

REPORT TO: Cabinet

MEETING DATE: 21 October 2014

BY: Depute Chief Executive (Resources and People Services)

SUBJECT: Financial Review 2014/15 - Quarter 1

1 PURPOSE

- 1.1 To record the financial position at the end of the 1st quarter of the financial year 2014/15. Recent practice has been to report the Quarter 1 position to Cabinet in September. Given the cancellation of the September Cabinet meeting, this report is being presented to the October Cabinet for consideration.

2 RECOMMENDATIONS

- 2.1 Members are recommended to;
- Note the financial performance of services at the end of June 2014.
 - Note that a refreshed General Services and HRA Capital Plan will be presented to Cabinet as part of the Q2 review.

3 BACKGROUND

Budget Summary

- 3.1 At its meeting of 11 February 2014, the Council approved a budget for the 2014/15 financial year and an outline budget for two subsequent years.
- 3.2 The 2014/15 budget can be summarised as follows;
- Government general revenue grant initially confirmed as £169.7 million.
 - Expenditure of £217.954 million.

- The removal of reliance in 2014/15 of General Reserves, with a transfer from the Housing Revenue Account of just under £1.0 million.
- The requirement to deliver £3.6 million of efficiency measures / savings / increased income across Business Groups, including a further £1 million of VERS (Voluntary Early Release Scheme) savings, recognising the full year impact of VERS departures during 2013-14.
- Gross General Services capital budget of £19.941 million.

2013/14 Financial Year

- 3.3 At the 26th August 2014 Council meeting, the Head of Council Resources reported on the unaudited results of the 2013/14 financial year. The results indicated that the Council used fewer reserves than planned and was able to add to the balance to a General Services Capital Fund. A breakdown of the reserves is detailed below in Table 1 below.

Table 1	General Services Reserves at 31 March 2014 (£m)
Required to support current and future budgets	0.044
Civil Emergency	2.000
Cost Reduction Fund	3.578
DSM Earmarked Reserves	0.489
MELDAP/DAAT Earmarked Reserves	0.192
Insurance Fund	1.520
General Services Capital Fund	2.920
Total	10.743

General Services Summary for Quarter One – 2014/15

- 3.4 The structure of the report and accompanying appendices continue to reflect the amended Chief Officer structure agreed at the June 2013 Council meeting. In addition, for each of the Business Groups outlined at **Appendix A**, we have continued to include an assessment of their progress in implementing the efficiency measures/savings/increased income required for the 2014/15 financial year. Based upon our

judgement and knowledge, each Business Group has been assigned a category when we come to assess the progress likely to be made with the 2014/15 efficiency savings. The categories are as follows;

- Red – Less than 50% of budgeted efficiency savings are likely to be achieved by 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 overall position at the end of June is an under-spend when compared to budget of £1.758 million (4.2%). An initial assessment of all service budgets has been made in order to assess the likely net expenditure levels at the financial year end. However, it is important to note that such assessments are based primarily upon activity to the end of June and are therefore made with a high degree of uncertainty. From a financial management perspective, it is our intention to provide early warning of potential overspending thus allowing appropriate, remedial management intervention to take place. A summary of the financial position across each of the Business Groups at the end of June 2014 is detailed at **Appendix A**, along with the accompanying Finance Risk Rating and Efficiency Progress Rating.
- 3.6 At the end of June 2014 the **Resources and People Services** were reporting an overall over-spend of £183,000 (0.7%). Most of the service areas performing in line with expectations, with some emerging pressure areas identified within the Children's Wellbeing Group, and Primary and Secondary Group.
- 3.7 The first quarter of 2014/15 is reporting an actual under-spend on the **Health & Adult Care Partnership** budgets of £176,000. Despite this, there continues to remain pressures within the Adult Wellbeing budget in particular around the purchase of care packages for the Elderly and individuals with Learning Disability.
- 3.8 All of the **Partnerships & Services for Communities** budgets are performing as expected at the end of Quarter One.

Housing Revenue Account

- 3.9 As a result of the 2013/14 financial year-end, the Housing Revenue Account currently sits with reserve balances totalling £4.610 million. At the end of June 2014 the Housing Revenue Account was reporting an actual over-spend of £32,000 (1.0%), and is performing broadly in line with expectations.
- 3.10 Details of the Housing Revenue Account capital budgets are included at **Appendix C**. The total capital budget approved for the HRA was £21.871

million. To the end of June 2014 the actual spend was £2.172 million (10%) with most HRA capital budgets progressing as expected. Work is currently underway to refresh and update the HRA and General Services capital plans in light of year-end position, and an updated position will be reported to Cabinet as part of the Q2 review.

