

Transport and Environment Committee

10.00am, Tuesday, 14 January 2014

Services for Communities: Financial Monitoring 2013/14 - Month 8 Position

Item number	7.18
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 2013/14 – Month 8 Position

Summary

Services for Communities (SfC) is forecasting the following outturn positions against its approved 2013/14 revenue and capital budgets:

- General fund revenue budget – £3.154m overspend, offset by one off use of earmarked reserves.
- Housing revenue account (HRA) – balanced.
- There are a number of challenges for the Services for Communities' general fund revenue budget. Internal improvement programmes continue to make good progress against savings targets, however there are some outstanding issues. Together with shortfalls in the budget for winter weather and conclusion of the legacy property conservation work, this has resulted in a deficit for this period.

Recommendations

It is recommended that the Transport and Environment Committee notes SfC's financial position at month 8 including the pressures and mitigating actions that are in place.

Measures of success

General fund revenue expenditure for 2013/14 is within budgeted levels.

A balanced position or small surplus on the HRA.

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: Financial Monitoring 2013/14 – 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 Due to a number of challenging issues including delivery of internal improvement programmes, winter weather and property conservation, SfC is forecasting an overspend of £3.154m against its general fund revenue budget of £122m. This overspend can be met by a one-off drawn down from ear-marked reserves in 2013/14. This will allow the budget to balance and mitigating actions will also be taken to reduce this overspend in the remaining months of the financial year.

Savings Implementation Plans

2.2 The SfC budget for 2013/14 includes £14.227m of savings to be delivered. Currently the Department is on track to deliver £9.792m (69%). The most challenging savings target is within the imProve It internal improvement programme where increases in landfill continue to run above budget.

Pressures

2.3 Pressures contributing to the projected overspend include:

- costs of closing down Property Conservation and operating new Shared Repairs Service (£2.4m);
- gritting and Snow clearing costs (£1.3m) (the current budget is only sufficient for an exceptionally mild winter);
- anticipated shortfall in iPFM improvement plan (£0.7m); and
- anticipated shortfall in improveit improvement plan offset by savings in recycling expenditure (£2.6m).

Risks

- 2.4 SfC provides a diverse range of services and budget management presents significant complexity, challenges and risks. In addition to the pressures identified above, the position may deteriorate due to other risks including:
- additional costs for gritting and snow cleaning due to winter weather if the winter is severe;
 - increased requirement for property repairs across the Council's estate to ensure they remain wind and watertight; and
 - income fluctuations across SfC.

Contingency Planning

- 2.5 In view of the pressures and risks noted above, SfC has created a contingency budget of £4.5m by reducing non-urgent expenditure and flat rate budget reductions. These reductions are accompanied by implementation plans which may have some impact on services, but are felt to be deliverable. The £3.194m overspend forecast assumes this contingency budget is fully utilised.
- 2.6 In addition to the contingency, SfC will use the following reserves:
- Common repairs trust fund (£0.523m) – applied to offset pressure on shared repairs services.
 - Recycling reserve – (£1.464m) – applied to imProve It savings shortfall.
 - Waste contingency (£1.1m) – applied to imProve It savings shortfall.
- 2.7 While the use of contingency and reserves currently balances the budget, this will be carefully monitored to ensure that this position does not change.

Housing Revenue Account (HRA) Budget Position

- 2.8 The HRA is the Council's ring fenced account for the management and maintenance of 20,000 Council homes. The gross expenditure budget in 2013/14 is £98.97m.
- 2.9 Welfare reform and changes in the funding of temporary accommodation present very significant challenges. Rent arrears have increased substantially since April 2013 when under-occupation came into effect and are now £5.7m, which is 56% higher than they were at the same point last year.
- 2.10 While the HRA is projected to balance at the end of the financial year, the bad debt provision will need to increase by £2.5 million to deal with the rising levels of rent arrears. This will reduce the funding available for capital investment or which can be transferred to the Repairs and Renewals Fund at the end of the year.

3. Recommendations

- 3.1 It is recommended that the Transport and Environment Committee notes SfC's financial position at month 8 including the pressures and mitigating actions that are in place.

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