EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Item no 8
Report no

Corporate Governance
Revenue Budget Monitoring 2012/13
Month Four Position – To 31st July 2012

Finance and Resources Committee

25th September 2012

1 Purpose of Report

To advise the Finance and Resources Committee of the revenue monitoring position after four months of the financial year and provide an update on the projected outturn for year 2012-2013.

2 Summary

2.1 The overall projection is that the Corporate Governance Service will break even for 2012/13.

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

- Demand led pressure relating to council tax and housing benefit services
- Any potential shortfall in income streams which are not known with certainty until the year end
- Potential shortfall in delivery of savings approved for 2012/13.

A contingency of £0.215m has been created to meet these risks.

3 Main Report

Background

3.1 This is the first revenue monitoring report for 2012/13 to be reported to the Finance and Resources Committee. The Corporate Governance Service reported a £0.261m underspend for 2011/12.

3.2 The approved net budget for the Corporate Governance Service in the current year is £66.769m. There have been budget virements of £1.854m, reducing the budget to £64.915m. This budget was based on the achievement of efficiency savings of over 6.25%.

3.3 A number of budget pressures have been identified, particularly in relation to Revenues and Benefits section, due to the effect of ABM delays on Homeworking and ICT investment and the cost of maintaining processing at target levels. In order to address these budget pressures a detailed Management Action Plan has been prepared and agreed with each Head of Service which will be monitored monthly by Corporate Governance Management Team. In addition a cross service budget realignment exercise has been completed.

Month Four Position – Divisional Analysis

3.4 An analysis of the forecast net expenditure outturn by division, based upon the period to 31st July, is shown in Table 1 below:

Table 1: Forecast revenue Outturn by Division

Month end 31 July 2012	2012-13 Revised Budget £'000	2012-13 Projected Outturn £'000	2012-13 P4 Projected Variance £'000	Adv/ Fav
Corporate Programme Office	0	0	0	-
Organisational Development	2,651	2,695	44	Adv
Policy & Public Affairs	5,764	5,898	134	Adv
Culture & Sport	21,386	21,374	(12)	Fav
Finance	5,543	5,543	0	
Legal Risk and Compliance	2,750	2,582	(168)	Fav
Corporate and Transactional Services	25,698	25,698	0	-
Contingency	250	220	(30)	Fav
Directorate/ Chief Exec	873	905	32	Adv
Total Net Expenditure	**64,915**	**64,915**	**0**	**-**

Brief explanations of the significant variances are given below by service area.

Organisational Development (£44,000 adverse)

3.5 The adverse variance reflects a shortfall in achievement of savings targets set as part of the directorate budget realignment exercise.

Policy and Public Affairs (£134,000 adverse)

3.6 The projected overspend in Policy and Public Affairs relate to staffing costs, mainly due to a number of staff secondments coming to an end.

Legal, Risk and Compliance (£168,000 favourable).

3.7 Additional one-off rental income has been used to fund budget pressures in Revenues and Benefits Division. The resulting underspend is mainly due to additional income from Commercial Services and a projected surplus in Miscellaneous Licensing.

Corporate and Transactional Services (Break-even)

3.8 Although this area is projecting to break-even at period four, as noted in 3.3 there are a number of budget pressures affecting the Revenues and Benefits section. The pressure resulting from a delay in improvement plan proposals to increase homeworking, attributed to the ABM process has been funded from one-off income, as detailed in 3.7. The resulting overspend primarily relates to additional processing resource to control processing backlogs and reduce the risk of subsidy loss, and loss of interest recoverable.

These pressures have been offset by projected favourable variances in ICT and Payments and Payroll services, mainly due to staffing underspends.

Savings Implementation Plans

3.9 In order to ensure that the service remains within the budget agreed for 2012/13 detailed savings implementation plans have been developed for each of the approved budget savings previously agreed by Council. Work is ongoing to ensure that all savings are achievable and to identify any risks associated with these savings. Exception reports will be reported to the Corporate Governance Management Team and any corrective actions identified to ensure that the budget remains within approved limits.

Management Action – Revenues and Benefits

3.10 A further report was requested at this Committee on 20 March 2012 on management action taken within Revenues and Benefits to address high volumes of processing outstanding and to minimise the risk of Local Authority error subsidy loss of up to £1.2m. Local Authority errors made during the administration of benefit may result in an overpayment to a claimant caused by either delays in processing changes or benefit decision errors. The Department of Work and Pensions funding mechanism financially incentivises local authorities to maintain Local Authority error to below a threshold level. Additional expenditure, including the retention of temporary processing resource, was authorised to mitigate the above risk. This resulted in work outstanding reducing from 36,000 items in December 2011 to 22,000 in March 2012. As a result of these reductions Local Authority error was limited to £851,000 in 2011/12, comfortably below the threshold of £1,014,000 where subsidy loss commences. As part of the 2012/13 budget monitoring exercise a budget realignment exercise has since been undertaken to allocate additional resources to the Revenues and Benefits division, thereby minimising the risk of this position reoccurring in the future.

Risks

3.11 The financial position for 2012/13 is subject to a number of risks. The most significant risks are considered to be:

a) Risk of shortfall in savings approved for 2012/13

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, central support income etc)

c) Risk of additional costs to address higher volume of processes relating to council tax and housing benefits

Contingency Planning

3.12 A budget provision of £0.215m has been created to meet these risks.

Capital

3.13 Corporate Governance Service has Capital Funding of £7.836m available in 2012/13, an underspend of £0.201m is projected, mainly due to retention payments on the Assembly rooms refurbishment which will be made in 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 Corporate Governance Service is projecting a break even position against the revenue budget at period 4.

7.2 There are a number of remaining risks including 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 Service is currently projecting a breakeven position for 2012/13;

b) Notes the risks in the Corporate Governance 2012/13 budget position;

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Appendices	None
Contact/tel/e-mail	Murray McFarlane : Tel: 529 7866 e-mail: murray.mcfarlane@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