Finance and Resources Committee

10.00a.m, Thursday, 16 January 2014

Revenue Budget 2013/14 – Nine-Month Position

Item number	7.4
Report number	
Wards	

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	

Alastair D Maclean

Director of Corporate Governance

Contact: Alison Henry, Corporate Finance Manager

E-mail: alison.henry@edinburgh.gov.uk | Tel: 0131 469 3172

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Executive summary

Revenue Budget 2013/14 – Nine-Month Position

Summary

The report sets out the projected current-year revenue monitoring position for the Council at the nine-month position, based on analysis of period seven and eight data. While a balanced overall outturn is projected, attainment of this position is subject to on-going management of a number of service-specific and Council-wide risks and pressures.

Recommendations

Members of the Finance and Resources Committee are requested to:

- Note the projected balanced outturn at the nine-month position;
- Note the balanced position projected on the HRA, after utilisation of £8.5m for voluntary debt repayments, funding capital investment or transfer to reserves;
- Note that, in view of the range of existing and emerging risks affecting service areas, key budget pressures and savings must be actively managed to ensure that a balanced position is delivered by each service at the year-end; and
- Refer this report to the Governance, Risk and Best Value Committee, as part of its work programme.

Measures of success

Full delivery of approved budget savings as part of achieving a balanced overall position for 2013/14.

Financial impact

The report's contents point to a projected balanced outturn for the year as a whole, although attainment of this position is subject to active monitoring of a number of risks and, where appropriate, the taking of timely remedial action.

Equalities impact

While there is no direct additional impact of the report's contents, all budget proposals are now subject to an initial Equalities and Rights Impact Assessment. The equalities and rights impacts of any substitute measures identified to address savings shortfalls are similarly assessed.

Sustainability impact

While there is no direct additional impact of the report's contents, the Council's revenue budget includes expenditure impacting upon carbon, adaptation to climate change and contributing to sustainable development.

Consultation and engagement

Not applicable.

Background reading / external references

Revenue Monitoring 2013/14 – Proposals for Reporting, Corporate Management Team, 25 February 2013

Revenue Monitoring 2013/14 – month three position – Finance and Budget Committee 29 August 2013

Revenue Monitoring 2013/14 – Half-Year position – Finance and Resources Committee 31 October 2013

Report

Revenue Budget 2013/14 – Nine-Month Position

1. Background

1.1 This report sets out the projected overall position for the Council's revenue expenditure account for 2013/14 at the nine-month position, based on analysis of period seven and eight data.

2. Main report

2.1 The Council continues to project a balanced outturn at the nine-month position.

Service Expenditure Budgets

2.2 All Directors are projecting a balanced position, however, there are a number of pressures emerging across all services. Directors have implemented a range of cost management measures, including review of non-essential expenditure and recruitment controls to address the various expenditure pressures. Details of these pressures and mitigating actions are shown in Appendix 1.

Corporate Budgets

2.3 The half-year report to Finance and Resources Committee in October 2013 set out a number of variances and mitigating actions within the corporate budgets. Members are reminded of these variances in the table below. There have been no further changes to the projected outturn variance for the corporate budgets in the intervening period.

Corporate Budget Area	Projected Variance £000
Procurement savings	4,000
Trams (revenue operational costs)	4,000
Non-Domestic Rates (back-dated review of liability)	(3,000)
Loan charges (continuation of under-borrowing strategy)	(5,000)
Overall position:	**-**

2.4 To date, £1.8m of rates rebates, relating to prior years have been realised, with further rebates expected in the coming months.

2.5 Members will be aware that savings generated through procurement make a significant contribution towards addressing the Council's overall savings target. Overall savings of circa £20m are included across corporate and specific service areas in 2013/14. Procurement savings of £4.259m have been distributed to services, reflecting the work undertaken as part of Commercial Excellence in addition to those savings already included in service budgets. The allocation is set out in the table below.

