

# Finance and Resources Committee

10.00am, Thursday, 27 August 2015

## Revenue Monitoring 2014/15 – outturn report

Item number 7.4  
Report number  
Executive/routine  
Wards

### Executive summary

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The report sets out the provisional 2014/15 revenue outturn position for the Council based on the unaudited financial statements. The statement of accounts shows an overall underspend of £0.519m.

### Links

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Coalition pledges [P30](#)

Council outcomes [C025](#)

Single Outcome Agreement [SO1](#), [SO2](#), [SO3](#), [SO4](#)

# Finance and Resources Committee

## Revenue Monitoring 2014/15 – outturn report

### Recommendations

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- 1.1 Members of the Finance and Resources Committee are asked to:
  - 1.1.1 note the contents of this report and the provisional revenue underspend of £0.519m for the year ended 31 March 2015;
  - 1.1.2 earmark up to £0.250m of this General Fund surplus to support the development of the Edinburgh and South East Scotland City Region City Deal proposal, with the remaining balance of the underspend set aside within the Council Priorities Fund;
  - 1.1.3 note the contributions to and from the General Fund as detailed in the report;
  - 1.1.4 note the Housing Revenue Account was balanced after making a contribution of £2.5m to the Renewal and Repairs Fund;
  - 1.1.5 note the Common Good Annual Performance Report will be considered at the Committee's next meeting on 24 September;
  - 1.1.6 refer this report to Council to allocate the capital receipt of £1.183m in respect of the former East Market Street Garage to the Council's Common Good account; and
  - 1.1.7 refer this report to the Governance, Risk and Best Value Committee as part of its workplan.

### Background

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- 2.1 The Council's statement of accounts for 2014/15 was passed to the external auditor in advance of the statutory deadline of 30 June. This report sets out the provisional outturn position for the revenue budget as detailed within this unaudited statement.
- 2.2 The unaudited financial statements were published on the Council website by 30 June 2015 and made available for public inspection from 1 July 2015 for 15 working days, in accordance with relevant regulations.

## Main report

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- 3.1 The unaudited outturn position for 2014/15 shows an overall underspend of £0.519m, equating to 0.05% of the Council's total net expenditure. The table below outlines the constituent elements of this variance, alongside the movement from the position projected at period nine, with additional details provided in Appendices 1 and 2.

	<b>Outturn Variance</b>
<b>Service Variance</b>	<b>£000</b>
Children and Families	0
Corporate Governance	(465)
Economic Development	(26)
Health and Social Care	5,878
Services for Communities	(1)
<b>Total Service Variances</b>	<b>5,386</b>
<b>Corporate Variances</b>	
Council Tax Reduction Scheme	(811)
Net Cost of Benefits	(1,374)
Dividends Receivable	(437)
Loan Charges / Interest on Rev Bals	(3,170)
Prior-year and other adjustments	1,508
Council Tax / Community Charge	(4,170)
Contribution to Repairs and Renewals	10,301
Contribution from Earmarked Funds	(7,751)
<b>Total Corporate Variances</b>	<b>(5,904)</b>
<b>In-year (surplus) / deficit</b>	<b>(519)</b>

- 3.2 There was an overspend within service areas of £5.386m. Within this amount, four of the five main service areas returned underspends, or achieved a balanced position, against their approved budgets. Health and Social Care returned an overspend of £5.878m, with £4.75m of this being met through the Council Priorities Fund in accordance with Council's decision of 12 February 2015 and the remainder addressed by means of underspends / additional income from other areas of the Council's budget.

- 3.3 The net underspend of £0.519m has initially been set aside within the Council Priorities Fund, for the purposes of closing the 2014/15 accounts. Following consideration at its meeting of 28 May, Council agreed to allocate up to £0.250m of the combined Economic Development and Corporate Governance underspend (totalling £0.491m) to support the development of a full proposal for the Edinburgh and South East Scotland City Region City Deal. Members are therefore asked to refer this decision, and the resulting set-aside of the remaining balance within the Council Priorities Fund, to Council for approval.
- 3.4 Service variances are outlined in more detail in Appendix 2.

#### **Other variances**

- 3.5 In addition to the service-specific position summarised above, the overall outturn reflected a number of other variances, the main elements of which are summarised below:

##### *Council Tax Reduction Scheme*

The majority of funding for this scheme is included within the Local Government Finance Settlement. The entirely demand-led nature of this scheme exposes the Council to risks, however the sums paid out in 2014/15 were £0.8m lower than the level of budgetary provision.

##### *Loan Charges / Interest on Revenue Balances*

There was an overall favourable variance of £3.17m, largely attributable to the Council's ongoing strategy not to undertake external borrowing to finance capital investment, instead financing this from available cash resources.

