

Transport and Environment

10am, Tuesday, 28 October 2014

Services for Communities Financial Monitoring: Period 5 2014/15

Item number	7.9
Report number	
Executive/routine	
Wards	All

Executive summary

Services for Communities (SfC) is forecasting the following outturn positions against its approved 2014/15 revenue and capital budgets:

- General fund revenue budget – managing significant pressures.
- Housing revenue account (HRA) – balanced.
- General fund capital budget – accelerated.
- HRA capital budget – balanced.

SfC's general fund revenue budget presents significant challenges and risks in services such as the new Shared Repairs Service, Winter Weather, Waste, internal improvement plan savings and Welfare Reform changes.

The SfC Capital Investment Programme is operating in an equally challenging environment.

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	SO4

Services for Communities Financial Monitoring: Period 5 2014/15

Recommendations

- 1.1 It is recommended that the Transport and Environment Committee notes SfC's financial position and actions underway to manage pressures.

Background

- 2.1 At its meeting of 26 August 2014, Transport and Environment Committee considered a report on SfC's financial position at month 2 and the actions underway to address pressures.
- 2.2 This report provides an update on this position based on financial performance over the first five months of the financial year.

Main report

General Fund Revenue Budget

- 3.1 At month 5, SfC is managing pressures of over £11m, which equates to almost 10% of its net budget of £115m. A range of measures have been put in place to manage these pressures, but the service's capacity to fund further pressures is limited.
- 3.2 SfC provides a diverse range of services and budget management presents significant complexity, challenges and risks.
- 3.3 Material risks and pressures this year continue to include:
 - Shared Repairs Service and development of an Enforcement Service.
 - Achievement of imProve it and iPFM savings.
 - Achievement of property rationalisation, procurement and fleet savings.
 - Landfill reduction – the landfill budget assumes a 9,000 tonne reduction between 2013/14 and 2014/15.

- 3.4 At Period 2, pressures were also reported related to the team monitoring tram operations and the budget for gritting and snow clearing. These pressures have now been addressed by realigning budgets across SfC which have historically been underspent.

Savings Implementation Plans

- 3.5 The SfC budget for 2013/14 includes £13.4 m of savings to be delivered. Currently the Department is on track to deliver £8.1m. The most significant shortfall relates to the iPFM internal improvement programme.

Contingency Planning

- 3.6 In view of the pressures, risks and savings shortfalls noted above, SfC has introduced measures to reduce expenditure. Achieving these measures will be challenging as they include reducing overtime by one third, reducing training budgets, non-filling of vacancies and savings from VERA.
- 3.7 These measures are just sufficient to balance SfC's current pressures. However, given the scale and nature of the risks and pressures faced, maintaining a balanced position will be extremely difficult without reductions in service provision.

Housing Revenue Account

- 3.8 The HRA is the Council's ring fenced account for the management of 20,000 Council homes. The gross expenditure budget in 2014/15 is £104m.
- 3.9 The HRA is forecasting a break even position. However welfare reform and changes in the funding of temporary accommodation continue to present very significant challenges.

Capital Budget

- 3.10 The SfC General Fund (GF) capital programme is forecast to accelerate by £1.3m with a revised budget of £93.0m at Period 5. The Period 5 actual position shows 35% (£33.3m) of the forecast outturn delivered to date.
- 3.11 A detailed midyear review of the programme will be carried out at Period 6 to capture and address any potential issues that could impact on the programme's ability to deliver on forecast expenditure levels. It should be noted that acceleration is contained within existing budget allocations.
- 3.12 There are a number of pressures and risks being managed within SfC's GF capital programme, with particular emphasis on unfunded capital priorities. As part of the midyear review, services are being asked to consider prioritising existing budget allocations to mitigate some of these pressures. Alternative funding solutions are being considered and other opportunities to generate headroom within the capital programme are also being explored.
- 3.13 Managing unfunded priorities within existing resource allocations will be a very demanding task. However, if all opportunity can be maximised, it is hoped that the majority of these can be contained.

- 3.14 The HRA capital programme is forecasting a balanced outturn on a budget of £47.1m at Period 5. The Period 5 actual position shows 26% (£12m) of the forecast outturn delivered to date.
- 3.15 A detailed midyear review will also be undertaken for HRA to make sure that programme is brought in as close to budget as possible. Measures such as acceleration and project substitution will be used to maximise delivery on resource allocations.

Measures of success

- 4.1 General fund revenue expenditure for 2013/14 is within budgeted levels.
- 4.2 A balanced HRA budget.
- 4.3 Successful delivery of the SfC's capital investment programme within budget levels.

Financial impact

- 5.1 There are no direct financial implications arising from this report.

Risk, policy, compliance and governance impact

- 6.1 There are no direct risk, policy, compliance or governance implications arising from this report.

Equalities impact

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

Sustainability impact

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

Consultation and engagement

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

Background reading/external references

None.

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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 objectives
Single Outcome Agreement	SO4 – Edinburgh's communities are safer and have improved physical and social fabric
Appendices	