

Finance and Resources Committee

10.00am, Thursday, 15 January 2015

Revenue Monitoring 2014/15 – Nine-month position

Item number	7.6
Report number	
Executive/routine	
Wards	

Executive summary

The report sets out the projected nine-month revenue monitoring position for the Council, based on analysis of period seven and eight data. As reported to the Finance and Resources Committee on 27 November, the Director of Health and Social Care has identified a potential overspend of £5.3million and a report outlining proposed measures to reduce the level of overspend by the end of the financial year is included elsewhere on today's agenda. Achievement of a balanced outturn position for all other areas is subject to on-going management of a number of service-specific and Council-wide risks and pressures.

Revenue Monitoring 2014/15 – Nine-month position

Recommendations

- 1.1. Members of the Finance and Resources Committee are asked to:
 - 1.1.1 note the projected overall overspend position at month nine;
 - 1.1.2 note the actions being taken to reduce the potential Health and Social Care budget overspend of £5.3 million outlined in the report included elsewhere on today's agenda;
 - 1.1.3 note the on-going risks and challenges in maintaining a net balanced position for the other areas of the budget which will require active management and scrutiny for the remainder of the year;
 - 1.1.4 note the balanced position projected on the Housing Revenue Account (HRA);
 - 1.1.5 refer this report to the Governance, Risk and Best Value Committee as part of its work programme; and
 - 1.1.6 note the allocation of dividend income of £3m from Shawfair Land Ltd to the Strategic Acquisition Fund in accordance with Council's decision of February 2013.

Background

- 2.1 This report sets out the projected overall position for the Council's revenue expenditure budget for 2014/15 as at month nine, based on analysis of period seven and eight data.

Main report

- 3.1 This report represents the third of the quarterly revenue monitoring reports for 2014/15. On-going analysis of the revenue position is undertaken in line with agreed, risk-based principles, with any material changes reported in the intervening periods as required.
- 3.2 The Director of Health and Social Care has identified a potential overspend of £5.3m. Management actions and options to reduce the overspend currently total £2 million, although some of the proposals (totalling £0.2m) will need additional discussion with NHS Lothian. Further work is being undertaken to develop potential savings proposals to reduce the remaining balance. The initial details

were reported to this Committee on 27 November 2014 and additional information is included in a separate report included elsewhere on today's agenda.

- 3.3 While all other service areas continue to forecast a balanced position, a number of pressures and/or risks to its attainment have been highlighted, including additional calls upon a number of demand-led services relative to the level of provision included within the approved budget. Directors have implemented a range of management measures to control expenditure, including reductions in overtime, recruitment controls and reviews of discretionary spend. Service-specific issues and mitigating actions are highlighted in Appendix 1.

Corporate budgets

- 3.4 Members will recall they were asked to approve one-off net savings of £4m against budget in respect of loan charges and Council Tax income to mitigate budget pressures in the former Property Conservation service at the half-year stage. Regular monitoring of loan charges and Council Tax income is being undertaken and confirms the corresponding savings and additional income respectively remain on target to be delivered by the year-end.

City Strategic Acquisition Fund

- 3.5 On 7 February 2013, the Council approved the development of a Strategic Acquisition Fund of £7.5m. A further report was approved on 6 February 2014, confirming funding was to be earmarked from the sale of capital assets not currently supporting the capital investment or property rationalisation programmes.
- 3.6 To date no new capital receipts have been realised outside those already designated for current capital investment. It is therefore proposed to part-fund this initiative from a one-off dividend receipt of £3m, in turn derived through an asset sale, from Shawfair Land Ltd.

Housing Revenue Account

- 3.7 The Housing Revenue Account is forecasting a break-even position, however welfare reform and changes in the funding of temporary accommodation continue to present significant challenges.
- 3.8 The balanced position is forecast after allocations of funding to repay debt, manage pressures from rent arrears and planned transfers to the Renewal and Repairs Fund at the end of the year. The Renewal and Repairs fund represents sums set aside for service improvements, the provision of new affordable housing and provides a contingency for welfare reform in future years.
- 3.9 Current tenants' rent arrears at the end of period 7 were £5.067m. The target year end position is to bring arrears down to £3.47m, in line with the balance at 31 March 2014, by means of improved cash collection actions, including earlier intervention and escalated engagement with tenants. The Council continues to promote a number of support options to tenants, including money management advice and further take-up of Discretionary Housing Payments.