##### *Council Tax / Community Charge*

Increased property numbers, lower than budgeted levels of exemptions and discounts contributed to a favourable overall variance of £4.170m.

The Community Charge Debt (Scotland) Act 2015 was passed on 19 February 2015, bringing to an end the collection of Community Charge in Scotland. The Council has written off the Community Charge debtor in the annual financial statements during the financial year and no further income collections will be made.

#### **Property Conservation**

- 3.6 As part of the 2014/15 financial year-end review process, the adequacy of provision for bad debt and irrecoverable sums was considered by Finance and Property Conservation. Following review, and as a prudent measure, the total amount earmarked for bad debts and irrecoverable sums has been increased by £1.5m, recognising a potential under-provision for legacy work and aged debts. This is in respect of old statutory notice bills that were not part of the Deloitte

process. The total amount now set aside for bad debts and irrecoverable sums is £17.9m.

### **Approved budget savings delivery**

- 3.7 The final outturn position for 2014/15 indicates that 72% of approved savings by value were delivered, with non-delivery primarily as a result of shortfalls in Corporate Property and Health and Social Care. Opportunities to realise savings, and thereby re-establish financial stability, in these areas are being actively examined through the asset management strand of the Transformation Programme and KPMG's work with Health and Social Care.

### **Housing Revenue Account (HRA)**

- 3.8 The HRA achieved a balanced position for 2014/15 after making a contribution of £2.503m to the Renewal and Repairs Fund, which represents sums set aside for the provision of new affordable homes through the 21st Century Homes programme and as a contingency to manage the impact of welfare reform. This contribution was achieved after a voluntary repayment of debt of £6.1m.

### **Staff severance costs**

- 3.9 Costs relating to voluntary severance in 2014-15 were met through a combination of central funding and provision made by service areas. Services were again given the option of having pension strain costs funded centrally 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. Full provision to meet these costs was made in-year by all services except Children and Families, with funding of £0.137m being repayable over five years.
- 3.10 The table below summarises voluntary severance and pension strain costs relating to the release of staff during the year to enable approved savings to be delivered. The reported costs and staff numbers are based on when the corresponding commitment was created in accounting terms and not necessarily when the employees concerned left the Council. The number and associated cost of voluntary severance arrangements in 2014/15 reduced by almost 50% compared with 2013/14.

<b>Service</b>	<b>Voluntary Severance Costs £000</b>	<b>Pension Strain Costs £000</b>	<b>Total £000</b>	<b>Number of staff</b>
Children and Families	609	259	868	34
Corporate Governance	393	389	782	14
Economic Development	57	74	131	3
Health and Social Care	72	175	247	12
Services for Communities	328	305	633	18

<b>Total</b>	<b>1,459</b>	<b>1,202</b>	<b>2,661</b>	<b>81</b>
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## **Reserves**

- 3.11 Details of the opening and closing amounts in the General Fund, including earmarked balances are shown in Appendix 3. The unallocated General Fund balance remained unchanged at £13.025m, while there was a net decrease in reserves held for specific purposes by £5.995m. The main elements of this movement were:

### Net contributions to General Fund

**Balances set aside for specific investment** - £1.861m – various additional contributions for specific projects received during the year that are expected to be drawn down in the 2015/16.

**Lothian Buses** - £2m – additional dividend received from Lothian Buses which is being utilised in 2015/16 to support additional investment in the city's roads and pavements.

**Council Tax Discount Fund** - £2.301m - monies set aside as a result of reducing Council Tax second home discounts. Use of the fund is prescribed by the Scottish Government and is restricted to affordable housing type projects.

**Strategic Acquisition Fund** - £3m – on 7 February 2013 Council approved the creation of this fund for the purpose of creating new city development opportunities. During 2014/5 part funding of this initiative was created from a one-off dividend receipt derived through an asset sale from Shawfair Land Ltd.

**IT Transformation** – £2.298m – a further contribution to the fund was made in 2014/15 to support the IT transformation programme.

### Contributions from General Fund

**Council Priorities Fund** – net reduction of £7.739m comprised a combination of (i) drawdown of £4.75m to reduce the Health and Social Care overspend, as approved by Council, 12 February 2015, (ii) approved funding of Gylemuir House (former Pentland Hill Care Home), (iii) approved tram feasibility funding and (iv) a number of smaller approved drawdowns.

**Contingency funding and workforce management** - £4.931m net reduction related to (i) £1.276m central funding of voluntary release and pension strain costs, (ii) £3.155m of equal pay claims and (iii) Children and Families contingency funding carried forward from 2013/14.

**Older People's Change Fund** – remaining funds of £2.67m were drawn down in full during 2014/15 in accordance with funding agreements, for a number of prevention and early intervention initiatives.

