

Finance and Resources Committee

10.00am, Tuesday, 5 September 2017

Revenue Monitoring 2016/17 – outturn report

Item number	7.2
Report number	
Executive/routine	
Wards	

Executive summary

The report sets out the provisional 2016/17 revenue outturn position for the Council based on the unaudited financial statements. The statement of accounts shows an overall underspend of £1.058m.

Revenue Monitoring 2016/17 – outturn report

1. 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 £1.058m for the year ended 31 March 2017 and that these monies have been set aside within the Council Priorities Fund;
 - 1.1.2 note the contributions in 2016/17 to and from the General Fund as detailed in the report and refer to Council for ratification for use of funds;
 - 1.1.3 note the Housing Revenue Account was balanced after making a contribution of £11.9m to the Renewal and Repairs Fund;
 - 1.1.4 note the Common Good Annual Performance Report will be considered elsewhere on the agenda; and
 - 1.1.5 refer this report to the Governance, Risk and Best Value Committee as part of its workplan.

2. Background

- 2.1 The Council's statement of accounts for 2016/17 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 2017 and made available for public inspection from 3 July 2017 for 15 working days, in accordance with relevant regulations.

3. Main report

- 3.1 The unaudited outturn position for 2016/17 shows an overall underspend of £1.058m, equating to 0.11% 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 commentaries for their areas of responsibility, along with the period 3 monitoring reports.

	Outturn Variance
Service Variance	£000
Communities and Families	(875)
Place	1,708
Resources	(1,166)
Health and Social Care	1,140
Chief Executive	(136)
Safer and Stronger Communities	(124)
Service Variances	547
Additional funding	(1,140)
Total Service Variances	(593)
 Corporate Variances	
Early Release Costs	1,610
Net Cost of Benefits	(307)
Other non-service specific costs	482
Interest and investment income	(750)
Loan Charges	(883)
Contribution to Earmarked Funds	3,000
Council Tax / CTRS	(3,617)
Total Corporate Variances	(465)
 In-year (surplus)	 (1,058)

- 3.2 There was an overspend within service areas of £0.547m. Additional funding of £1.140m was approved to support Health and Social Care at the Finance and Resources Committee on 19 January 2017, resulting in an adjusted service underspend of £0.593m. Within this amount, four of the six main service areas returned underspends against their approved budgets.
- 3.3 The net underspend of £1.058m has initially been set aside within the Council Priorities Fund, for the purposes of closing the 2016/17 accounts. Members are therefore asked to refer set-aside of the underspend 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:

Early Release Costs (centrally funded)

Costs relating to staff early release under the Transformation programme in 2016/17 were met, as planned, through central funding, amounting to £15.610m against a budget of £14m, resulting in an overspend of £1.610m however this

was within the planned overall provision. 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 planned budgets, non-service specific surplus incomes and underspends.

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	Total £000	Number of staff
Communities and Families	1,396	72
Place	1,261	72
Resources	1,902	78
Chief Executive	668	24
Safer and Stronger Communities	998	41
Non-service specific	9,385	62
Sub-Total	15,610	349
Health and Social Care	2,428	116
Total	<u>18,038</u>	<u>465</u>
Pension Strain Costs	7,789	

The costs incurred within Health and Social Care were reported as part of the services outturn position, in order to account for all costs within the Edinburgh Integration Joint Board on a consistent basis.

Recurring savings of £38.1m will be realised as a result of these and prior year staffing reductions and the 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 2016/17 were £2.951m lower than the level of budgetary provision. The underspend, along with favourable Council Tax income, enabled £3m to be set aside in earmarked reserves, including £2m to address welfare reform-related pressures in 2017/18.

Loan Charges

There was an overall favourable variance of £0.883m, largely attributable to the Council's ongoing strategy not to undertake external borrowing to finance capital investment.

Council Tax

Increased property numbers and lower than budgeted levels of exemptions and discounts contributed to a favourable overall variance of £0.666m.