Measures of success

- 4.1 Achieving a balanced overall budget outturn position for 2014/15 and successful delivery of approved savings.

Financial impact

- 5.1 Subject to identification of agreed remedial measures by the Director of Health and Social Care, 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.

Risk, policy, compliance and governance impact

- 6.1 The delivery of a balanced budget outturn for the year is the key target. The risks associated with costs pressures, increased demand and procurement savings targets are regularly monitored and reviewed and management action is taken as appropriate.
- 6.2 Ongoing communications by the Council's section 95 Officer have reinforced the respective responsibilities of Directors to maintain expenditure within approved budgets in accordance with the Financial Regulations. Going forward Directors also have a requirement to ensure that savings identified are both achievable and delivered to maintain a sustainable budget across the Council. With this in mind, structured plans are in place for review and feedback on current and future years' savings plans.

Equalities impact

- 7.1 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

- 8.1 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. In addition, all budget proposals are now subject to an upfront Carbon Impact Assessment.

Consultation and engagement

- 9.1 There is no external consultation and engagement arising directly from this report, although the Council's budget continues to be subject to annual consultation and engagement.

Background reading/external references

Period eight – service monitoring statements

Adult Social Care Budget Pressures, 2014/15: update – report included elsewhere on today's agenda

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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 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	Appendix 1 – Significant pressures, key risks and further actions Appendix 2 – Period nine service analysis

Significant Pressures, Key Risks and Mitigating Actions

Appendix 1

Service Area	Significant Pressures	Mitigating Actions/ Key Risks
<p>Children and Families</p>	<p>A number of pressures are apparent in demand-led areas including:</p> <ul style="list-style-type: none"> • Fostering, kinship and residence placements; • Employee costs within Schools and Community Services; • Additional Support Needs Home to School Transport. 	<p>Management action put in place thus far, including vacancy control, reductions in discretionary expenditure and use of service reserves, will address some, but not all, of these pressures.</p> <p>The service is fully committed to identifying further management action to address the remaining pressures. At this stage, however, there remains a risk of overspend.</p>
<p>Corporate Governance</p>	<p>The main pressures affecting the service are:</p> <ul style="list-style-type: none"> • Non-delivery of £0.385m of procurement pipeline savings; • Delays in implementation of the Customer Services Improvement Plan, resulting in a projected shortfall on its savings target of £0.095m 	<p>These pressures are being contained within available resources.</p> <p>Mitigating actions involve identifying one-off savings measures, including staffing efficiencies to manage the procurement shortfall and reduced project management cost to offset the delay in Improvement Plan savings.</p>

Significant Pressures, Key Risks and Mitigating Actions

Appendix 1

Service Area	Significant Pressures	Mitigating Actions/ Key Risks
		There remain a number of risks around Winter Festival costs, income under-recovery on Council Tax and National Non-Domestic Rates intervention income and savings targets not being achieved.
Health and Social Care	<p>An overspend of £5.3m is forecast at period 7 comprising:</p> <ul style="list-style-type: none">• £3.3m growth in Care at Home to meet demographic and unscheduled care pressures;• £1m dependency levels in care homes and domiciliary care;• £0.8m reduction in respite care income following the introduction of Self-Directed Support; and• £0.2m spot purchases for care packages in addition to the national care home rate.	<p>Management actions have been identified of £2m, including proposals to restrict further growth in care at home budgets. Actions include review of authorisation of care packages, staff rotas, management of agency staff and overtime.</p> <p>Further details are included in the report elsewhere on today's agenda.</p>

Significant Pressures, Key Risks and Mitigating Actions

Appendix 1

Service Area	Significant Pressures	Mitigating Actions/ Key Risks
<p>Services for Communities</p>	<p>The service is managing total pressures of over £11m, some 10% of its net budget, the most material of which relate to:</p> <ul style="list-style-type: none"> • Shared Repairs Service and development of a new Enforcement Service; • Shortfalls in iPFM savings; • Achievement of property rationalisation, procurement and fleet savings; and • Landfill reduction – the landfill budget assumes a 9,000 tonne reduction between 2013/14 and 2014/15. Achievement of this target will depend on the successful roll-out of the redesigned kerbside recycling service currently underway. 	<p>Mitigating actions have been put in place to control expenditure, including:</p> <ul style="list-style-type: none"> • Reduction in overtime by a third; • reducing training budgets; and • vacancy control and savings through Voluntary Early Release Arrangements (VERA). <p>While delivery will be challenging, full realisation of the savings above would be sufficient to balance the overall service budget. However, given the scale and nature of the risks and pressures faced, maintaining a balanced position will be extremely difficult, especially if further risks materialise in the final quarter.</p>

Significant Pressures, Key Risks and Mitigating Actions

Appendix 1

Service Area	Significant Pressures	Mitigating Actions/ Key Risks
Net Cost of Benefits	A pressure of £0.2m on the Homelessness Bed and Breakfast budget is projected; options to address this are being examined with Services for Communities.	There is a risk of loss of subsidy recoverable from DWP relating to local authority error rates, including overpayments.

