

Transport and Environment Committee

10.00am, Tuesday, 15 January 2013

Services for Communities: Financial Monitoring 2012/13 - Month 8 Position

Item number	7.12
Report number	
Wards	

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	SOA1

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Executive summary

Services for Communities: Financial Monitoring 2012/13 – Month 8 Position

Summary

Services for Communities (SfC) is forecasting the following outturn positions against its approved 2012/13 revenue and capital budgets:

- General fund revenue budget – balanced.
- Housing revenue account (HRA) – surplus of £1.4m (1.4%).
- General fund capital – slippage of £17.2m (15.0%).
- HRA capital – slippage of £6.2m (12.9%).

Management of Services for Communities (SfC) general fund revenue budget presents significant challenges and risks in services such as Property Conservation, Edinburgh Building Services, Waste, Homelessness and Corporate Property. More general risks include severe weather and a high dependency on external sources of income.

Recommendations

It is recommended that the Transport and Environment Committee notes SfC's financial position.

Measures of success

General fund revenue expenditure for 2012/13 is within budgeted levels.

A balanced position or small surplus on the HRA.

Successful delivery of the SfC's capital investment programme within budget levels.

Financial impact

There are no direct financial implications arising from this report.

Equalities impact

The contents of this report, analysis and recommendations do not impact the Equality Act 2010 public sector general equality duty.

Sustainability impact

Successful delivery of SfC's budget will support continued improvement in environmental standards such as cleanliness and recycling

Consultation and engagement

Consultation on budget proposals was undertaken as part of the Council's budget process.

Background reading / external references

Services for Communities: Revenue Budget Position 2012/13: Month 5 Position – report to Transport and Environment Committee on 23 November 2012.

Services for Communities: Financial Monitoring 2012/13 – Month 8 Position

1. Background

1.1 The purpose of this report is to present SfC's financial position at month 8.

2. Main report

General Fund Revenue Budget Position

2.1 SfC is forecasting a balanced position against its net general fund revenue budget of £126.1m (gross expenditure budget - £369.2m).

2.2 This is based on an assumption that the transitional cost in delivering the Environment (imProve It) and Integrated Property and Facilities Management (iPFM) improvement programmes will be met from corporate funding the Council approved for this purpose in February 2012.

2.3 Other key assumptions include:

- Significant reductions in landfill for the remainder of the financial year.
- Winter weather related expenditure in line with budget.

2.4 SfC provides a very diverse range of services and budget management presents significant complexity, challenges and risks.

2.5 Material pressures this year include:

- Property Conservation (£0.9m) – current service costs are funded from a 15% “administration” charge added to the cost of works. The value of works undertaken in 2012/13 has fallen to around 20% of the level in 2011/12, which in turn was dramatically reduced on previous years.
- Edinburgh Building Services (£1.4m) – from a significant reduction in the number responsive repairs. Work continues to identify opportunities to deploy staff on other areas of work, but the impact this year is uncertain.

- Waste (£0.8m) – from a combination of additional resources deployed to assist with the introduction of managed weekly collections and a smaller reduction in landfill than previously assumed.

Savings Implementation Plans

- 2.6 SfC is currently forecasting 94% delivery against a savings target this year of £10.0m. As noted above, this assumes a significant reduction in landfill for the remainder of the year.

Risks and Issues

- 2.7 In addition to the pressures noted above SfC faces a number of significant financial risks, including:
- Winter weather – budget provision is insufficient to cover costs of any prolonged spell of severe weather.
 - Homelessness / temporary accommodation – demand levels are uncertain from January 2013 when housing entitlement for some homeless people changes.
 - Delivery of budgeted property rationalisation / energy savings.
 - Many SfC services are funded to a significant extent from external income which is under pressure from a range of economic factors.

Contingency Planning

- 2.8 SfC has established a contingency fund to help offset the impact of the pressures and risks noted above. This currently stands at £2.2m in 2012/13.
- 2.9 Further savings are forecast in a number of service budgets and steps are being taken to ensure that non-essential expenditure is controlled tightly until it is clear that a balanced budget position will be achieved.
- 2.10 It is anticipated that the combination of contingency and service budget savings will be sufficient to balance SfC's general fund revenue budget. However given the scale and nature of the risks and pressures faced, this is by no means certain.

Housing Revenue Account Budget Position

- 2.11 The HRA is the Council's ring fenced account for the management of 20,000 Council homes. The gross expenditure budget in 2012/13 is £97.6m.
- 2.12 The HRA is on target to deliver a surplus of £1.4m after meeting planned contributions towards voluntary debt repayment / capital investment of £8.8m. In

future years housing benefit reform and changes in the funding of temporary accommodation present very significant challenges.

Capital Budget Position

2.13 SfC's general fund capital budget in 2012/13 is £116.0m. Forecast expenditure is £98.6m or 85.0% of the approved budget. Projects showing the greatest slippage are:

- National Housing Trust – a five week delay at Lochend / Cityscape means £5.4m will slip into 2013/14
- Asset Management Programme – slippage of £5.5m (33%) is forecast on asset management projects compared with a budget for 2012/13 of £16.7m
- Leith Walk & Constitution Street – changes to this project's scope mean the bulk of work (£2.7m) will take place in 2013/14
- Water of Leith Phase 1&2 – on site complications mean £1.6m will slip into 2013/14.

2.14 SfC's HRA capital budget in 2012/13 is £47.7m. Forecast expenditure is £41.5m or 87.1% of the approved budget. Slippage relates principally to delay in awarding 21st Century Homes contracts (£5.3m).

3. Recommendations

3.1 It is recommended that the Transport and Environment Committee notes SfC's financial position at month 8.

Mark Turley

Director of Services for Communities

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 Appendices	SOA1 - Edinburgh's economy delivers increased investment, jobs, and opportunities for all