written off during the year, as approved by the Finance and Resources Committee, however, a number of these will be covered by inhibitions, and monies will be recovered at a later date. The total cost of provisions / bad debts is £5.98m, of which £1.7m has been funded from monies released from the review of provisions (see 2.22 below).

## **Net Cost of Benefits**

- 2.15 The final position was an underspend of £0.443m, which compares to the break even position reported at period 8.
- 2.16 The main reasons for underspend are:
- A favourable variance on the Council Tax benefits account of £0.295m, mainly due to additional DWP grant subsidy being recovered.

- A favourable variance on the Housing Benefits account of £0.148m. This is the net effect of under spending on the cost of homeless people in bed and breakfast accommodation, off set by additional subsidy loss on overpayments and a provision for potential audit adjustments following the audit of the 2011/12 benefits subsidy claim.

### Energy Costs

- 2.17 A corporate budget had been set aside for energy increases, however, given the favourable outturns within service areas, no call was made against this budget.

### Loan Charges / Interest on Revenue Budgets

- 2.18 As in previous years, the actual cost of loan charges and interest on revenue balances was lower than budgeted. The savings represent a combination of lower capital spend, due to slippage in the current and previous years, against the approved budget and effective treasury management of the loans pool and investment of surplus funds.

### Staff Severance Costs

- 2.19 Members may recall that Council, at its meeting on 16 September 2010 approved that the former Directors of Finance and Corporate Services be authorised to jointly approve the costs associated with voluntary measures to release staff, under the scheme of delegation, in conjunction with the Convener of the Finance and Resources Committee and noted that these costs would be reported to a later meeting of Council.
- 2.20 Costs relating to voluntary severance were fully funded centrally, by way of a virement into departmental budgets. Departments were given the option of having pension strain costs funded centrally, again, by way of a budget virement, with any costs being repaid to the General Fund over a period of up to five years, or managing these within available resources. The pension strain costs were all met by departments in full.
- 2.21 The table below summarises voluntary severance and pension strain costs relating to the release of staff to enable savings in packages one, two and three to be delivered. The average payback period for 2011/12 arising from these arrangements is 13.1 months for VERAs and 13.5 months for redundancies.

Department	Voluntary Severance Costs		Pension Strain Costs £000	Total £000
	Met by Service £000	Funded Centrally £000		
	Children and Families	182		
City Development	141	-	108	249
Corporate Governance	148	604	891	1,643
Health and Social Care	-	395	271	666
Services for Communities	100	430	569	1,099
<b>Total</b>	<b>571</b>	<b>3,276</b>	<b>2,002</b>	<b>5,849</b>

## **Review of Provisions**

- 2.22 A sum of £11.042m was returned from the provisions previously set aside on the Balance Sheet, including those earmarked for equal pay and modernising pay. This funding was partly used to meet the costs arising from the review of bad debt and other provisions and partly to meet the costs of VERA arrangements, with the residual sum of £7.342m being set aside in the Council Priorities Fund held within earmarked balances.

## **Prior Year and Other Adjustments**

- 2.23 The favourable variance on prior year and other adjustments relates primarily to a review of bad debt provisions relating to warrant surcharge and a review of creditor balances.

## **Council Tax / Community Charge**

- 2.24 Income from Council Tax and Community Charge was £1.575m higher than the budgeted amount. The improved position, which falls slightly lower than the £2m projected at month eight, relates mainly to reduced levels of exemptions and discounts being applied retrospectively to previous years' tax.

## **Reserves**

- 2.25 Details of the amounts in the General Fund, including earmarked balances, are shown in appendix 3.
- 2.26 There were a number of contributions to and from the General Fund during the year, including:

### Contributions to General Fund

- Council Tax (reduced second homes discounts) - £2.9m. Council has reduced the discount on Council Tax for second homes, and this money is set aside for specific housing projects, including schemes by registered social landlords;
- Loan Charges Contingency (for trams) - £4m, comprising £2m in the approved budget and a further £2m approved by the Finance and Resources Committee in January 2012;
- Devolved School Management (DSM) – transfer of £1.019m, including £0.215m relating to 2010/11. This brings the total DSM earmarked balance to £2.919m;
- Equal Pay - £2.1m, representing the balance of the budget set aside in 2011/12 for equal pay;
- Change Fund - £2.589m set aside through Health and Social Care, reflecting the timing of receipt of funding from the Health Board;
- £1.817m returned from the Police and Fire joint boards, which has been used in funding the 2012/13 approved budget.

