

REPORT TO: Cabinet

MEETING DATE: 11 March 2014

BY: Depute Chief Executive (Resources and People Services)

SUBJECT: Financial Review 2013/14 – to end of December (Q3)

1 PURPOSE

- 1.1 To record the financial position at the end of the 3rd quarter of the financial year 2013/14.

2 RECOMMENDATIONS

- 2.1 Members are recommended to;
- Note the financial performance of services at the end of December 2013 and also the continued actions being taken by management to ensure that services are delivered within approved budgets; and
 - Approve the budget adjustments outlined at Section 3.24.

3 BACKGROUND

Budget Summary

- 3.1 At its meeting of 12 February 2013, the Council approved a budget for the 2013/14 financial year and an outline budget for two subsequent years.
- 3.2 The 2013/14 budget can be summarised as follows;
- Government general revenue grant initially confirmed as £161.9 million.
 - Planned expenditure of £211.859 million. This is a decrease of £10.312 million compared to the previous year's budget and relates mostly to the removal of the Police & Fire Board requisitions (£9.883 million) and other reductions in spending (£0.429 million).

- Planned use of reserves totalling just over £2.166 million and a transfer from the Housing Revenue Account of just under £1.0 million.
- The requirement for VERS (Voluntary Early Release Scheme) savings of £2 million in 2013/14, with a further saving of £1 million in 2014/2015.
- The requirement for £4.690 million of other efficiency measures/savings/increased income across Business Groups.
- A revised gross General Services capital budget of £32.5 million.

General Services Summary for Quarter Three

- 3.3 A summary of the financial position across each of the Business Groups at the end of December 2013 is detailed at Appendix A.
- 3.4 We have continued to provide an assessment of the progress in implementing the efficiency measures/savings/increased income required for the 2013/2014 financial year. Based upon our judgement and knowledge, each Business Group has been assigned a category reflecting our assessment of progress being made against the planned 2013/14 efficiency savings. The categories are as follows;
- Red – Less than 50% of budgeted efficiency savings are likely to be achieved by the end of the year;
 - Amber – Between 50%-100% of budgeted efficiency savings are likely to be achieved by the end of the year;
 - Green – 100% of budgeted efficiency savings are likely to be achieved by the end of the year.
- 3.5 The unadjusted position at the end of December 2013 is a net under-spend compared to budget of £333,000. Of this total £909,000 relates to the Devolved School Management budgets.
- 3.6 In overall terms there has been little significant change since the Q2 position reported to Cabinet in November – a number of Groups are likely to finish the year in an over-spend position but it is likely that these will be balanced by other Groups which will under-spend their allocated budgets together with the receipt of some unplanned income. The Finance Risk Ratings have therefore remained fairly static since the November report with two ratings being downgraded to 'Low' risk for the current year.
- 3.7 It is my current assessment that, in overall terms, the Council is on target to use fewer reserves than the estimated £5.2 million of reserves planned as part of setting the 2013/14 budget (£2.2 million general plus £3 million from the Cost Reduction Fund to support VERS). An expectation of this year-end position has already been built into the assumptions which under-pin the recently approved 2014/15 budgets.

3.8 All the Corporate Income budgets such as Council Tax, Joint Board requisitions and debt charges are performing in line with expectations. At this point in the year council tax income is slightly ahead of budget. However, awards under the new Council Tax Reduction scheme are more than budgeted and the final RSG (Revenue Support Grant) relating to the scheme has yet to be finalised. At the end of the year, it will therefore be necessary to assess the level of bad debt provision that needs to be set aside.

3.9 The majority of the budget pressures are a continuation of trends noted in the Q2 report. Within **Resources and People Services** this includes;

- **Children's Wellbeing Group** – there is a high risk that the Children's Wellbeing Group will overspend their budget allocation for 2013/14 by approximately £300,000 when adjusted for VERs. This is an increase from the figure noted at Q2. Current budget pressures relate to external placement costs, adoption costs and legal expenses, statutory grants/payments to young people leaving care as well as the non-achievement of residual Efficient Workforce Management savings made more challenging through the delivery of VERs objectives. The Head of Children's Wellbeing continues to apply a range of control measures aimed at reducing expenditure in a variety of areas to help offset these spending pressures.
- **Additional Support for Learning Group** – although there has been an improvement since Quarter One & Two, we note a continuation of over-spends in two specific areas highlighted in previous reports. The first area of overspend is in relation to the transport budgets due to an increased number of routes, pupils and contract prices. The second area of overspend is in relation to the External Provision budget. This budget is used to fund the school fees for those pupils with complex needs who do not attend the Council's own schools. Our current estimate is that these factors, when combined with under-spends in other areas, could generate a net over-spend of almost £100,000 for the Group.
- **Primary Schools** - As part of the Q1 report, Cabinet approved a change in the charging approach for Janitorial Services pending final agreement on the future shape of the service. This involves charging the full cost of the service to the users – particularly the Primary School Group. This means that the Primary School Group is now likely to exceed the 2013/14 budget allocation. At the end of December however the majority of schools are reporting under-spends on their budgets and there is some potential – should they not manage to spend their 2013/14 allocations, that these sums could be returned and could help with the over-spend noted above.

