

## Revenue Monitoring 2012/13 – Month Four Position

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### Finance and Resources Committee

25 September 2012

#### 1 Purpose of report

- 1.1 This report sets out the overall position of the Council's revenue budget at the four month position and the projected outturn for the year.

#### 2 Main report

- 2.1 At month four, the revenue budget is projecting a balanced position, compared to a projected overspend of £1m at month two. Full details can be seen in Appendix 1.
- 2.2 At month four, the projected outturn position for all Services is a balanced position.
- 2.3 Budget pressures and key financial risks are being actively managed by all Services. Details of the most significant of these are shown in Appendix 2.
- 2.4 Good progress is also being made in delivering the 2012/13 budget savings measures previously approved by Council. Where there are specific risks against the delivery of these savings, these are highlighted in the narratives in Appendix 2. A more complete update on delivery of the savings will be provided as part of the next revenue monitoring report to Committee.
- 2.5 This position is being kept under close review and mitigating management action will be taken as necessary to ensure a balanced budget is delivered.
- 2.6 At month two, Members were advised of a shortfall of £1m relating to revised arrangements for the sharing of Council Tax and water charge income collected. The report to the Finance and Resources Committee on 31 July 2012 advised members that the remaining corporate areas of the budget, including loan charges and Council Tax, will be reviewed to identify savings / extra income to offset the non-realisation of this additional income.
- 2.7 The review has identified that the income can be offset through the interest on revenue balances element of the loan charges budget. The overall position on the corporate areas of the budget is therefore projecting a balanced position.

- 2.8 The tram project is forecast to incur revenue costs of £2.07m in 2012/13, principally relating to preparing for operations and communications costs. These costs are within the overall £776m budget approved for the project, but require to be funded from revenue rather than capital sources.
- 2.9 The Chief Financial Officer has identified a funding mechanism to meet these costs by using monies from the capital fund to offset loans fund principal repayments, thus enabling monies from the loan charges budget to offset these costs. The tram capital budget will be reduced by a similar amount.
- 2.10 In addition, the Council has incurred £0.3m of costs in relation to dealing with third parties and sundry other tram-related items. These fall outwith the identified tram budget and will be managed corporately by the Council.

### **Balance Sheet Management**

- 2.11 CIPFA has published "Balance Sheet Management in the Public Services – A Framework for Good Practice". Balance sheet management (BSM) is a comprehensive approach to managing balance sheet assets and liabilities to ensure that an organisation is using resources effectively, both financially and operationally, and that appropriate governance arrangements are in place around the use of public sector assets and liabilities under its control.
- 2.12 BSM will be introduced into revenue monitoring reports, on a phased basis. Initially, this report will include details on planned movements on the General Fund balance, including earmarked balances, amounts set aside in provisions and key debtors. Details can be seen in Appendix 3.

### **Housing Revenue Account**

- 2.13 The Housing Revenue Account is on target to meet planned contributions for voluntary debt repayment and investment in 21<sup>st</sup> Century Homes for Edinburgh.

## **3 Financial implications**

- 3.1 The period four position is projecting balanced position, across both service areas and corporate areas

## **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 that the Council is projecting a balance position on the revenue monitoring at month four;
- b) Note that budget pressures and key financial risks are being actively managed by all Services;
- c) Note that good progress is being made in implementing approved 2012/13 budget savings and that a more detailed report will be included in the next revenue monitoring report to Committee;
- d) Note that the Housing Revenue Account is on target to meet planned contributions for voluntary debt repayment and investment in 21<sup>st</sup> Century Homes for Edinburgh;
- e) Refer this report to the Audit Committee as part of its work plan

**Alastair D Maclean**  
Director of Corporate Governance

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Appendices	1	Revenue Monitoring Period Four Statement
	2	Significant Pressures, Key Risks and Further Actions
	3	Balance Sheet Monitoring – General Fund Balance and key debtors
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 2012-13

