

Finance and Resources Committee

2.00pm, Thursday, 18 August 2016

Revenue Monitoring 2015/16 – outturn report

Item number	7.6
Report number	
Executive/routine	
Wards	

Executive summary

The report sets out the provisional 2015/16 revenue outturn position for the Council based on the unaudited financial statements. The statement of accounts shows an overall underspend of £0.861m.

Links

Coalition pledges [P30](#)

Council outcomes [C025](#)

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

Finance and Resources Committee

Revenue Monitoring 2015/16 – outturn report

Recommendations

- 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 £0.861m for the year ended 31 March 2016 and that these monies have been set aside within the Council Priorities Fund;
 - 1.1.2 approve the use of £0.5m of the underspend to be set aside for property surveys, and refer this to Council for ratification;
 - 1.1.3 note the contributions in 2015/16 to and from the General Fund as detailed in the report and refer to Council for ratification for use of funds and Capital Fund;
 - 1.1.4 note the Housing Revenue Account was balanced after making a contribution of £2.3m to the Renewal and Repairs Fund;
 - 1.1.5 note the Common Good Annual Performance Report will be considered elsewhere on the agenda; and
 - 1.1.6 refer this report to the Governance, Risk and Best Value Committee as part of its workplan.

Background

- 2.1 The Council's statement of accounts for 2015/16 was passed to the external auditor by the statutory deadline of 30 June. This report sets out the provisional outturn position for the revenue budget as detailed within the unaudited statement.
- 2.2 The unaudited financial statements were published on the Council website by 30 June 2016 and made available for public inspection from 1 July 2016 for 15 working days, in accordance with relevant regulations.
- 2.3 The unaudited annual accounts were prepared on the pre-Transformation management structure and the provisional outturn is reported on the same basis.

Main report

- 3.1 The unaudited outturn position for 2015/16 shows an overall underspend of £0.861m, equating to 0.09% of the Council's total net expenditure. The table below outlines the constituent elements of this variance, with additional details provided in Appendices 1 and 2. Executive Committees will receive outturn reports for their areas of responsibility.

	Outturn Variance
Service Variance	£000
Children and Families	(466)
Corporate Governance	(15)
Economic Development	(140)
Health and Social Care	(3,446)
Services for Communities	(105)
Total Service Variances	(4,172)
Corporate Variances	
Council Tax Reduction Scheme	(2,366)
Net Cost of Benefits	(94)
Dividends Receivable	75
Loan Charges / Interest on Rev Bals	(1,552)
Prior-year and other adjustments	(201)
Early release costs centrally funded	9,942
Council Tax	(2,493)
Total Corporate Variances	3,311
In-year (surplus)	(861)

- 3.2 There was an underspend within service areas of £4.172m. Within this amount, four of the five main service areas returned small underspends against their approved budgets. Health and Social Care returned an underspend of £3.446m, having received additional one-off funding during the year of £9.8m, as approved by Council on 17 September 2015. This was in line with the position stated in the month eight monitoring report of the service.
- 3.3 The net underspend of £0.861m has initially been set aside within the Council Priorities Fund, for the purposes of closing the 2015/16 accounts. Members are therefore asked to refer set-aside of the underspend within the Council Priorities Fund, to Council for approval.
- 3.4 Following the incident at Oxgangs Primary School in January 2016, investigative work undertaken across properties constructed as part of the PPP1 schools

programme has highlighted a need for precautionary survey work within other Council properties with similar design features. It is proposed that an initial budget of £0.5m be provided for the surveys by means of earmarking an element of the 2015/16 in-year underspend.

3.5 Service variances are outlined in more detail in Appendix 2.

Other variances

3.6 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:

Early Release Costs (centrally funded)

Costs relating to staff early release under the Transformation programme in 2015/16 were met, as planned, through central funding, amounting to £20.942m. The costs include those for staff leaving during the financial year and any pre-approved exits even if the leaving date is in a subsequent period, in accordance with IAS 19 and will therefore differ to costs shown in the monthly dashboards reported to this Committee. The costs were funded using the service underspends, non-service specific surplus incomes and underspends, along with drawing down on earmarked reserves in the Capital Fund.

The table below summarises voluntary severance and pension strain costs relating to the release of staff as part of the Transformation programme during the year to enable approved savings to be delivered.

Service	Voluntary Severance Costs £000	Pension Strain Costs £000	Total £000	Number of staff
Children and Families	2,020	1,341	3,361	97
Corporate Governance	2,709	2,305	5,014	82
Economic Development	337	377	714	14
Health and Social Care	2,526	1,438	3,964	114
Services for Communities	3,933	3,956	7,889	201
Total	11,525	9,417	20,942	508

Recurring savings of £17.9m will be realised as a result of these staffing reductions and an overall payback period of 14 months is in line with planning assumptions.