General Services Capital Budgets

- 3.11 The original General Services capital budget which was approved by Council on 11 February 2014, planned for gross capital spending of £19.941 million. The actual spend at the end of June totalled just over £3 million which represents around 15% of the annual total. Spending on the various projects within the Plan is detailed at **Appendix D**.
- 3.12 As highlighted in section 3.10 above, a refreshed General Services Capital Plan will be presented to Cabinet as part of the Quarter 2 financial update. This will take into consideration the revisions to the Capital Plan for 2014-17 which were presented to Council on 22 April 2014.

Budget Adjustments

- 3.13 The review of Senior Management which was carried out in 2013/14 has resulted in a major service redesign to ensure that the services best meet the needs of the services and communities, whilst continuing to realise efficiencies. A number of Service Reviews have been carried out since the budget approval in February 2014, all of which have been reported through Members Library Reports, and these reviews are likely to continue throughout 2014/15.

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 11 February 2014 – Item 1 – Council Financial Strategy 2014/17

7.2 Council 22 April 2014 – Item 5 – Revisions to Capital Plan 2014-2017

7.3 Members Library 139/14 – ELC Draft Statement of Accounts 2013-14

7.4 Council 26 August 2014 – Item 4 – 2013/14 Financial Review

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REVENUE BUDGET PERFORMANCE at 30 June 2014

Appendix A

	Budget for the year £000	Actual to 30/06/14 £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	11,761	3,051	2,996	55	1.8%	Medium	No change		
Pre-school Education & Childcare	6,074	3,929	3,987	(58)	(1.5%)	Low	No change		
Additional Support for Learning	7,824	4,299	4,317	(18)	(0.4%)	Medium	Decrease		
Schools - Primary	29,657	3,371	3,291	80	2.4%	Medium	No change		
Schools - Secondary	36,086	7,270	6,963	307	4.4%	Medium	Increase		
Schools Support Services	2,731	947	991	(44)	(4.4%)	Low	No change		
Financial Services	1,522	528	583	(55)	(9.4%)	Low	No change		
Revenues & Benefits	1,524	53	79	(26)	(32.9%)	Low	No change		
IT Services	1,743	425	420	5	1.2%	Low	No change		
Law & Licensing	608	98	124	(26)	(21.0%)	Low	No change		
Human Resources	1,261	291	306	(15)	(4.9%)	Low	No change		
Democratic Services	1,866	395	417	(22)	(5.3%)	Low	No change		
	102,657	24,657	24,474	183	0.7%				
Health & Adult Care Partnership									
Adult Wellbeing	44,395	10,159	10,336	(177)	(1.7%)	Medium	Decrease		
	44,395	10,159	10,336	(177)	(1.7%)				
Partnerships & Services for Communities									
Planning & Environmental Services	2,250	308	598	(290)	(48.5%)	Low	No change		
Economic Development & Strategic Services	2,370	540	521	19	3.6%	Low	No change		
Asset Planning & Engineering	2,451	712	842	(130)	(15.4%)	Low	No change		
Property Maintenance	(490)	(174)	(185)	11	(5.9%)	Low	No change		
Facility Support Services	3,250	(956)	(955)	(1)	0.1%	Low	Decrease		
Landscape & Countryside Management	5,618	1,020	1,190	(170)	(14.3%)	Low	No change		
Roads, Transportation & Waste Services	12,885	2,221	3,014	(793)	(26.3%)	Low	No change		
Healthy Living	3,984	506	522	(16)	(3.1%)	Low	No change		
Community Housing	2,660	1,171	1,247	(76)	(6.1%)	Low	No change		
Housing Revenue Account (HRA)	0	(3,073)	(3,105)	32	(1.0%)	Low	No change		
Communications & Marketing	391	80	107	(27)	(25.2%)	Low	No change		
Policy & Improvement	1,719	261	300	(39)	(13.0%)	Low	No change		
Community Partnerships	1,358	577	577	0	0.0%	Low	Decrease		
Arts, Museums & Music	1,879	377	372	5	1.3%	Low	No change		
Community Development	2,629	474	546	(72)	(13.2%)	Low	Decrease		
Customer Services, Libraries & Safer Communities	3,713	1,087	1,186	(99)	(8.3%)	Low	No change		
	46,667	5,131	6,777	(1,646)	(24.3%)				
Total All Departments	193,719	39,947	41,587	(1,640)	(3.9%)				
Corporate Management									
Revenue Support Grant (inc. NNDR)	(169,706)	(40,505)	(40,505)	0	0.0%	Low	No change		
Council Tax	(47,280)	(48,276)	(48,331)	55	(0.1%)	Low	No change		
Debt Charges/Asset Management	14,239	53	53	0	0.0%	Low	No change		
Joint Board Requisitions	674	169	169	0	0.0%	Low	No change		
Other	9,179	5,308	5,481	(173)	(3.2%)	Low	No change		
HRA Transfer	(995)	0	0	0	0.0%	Low	No change		
Transfer to Reserves	170	0	0	0	0.0%	Low	No change		
	(193,719)	(83,251)	(83,133)	(118)	0.1%				
Total All Council	0	(43,304)	(41,546)	(1,758)	4.2%				