## PERIOD 4

## SERVICE ANALYSIS

Account	Approved 2012-13 Budget £000	Virements £000	Revised Budget £000	Budget to Date £000	Actual to Date £000	Variance to Date		Projected Outturn £000	Projected Variance	
						£000	%		£000	%
Children and Families	390,617	141	390,758	133,055	134,315	1,260	0.9%	390,758	0	0.0%
Corporate Governance	66,769	-1,041	65,728	34,426	34,196	-230	-0.7%	65,728	0	0.0%
Economic Development	13,586	1,145	14,731	5,942	5,872	-70	-1.2%	14,731	0	0.0%
Health and Social Care	189,380	579	189,959	52,462	52,502	40	0.1%	189,959	0	0.0%
Services for Communities	126,244	-422	125,822	48,596	47,428	-1,168	-2.4%	125,822	0	0.0%
Joint Board Requisitions -										
Police	45,721	0	45,721	15,241	15,241	0	0.0%	45,721	0	0.0%
Fire	21,591	0	21,591	7,197	7,197	0	0.0%	21,591	0	0.0%
Valuation	3,746	0	3,746	1,249	1,249	0	0.0%	3,746	0	0.0%
Direct Service Expenditure	857,654	402	858,056	298,168	298,000	-168	-0.1%	858,056	0	0.0%
Council-wide - Energy Costs	3,190	0	3,190	0	0	0	n/a	3,190	0	0.0%
Council-wide - Internal Improvement Plans	14,675	-600	14,075	0	0	0	n/a	14,075	0	0.0%
Council-wide - Jubilee Holiday	250	0	250	0	0	0	n/a	250	0	0.0%
Council-wide - Non-Domestic Rates	1,318	-177	1,141	0	0	0	n/a	1,141	0	0.0%
Council-wide - Savings Targets	-528	-194	-722	0	0	0	n/a	-722	0	0.0%
<b>General Fund Services Subtotal</b>	<b>876,559</b>	<b>-569</b>	<b>875,990</b>	<b>298,168</b>	<b>298,000</b>	<b>-168</b>	<b>-0.1%</b>	<b>875,990</b>	<b>0</b>	<b>0.0%</b>
Net Cost of Benefits	1,534	0	1,534	-13	-2,693	-2,680	20615.4%	1,534	0	0.0%
Single Status	3,332	-154	3,178	0	0	0	n/a	3,178	0	0.0%
Pension Fund - Lump Sum Payment	10,113	0	10,113	3,371	3,371	0	0.0%	10,113	0	0.0%
Non-Domestic Rates - Discret. Relief	350	0	350	0	0	0	n/a	350	0	0.0%
Carbon Tax	700	-6	694	0	0	0	n/a	694	0	0.0%
Insurance Excesses	250	0	250	0	0	0	n/a	250	0	0.0%
Scot. Water - Billing / Collect. Arrangements	-1,000	0	-1,000	0	0	0	n/a	0	1,000	-100.0%
Loans Charges / Interest on Rev Bals	116,436	1,151	117,587	0	0	0	n/a	116,587	-1,000	-0.9%
Dividend and Investment Income	-2,000	0	-2,000	0	0	0	n/a	-2,000	0	0.0%
Tram revenue funding requirements	0	2,070	2,070	0	0	0	n/a	2,070	0	0.0%
Prior Year and Other Adjustments	0	-18	-18	0	0	0	n/a	-18	0	0.0%
<b>Total General Fund</b>	<b>1,006,274</b>	<b>2,474</b>	<b>1,008,748</b>	<b>301,526</b>	<b>298,678</b>	<b>-2,848</b>	<b>-0.9%</b>	<b>1,008,748</b>	<b>0</b>	<b>0.0%</b>
Funding										
General Grant Funding	-459,744	-258	-460,002	-208,641	-208,641	0	0.0%	-460,002	0	0.0%
Non Domestic Rates	-310,993	0	-310,993	-40,594	-40,594	0	0.0%	-310,993	0	0.0%
Council Tax	-228,603	0	-228,603	0	0	0	n/a	-228,603	0	0.0%
<b>Operating Deficit / (Surplus)</b>	<b>6,934</b>	<b>2,216</b>	<b>9,150</b>	<b>52,291</b>	<b>49,443</b>	<b>-2,848</b>	<b>-5.4%</b>	<b>9,150</b>	<b>0</b>	<b>N/A</b>
<b>Contribution to / (from) Reserves</b>										
Earmarked Reserves										
- BT Efficiencies Fund	-633	0	-633	-790	-790	0	0.0%	-633	0	0.0%
- Council Priorities Fund	-4,452	-146	-4,598	-4,241	-4,241	0	0.0%	-4,598	0	0.0%
- Dilapidations Fund	882	0	882	0	0	0	n/a	882	0	0.0%
- Energy Efficiency Fund	-699	0	-699	0	0	0	n/a	-699	0	0.0%
- Requisitions returned in 2011/12	-1,817	0	-1,817	-1,817	-1,817	0	0.0%	-1,817	0	0.0%
- Capital Fund	-65	-2,070	-2,135	-65	-65	0	0.0%	-2,135	0	0.0%
- Other Minor Funds	-150	0	-150	-150	-150	0	0.0%	-150	0	0.0%
Total Contribution to / (from) Reserves	-6,934	-2,216	-9,150	-7,063	-7,063	0	n/a	-9,150	0	N/A
<b>In-year Surplus</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0</b>	<b>N/A</b>
<b>Housing - HRA</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-16,652</b>	<b>-18,290</b>	<b>-1,638</b>	<b>N/A</b>	<b>0</b>	<b>0</b>	<b>N/A</b>

