

Finance and Resources Committee

10.00am, Thursday, 14 January 2016

Revenue Monitoring 2015/16 – month eight position

Item number	7.13
Report number	
Executive/routine	
Wards	

Executive summary

The report sets out the projected current-year revenue monitoring position for the Council, based on period seven data. The full-year outturn forecast shows an overall balanced position, albeit there are a number of risks to be managed throughout the remainder of the financial year to achieve this.

There continue to be significant pressures across service areas and work continues to implement further actions to deliver the remaining savings and mitigating actions required to allow a balanced Council-wide budget position to be achieved by the year end.

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	SO1 , SO2 , SO3 , SO4

Revenue Monitoring 2015/16 – month eight position

Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 note the projected balanced position at month eight;
 - 1.1.2 note the on-going risks and challenges in achieving necessary savings to offset service pressures, including the additional measures approved by Council to address current-year pressures in Health and Social Care, which will require further management actions and active scrutiny for the remainder of the financial year;
 - 1.1.3 upon confirmation of the overall outturn, refer this report to Council for approval of the transfer of any net under spends to reserves and earmark these for funding future staff release costs; and
 - 1.1.4 note the balanced position projected on the Housing Revenue Account (HRA) after making a £17m contribution towards the construction of new homes.

Background

- 2.1 This report sets out the projected overall position for the Council's revenue expenditure budget for 2015/16 as at month eight.

Main report

- 3.1 This report represents the third of the quarterly revenue monitoring reports for 2015/16. 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. The introduction of monthly budget review and challenge meetings has also enhanced the focus on the prompt identification of, and development of appropriate mitigating action to address, service risks and pressures.

Overall position

- 3.2 As of period eight, the Council is projecting a balanced position for the year, albeit this is subject to service areas continuing work to deliver planned savings

and mitigating a number of significant pressures. An under spend of £3.0m is now forecast by Health and Social Care, which is proposed to be set aside in reserves to support the funding of future staff release costs during the Transformation programme. The projected outturns are set out in Appendix 1. Directors have already implemented a range of management measures to control expenditure and work is ongoing to identify further actions to ensure identified residual pressures are contained. Service-specific issues and corresponding mitigating actions are highlighted in Appendix 2.

- 3.3 A further review will be undertaken of non-service budgets, specifically loan charges and Council Tax income, to establish if further savings can be identified and ring-fenced to fund future staff release costs.

Health and Social Care

- 3.4 A report to this Committee in October 2015 highlighted significant demand-led pressures within the 2015/16 Health and Social Care budget.
- 3.5 At the Council meeting on 22 October, £9.8m of one-off savings from other service and corporate budgets were approved to assist in alleviating the Health and Social Care pressures. The resulting changes are reflected in the revised budgets set out in Appendix 1. As corporate area budget transfers in particular were based on current-year expenditure projections at that time, no net variances are now projected.
- 3.6 The Chief Officer for the Edinburgh Health and Social Care Partnership, on behalf of the Health and Social Care service, has developed a budget action plan which aims to deliver £11.5m of expenditure reductions during 2015/16. £7.9m of these planned actions have thus far been assessed as being achievable, or represent funding streams expected to be received.
- 3.7 The impact of the additional £9.8m of one-off savings and £7.9m of planned actions against £14.7m of identified pressures should, if delivered, result in an under spend of £3.0m in the service. The overall position will, however, be subject to ongoing monitoring until the year-end, with a particular focus, given its financial significance, on demand-led purchasing expenditure.

Children and Families

- 3.8 The Acting Executive Director for Communities and Families, on behalf of the current Children and Families service, is forecasting a break-even position, albeit the service continues to be subject to a number of demand-led pressures in such areas as fostering, out-of-Council residential schools and units and various impacts of increasing pupil rolls.
- 3.9 Current budget pressures and as yet unrealised savings total £11.1m, against which mitigating actions and one-off savings of £9.4m have been delivered, leaving a net pressure of £1.7m. The Senior Management Team remains committed to putting in place additional measures as appropriate to ensure a balanced position is achieved by year-end, however with only a few months

remaining until the end of the current financial year, there is an increased risk that Children and Families will have an overspend in the current financial year.