Distribution of procurement savings to date:	**£000**
Services for Communities – Revenue	1,167
Cross Directorate	518
Corporate Governance	245
Health and Social Care	256
Children and Families	56
Housing Revenue Account – Capital	1,486
Services for Communities – Capital	531
Total (to date)	**4,259**

2.6 Members are asked to note that £1m has been transferred to Corporate Governance to meet the costs of the Commercial Excellence programme, including the revised staffing structure. This money had been set aside in reserves, as part an underspend in 2012/13, and will therefore be drawn down to meet costs in 2013/14. Provision had been made in the long-term financial plan for these costs in future years.

Housing Revenue Account

2.7 The HRA budget for 2013/14 made provision for the impact of welfare reform, including capping and under occupation restrictions and other changes to Housing Benefit for temporary accommodation, by assuming increased rent arrears and a loss of temporary accommodation income. Rent arrears have increased substantially since April 2013 when under-occupation came into effect and are now 56% higher than they were at the same point last year.

2.8 Current tenants' rent arrears have increased from £2.009m at the end of March 2013 to £4.654m at the end of September 2013. Most local authorities are reporting significant increases in Council housing rent arrears. One in three tenants in arrears is subject to the Government's under-occupation regulations and does not receive full housing benefit. A significant number of tenants who may qualify for Discretionary Housing Payment (DHP) have failed to make a claim, despite being contacted on a number of occasions and offered support to complete their application.

2.9 While the HRA is projected to balance at the end of the financial year, the bad debt provision will need to increase by £2.5m to meet the rising level of rent arrears. This will reduce the funding available for capital investment or which can be transferred to the Renewal and Repairs Fund at the end of the year.

Balance Sheet Monitoring

2.10 Appendix 2 sets out some of the planned contributions to / from earmarked reserves implicit within the projected revenue outturn position. In addition, some commentary is provided on provisions and key debtors in respect of Council Tax and statutory repairs.

3. Recommendations

3.1 Members of the Finance and Resources Committee are requested to:

3.1.1 Note the projected balanced outturn at the nine-month position;

3.1.2 Note the balanced position projected on the HRA, after utilisation of £8.5m for voluntary debt repayments, funding capital investment or transfer to reserves;

3.1.3 Note that, in view of the range of existing and emerging risks affecting service areas, key budget pressures and savings must be actively managed to ensure that a balanced position is delivered by each service at the year-end; and

3.1.4 Refer this report to the Governance, Risk and Best Value Committee, as part of its work programme.

Alastair D Maclean

Director of Corporate Governance

Links

Coalition pledges	P30 - Continue to maintain a sound financial position including long-term financial planning
Council outcomes	CO25 – The Council has efficient and effective services that deliver on agreed objectives
Single Outcome Agreement	SO1 – Edinburgh's economy delivers increased investment, jobs and opportunities for all SO2 – Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health SO3 – Edinburgh's children and young people enjoy their childhood and fulfil their potential SO4 – Edinburgh's communities are safer and have improved physical and social fabric
Appendices	1. Significant Pressures, Key Risks and Further Actions 2. Balance Sheet Monitoring

Significant Pressures, Key Risks and Mitigating Actions **Appendix 1**

Service Area	Significant Pressures	Mitigating Actions / Key Risks
Children and Families	The service has identified a number of budget pressures. The most significant of these relate to: • Fostering, adoption and kinship placements • Educational support for children placed in other local authorities • Premises related cost pressures • Centrally held budgets, including costs of modern apprentices and the growing confidence programme in schools • Department-wide pressures associated with savings approved as part of the 2013/14 budget process.	Mitigating management action has already been put in place to address all but £1.4m of these pressures. These mitigating actions include: • Application of set-aside funds • Application of residual funding for teachers' induction scheme • Savings in employee costs, including vacancy management The service is committed to identifying further mitigating actions to ensure that a balanced budget position can be delivered. This includes the continued application of vacancy management controls to facilitate the delivery of additional staff cost savings and implementing a freeze on discretionary spend.
Services for Communities	• Property conservation and new shared repairs service • Winter weather • Achievement of imProve it and iPFM savings • Welfare reform • Landfill reduction – the landfill budget assumes a 20,501 tonne reduction (14.9%) between 2012/13 and 2013/14	To mitigate these pressures, Services for Communities has set up a contingency budget. This has been created through holding back non-urgent expenditure until it is clear that a balanced budget can be achieved.