### Contributions from General Fund

- Zero Waste Fund - £4.2m drawdown from fund approved as part of the 2011-12 budget and a further £0.5m for property conservation costs;
- Spend to Save Fund, net draw down of £1.511m, relating to the ABM programme. There are no funds remaining in the Spend to Save Fund;

2.27 Corporate Management Team (CMT) considered the outturn report in June. CMT agreed to ask Members to approve setting aside £1.1m of the monies in the Council Priorities Fund for schools maintenance to further enhance the £4.1m identified in the budget motion. Members are also asked to approve the use of up to £0.8m from the Insurance Fund to meet the costs for the replacement roof for Kaimes that was damaged in the storms in January 2012.

2.28 Members are reminded that the approved budget draws £5.945m down from earmarked balances in 2012/13.

### **Housing Revenue Account**

2.29 The Housing Revenue Account (HRA) achieved a surplus of £7.514m in 2011/12. Of this, £4m was used for voluntary debt repayment and £3.514m transferred to the renewal and repairs fund, including £2m to support Services for Communities' internal improvement programmes and the remainder to fund the 21<sup>st</sup> Century Homes programme.

2.30 Most areas of expenditure were either under or close to budget, with significant savings achieved against the budgets for:

- Employee costs - £1.11m
- Capital financing costs - £1.88m
- Energy costs - £0.51m.

## **3 Financial Implications**

3.1 For the third year in a row, all Council departments have contained expenditure within budgets.

3.2 The in-year surplus of £0.361m, together with the net monies of £7.342m returned from the review of provisions previously set aside on the Balance Sheet have been transferred to the Council Priorities Fund.

3.3 Members are asked to approve the use of £1.1m from the Council Priorities Fund for school maintenance works in 2012/13 and up to £0.8m from the Insurance Fund for costs of replacing the roof at Kaimes which was damaged in the January 2012 storms.

## **4 Equalities Impact**

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

4.2 There are no equalities implications arising from this report.

## 5 Environmental Impact

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

## 6 Recommendations

6.1 The Finance and Resources Committee is requested to:

- a) Note this report and the favourable revenue outturn position for the year ended 31 March 2012;
- b) Refer this report to Council to approve the set aside of the surpluses as set out in 3.2 above.
- c) Refer this report to Council to approve the use of £1.1m from the Council Priorities Fund for school maintenance works and up to £0.8m from the Insurance Fund for the replacement roof at Kaimes;
- d) Note the contributions to and from the General Fund as detailed in the report;
- e) Note that the Housing Revenue Account made a surplus of £3.514m, which has been set aside in the renewal and repairs fund and approve that this be earmarked to support Services for Communities' internal improvement programmes and the 21<sup>st</sup> Century Homes programme;
- f) Refer this report to the Audit Committee as part of its work plan.

**Alastair Maclean**  
Director of Corporate Governance

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Appendices	1 Revenue Outturn
	2 Service explanations on outturn variances
	3 General Fund Balances