3.10 As part of previous reports we have highlighted the likely receipt of 'windfall' income relating to the PPP contract. Since then, one element of recovery has now been made and we are confident that further recoveries will be secured by the end of the financial year. These

amounts will then reduce the effect of over-spends noted above within the Resources and People Directorate.

- 3.11 The unadjusted position within the **Health & Adult Care Partnerships Directorate** at the end of December is an over-spend of £330,000. When an adjustment for VERS costs and savings are made this figure reduces to an over-spend of approximately £100,000. As in previous periods, the over-spend is focused upon the purchase of care packages – with savings being made in other parts of the Adult Wellbeing budgets particularly in relation to staff costs.
- 3.12 Over the period work has continued in reviewing budgets and care packages. However, analysis of spend patterns during December and January indicate that the spending on care packages, particularly in relation to Care at Home, has been increasing.
- 3.13 While the overall client numbers are reasonably constant, we are seeing an increase in the average cost of each new care at home package. Work is ongoing to identify how much of this could be attributable to the response to delayed discharge targets – especially the target of a four-week maximum wait for discharge. Our current estimate is that by the end of the year the total Adult Wellbeing budget, excluding VERS costs, could be over-spent by £500,000 although the Head of Adult Wellbeing has advised that mitigation will be maximised through contribution from NHS to offset costs incurred in recent reductions in delayed discharge and management of flexibility on other contributions.
- 3.14 The majority of **Partnerships & Services for Communities** budgets are performing as expected at the end of Q3 and in overall terms, when VERS costs are excluded, the directorate budget will be balanced for 2013/14. However, there continue to be a number of areas which have a high likelihood of over-spend in the current year. These are as follows;
- **Healthy Living** – even after the ‘one-off’ VERS costs are taken into account there is a possibility that overspends on gas, electricity and non domestic rates will contribute to this Group spending more than its allocated budget. However, control action continues to be taken to maximise the chances that this budget area will end the financial year within the 2013/14 approved budget and plans are in place to ensure that this will not re-occur in the 2014/15 financial year.
 - **Community Partnerships** – this Group has been assessed as High financial risk over the last couple of years. Our assessment continues to be that this budget will overspend by £150,000 by the end of this year. However, as before, we are working with officers to ensure that this is limited to 2013/14 and that a similar over-spend will not re-occur in the 2014/15 financial year.

Housing Revenue Account

- 3.15 As a result of the 2012/13 financial year-end, the Housing Revenue Account currently sits with reserve balances totalling £5.576 million.

- 3.16 At the end of December 2013 the main revenue budgets were £117,000 over spent. At present, repairs and staffing costs are generally in line with budgets. The principal causes of the deficit continues to relate to rent income and voids levels, in particular the slower than anticipated rate at which the new affordable housing properties are moving onto the rent roll and higher than expected void levels. By the end of the year the effect of this will be minimised by smaller than expected debt charges.
- 3.17 Details of the Housing Revenue Account capital budgets are included at Appendix C. The total capital budget approved for the HRA was £25.630 million. To the end of December 2013, the actual spend was £15.571 million representing 61% of the annual total.
- 3.18 As part of the 2013/14 housing budget preparation the spending on new affordable units was anticipated to be £14.335 million. As part of their ongoing work, officers review progress with the various affordable housing projects and their likely delivery dates. The updated projections have now identified a more likely spend for the 2013/14 year of just over £10 million – with the slippage of project spend on the following sites now moving into 2014/15;
- Jooglie Brig
 - Victoria Park
 - Kellie Road
- 3.19 In addition, the spending on a number of the Modernisation capital projects have also been slower than budgeted and under-spends are to be expected across a number of elements of this programme.
- 3.21 A number of Open Market Acquisition purchases initiated in 2012-13 have now completed in 2013/14. The value of these purchases up to the end of September, total £625,000 and will be funded by the carry-forwards from previous years.