REVENUE MONITORING 2014-15

PERIOD 9 REPORT

SERVICE ANALYSIS

Account	Revised Budget £000	Budget to Date £000	Actual to Date £000	Variance to Date		Projected Outturn £000	Projected Variance	
				£000	%		£000	%
Children and Families	387,318	247,783	246,819	(964)	(0.4%)	387,318	0	0.0%
Corporate Governance	76,408	68,228	68,228	0	0%	76,408	0	0.0%
Economic Development	12,445	9,890	9,539	(351)	(3.5%)	12,445	0	0.0%
Health and Social Care	204,255	151,649	153,926	2,277	1.5%	207,795	3,540	1.7%
Services for Communities	133,202	99,688	99,018	(670)	(0.7%)	133,202	0	0.0%
Valuation Joint Board Requisition	3,745	2,497	2,497	0	0%	3,745	0	0.0%
Direct Service Expenditure	817,373	579,734	580,027	293	(1.0%)	820,913	3,540	0.4%
Council-wide - Energy Costs	750	0	0	0	n/a	750	0	0.0%
Council-wide - Living Wage	1,136	0	0	0	n/a	1,136	0	0.0%
Council-wide - Non-Domestic Rates	383	0	0	0	n/a	383	0	0.0%
General Fund Services Subtotal	819,642	579,734	580,027	293	(1.0%)	823,182	3,540	0.4%
Net Cost of Benefits	1,431	952	1,186	234	24.6%	1,431	0	0.0%
Single Status	3,034	0	0	0	n/a	3,034	0	0.0%
Pension Fund - Lump Sum Payment	10,113	6,742	6,742	0	0%	10,113	0	0.0%
Non-Domestic Rates - Discret. Relief	350	0	0	0	n/a	350	0	0.0%
Carbon Tax	1,199	1,184	1,184	0	0%	1,199	0	0.0%
Insurance Excesses	100	0	0	0	n/a	100	0	0.0%
Loans Charges / Interest on Rev Bals	118,342	0	0	0	n/a	118,342	0	0.0%
Prior Year and Other Adjustments	1,378	0	0	0	n/a	1,378	0	0.0%
Total General Fund	955,588	588,612	589,139	526	(0.4%)	959,128	3,540	0.4%
Funding								
General Grant Funding	(376,155)	(252,231)	(252,231)	0	0%	(376,155)	0	0.0%
Non Domestic Rates	(366,101)	(254,876)	(254,876)	0	0%	(366,101)	0	0.0%
Council Tax	(234,591)	(156,394)	(156,394)	0	0%	(234,591)	0	0.0%
Less: Council Tax Reduction Scheme	24,815	16,543	16,543	0	0%	24,815	0	0.0%
Operating Deficit / (Surplus)	3,555	(58,345)	(57,819)	526	(17.0%)	7,096	3,540	N/A
Contribution to / (from) Reserves								
Earmarked Reserves								
- BT Efficiencies Fund	1,187	2,154	2,154	0	n/a	1,187	0	0.0%
- Dilapidations Fund	882	0	0	0	n/a	882	0	0.0%
- Fire and Police Reserves returned	(1,450)	(1,450)	(1,450)	0	n/a	(1,450)	0	0.0%
- Council Priorities Fund	(2,012)	(852)	(852)	0	n/a	(2,012)	0	0.0%
- Spend to Save	(2,000)	(2,000)	(2,000)	0	n/a	(2,000)	0	0.0%
- Other earmarked Balances	(162)	(70)	(70)	0	n/a	(162)	0	0.0%
Total Contribution to / (from) Reserves	(3,555)	(2,218)	(2,218)	0	n/a	(3,555)	0	N/A
In-year Deficit / (Surplus)	0					3,540	3,540	N/A
Housing - HRA	0	(44,641)	(48,500)	(3,859)	N/A	0	0	N/A