Approved budget savings delivery

- 3.6 The final outturn position for 2016/17 indicates that 88% of approved savings by value were delivered, with non-delivery primarily as a result of shortfalls in Health and Social Care and a small number of other savings, including Tram advertising income and non-receipt of dividend from EDI Limited. 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.

Housing Revenue Account (HRA)

- 3.7 The HRA achieved a balanced position for 2016/17 after making a contribution of £11.886m 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.

Reserves

- 3.8 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 £13.430m. The main elements of this movement were:

Net contributions to Reserves

Council Tax Discount Fund - £2.64m - monies set aside as a result of reducing Council Tax second home and long-term empty property discounts from 50% to 10% as permitted in statute. 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 at least 16,000 new affordable homes by the Council and its not-for-profit housing association partners over the next ten years.

Balances set aside for specific investment - £13.09m – various additional contributions for specific projects received prior to and during 2016/17 that were set aside in year, including for welfare reform, funds for additional works arising from the programme of inspection undertaken in light of the PPP1 schools emergency and the transformational programme, including ICT.

Council Priorities Fund – the increase of £2.97m primarily comprised a combination of (i) approved funding of £1.70m to support future priorities and (ii) the additional revenue surplus of £1.058m outlined at paragraph 3.3, together resulting in a year-end balance of £4.102m. The revenue monitoring report elsewhere on today's agenda proposes use of the 2016/17 underspend in mitigating current-year pressures, with up to £1.127m also previously earmarked to support the further development of the City Region Deal.

Contributions from Reserves

Unspent Grants – net reduction of £2.88m – the balance represents monies received as income in advance of expenditure that is expected to be incurred in 2017/18.

Strategic Acquisition Fund - £1.28m – drawdown of funds in respect of capital investment at Sighthill Industrial Units, as approved by Council on 28 May 2015.

National Performance Centre for Sport - £2m – fully drawn down funds set aside to contribute to funding of the Oriam sports complex.

Common Good

- 3.9 During 2016/17, the Council generated two capital receipts for the Common Good. 6-8 Market Street and land at St James Quarter were sold with a total receipt of £0.225m, which was credited to the Common Good Fund. Further details are included in the report elsewhere on today's agenda.
- 3.10 In 2015/16, £2m of the Common Good Fund was earmarked to fund a property maintenance programme. To date £0.110m has been utilised to fund Scott Monument lighting works, with the remaining £1.890m being retained for planned property maintenance.

4. 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 for the tenth successive year 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.

5. 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.

6. 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.

7. Equalities impact

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

8. 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.

9. Consultation and engagement

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

10. Background reading/external references

[Revenue monitoring 2016-17 - month nine position](#) – Finance and Resources Committee, 19 January 2017

[Unaudited annual accounts 2016-17](#) - Report to Council, 29 June 2017

Stephen S. Moir

Executive Director of Resources

Contact: Hugh Dunn, Head of Finance

E-mail: hugh.dunn@edinburgh.gov.uk | Tel: 0131 469 3150

11. Appendices

Appendix 1 - Unaudited outturn statement, 2016/17

Appendix 2 - Service outturn commentaries

Appendix 3 - General Fund – movements in usable reserves

THE CITY OF EDINBURGH COUNCIL

UNAUDITED OUTTURN STATEMENT 2016-17

Service	Adjusted Budget £000	Outturn £000	Outturn Variance £000
Communities and Families	342,682	341,807	-875
Place	66,679	68,387	1,708
Resources	132,027	130,861	-1,166
Health and Social Care	186,698	187,838	1,140
Chief Executive	41,438	41,302	-136
Safer and Stronger Communities	25,610	25,486	-124
Lothian Valuation Joint Board	3,744	3,744	0
General Fund Services	798,878	799,425	547
Additional contribution to Health and Social Care	1,140	0	-1,140
General Fund Services	800,018	799,425	-593
Other income and expenditure			
Early Release Costs	14,000	15,610	1,610
Net Cost of Benefits	-62	-369	-307
Other non-service specific costs	14,833	15,315	482
Interest and investment income	-8,802	-9,552	-750
Loan Charges	113,071	112,188	-883
Contribution to Repairs and Renewals	60	60	0
Contribution from Capital Fund	-2,120	-2,120	0
Contribution to Earmarked Funds	6,345	9,345	3,000
Income from council tax	-244,131	-244,797	-666
- Council Tax Reduction Scheme	26,357	23,406	-2,951
Revenue support grant	-344,919	-344,919	0
Distribution from NDRI pool	-374,650	-374,650	0
In-year Surplus	0	-1,058	-1,058

