

Transport and Environment Committee

10.00am, Tuesday, 13 January 2015

Services for Communities Financial Monitoring: Period 9 2014/15 (based on period 8 data)

Item number	7.16
Report number	
Executive/routine	
Wards	

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 – balanced.
- Housing revenue account (HRA) – balanced.
- General fund capital budget – £1.6m slippage.
- HRA capital budget – £9m slippage.

These forecasts should be considered in the context of significant pressures and risks in both capital and revenue budgets.

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	SO4

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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 28 October 2014, Transport and Environment Committee considered a report on SfC's financial position at month 5 and the actions underway to address pressures.
- 2.2 This report provides an update on this position based on financial performance for the first nine months of the financial year.

Main report

General Fund Revenue Budget

- 3.1 At month 9, SfC continues to manage pressures of over £11m, which is almost 10% of its net budget of £128m. As reported at month 5, a range of measures are 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 a new Enforcement Service.
 - Shortfalls in 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. Achievement of this target will depend on the successful roll out of the redesigned kerbside recycling service currently underway.

- 3.4 In addition, although the budget is based on an average winter, an extended period of severe weather could place significant pressures on roads and property budgets.

Savings Implementation Plans

- 3.5 The SfC budget for 2014/15 includes £13.4 m of savings. Currently the Department is on track to deliver only £8.1m. The most significant shortfall relates to the iPFM internal improvement programme. In addition, there are shortfalls anticipated in procurement and fleet savings.

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 currently sufficient to balance SfC's pressures. However, given the scale and nature of the risks and pressures faced, maintaining a balanced position will be extremely challenging, especially if further risks materialise in the final quarter.

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 capital programme is forecast to slip by £1.6m against a revised budget of £95.7m. The Period 9 actual position shows 56% (£52.7m) of the forecast outturn has been spent to date.
- 3.11 The slippage reported is the net result of slippage and acceleration across a number of projects. Factors contributing to the position include revised cash flow projections for a number of roads, transport and public realm projects (£1.3m), reprofiling of a payment to Midlothian Council relating to the Zero Waste Project at Millerhill (£1.2m), delays due to consultation process for Neighbourhood Partnership improvement works (£0.5m), and uncertainties over the timing of land acquisition for Hermiston Park and Ride extension (£0.3m). This slippage is partially offset by acceleration of the Water of Leith Phase 2 (£0.3m) project and the Leith Walk Improvement Programme (£1.4m).
- 3.12 The HRA capital programme is forecast to slip by £9.0m against a revised budget of £43.1m. The Period 9 actual position shows 53% (£18.1m) of the forecast outturn has been spent to date.

- 3.13 The slippage in the HRA programme is due to over-programming and shortage of available contractors. In addition, efficiencies in procurement, project and contract management have contributed to the figure reported. This level of slippage is making a one-off contribution to savings in borrowing costs for the HRA. Savings in borrowing costs will be used to repay debt, reducing costs for tenants in the longer term.
- 3.14 An action plan is being developed to ensure better programming of capital expenditure in future years to reduce slippage. It should however be noted that investment priorities to provide new Council homes and to achieve Scottish Quality Housing Standards can still be achieved with this level of slippage.

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	