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 2015/16 were £2.366m lower than the level of budgetary provision.

Loan Charges / Interest on Revenue Balances

There was an overall favourable variance of £1.552m, 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

Increased property numbers and lower than budgeted levels of exemptions and discounts contributed to a favourable overall variance of £2.493m.

Approved budget savings delivery

- 3.7 The final outturn position for 2015/16 indicates that 88% of approved savings by value were delivered, with non-delivery primarily as a result of shortfalls in Corporate Property and various other functions within Services for Communities. The shortfall in delivery of savings was offset by a variety of one-off mitigating management actions throughout the year, including vacancy management, acceleration of saving proposals and controlling discretionary expenditure.

The need to identify and deliver sustainable savings in these areas is being taken forward as part of the Transformation programme and Asset Management plan.

Housing Revenue Account (HRA)

- 3.8 The HRA achieved a balanced position for 2015/16 after making a contribution of £2.256m 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 £10m.

Reserves

- 3.9 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 increase in reserves held for specific purposes by £10.948m. The main elements of this movement were:

Net contributions to General Fund

Council Tax Discount Fund - £2.96m - 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 supporting the development of

affordable housing. These funds are allocated in the Council's approved house-building plan to deliver 16,000 new affordable homes by the Council and its not-for-profit housing association partners over the next ten years.

Dilapidations Fund - £3.34m – additional set aside of funds to cover costs arising from termination of property leases and other related contractual commitments.

Unspent Grants - £1.33m – monies received as income in advance of expenditure that is expected to be incurred in 2016/17.

Strategic Acquisition Fund - £4.5m – additional funds allocated to this fund from part of the sale proceeds of the Atria property. Approval was given by Council on 7 February 2013 to earmark funding of up to £7.5m from the sale of capital assets not currently supporting the capital investment programme, to sit alongside private sector investment to open new opportunities for creating jobs and economic growth.

Devolved School Management – £1.75m – increase carry forward of funds for the devolved school budgets.

Contributions from General Fund

Council Priorities Fund – net reduction of £2.161m comprised a combination of (i) approved drawdown of £2.25m to support the Statutory Repair service, (ii) approved funding of £0.28m for tram feasibility works, (iii) approved £0.2m for Health and Social Care transition and (iv) a number of smaller approved drawdowns. The overall movement reflects the addition of the revenue surplus outlined at paragraph 3.3.

Balances set aside for specific investment - £1.32m – various additional contributions for specific projects received prior to 2015/16 that were drawn down in year.

Common Good

- 3.10 During 2015/16, the Council acquired Custom House in Leith for £0.672m to use the building as a museum for the benefit of Leith and the wider city. In addition the Council generated two capital receipts, namely the sale of Cathedral Lane for £0.108m and land at Granton Road sold for £0.051m, both of which were credited to the Common Good Fund. Further details are included in the report elsewhere on today's agenda.
- 3.11 The Common Good account was credited in 2014/15 with a receipt of £1.183m from the sale of East Market Street garage. The receipt, net of costs associated with the disposal, was then transferred to the Common Good fund and will be utilised to fund a planned property maintenance programme on Common Good assets, over the coming five years, as agreed at the Finance and Resources Committee on 14 January 2016.

Measures of success

- 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

- 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

- 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

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

Sustainability impact

- 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

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

Background reading/external references

[Capital Coalition Budget Motion](#) – Report to Council, 7 February 2013 para 2.13

[Revenue Monitoring 2015-16 - month 3 Position](#) - Report to Council, 17 September 2015

[Common Good Planned Maintenance Programme and Common Good Reporting](#) - Report to Finance and Resources Committee, 14 January 2016 -

[Unaudited Annual Accounts 2015-16](#) - Report to Council, 30 June 2016

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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 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, 2015/16 Appendix 2 - Service outturn commentaries Appendix 3 - General Fund – movements in usable reserves

THE CITY OF EDINBURGH COUNCILUNAUDITED OUTTURN STATEMENT 2015-16

Service	Revised Budget £000	Outturn £000	Outturn Variance £000
Children and Families	399,469	399,003	(466)
Economic Development	11,877	11,862	(15)
Corporate Governance	79,950	79,810	(140)
Health and Social Care	210,937	207,491	(3,446)
Valuation Joint Board requisition	3,744	3,744	0
Services for Communities	134,395	134,290	(105)
General Fund Services	840,372	836,200	(4,172)
Council Tax Reduction Scheme	26,621	24,255	(2,366)
Net Cost of Benefits	(62)	(156)	(94)
Non Distributed Costs - pension lump sum	3,064	3,064	0
Dividends Receivable	(5,000)	(4,925)	75
Loans Charges / Interest on Revenue Balances	115,082	113,530	(1,552)
Prior Year and Other Adjustments	(269)	(470)	(201)
Transformation / Asset Management Programme costs	2,917	2,917	0
Early Release Costs (centrally funded)	11,000	20,942	9,942
Total Non-Service Specific	153,353	159,157	5,804
Total Expenditure to be Funded	993,725	995,357	1,632
Funded by -			
General Revenue Grant	(354,576)	(354,576)	0
Non Domestic Rates - Contrib from Pool	(390,862)	(390,862)	0
Council Tax	(238,113)	(240,606)	(2,493)
Contribution to Renewals and Repairs Fund	105	105	0
Contribution to Capital Fund	(8,217)	(8,217)	0
Contribution from Earmarked Funds	(2,062)	(2,062)	0
Total Funding	(993,725)	(996,218)	(2,493)
In-year Surplus	0	(861)	(861)