General Services Capital Budgets

- 3.22 Appendix D compares the revised capital budget totals against the spending up to the end of December. The actual spend totalled £17.643 million which represents 54% of the annual total of £32.47 million.
- 3.23 The majority of capital budgets are under-spent at the end of December and we would expect this to continue with a degree of slippage on a number of projects at the end of the financial year. There are a small number of capital projects which will over-spend for the year. This category includes the extension work carried out at Macmerry Primary which was delayed by the discovery of unexploded ordinance and necessitated the move to temporary accommodation.

Budget Adjustments

- 3.24 A number of budget adjustments have been carried out in the last three months. These include the following;
- The receipt of an additional £203,000 in Revenue Support Grant from the Scottish Government relating to Discretionary Housing Payments.
 - The transfer of £150,000 and £70,000 to the Pre-School and Children's Wellbeing Groups respectively – as approved at the November Cabinet meeting.
 - The budgeting of a £70,000 transfer from the Cost Reduction Fund relating to the implementation of Electronic Records & Data Management project costs.

4 POLICY IMPLICATIONS

- 4.1 None.

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This Report is not applicable to the wellbeing of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – as described above
- 6.2 Personnel - none
- 6.3 Other – none




































7 BACKGROUND PAPERS

- 7.1 Council 12 February 2013 – Item 1 – Council Financial Strategy 2013/16
- 7.2 Members Library 133/13 – Managing the Workforce – VER Scheme.
- 7.3 Cabinet 9 April 2013 – Item 6 – HRA Capital Investment Plan 2013/14
- 7.4 Council 25 June 2013 – Item 5 – Revision to Chief Officer Structure.
- 7.5 Audit & Governance Committee 23 July 2013 – All papers
- 7.6 Council 27 August 2013 – Item 6 – 2012/13 Year-End Financial Review
- 7.7 Cabinet 10 September 2013. – Item 2 – Financial Review 2013/14 Q1

7.8 Cabinet 12 November 2013 - Item 3 – Financial Review 2013/14 Q2

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REVENUE BUDGET PERFORMANCE at 31 December 2013

	Budget for the year £000	Actual to 31/12/13 £000	Budget for the period £000	(Surplus) / Deficit for period £000	(Surplus) / Deficit %	Financial Risk Assessment	Change since last assessment	Progress with efficiency savings etc	Notes
Resources & People Services									
Children's Wellbeing	11,871	9,382	8,997	385	4.3%	High	No change		
Pre-school Education & Childcare	5,588	5,020	5,067	(47)	(0.9%)	Medium	No change		
Additional Support for Learning	7,854	6,650	6,604	46	0.7%	High	No change		
Schools - Primary	29,384	20,936	21,088	(152)	(0.7%)	Medium	No change		
Schools - Secondary	36,096	25,665	26,123	(458)	(1.8%)	Low	Decrease		
Schools Support Services	2,797	1,938	2,094	(156)	(7.4%)	Low	No change		
Financial Services	1,874	1,155	1,263	(108)	(8.6%)	Low	No change		
Revenues & Benefits	1,445	627	720	(93)	(12.9%)	Low	No change		
IT Services	1,852	1,487	1,507	(20)	(1.3%)	Low	No change		
Law & Licensing	503	382	413	(31)	(7.5%)	Low	No change		
Human Resources	1,105	789	850	(61)	(7.2%)	Low	No change		
Governance/Internal Audit	1,939	1,444	1,448	(4)	(0.3%)	Low	No change		
	102,308	75,475	76,174	(699)	(0.9%)				
Health & Adult Care Partnership									
Adult Wellbeing	44,839	32,068	31,735	333	1.0%	High	No change		
	44,839	32,068	31,735	333	1.0%				
Partnerships & Services for Communities									
Community Housing	2,738	2,333	2,716	(383)	(14.1%)	Low	No change		
Housing Revenue Account	0	(8,009)	(8,126)	117	(1.4%)	Low	No change		
Planning & Environmental Services	3,454	2,315	2,340	(25)	(1.1%)	Low	No change		
Property Services	2,200	2,395	2,577	(182)	(7.1%)	Low	No change		
Facility Support	3,099	1,610	1,690	(80)	(4.7%)	Medium	No change		
Landscape & Countryside Mgt	5,604	3,863	4,083	(220)	(5.4%)	Low	No change		
Transport & Waste Services	13,073	7,251	8,258	(1,007)	(12.2%)	Low	Decrease		
Communications & Marketing	448	338	365	(27)	(7.4%)	Low	No change		
Corporate Policy	1,594	1,129	1,180	(51)	(4.3%)	Low	No change		
Community Partnerships	1,158	993	845	148	17.5%	High	No change		
Cultural Services	4,234	2,806	2,741	65	2.4%	Medium	No change		
Community Development	3,312	2,230	2,364	(134)	(5.7%)	Medium	No change		
Healthy Living	4,351	2,847	2,751	96	3.5%	High	No change		
Economic Development	1,979	1,455	1,530	(75)	(4.9%)	Low	No change		
Customer Services	1,423	1,518	1,558	(40)	(2.6%)	Low	No change		
	48,667	25,074	26,872	(1,798)	(6.7%)				
Total All Departments									
	195,814	132,617	134,781	(2,164)	(1.6%)				
Corporate Management									
Revenue Support Grant (inc. NNDR)	(167,688)	(107,045)	(107,045)	0	0.0%	Low	No change		
Debt Charges/Asset Management	13,979	6,418	6,402	16	0.2%	Low	No change		
Council Tax	(41,271)	(42,335)	(42,421)	86	(0.2%)	Low	No change		
Joint Board Requisitions	674	506	506	0	0.0%	Low	No change		
Other	1,723	1,798	69	1,729	2505.8%	Low	No change		
HRA Transfer	(995)	0	0	0	0.0%	Low	No change		
Use of Reserves	(2,236)	0	0	0	0.0%	Low	No change		
	(195,814)	(140,658)	(142,489)	1,831	(1.3%)				
Total All Council									
	0	(8,041)	(7,708)	(333)					