**Significant Pressures, Key Risks and Further Actions**

**Appendix 2**

<b>Service Area</b>	<b>Significant Pressures</b>	<b>Key Risks / Further Actions</b>
Children and Families	<ul style="list-style-type: none"> <li>A growth in fostering, kinship and adoption placements significantly in excess of the level for which additional demography funding was provided</li> </ul>	<ul style="list-style-type: none"> <li>Mitigating action is being identified to ensure that a balanced budget position can be delivered.</li> </ul>
Corporate Governance	<ul style="list-style-type: none"> <li>Revenue and Benefits have significant pressures due to the effect of ABM delays on Home-working and ICT investment, the anticipated shortfall of non-domestic rate statutory penalty income and the cost of maintaining processing at target levels.</li> </ul>	<ul style="list-style-type: none"> <li>Risk of additional costs to address higher volume of processes relating to Council Tax and housing benefits and of local authority subsidy loss of up to £1.2m.</li> <li>Risk of under-recovery of income, including central support and intervention income attributable to the department, as these income streams are not fully known with certainty until the year end.</li> <li>The Corporate Governance Management Team has terminated all temporary and agency contracts unless there is a robust business case for their retention. Detailed action plans have been produced by each divisional manager to ensure the budget will be brought back into line.</li> </ul>
Health and Social Care	<ul style="list-style-type: none"> <li>Over the last six months, Health and Social Care has experienced a significant increase in the volume of service required to support people in their own home. The current projection is based on existing volumes of service and does not take into account those people assessed as requiring services that are not currently being received. There are currently 127 people waiting for a total of 1,167 care hours per week.</li> </ul>	<ul style="list-style-type: none"> <li>The full year cost of this care is £0.85m. The department is investigating the possibility of accessing Change Fund money in order to meet this potential pressure.</li> </ul>

<b>Service Area</b>	<b>Significant Pressures</b>	<b>Key Risks / Further Actions</b>
Services for Communities	<ul style="list-style-type: none"> <li>• Savings classified as red include:               <ul style="list-style-type: none"> <li>○ Cross-department savings (£0.741m) – property rationalisation savings within the IPFM work stream.</li> <li>○ Private Sector Leasing contract (£0.325m) – contract issues under discussion with provider.</li> <li>○ imProve It programme - relating to the five-day working week (£0.384m) and relating to landfill tonnages (£0.2m).</li> <li>○ Additional event income (£0.125m) – dependent on a charging policy being approved.</li> </ul> </li> </ul>	<p>Key risks identified are shown below:</p> <ul style="list-style-type: none"> <li>• Property conservation               <ul style="list-style-type: none"> <li>○ the financial impact from transition to a new service model;</li> <li>○ complaints resolution;</li> <li>○ recovery of sums due to the Council.</li> </ul> </li> <li>• Introduction of managed weekly collection and requirement to drive up recycling rates substantially in order to deliver the anticipated environmental and financial benefits from the imProve It programme.</li> <li>• Impact of severe weather across a number of services.</li> <li>• Impact of the Government’s welfare and housing benefit reform agenda and the increased duties to provide accommodation for homeless people that come into force in 2012/13.</li> <li>• Delivery of substantial savings from property rationalisation.</li> </ul> <p>In the event that one, or more, of these risks crystallise, mitigating action will require to be taken. Services for Communities holds a small contingency budget of £0.35m.</p>