Children and Families

Children and Families achieved an underspend of £0.466m for 2015/16. This represents a favourable movement on the forecast balanced budget position report to the Education, Children and Families Committee on 1 March 2016.

A number of unfunded budget pressures were managed by Children and Families during 2015/16, the most significant of which included:

- out of council residential schools and secure units;
- fostering, kinship and residence placements;
- demographic pressures within schools, arising from additional pupil numbers.

Management actions to address pressures and additional savings requirements resulted in a small underspend of £0.466m. The range of measures taken included the application of controls on vacancies and discretionary spend.

Corporate Governance

Corporate Governance achieved an underspend of £0.140m for 2015/16.

There were budget pressures within Legal Services and Business Intelligence, which were managed during the year on a one-off basis, by staff vacancy control, contract underspends and favourable income streams.

Economic Development

Economic Development achieved an underspend of £0.015m for 2015/16, resulting from a number of minor variances across a range of services.

Health and Social Care

Health and Social Care returned an underspend against budget of £3.446m for 2015-16.

The service continued to face significant demand-led pressures in the year and the final outturn position was a net overspend of £6.339m relative to the original approved budget. One-off funding of £9.785m was approved by Council on 17 September 2015, allocated from other services and corporate budgets, resulting in the outturn position of a £3.446m underspend.

The service developed budget action plans which aimed to deliver expenditure reductions during 2015/16 relative to the position reported to the Finance and Resources Committee in September 2015. As a result of these controls the service returned an underspend in line with the reported forecast at period eight, which was earmarked for staff release costs across the Council.

The main gross pressures were in the following areas:

- employee costs £0.555m
- supplies and services £0.803m - computer equipment and legal fees

- spot purchasing £4.454m - across Care at Home £3.103m, Direct Payments £1.579m, Residential Nursing £0.674m, Free Personal Care (£0.795m) and Day Care (£0.107m)
- income £0.960m under recovery - resident recoveries and other local authority contributions

The 2015/16 net revenue budget of £210.9m required delivery of £7.515m of efficiency savings, of which £6.391m was delivered, with the balance being met from under spends in other areas.

Services for Communities

Services for Communities achieved a small underspend of £0.105m in 2015/16. Significant pressures in the Environment service of £4.2m and Corporate Property of £4.0m were offset by vacancy management ahead of organisational reviews and unbudgeted income in the Planning and Transport services.

Housing Revenue Account

The HRA achieved a balanced position for 2015/16 after setting aside £12.256m for new affordable homes. Of the £12.256m contribution, £10m was in the form of voluntary debt repayment, which will reduce borrowing costs going forward and enable investment in site acquisition. The remaining £2.256m has been transferred to the Renewal and Repairs Fund, which represents sums set aside for the provision of new affordable homes through the 21st Century Homes programme.

General Fund - movement in usable reserves

Appendix 3

	Balance at 31.3.15		Balance at 31.3.16	
	£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	13.889		12.565	
Council Priorities fund	3.365		1.204	
Contingency funding, workforce management	17.901		18.075	
Dilapidations fund	8.759		12.094	
Insurance fund	<u>12.557</u>		<u>13.539</u>	
		56.471		57.477
<u>Balances set aside from income received in advance</u>				
Licensing income	1.401		1.393	
Lothian Buses	6.000		5.704	
Other minor funds	0.219		0.240	
PPP monies	1.599		1.729	
Recycling monies	1.372		1.372	
National Performance Centre for sport	1.996		1.996	
Council Tax discount fund	18.636		21.596	
Unspent grants	4.482		5.814	
Strategic Acquisition Fund	<u>3.000</u>		<u>7.458</u>	
		38.705		47.302
<u>Balances set aside for investment in specific projects which will generate future savings</u>				
IT transformation	3.481		3.133	
Energy efficiency	0.800		0.847	
Spend to save	<u>3.988</u>		<u>3.884</u>	
		8.269		7.864
Devolved School Management		1.054		2.804
Total General Fund		<u><u>117.524</u></u>		<u><u>128.472</u></u>