Service Area	Significant Pressures	Mitigating Actions / Key Risks
Health and Social Care	• The main, non-procurement related pressure is within domiciliary care – there has been a 7.6% increase in the number of hours of service received by users in the first seven months of this year. • Demand-led pressures on staffing in home care, care homes, hospital teams, intermediate care and adult protection in care homes.	Action taken to mitigate these pressures has included : • Staff reductions in other areas; • Staff controls and target reductions on use of agency staffing; • A review of staff rotas is being undertaken in conjunction with trade unions; • Slippage in project timescales • Underspends in non-staffing budgets. The most significant risk for this year and for 2014/15 is that demand for care at home will continue to grow.
Corporate Governance	• Staffing costs for civic duties and city promotion • Residual costs for Leith Waterworld • Income arrears written off	Mitigating actions include: • Recruitment controls • Additional income recovery • Creation of contingency funding by stopping any non-essential expenditure

Service Area	Significant Pressures	Mitigating Actions / Key Risks
Net Cost of Benefits	Currently projecting a balanced position, but number of significant risks in delivering this.	• Risk of funding shortfall on Council Tax Reduction Scheme as funding is still to be finalised from DWP and Scottish Government • Risk of demand pressures affecting the Council Tax reduction scheme, for 2013/14 this risk has transferred from the DWP to individual local authorities • Risk of loss of subsidy recoverable from the DWP relating to local authority error rates

Appendix 2

BALANCE SHEET MONITORING

Planned use of reserves

Within the approved budget and the mitigating actions set out by Directors to manage expenditure pressures, there are a number of planned uses of reserves. The most significant of these are set out in the table below:

Earmarked Balance	Balance as at 31.03.13	Planned (Use) / Contribution in 2013/14	
Balances set aside for specific investment	£8.229m	(£7.623m)	£0.864m – Children and Families to mitigate budget pressures The following funding was set aside in the 2012/13 budget for specific purposes and underspends were carried forward to enable projects to be completed, including the draw down of these funds in 2013/14: £1.000m – Commerical Excellence programme (CG) £0.800m – Change Fund (Children and Families) £2.947m – iPFM (SfC) £1.316m – works to school estate (C&F) and care homes / funding for social justice and carers in Health and Social Care
Contingency funding	£11.994m	(£1.424m)	Agreed return of underspends from 2012/13 to HSC and C&F
Dilapidations fund	£6.993m	£0.700m	Planned contribution to fund. Payment for Chesser House expected 2014/15.
Recycling monies	£1.464m	(£0.563m)	Services for Communities to mitigate budget pressures
BT Efficiency fund	£0.433m	(£0.246m)	Number of continuing projects and fund repayments, including repayments for e-hr and SEEMIS and contributions towards ICT refresh and workstyle projects.

Provisions

The 2012/13 audited financial statements include £22.939m set aside for various provisions. These include £5.975m relating to the tram project and £13.152m relating to equal pay claims and it is anticipated that full drawdown of these provisions will be required, although not necessarily in 2013/14.

Significant Debtors

Statutory Repairs

The cost of statutory repairs work conducted by the Council and not yet paid by building owners amounts to over £32m, against which the Council has a provision for bad debt of £10.4m. The Council is seeking to collect all monies it is legally entitled to reclaim from owners and has engaged independent third parties to ensure that all cases are reviewed fairly. Currently £8m of works are being considered through the formal resolution process as reported to the Property Subcommittee on 17th October 2013. A further £22m of works are being reviewed by Deloitte LLP and will be invoiced to owners on completion of this review, with the first invoices being issued in January.

Council Tax

	Amount collected	% of debt as at 01.04.13	
Payments received relating to 2012/13	£2.083m	16%	Indicates proportion of outstanding debt in respect of sums due for 2012/13 and 2011/12 subsequently collected in the current year up to 31 October 2013 (payments are net of refunds)
Payments received relating to 2011/12	£0.785m	7%	

Housing Rents

Details of the current position can be seen in paragraph 2.10 of the main report. Arrears are expected to peak at £6m in the current financial year.