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Wards affected All

Single Outcome Agreement All

Background Papers

## THE CITY OF EDINBURGH COUNCIL

## UNAUDITED OUTTURN STATEMENT 2011-12

Service	Revised Budget £000	Outturn £000	Outturn Variance £000
Children and Families	390,382,261	386,764,049	-3,618,212
City Development	11,397,082	11,354,523	-42,559
Corporate Governance	69,642,899	69,382,096	-260,803
Health and Social Care	182,768,257	182,195,523	-572,734
Joint Board Requisitions			
Police	43,722,300	43,722,300	0
Fire	21,050,595	21,050,595	0
Valuation	3,773,227	3,773,227	0
Services for Communities	132,853,667	132,304,066	-549,601
<b>General Fund Services</b>	<b>855,590,288</b>	<b>850,546,379</b>	<b>-5,043,909</b>
Tram	-2,767,821	2,387,213	5,155,034
BlindCraft - Grant Repayable	0	1,650,000	1,650,000
tie Pension Cessation Costs	0	4,798,016	4,798,016
Statutory Repairs - Owners Recoveries	0	4,279,759	4,279,759
<b>Other Expenditure</b>	<b>-2,767,821</b>	<b>13,114,988</b>	<b>15,882,809</b>
Net Cost of Benefits	1,394,000	951,017	-442,983
Non Distributed Costs	10,525,000	10,525,000	0
Energy Costs (Central Provision)	1,540,000	0	-1,540,000
Cities Strategy - Funding to be c/fwd per SG	7,000,000	7,000,000	0
Carbon Tax	95,028	0	-95,028
Rates	410,828	0	-410,828
Dividends Receivable	-3,000,000	-3,000,014	-14
Loans Charges / IoRB	106,192,829	102,773,539	-3,419,290
Prior Year and Other Adjustments	60,849	-3,655,360	-3,716,209
<b>Total Expenditure to be Funded</b>	<b>977,041,001</b>	<b>978,255,549</b>	<b>1,214,548</b>
Funded by -			
Revenue Support Grant	-458,120,035	-458,120,000	35
Non Domestic Rates - Contrib from Pool	-297,442,000	-297,442,000	0
Council Tax / Community Charge	-226,125,000	-227,700,357	-1,575,357
Contribution from Repairs and Renewals	74,095	74,095	0
Contribution from Capital Fund	78,838	78,838	0
Contribution to Earmarked Funds	4,493,101	4,493,115	14
<b>Total Funding</b>	<b>-977,041,001</b>	<b>-978,616,309</b>	<b>-1,575,308</b>
<b>In-year Surplus</b>	<b>0</b>	<b>-360,760</b>	<b>-360,760</b>
Review of Provisions	0	-11,041,766	-11,041,766
Less: Used for Statutory Repairs	0	1,700,000	1,700,000
Less: Used for VERAs	0	2,000,000	2,000,000
Transferred to Council Priorities Fund	<b>0</b>	<b>7,341,766</b>	<b>7,341,766</b>
<b>Housing - HRA Surplus</b>	<b>0</b>	<b>-3,514,474</b>	<b>-3,514,474</b>

## **Children and Families**

### Schools and Community Services (£2.9m) –

Significant movements from the month eight position include:

Residual Funding Distribution - (£1.1m) - Redistribution of residual funding by the Scottish Government resulted in Edinburgh receiving an additional £1.1m funding in 2011-12. Notification of the additional funding had not been received at the time of preparing the eight month report. Timing of the additional funding provided limited opportunity for fully utilising the funding in 2011-12.

Non-Utilisation of Provision for Accrued Holidays during Maternity Leave (£0.3m) - A provision totalling £0.6m was set aside within 2011-12 accounts in anticipation of potential claims relating to accrued holiday leave from teachers on maternity leave. Following settlement of the initial test cases, claims totalling £0.1m were paid out in 2011-12. Review of the test claims has resulted in the existing provision being reduced to £0.2m, resulting in £0.3m of provision being returned to the department. Information on the cost of current and potential claims was not available at the time of preparing the eight month report.

Savings from Industrial Action (£0.3m) - Savings relating to industrial action in November 2011 were unquantified at the time of preparing the eight month report. Savings of £0.3m were achieved within the schools budget area.

Other - Savings in the early years budget (£0.7m) included £0.3m relating to centrally held budget provision for pupil numbers, which was realised after preparation of the month eight report, following receipt of information on actual pupil numbers for the new school term. Savings totalling £0.2m relating to centrally held provision for increments within the Community Services budget were also realised after preparation of the eight month report, following review of actual increments for 2011-12.

### Support to Children and Young People (£0.7m)

A net underspend of £0.7m was achieved within the support to children and young people budget.

The net out-turn position includes pressures within the family based care budget (£0.8m), where growth in demand for fostering, adoption, residence and kinship care placements exceeded budget provision. These were offset in full by savings in staff costs (£1.4m) due to staff turnover and savings made in advance of 2012-13 budget reductions.

## **Corporate Governance**

The areas which contributed to the underspend were Legal services which had a net reduction in staffing costs, Communications due to secondments and a reduction in staff numbers and Culture and Sport due to additional income and savings in employee costs. Many of these underspends were made in anticipation of the coming year's budget savings requirement and others were one-off occurrences.

There were three significant pressures reported at period eight. The winter festivals incurred a deficit on budget due to the costs of implementing the Christmas programme and a shortfall in sales of tickets for the street party. The deficit was partly offset by reduced expenditure on other events, the net deficit on festivals and events being £0.094m.

Though additional costs were incurred in addressing the high volume of transactions relating to council tax and housing benefits, the potential loss of local authority DWP grant of up to £1.2m was avoided.

The potential shortfall in central support and intervention income did not materialise.