Services for Communities

- 3.10 The Executive Director of Place, on behalf of the current Services for Communities service, is reporting a balanced position at period eight. Service-wide pressures of £8.5m have been identified however, mitigating actions such as maximising income and reducing non-essential expenditure continue to be implemented to manage these.

Housing Revenue Account

- 3.11 The Housing Revenue Account continues to forecast a break-even position after making a £17m contribution towards housing investment, as reported at month five. The favourable position is due to (i) the delay in the implementation of temporary accommodation-related welfare reforms which has mitigated the reduction in income anticipated in this area and (ii) treasury management savings as a result of additional debt write-off made in 2014/15.

Savings delivery

- 3.12 The savings of £39.903m approved by Council on 12 February 2015 as part of the approved budget for 2015/16 have been subject to ongoing progress assessments at both Senior Management Team and Corporate Leadership Team level. In addition, the further savings measures approved by Council to address pressures in Health and Social Care have now been incorporated into the savings monitoring assessments, the combined total being £49.688m.
- 3.13 The assessments categorise progress with savings implementation on a red, amber, green status based on degree of certainty of delivery. The assessments at period eight indicate that 90% of these are classified as green, with a further 3% on target subject to additional mitigating measures. For those savings where in-year delivery is now considered unlikely, corresponding mitigating actions have been developed as part of projecting a balanced Council-wide position. In cases where mitigating measures are of a one-off nature, Executive Directors continue to examine options to address these on a sustainable basis. A summary of the assessments by service area is shown in Appendix 3, with further details being reported to respective Executive Committees.

Pay award

- 3.14 On 28 October 2015 formal confirmation was received from the Scottish Negotiation Committee for Teachers of acceptance of a final, two year employer's pay award offer comprising a 1.5% increase effective from 1 April 2015 and a further 1% from 1 April 2016. This is in alignment with the pay award accepted for non-teaching staff, as reported to this committee on 29 October 2015.
- 3.15 As previously intimated, corresponding funds have been identified to manage the financial impact of the additional 0.5% award in 2015/16, with on-going

provision for this increase also made within the budget framework. The budget framework includes provision for a 1% award for all staff groups in 2016/17.

Teacher numbers

- 3.16 In February 2015 all local authorities in Scotland committed to maintaining their teacher numbers and pupil-teacher ratios for 2015/16 at 2014/15 levels, supported by a funding package from the Scottish Government. Failure to achieve the commitment could have resulted in an overall loss of government funding for Edinburgh estimated to be £3.281m.
- 3.17 On 9 December 2015 data collected through the September 2015 pupil census and staff census were published and confirm that Edinburgh has met this commitment and therefore will be in receipt of full funding.

Measures of success

- 4.1 Achieving a balanced overall budget outturn position for 2015/16 and successful delivery of approved savings.

Financial impact

- 5.1 The report's contents point to a balanced overall position for the year as a whole, although this is dependent upon full delivery of further savings and management of other risks and pressures.

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 cost pressures, increased demand and savings delivery 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 levels in accordance with the Financial Regulations. 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 proposals.

Equalities impact

- 7.1 While there is no direct additional impact of the report's contents, all budget proposals are now subject to an assessment of their potential equalities and rights impacts. 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 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 a process of annual consultation and engagement.

Background reading/external references

[Revenue monitoring 201516 - half year position](#), Finance and Resources Committee, 29 October 2015

[Health and Social Care 201516 revenue budget - action plan update](#), Finance and Resources Committee, 24 September 2015

Service monitoring statements for period eight

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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 – Period eight service analysis Appendix 2 – Significant pressures, key risks and mitigating actions Appendix 3 – Savings assurance assessment