Communities and Families

Communities and Families returned an underspend of £0.875m against budget for 2016/17, which represents 0.25% of the net budget.

A number of unfunded budget pressures were managed by Communities and Families during 2016/17, the most significant of which included:

- additional out of council residential care and secure unit provision;
- home to school transport and general transport recharges;
- schools and lifelong learning review, delayed implementation.

Management actions and service underspends related to vacancy control and some service demand reductions in specific areas enabled the service to mitigate these pressures and deliver an underspend of £0.875m.

Place

Place returned an overspend against budget of £1.708m, representing 2.6% of the net budget. There were a number of significant pressures primarily in the Environment division amounting to £5.7m, including the closure of Mortonhall Crematorium for a significant part of the financial year. These pressures were partly offset by management actions and underspends in service areas including Transport and Planning and Housing and Regulatory Services and by the use of £1.75m of service reserves, however the loss of income from Mortonhall was unable to be contained.

Resources

Resources achieved an underspend of £1.166m for 2016/17, being 0.88% of the service net budget.

The underspend was primarily derived from Property and Facilities Management, through project slippage on the Asset Management Strategy (AMS) project and staff vacancies. Funds have been set aside in reserves to manage the delays in implementing the AMS savings.

The service had small underspends in Customer and HR service areas offset in part by an overspend in Legal, Risk and Compliance.

Health and Social Care

Health and Social Care overspent by £1.140m in 2016/17, representing 0.61% of the annual net service budget.

Additional one-off funding of £1.140m was approved by the Finance and Resources Committee in January 2017, to assist with mitigating the overspend. Health and Social Care were able to report an overall balanced budget after application of this funding.

The principal overspends were in employee costs linked to delays in implementation of organisational reviews, and purchasing, particularly demand-led Individual Service Fund and Direct Payments.

Chief Executive

The Chief Executive services achieved an underspend of £0.136m in 2016/17, mainly from staffing, which represents 0.33% of the net service annual budget.

Safer and Stronger Communities

Safer and Stronger Communities returned an overall underspend of £0.124m, representing 0.48% of its annual net budget.

In-year pressures totalling £4.5m, mainly affecting Community Justice and Homelessness and Housing Support services, were contained through a combination of management actions in both of these areas and acceleration of savings in Regulation and Professional Governance.

General Fund - movement in usable reserves

Appendix 3

	Balance at 31.3.16		Balance at 31.3.17	
	£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	12.565		25.659	
Council Priorities fund	1.129		4.102	
Contingency funding, workforce management	18.075		18.094	
Dilapidations fund	12.094		12.343	
Insurance fund	13.539		14.667	
		57.402		74.865
<u>Balances set aside from income received in advance</u>				
Licensing and registration income	1.393		3.092	
Lothian Buses	5.704		3.795	
Other minor funds	0.240		0.237	
PPP monies	1.729		2.155	
Recycling monies	1.371		1.160	
National Performance Centre for sport	1.996		0.000	
Council Tax discount fund	21.596		24.234	
Unspent grants	5.814		2.934	
Strategic Acquisition Fund	7.458		6.180	
		47.301		43.787
<u>Balances set aside for investment in specific projects which will generate future savings</u>				
IT transformation	3.133		2.047	
Energy efficiency	0.847		0.098	
Salix / Energy efficiency Fund	0.000		1.324	
Spend to save	3.884		3.992	
		7.864		7.461
Devolved School Management		2.804		2.688
Total General Fund		128.396		141.826