The ABM project spent £1.163m more than the original budget of which £0.788m was reported to Council in October 2011. £0.423m was available by using the balances in the change management and pathfinder reserves. To avoid further depleting Council reserves, the balance of £0.74m was contained within Corporate Governance's revenue budget.

### **Health and Social Care**

At month eight, the department was projecting a breakeven position. The main movements between the period eight forecast variance and the final outturn variance are as follows:

- Employee costs – savings of £0.38m across a range of services;
- Premises costs – additional expenditure of £0.2m on repairs and £0.2m set aside in provisions for dilapidation costs;
- Transport – additional expenditure of £0.39m across a range of headings, including fuel and vehicle repair costs;
- Third party payments – additional costs of £0.28m;
- Income - £1.748m of additional income from the Change Fund, partially offset by £0.56m of costs relating to bad debts.

The above position includes Criminal Justice and BlindCraft.

Criminal Justice which returned an underspend of £0.255m, which relates mainly to staff savings as a result of vacancies during the year.

BlindCraft - the BlindCraft subsidy for 2011/12 was £0.415m which is in line with budget. The outturn position showed an underspend of £0.124m, which relates mainly to a reduced spend on employee costs, materials and transport following the closure of BlindCraft. There was also additional income and a reduction in bad debt provision.

### **Services for Communities**

Services for Communities dealt with pressures of £8.1m from Property Conservation, Waste contingency arrangements and weather-related services through a combination of surplus recycling funds (£5.5m), savings from service budgets (£2.8m) and the contingency budget (£0.3m) - giving a net underspend for the year of £0.55m.

This compares with a balanced position forecast at month eight with the improvement (which includes a reduction of £1.5m in funding drawn from reserves for the Property Conservation review) the result of tight controls over expenditure in the last few months of the year and a mild February and March reducing winter maintenance expenditure.

Overall savings of £11.9m (92%) were achieved against a target of £13m. The following projects remained red or amber at the end of the year:

- Private sector leasing
- Property conservation running costs
- Waste services
- Night noise team
- Taskforce – fleet
- Waste services fleet; and
- Event income.

### **Trams**

The construction of a tram line from the airport to York Place with an associated budget of £776m was approved by Council in September 2011. As reported to Audit Committee on 26<sup>th</sup> January 2012 the project remains on course for completion on revised budget and on time (by summer 2014).

The budget identified for the tram project was exclusively a capital budget but, as the work on the project has progressed, costs of both a capital and revenue nature have been incurred. The overall forecast project spend remains within the identified £776m total but this spend will comprise both capital and revenue expenditure. As the tram project budget cannot be moved from capital to revenue this year's revenue expenditure (£5.155m) shows as an adverse budget variance.

Tram project costs incurred in 2011-12 and categorised as revenue expenditure include:

- tie Ltd voluntary redundancy costs - £2.561m
- program delay costs post mediation (related to the delay in signing the settlement agreement in August/September 2011) - £1.397m
- General project management expenditure - £0.573m
- Costs associated with preparing for tram operations - £0.305m
- Princes Street festive reopening - £0.204m
- Non-core communications costs - £0.115m

**General Fund**

	<b>Balance at 31.3.11</b>		<b>Balance at 31.3.12</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Unallocated General Fund		13.025		13.025
<u>Monies set aside for Future Risks</u>				
Equal pay	8.701		10.870	
Dilapidations fund	4.467		5.179	
Contingency fund – loan charges	-		4.000	
Contingency fund – Children/Families	1.300		1.300	
Budget flexibility	0.864		0.864	
Insurance fund	10.150		10.427	
Council priorities fund	7.675		13.237	
		33.157		45.877
<u>Monies received in advance of planned expenditure</u>				
Zero waste fund	9.848		5.148	
PPP	1.027		1.164	
Licensing Income	0.986		1.390	
Council Tax for RSLs	8.121		11.060	
Unspent grants	4.347		3.036	
Corporate fund – redundancies, etc	11.098		10.078	
Police and Fire requisitions returned (being used in 2012/13 budget)	-		1.817	
Lothian Buses	2.000		2.000	
Change fund	-		2.589	
Change management	0.365		-	
Other minor funds	0.280		0.269	
		38.072		38.551
<u>Monies for spend to save projects</u>				
Spend-to-save	1.483		-	
Energy efficiency fund	0.692		0.860	
BT efficiencies fund	1.305		2.586	
		3.480		3.446
Devolved school management		1.900		2.919
<b>Total General Fund</b>		<b>89.634</b>		<b>103.818</b>