REVENUE MONITORING 2015-16

PERIOD 8 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	396,103	235,269	229,985	(5,284)	(2.2%)	396,103	0	0.0%
Corporate Governance	74,476	54,797	54,707	(90)	(0.2%)	74,476	0	0.0%
Economic Development	11,766	11,080	11,080	0	0.0%	11,766	0	0.0%
Health and Social Care	210,985	154,706	153,944	(762)	(0.5%)	207,985	(3,000)	-1.4%
Services for Communities	132,625	96,587	99,217	2,630	2.7%	132,625	0	0.0%
Valuation Joint Board Requisition	3,744	2,496	2,496	0	0.0%	3,744	0	0.0%
Direct Service Expenditure	829,699	554,935	551,429	(3,506)	(0.6%)	826,698	(3,000)	-0.4%
Council-wide - Energy Costs	774	0	0	0	n/a	774	0	0.0%
Council-wide - Living Wage	1,032	0	0	0	n/a	1,032	0	0.0%
Council-wide - Non-Domestic Rates	468	0	0	0	n/a	468	0	0.0%
General Fund Services Subtotal	831,972	554,935	551,429	(3,506)	(0.6%)	828,972	(3,000)	-0.4%
Net Cost of Benefits	(62)	(36)	1,263	1,299	n/a	(62)	0	0.0%
Modernising Pay and related employee cost and other contingencies	1,829	0	0	0	n/a	1,829	0	0.0%
Pension Auto Enrolment	237	0	0	0	n/a	237	0	0.0%
Pension Fund - Lump Sum Payment	3,064	2,043	2,043	0	0%	3,064	0	0.0%
Non-Domestic Rates - Discret. Relief	350	0	0	0	n/a	350	0	0.0%
Carbon Tax	1,200	1,200	1,200	0	0.0%	1,200	0	0.0%
Insurance Excesses	175	0	0	0	n/a	175	0	0.0%
Loans Charges / Interest on Rev Bals	118,018	0	0	0	n/a	118,018	0	0.0%
Dividend and Investment Income	(5,000)	0	0	0	n/a	(5,000)	0	0.0%
Unallocated budget motion funding	(3)	0	0	0	n/a	(3)	0	0.0%
Prior Year and Other Adjustments	4,221	0	0	0	n/a	4,221	0	0.0%
Total General Fund	956,002	558,142	555,935	(2,207)	(0.4%)	953,001	(3,000)	-0.3%
Funding								
General Grant Funding	(338,524)	(225,683)	(225,683)	0	0%	(338,524)	0	0.0%
Non Domestic Rates	(404,108)	(269,405)	(269,405)	0	0%	(404,108)	0	0.0%
Council Tax	(238,113)	(158,742)	(158,742)	0	0%	(238,113)	0	0.0%
Less: Council Tax Reduction Scheme	27,052	18,035	18,035	0	0%	27,052	0	0.0%
Operating Deficit / (Surplus)	2,309	(77,654)	(79,861)	(2,207)	n/a	(692)	(3,000)	-130.0%
Contribution to / (from) Reserves								
Earmarked Reserves								
- BT Efficiencies Fund	1,662	0	0	0	n/a	1,662	0	0.0%
- Dilapidations Fund	717	0	0	0	n/a	717	0	0.0%
- Council Priorities Fund	(4,688)	0	0	0	n/a	(4,688)	0	0.0%
- Additional contribution for staff release		0	0	0	n/a	3,000	3,000	
Total Contribution to / (from) Reserves	(2,309)	0	0	0	n/a	691	3,000	n/a
In-year Deficit / (Surplus)	n/a					0	-0	n/a
Housing - HRA	0	(26,439)	(28,682)	(2,243)	n/a	0	0	n/a

Note:

HRA period variance is related to a delay in implementation of temporary accommodation-related welfare reforms.
 Children and Families period variance reflects various premises budgets that are due to be transferred to Services for Communities as part of IPFM, along with centrally-held staffing budgets which are not fully aligned to spend.