## **Common Good**

- 3.12 During 2014/15, the Council generated two capital receipts for the Common Good, with the first being the sale of air rights above Common Good land in the Grassmarket for £0.035m, which was credited to the Common Good Fund. The second sale was that of East Market Street Garage as part of a wider package of properties associated with the New Waverley development.
- 3.13 The Common Good account was credited with a receipt of £1.183m. The receipt, net of costs associated with the disposal, was then transferred to an earmarked reserve pending re-consideration by the Council of its previous decision on 14 November 2002 to transfer the receipt from the sale of the site to the Council to assist with the funding of the rationalisation of office accommodation. Given the subsequent completion of the accommodation programme, culminating in the opening of the Waverley Court Headquarters building in late 2006, and, more fundamentally, intervening changes in economic conditions (including the knock-on impact on the Fund's investment returns), it is recommended that this receipt now be retained within the Council's Common Good account.

## **Measures of success**

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- 4.1 The Council has a statutory duty to set a balanced budget each year and the Financial Regulations further set out the Directors' responsibilities in maintaining expenditure within approved levels. This has in overall terms been achieved and has allowed the level of unallocated reserves to be maintained in accordance with the Council's reserves strategy whilst also forming a solid basis from which to deliver subsequent years' savings requirements.

## **Financial impact**

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- 5.1 There is no additional financial impact arising from the report's contents but a range of pressures and the corresponding ways in which they were managed during the year is set out.

## **Risk, policy, compliance and governance impact**

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- 6.1 Risk-based monitoring, including regular tracking of the delivery of approved savings and active management of risks and pressures, forms a key element of effective financial management. This, in turn, serves as a vital aspect of the Council's wider governance framework.

## **Equalities impact**

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7.1 There are no direct equalities impact implications arising from this report.

## Sustainability impact

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8.1 There is no direct relevance of the report's contents to impacts on carbon, adaptation to climate change and sustainable development.

## Consultation and engagement

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9.1 There is no direct relevance to the report's contents

## Background reading/external references

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Common Good (specifically re. sale of East Market Street Garage) – City of Edinburgh Council, 14 November 2002

[Capital Coalition Budget Motion 2013/14](#) – City of Edinburgh Council, 7 February 2013

[Adult Social Care Pressures 2014/15](#) – Finance and Resources Committee, 27 November 2014

[Revenue Monitoring 2014/15 – Nine Month Position](#) – Finance and Resources Committee, 15 January 2015

[Health and Social Care Financial Position – referral report from the Finance and Resources Committee](#) – City of Edinburgh Council, 12 February 2015

[Edinburgh and South East Scotland City Region City Deal](#), City of Edinburgh Council, 28 May 2015

[Unaudited Financial Statements 2014/15](#) – City of Edinburgh Council, 25 June 2015

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## Links

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<b>Coalition pledges</b>	P30 - Continue to maintain a sound financial position including long-term financial planning
<b>Council outcomes</b>	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**

Appendix 1 - Unaudited outturn statement, 2014/15

Appendix 2 - Service outturn commentaries

Appendix 3 - General Fund – movements in usable reserves

THE CITY OF EDINBURGH COUNCILUNAUDITED OUTTURN STATEMENT 2014-15

<b>Service</b>	<b>Adjusted Budget £000</b>	<b>Outturn £000</b>	<b>Outturn Variance £000</b>
Children and Families	391,393	391,393	0
Economic Development	12,479	12,453	(26)
Corporate Governance	81,529	81,064	(465)
Health and Social Care	204,359	210,237	5,878
Valuation Joint Board requisition	3,745	3,745	0
Services for Communities	137,316	137,316	(1)
<b>General Fund Services</b>	<b>830,822</b>	<b>836,208</b>	<b>5,386</b>
Council Tax Reduction Scheme	26,597	25,785	(811)
Net Cost of Benefits	2,983	1,609	(1,374)
Non Distributed Costs	10,113	10,113	0
Dividends Receivable	(8,000)	(8,437)	(437)
Loans Charges / Interest on Revenue Balances	118,165	114,995	(3,170)
Prior Year and Other Adjustments	6,157	7,666	1,508
<b>Total Non-Service Specific</b>	<b>156,015</b>	<b>151,731</b>	<b>(4,285)</b>
<b>Total Expenditure to be Funded</b>	<b>986,837</b>	<b>987,938</b>	<b>1,102</b>
Funded by -			
Revenue Support Grant	(386,311)	(386,311)	0
Non Domestic Rates - Contrib from Pool	(364,108)	(364,108)	0
Council Tax / Community Charge	(234,591)	(238,761)	(4,170)
Contribution to Repairs and Renewals	64	10,366	10,301
Contribution to Capital Fund	91	91	0
Contribution from Earmarked Funds	(1,982)	(9,734)	(7,751)
<b>Total Funding</b>	<b>(986,837)</b>	<b>(988,457)</b>	<b>(1,620)</b>
<b>In-year Surplus</b>	<b>0</b>	<b>(519)</b>	<b>(519)</b>

Slight differences above are due to roundings.

