

# Transport and Environment Committee

10.00am, Tuesday, 19 March 2013

## Services for Communities: Financial Monitoring 2012/13 - Month 10 Position

|               |     |
|---------------|-----|
| Item number   | 8.4 |
| Report number |     |
| Wards         |     |

### Links

---

|                          |                      |
|--------------------------|----------------------|
| Coalition pledges        | <a href="#">P30</a>  |
| Council outcomes         | <a href="#">CO25</a> |
| Single Outcome Agreement | <a href="#">SOA1</a> |

### Mark Turley

Director of Services for Communities

Contact: Ben Hartman, Principal Finance Manager

E-mail: [ben.hartman@edinburgh.gov.uk](mailto:ben.hartman@edinburgh.gov.uk) | Tel: 0131 469 3179

# Executive summary

## Services for Communities: Financial Monitoring 2012/13 – Month 10 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 income after planned revenue contribution to future capital investment - £2.5m (2.5%).
- General fund capital – slippage of £20.7m (17.9%).
- HRA capital – slippage of £6.4m (13.3%).

Services for Communities' general fund revenue budget presents significant challenges and risks in services such as Property Conservation, Edinburgh Building Services, Roads, Waste, Homelessness and Corporate Property.

### 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: Revenue Budget Position 2012/13: Month 8 Position – report to Transport and Environment Committee on 15 January 2013

imProve It Programme – progress update – report to Corporate Policy and Strategy Committee on 22 January 2013

## Services for Communities: Financial Monitoring 2012/13 – Month 10 Position

### 1. Background

---

1.1 The purpose of this report is to present SfC's financial position at month 10.

### 2. Main report

---

#### General Fund Revenue Budget Position

2.1 SfC is forecasting a balanced position against its net general fund revenue budget of £126.5m.

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

2.3 Material pressures this year include:

- Property Conservation (£1.0m) – 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, resulting in a substantial decrease in income.
- Edinburgh Building Services (£1.4m) – from a significant reduction in the number of responsive repairs.
- Winter maintenance (£0.85m) – following the review of winter weather arrangements in 2011, an additional £0.5m was made available to support the new arrangements. It was estimated that in a ‘normal’ winter, additional funding required would be £0.5m - £1.0m per annum. Experience from the subsequent two winters suggests this is inadequate and will need to be reviewed in the forthcoming budget process. Experience suggests that even in winters with relatively low levels of snowfall, significant costs are incurred through precautionary treatment during cold spells.
- Property rationalisation (£1.0m) – from delays in vacating properties and higher than budgeted move costs.

## Risks and Issues

- 2.4 In addition to the pressures noted above SfC faces a number of significant financial risks, including:
- Landfill – the new refuse collection regime has clearly resulted in a significant reduction of waste sent to landfill. However, when the budget for 2012/13 was set it was assumed that the new regime would be implemented earlier than was in fact the case. It is therefore likely that the budgeted landfill costs for 2012/13 will be exceeded, albeit with lower levels of landfill than in previous years.
  - Homelessness / temporary accommodation – demand levels are uncertain from January 2013 when housing entitlement for some homeless people changed.
  - Many SfC services are funded to a significant extent from external income which is under pressure from a range of economic factors.

## Contingency Planning

- 2.5 In view of the pressures and risks noted above SfC set up a contingency fund early in 2012/13. This currently stands at £2.3m.
- 2.6 In addition all services have been instructed to ensure that non-essential expenditure is kept to a minimum until it is clear that a balanced budget position will be achieved.
- 2.7 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.

## Savings Implementation Plans

- 2.8 SfC is forecasting to deliver savings of £8.5m (87%) against its target of £9.8m.
- 2.9 An update on the imProve It programme was considered by the Corporate Policy and Strategy Committee on 22 January 2013. This highlighted significant progress in making the changes to deliver both service improvements and the majority of savings set out in the public sector comparator. It identified a shortfall in 2012/13 of around £2m, funded from Zero Waste budgets.
- 2.10 As noted above a shortfall of £1.0m is now forecast against property rationalisation targets, offset by savings within other parts of Corporate Property.

## 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 forecasting surplus income of £2.5m after planned contributions to future capital investment. In future years housing benefit reform and changes in the funding of temporary accommodation present very significant challenges. Over the next five years it is estimated that up to £43m of contributions from revenue to capital could be lost as a result of anticipated changes.

## Capital Budget Position

- 2.13 SfC's general fund capital budget in 2012/13 is £115.9m. Forecast expenditure is £95.2m or 82.1% 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 £10.0m (59.8%) is forecast on asset management projects, based on a corporate assessment project by project. SfC is working hard to ensure the level of slippage is significantly reduced by the end of the year.
  - Leith Walk & Constitution Street – changes to this project's scope mean the bulk of work (£2.7m) will take place in 2013/14
- 2.14 SfC's HRA capital budget in 2012/13 is £47.7m. Forecast expenditure is £41.3m or 87.1% of the approved budget. Slippage relates principally to delay in awarding 21<sup>st</sup> 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 10.

## Mark Turley

Director of Services for Communities

## Links

---

|                                 |  |
|---------------------------------|--|
| <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 objectives           |
| <b>Single Outcome Agreement</b> | SOA1 - Edinburgh's economy delivers increased investment, jobs, and opportunities for all    |
| <b>Appendices</b>               |  |