## BALANCE SHEET MONITORING - PERIOD FOUR

Appendix 3

### PROJECTED MOVEMENT IN GENERAL FUND

	Opening Balance as at 01.04.12		Proj. Balance as at 31.03.13		Investment / (Withdrawal)		Comments
	£000	£000	£000	£000	£000	£000	
Unallocated General Fund		13,025		13,025		0	
<u>Future Risks</u>							
Contingent risks, including equal pay	10,870		10,870		0		Set aside to manage contingent risks
Balances set aside under budget flexibility scheme	864		0		-864		Assumes full application of reserve in 2012/13
Dilapidations Fund	5,179		5,179		0		Required for property rationalisation e.g. Chesser House, Westwood House
Contingency Funding - Loan Charges	4,000		4,000		0		To assist mgmt. of revenue consequences of loans fund costs
Contingency Funding - Children / Families	1,300		1,300		0		Assumes funding will be required in 2013/14 to 2015/16
Contingency Funding - priority outcomes	13,237		8,996		-4,241		Part of approved budget for 2012/13
Insurance Fund	10,427		10,427		0		Report on liability being prepared for autumn
		45,877		40,772		-5,105	
<u>Timing</u>							
Recycling Monies	5,148		1,464		-3,684		
PPP Monies	1,164		1,284		120		Estimated set aside for final year's unitary charge
Staff Severance	9,078		6,578		-2,500		Estimated use for VERA payments and pension strain costs
Fire and Police Requisitions	1,817		0		-1,817		Part of approved budget for 2012/13
Licensing Income (Cabs, HMOs and Liquor)	1,390		1,390		0		Position will not be certain until year end - sums are ring-fenced
Lothian Buses	2,000		2,000		0		To cover possible shortfall in Lothian Buses' dividend in future years
Council Tax for RSLs	11,060		13,860		2,800		Estimated contribution in 2012/13
Unspent Grants	1,000		0		-1,000		Election funding
- C&F	658		0		-658		( Monies drawn down in 2012/13 - set aside at year end
- CD	701		0		-701		( dependent on timing of receipt of income and approval from
- CG	834		0		-834		( funders to carry forward, in the event funding is not fully
- HSC	354		0		-354		( utilised in year. Balance at 31 March 2013 therefore cannot
- SFC	490		0		-490		( be estimated with any certainty
Change Fund	2,589		1,200		-1,389		Part use of funding in 2012/13
Minor Funds	268		58		-210		Part of approved budget for 2012/13
		38,551		27,834		-10,717	
<u>Spend to Save</u>							
Energy Efficiency	860		161		-699		Part of approved budget, subject to projects being acceptable
BT Efficiencies Fund	2,586		-2,396		-4,982		Approved use for various projects, including ICT refresh
		3,446		-2,235		-5,681	
<u>DSM</u>		2,919		0		-2,919	Alloc. of monies to schools - y/e balance cannot be estimated
<b>Total Reserves</b>		<u>103,818</u>		<u>79,396</u>		<u>-24,422</u>	

**USE OF PROVISIONS SET ASIDE AT 31 MARCH 2012**

At 31st March 2012, the Council had £35.29m set aside in provisions. These relate to monies where there is a likelihood of making payments to third parties at a future date.

<b>Provision</b>	<b>Balance at 01.04.12 £000</b>	<b>Balance at 31.07.12 £000</b>	<b>Comments</b>
Children / Families - Teachers terms and conditions	200	200	Will be drawn down in 2012/13 for intended purposes
Corporate Governance - DWP funding	150	150	Utilisation is dependent on outcome of audit of housing benefit claim
Corporate Governance - P11D liabilities	33	33	Will be drawn down in 2012/13 for intended purposes
Corporate Governance - Telephone Costs	78	78	Will be drawn down in 2012/13 for intended purposes
Council Tax Discounts payable to RSLs	1,467	1,467	This relates to the reduction in discounts for second homes that are now billed to owners. Funds are transferred to the earmarked balance once collected.
Equal Pay	23,849	23,303	Reduction relates to drawdown to cover equal pay settlement costs paid out to date.
Health and Social Care - Dilapidations	271	271	Includes South Bridge
Health and Social Care - Grant Support	1,650	1,650	In discussions with funder to determine extend of potential repayment
Health and Social Care - Residence Cases	172	172	
Insurance and compensation claims	356	356	Reviewed annually as part of final accounts process
Services for Communities - Supporting People	100	100	
Trams - Land purchase	6,964	5,771	
	<u>35,290</u>	<u>33,551</u>	
	<b>Amount collected to 31.07.12 £000</b>	<b>% of debt as at 01.04.12</b>	
<b>MOVEMENT IN KEY DEBTORS</b>			
<b>Council Tax</b>			
Payments received relating to 2011-12	1,684	11.8%	
Payments received relating to 2010-11	1,449	12.7%	