### **Children and Families**

Children and Families achieved a breakeven position for 2014-15 which is in line with the position reported at month nine.

The service delivered this position despite a number of significant unbudgeted pressures in demand-led areas including:

- a growth in fostering, kinship and adoption placements which exceeded expected levels;
- increased costs associated with Additional Support Needs home-to-school transport;
- increased employee costs associated with Schools and Community Services.

Mitigating management actions were put in place to manage these pressures in full, including vacancy controls, reduction in discretionary expenditure and application of service reserves.

### **Corporate Governance**

Corporate Governance 2014-15 outturn reflected an underspend of £0.465m compared to budget.

The service achieved the underspend after managing an emerging pressure of £0.1m relating to Discretionary Housing Payments, through additional income of £0.125m from the Usher Hall and other events, £0.2m one-off saving from the transfer of the Single Fraud Investigation Service to the Department for Work and Pensions and control of expenditure within IT Solutions of £0.3m.

### **Economic Development**

The outturn position for Economic Development showed an underspend of £0.026m for 2014-15 against a balanced position forecast at period nine.

### **Health and Social Care**

Health and Social Care continued to face significant demand-led pressures in 2014/15 and the final outturn position was a net overspend of £5.878m. This was an adverse movement from the period nine report of £2.338m.

At the budget setting meeting of 12 February 2015, Council approved the use of up to £4.75m from the Council Priorities Fund towards this overspend. The remainder was met through savings in loans charge expenditure and additional Council Tax income.

The main pressures were in the following areas:

£3.9m Care at Home - demographic and unscheduled care pressures

£1.8m Direct Payments - Self-Directed Support option 1

£1.0m Care Home staffing - increased dependency level of residents

£0.8m Respite Income - new legislation preventing charging for support to carers

£0.5m Residential and Nursing Care - cost of high dependency placements

The "Adult Social Care Pressures 2014/15" report to Finance and Resources Committee on 27 November 2014 outlined £2m of mitigating actions to control the budget overspend. This

was subsequently increased, with £2.3m being achieved.

Agreed income of £1m to help fund the Joint Financial Plan was not made available by NHS Lothian due to increased unscheduled care demand on the acute hospital sector, as reported to Committee on 27 November.

Integration transition funding of £0.283m from NHS Lothian has yet to be received and a gap between one-off funding released by NHSL and the cost of Step Down also created a pressure of £0.492m.

### **Services for Communities**

Services for Communities achieved a balanced budget in 2014/15 in line with the period nine forecast. This was achieved despite the service needing to address pressures of almost £6m in Corporate Property and £3m in Environment.

In order to contain expenditure within budget, money was diverted from budgets across the service to create a contingency and a decision was taken to stop discretionary/non-committed expenditure in the last quarter. This contributed to significant underspends in the Transport and Neighbourhood budgets. There was also an increased level of planning and building warrant income.

## General Fund - movement in usable reserves

Appendix 3

	Balance at 31.3.14		Balance at 31.3.15	
	£m	£m	£m	£m
Unallocated General Fund		13.025		13.025
<u>Balances set aside to manage future risks</u>				
Balances set aside for specific investment	12.028		13.889	
Council priorities fund	10.894		3.155	
Contingency funding, workforce management	22.832		17.901	
Dilapidations fund	8.154		8.759	
Insurance fund	<u>11.928</u>		<u>12.557</u>	
		65.836		56.261
<u>Balances set aside from income received in advance</u>				
Licensing income	1.820		1.401	
Lothian Buses	4.000		6.000	
Other minor funds	0.197		0.219	
PPP monies	1.455		1.599	
Recycling monies	1.464		1.371	
National Performance Centre	3.446		1.996	
Council Tax discount fund	16.335		18.636	
Change Fund	2.670		0.000	
Unspent grants	4.610		4.482	
Strategic Acquisition Fund	<u>0.000</u>		<u>3.000</u>	
		35.997		38.704
<u>Balances set aside for investment in specific projects which will generate future savings</u>				
IT transformation	1.183		3.481	
Energy efficiency	0.983		0.800	
Spend to save	<u>5.012</u>		<u>3.989</u>	
		7.178		8.270
Devolved School Management		1.273		1.054
<b>Total General Fund</b>		<u><u>123.309</u></u>		<u><u>117.314</u></u>