Appendix B

Financial Risk	Factors	Implications
<p>High</p>	<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
<p>Medium</p>	<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.
<p>Low</p>	<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

Appendix C

GENERAL SERVICES CAPITAL SPEND - TO JUNE 2014

Name of Project	Budgeted Spend	Actual Spend	Over/(Under)
	2014/15	2014/15	(£000s)
	£000	£000	£000
New Day Centre - Gullane	42	2	(40)
Fa'side Tranent - New residential home and day centre	1,798	1,162	(636)
Haddington Day Centre	5	99	94
Gypsy Traveller Site	20		(20)
Property Renewals	800	57	(743)
Property Fees/Internal Architect etc fees	1,445	-	(1,445)
Environment Fees	111	1	(110)
Brunton Hall - Theatre and Main Hall refurbishment	225	2	(223)
Dunbar Town House Museum	-	16	16
Whitecraig Community Centre	50		(50)
Tranent Library	-	1	1
North Berwick Museum - refurbishment	20	-	(20)
North Berwick Community Centre - Lift	70	2	(68)
Community Intervention	200	-	(200)
Red School Prestonpans	101	-	(101)
Support for Business - Land Acquisition/Infrastructure/Broadband	300	-	(300)

Support for Business - Town Centre Regeneration	650	-	(650)
Reprovision of Pathways Home	425	-	(425)
Haddington IS / St Mary's RCPS - New shared Campus	-	149	149
Sandersons Wynd PS - additional Classrooms	100	-	(100)
Dunbar Grammar School Extension	20	-	(20)
Dirleton Classroom Extension	13	3	(10)
Dunbar Primary - Phase 2 Comms Unit	-	2	2
Macmerry PS Extension	12	1	(11)
Pinkie St Peter's PS Extension/Levenhall Nursery reprovision	2,172	24	(2,148)
Law Primary School	80	-	(80)
Windygoul PS additional Classrooms	100	-	(100)
Wallyford PS - New PS/Pro-rata ELC share	50	-	(50)
Replacement Vehicles	2,000	-	(2,000)
Pavilions	250	10	(240)
East Lothian Legacy Project - Meadowmill Alterations	-	2	2
Sports Centres - refurbishment & Equipment	200	20	(180)
Musselburgh Tennis Court Upgrade	60	-	(60)
Expansion of 3G pitch provision	40	40	-
Schools IT	545	196	(349)
Corporate IT Program	216	86	(130)
Core Path Plan Implementation	100	-	(100)
Amenity Services Machinery & Equipment - replacement	124	-	(124)
Cemeteries - Extensions/Allotments	344	-	(344)
Coastal Car Parks/Toilets	550	-	(550)
Peppercraig Depot Haddington	200	174	(26)

Coastal Protection/Flood	300	-	(300)
Promenade Improvements - Fisherrow	25	5	(20)
Cycling Walking Safer Streets (Ring-fenced grant funded)	153	-	(153)
Roads/CWSS/Hotspot Safety Improvements	5,250	855	(4,395)
Parking Improvements	300	-	(300)
Purchase of New Bins/Food Waste Collection	475	36	(439)
Ormiston Bowling Club	-	130	130
	19,941	3,075	(16,866)

Appendix D

HOUSING CAPITAL SPEND & FINANCING 2014/15

	Budgeted (£000s)	Actual (£000s)	Over/(Under) (£000s)
Mortgage to Rent	662	0	(662)
Modernisation Spend	10,231	1,261	(8,970)
Fees	533		(533)
Disabled Adaptations	758	86	(672)
Central Heating/Leasing Purchases	1,616	333	(1,283)
Electrical Re-wiring	1,717	270	(1,447)
Fencing Programme	201	3	(198)
Energy Efficiency	351		(351)
Kitchen Replacement Prog.	1,788	298	(1,490)
SHQS Abeyance incentive	50		(50)
Roofing / Roughcasting	606	2	(604)
Stair Improvement Programme	30	1	(29)
Roads / Walkway pre-adoption works	246		(246)
Structural surveys / works	200	25	(175)
Dispersed Alarms	51		(51)
Local Initiatives:Projects	202		(202)
Window & Door Replacement Prog.	20	3	(17)
Bathroom Replacement	951	145	(806)
Extensions	306	34	(272)
Lead Water Pipes	202		(202)

Asbestos Works	353	61	(292)
IT Projects	50		(50)
Gross Affordable Homes spend	10,978	911	(10,067)
Gross Total Housing Capital Spend	<u>21,871</u>	<u>2,172</u>	<u>(19,699)</u>
Financed By;			
Grants	5,761		(5,761)
Assets Sales/Capital Reserves	2,268	522	(1,746)
Borrowing	13,842	1,650	(12,192)
	<u>21,871</u>	<u>2,172</u>	<u>(19,699)</u>