Financial Risk	Factors	Implications
High	<ul style="list-style-type: none"> - The Business Group has been assessed as likely to overspend in the financial year - There has been a history of overspending within Units / Groups - There are new or revised funding arrangement and / or legislature changes with financial significance - Trading Accounts are in deficit for the year. -Grant schemes, on which the Council is reliant are either unconfirmed or have not been confirmed -The service is demand led and the Council has restricted control over the level and form of service - New Services are planned 	<ul style="list-style-type: none"> -Cabinet & Members Library reports with financial implications are not passed under delegated powers -Directors / Heads of Service will be asked to prepare a financial recovery plan -The Head of Council Resources may take enforcement action to ensure budgetary control
Medium	<ul style="list-style-type: none"> - There is significant potential that Business Group could overspend in the financial year - There have been previous incidences of some overspending within Units / Groups - There are new or revised funding arrangement and / or legislature changes with financial significance - Trading Accounts are having difficulty meeting financial targets -Grant schemes, on which the Council is reliant are either unconfirmed or have not been confirmed 	<ul style="list-style-type: none"> -Members library reports are only passed when financial implications are addressed -Directors / Heads of Service will be asked to identify actions necessary to ensure expenditure is within budget by the year-end.
Low	<ul style="list-style-type: none"> -Finances are generally under control for the current financial year -Stable legislature, trading and funding environment -The service is supply led - i.e. the Council can decide the level and form of service -Finances in previous financial years have been controlled -Grant schemes are stable and not anticipated to change significantly 	<ul style="list-style-type: none"> -Members library reports are approved promptly under delegated powers

HOUSING CAPITAL SPEND & FINANCING 2013/14

	Budgeted (£000s)	Actual (£000s)	Remaining Spend (£000s)
House Purchases			
Open Market Acquisitions	0	625	625
Mortgage to Rent	646	950	304
Total Gross House Purchase spend	646	1,575	929
Modernisation Spend			
Fees	528	0	(528)
Disabled Adaptations	750	453	(297)
Central Heating/Leasing Purchases	2,364	1,069	(1,295)
Electrical Re-wiring	1,700	1,055	(645)
Fencing Programme	50	22	(28)
Energy Efficiency	50	8	(42)
Kitchen Replacement Prog.	1,650	838	(812)
Re-roofing Programme	50	24	(26)
Stair Improvement Programme	30	3	(27)
Extensions/Roughcast/Building Envelope	1,400	241	(1,159)
Play Areas	50	0	(50)
Dispersed Alarms	50	3	(47)
Local Initiatives:Projects	200	119	(81)
Window & Door Replacement Prog.	10	7	(3)
Bathroom Replacement	942	731	(211)
Lead Water Pipes	200	326	126
Asbestos Works	400	517	117

	Budgeted (£000s)	Actual (£000s)	Remaining Spend (£000s)
Groundcare Projects	100	0	(100)
IT Projects	125	0	(125)
Total Modernisation spend	10,649	5,416	(5,233)
Gross Affordable Homes spend	14,335	8,580	(5,755)
Gross Total Housing Capital Spend	25,630	15,571	(10,059)
Financed By;			
Grants	5,662	562	(5,100)
Assets Sales/Capital Reserves	1,052	1,085	33
Borrowing	18,916	13,924	(4,992)
	25,630	15,571	(10,059)