Service Area	Significant Pressures	Mitigating Actions/Key Risks
<p>Children and Families</p>	<p>There are budget pressures in many areas of the service and a number of challenges relating to delivery of approved savings, in total amounting to £11.1m (including £2.025m contribution to address Health and Social Care pressures). Areas of significant budget pressure include:</p> <ul style="list-style-type: none"> - out-of-Council residential schools and secure units; - fostering, adoption and kinship placements; and - demographic pressures within the schools budget. 	<p>Mitigating management actions have been put in place to address the projected pressures, including strict controls on vacancies and discretionary expenditure, and largely one-off savings such as postponing spend. Currently, a net pressure of £1.7m remains albeit that there is the potential for a further reduction to £1.4m depending on the outcome of the current Voluntary Early Release Arrangements.</p> <p>The Senior Management Team is fully committed to identifying further actions to address this residual pressure. However, the scale of management action which has already been implemented and the necessity to deliver additional savings limits the scope for further management action to offset the residual budget pressures. There is therefore a significant risk that there will be an overspend in the current financial year.</p>
<p>Corporate Governance</p>	<p>No pressures are currently foreseen in this service area which cannot be contained within the approved budget.</p> <p>All approved savings are classified as "green", along with additional proposals to offset Health and Social Care budget pressures.</p>	<p>A service-specific contingency has been created to mitigate budget pressures arising during 2015/16, such as increased demand on the Health and Safety service.</p> <p>There is a risk of loss of subsidy recoverable from the DWP relating to Local Authority error rates and of clawbacks as a result of the 2015/16 External Benefits Audit.</p>
<p>Economic Development</p>	<p>No pressures are currently foreseen in this service area which cannot be contained within the approved service budget.</p>	
<p>Health and Social Care</p>	<p>A number of significant pressures have been identified, including:-</p> <ul style="list-style-type: none"> - Care at Home, Residential and Nursing, Day Care and Direct Payments - Supplies and Services and Income shortfalls 	<p>£11.5m of mitigating actions have been identified, of which £7.9m has been delivered or is on track for delivery.</p> <p>Council approved on 22 October one-off funding of £9.8m from across other Council budgets to assist with the pressures.</p> <p>Stringent management controls remain in place in respect of staff recruitment and the filling of vacancies, with a reduction of 105 FTEs between June and October 2015.</p>

Service Area	Significant Pressures	Mitigating Actions/Key Risks
<p>Services for Communities (SfC)</p>	<p>The most significant budget pressures within the service are:</p> <ul style="list-style-type: none"> - Corporate Property £3.7m - mainly related to £7.3m of unachieved iPFM savings, offset in part by increased income, reserves drawdown and vacancy management. - Waste Services £2.3m, driven by additional landfill tax, removal of food waste grants, staffing budget pressures, vehicle costs, recycling redesign delays, increasing waste volumes and delays in implementation of savings in public conveniences. - Housing £1.7m, driven by increased demand for temporary accommodation and difficulty in meeting income targets in Edinburgh Building Services 	<p>One-off budget reductions of £3m have been made across the SfC budget to create a contingency to manage an element of the pressures.</p> <p>There is £2.5m available within ear-marked reserves to address shortfalls in the internal improvement plans.</p> <p>The current forecast includes £1.2m underspends from various elements of the SFC budget, which are offsetting overspends elsewhere in the budget</p> <p>The Housing Service has put in place an action plan to address its £1.7m pressure. Measures include vacancy management and voluntary release, ensuring that recharges to the HRA are appropriate and acceleration of 16/17 savings.</p> <p>Further management action includes:</p> <ul style="list-style-type: none"> - cost reductions in areas currently projecting overspends; - review income projections and savings from VERA; and - further cost reduction exercises if required. <p>There are potential further risks which have not been reflected in the pressures above:</p> <ul style="list-style-type: none"> - Winter weather <p>The budget for gritting and snow-clearing is sufficient for an average winter, but an extended period of severe weather could result in additional expenditure.</p> <ul style="list-style-type: none"> - Repairs and Maintenance <p>There is a risk that additional funding of £2m provided through the 2015/16 budget motion will not be sufficient to cover health and safety and wind and watertight expenditure demands.</p>

Approved Budget Framework savings and Mitigating Actions 2015/16 - assurance assessment

Appendix 3

Services	Total £000	RAG Status			Notes and/or actions
		Red £000	Amber £000	Green £000	
Children and Families	(16,100)	(600)	(205)	(15,295)	Savings being partly mitigated by one-off actions. Delivery of full savings still to be confirmed.
Corporate Governance	(7,964)	0	0	(7,964)	
Economic Development	(1,119)	0	0	(1,119)	
Health and Social Care	(7,515)	(579)	(545)	(6,391)	Delays in delivery of a number of savings and others where plans are still to be developed to enable delivery.
Services for Communities	(12,125)	(2,590)	(579)	(8,956)	Savings being partly mitigated by vacancy management and other actions. Some savings still being developed and delays in delivery still to be taken forward.
Corporate funding	(4,865)	0	0	(4,865)	
Total	(49,688)	(3,769)	(1,329)	(44,590)	
		7.6%	2.7%	89.7%	

Where applicable, Directors will report further details for consideration at relevant Executive Committees.