GENERAL SERVICES CAPITAL SPEND - TO DECEMBER 2013

Name of Project	Budgeted Spend	Actual Spend	Over/(Under)	Notes
	2013/14	2013/14	(£000s)	
	£000	£000	£000	
New Day Centre - Gullane	2,512	2,243	(269)	
Fa'side Tranent - New residential home and day centre	6,802	4,105	(2,697)	
Haddington Day Centre	95	-	(95)	
Haddington Town House - Steeple	241	75	(166)	
Mobile Working	-	13	13	
PV installations in public buildings	15	13	(2)	
Gypsy Traveller Site	472	59	(413)	
Property Renewals	585	184	(401)	
Property Fees/Internal Architect etc fees	1,445	-	(1,445)	
Environment Fees	111	-	(111)	
Brunton Hall - Theatre and Main Hall refurbishment	100	43	(57)	
Dunbar - new Community facility	75	68	(7)	
Dunbar Town House Museum	46	34	(12)	
John Gray Centre Haddington	79	1	(78)	
Prestongrange Museum	10	-	(10)	
Whitecraig Community Centre	50	38	(12)	
Ormiston Community Centre	15	2	(13)	
Village Halls - Matched Funding	50	-	(50)	
Tranent Library	105	5	(100)	
North Berwick Museum - refurbishment	737	526	(211)	
Community Intervention	200	-	(200)	
Red School Prestonpans	99	-	(99)	
Support for Business - Land Acquisition/Infrastructure/Broadband	500	-	(500)	
Support for Business - Town Centre Regeneration	-	-	-	
Reprovision of Pathways Home	500	-	(500)	
Dunbar - Lochend Campus	202	55	(147)	
Dunbar - Lochend Campus/Additional Classrooms	30	-	(30)	
Gullane PS - Additional Space	142	126	(16)	
Haddington IS / St Mary's RCPS - New shared Campus	276	25	(251)	
Dunbar Grammar School Extension	150	-	(150)	
Dirleton Classroom Extension	918	767	(151)	
Macmerry PS Extension	337	378	41	
Pinkie St Peter's PS Extension/Levenhall Nursery reprovision	600	563	(37)	
Law Primary School	20	-	(20)	
Windygoul PS Permanent Additional Classrooms	50	137	87	
Windygoul PS - Temp Units	110	110	-	
Replacement Vehicles	2,838	1,005	(1,833)	
East Lothian Legacy Project - 3G Pitches	45	-	(45)	
Pavilions	150	40	(110)	
East Lothian Legacy Project - Meadowmill Alterations	125	45	(80)	
Sports Centres - refurbishment & Equipment	200	27	(173)	
Expansion of 3G pitch provision	1,541	1,079	(462)	
Schools IT	938	540	(398)	
Corporate IT Program	240	233	(7)	
Server Room Upgrade	250	-	(250)	
Core Path Plan Implementation	50	12	(38)	
John Muir Country Park Play Area	2	-	(2)	
Cuthill Park	87	-	(87)	
Lochend Road - Play Area	97	-	(97)	

GENERAL SERVICES CAPITAL SPEND - TO DECEMBER 2013

Name of Project	Budgeted Spend	Actual Spend	Over/(Under)	Notes
	2013/14	2013/14	(£000s)	
	£000	£000	£000	
Amenity Services Machinery & Equipment - replacement	167	127	(40)	
Cemeteries - Extensions/Allotments	469		(469)	
Coastal Car Parks/Toilets	730	56	(674)	
Peppercraig Depot Haddington	400	3	(397)	
Coastal Protection/Flood	300	124	(176)	
Promenade Improvements - Fisherrow	25	-	(25)	
Pencaitland Paths/Community Car Park	200	-	(200)	
Cycling Walking Safer Streets (Ring-fenced grant funded)	104	-	(104)	
Roads/CWSS/Hotspot Safety Improvements	5,350	4,728	(622)	
Roads: safety hotspot surveys & improvements	30	-	(30)	
Parking Improvements	300	1	(299)	
Purchase of New Bins	153	53	(100)	
Gross Capital Spend	32,470	17,643	(14,827)	
Financed By;				
Specific Project Income	4,564	1,126	(3,438)	
Section 75 income	684	-	(684)	
General Capital Grant	6,986	5,239	(1,747)	
Asset Sales	1,380	600	(780)	
Borrowing	18,856	10,678	(8,178)	
	32,470	17,643	(14,827)	