

REPORT TO: Cabinet

MEETING DATE: 13 September 2016

BY: Depute Chief Executive (Resources and People Services)

SUBJECT: Financial Review 2016/17 Quarter 1

1 PURPOSE

- 1.1 To record the financial position at the end of the 1st quarter of the financial year 2016/17.

2 RECOMMENDATIONS

- 2.1 Members are recommended to;
- Note the financial performance of services at the end of June 2016.

3 BACKGROUND

Budget Summary

- 3.1 At its meeting of 9 February 2016, the Council approved a budget for the 2016/17 year and an outline budget for two subsequent years.
- 3.2 The 2016/17 General Services budget can be summarised as follows;
- Assumed levels of Scottish Government general revenue grant of £169.058 million.
 - Planned general services revenue expenditure of £205.038 million.
 - The utilisation of £3.000 million of General Reserves.
 - The requirement to deliver £5.6 million of recurring efficiencies across Business Groups.

2015/16 Financial Year

- 3.3 The Council will receive a report to Council on 23 August 2016 summarising the 2015/16 year end position based on the unaudited results for the year, with an additional contribution to the Council's General Fund reserves of £5.126 million taking the balance as at 31 March 2016 to be £23.174 million. In line with the Council's approved Financial Strategy it will be proposed to Council that the balance of surplus reserves be transferred to the Council's Capital Fund which can be used to defray the overall cost of borrowing. In addition, there was an increase in the Housing Revenue Account reserves of £0.622 million.
- 3.4 A breakdown of the General Fund reserves balance as at 31 March 2016 is detailed in Table 1 below.

Table 1	General Services Reserves at 31 March 2016 (£m)
Required to support current and future budgets	3.885
Civil Emergency	2.000
Cost Reduction Fund	2.997
DSM Earmarked Reserves	0.220
MELDAP Earmarked Reserves	0.455
Other Earmarked Reserves	0.275
Insurance Fund	1.723
General Services Capital Fund	11.619
Total	23.174

General Services Summary for Quarter One – 2016/17

- 3.5 A summary of the financial position across each of the Business Groups at the end of June 2016 is detailed at **Appendix A**. Within this, an overall financial risk assessment has been assigned to each of the service areas based on a review of current expenditure and known financial pressures, as set out in **Appendix B**. Two service areas; Adult Wellbeing and Children's Wellbeing have been categorised as High Risk suggesting there is a high degree of certainty that the services will not operate within approved budgets. Two service areas: Property Maintenance and Landscape and Countryside service have been categorised as Medium Risk, largely due to the increased level of surplus which the Property Maintenance service has been tasked to deliver in 2016/17 as well as income targets in relation to Coastal Car Parking

income. These service areas will continue to be closely monitoring during the financial year.

3.6 We continue to provide an assessment of the progress in implementing the planned efficiency measures/savings/increased income for the 2016/17 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 2016/17 efficiency savings. The categories are set out below. In summary all of the Business Groups are currently on target to achieve their required level of efficiencies in year. One service areas has currently been categorised as 'Amber' indicating that we are continuing to work with the service to assess options for delivering their planned efficiency during the year.

- 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.

3.7 As at the end of June, the financial ledgers record an underspend against planned budget of £0.884 million (2.1%). 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 focus on early warning of potential overspending thus allowing appropriate, remedial management intervention to take place.

3.8 A summary of the main movements across each of the main service directorates are set out in more detail within the paragraphs below. Around £0.805 million of the current underspend position relates to staff savings. Some of these posts have now been filled therefore it is unlikely that staff savings similar to 2015/16 year end position will recur. Nevertheless, effective efficient workforce management continues to be part of the wider Financial Strategy and we will continue to work with managers to manage their resources as efficiently as possible.

3.9 At the end of June 2016 the **Resources and People Services** were reporting an overall underspend of £359,000 (1.5%) with most service areas performing in line with expectations.

Within the Education Group, the Primary schools budgets is currently underspent by £160,000 with a reported overspend on the Secondary budget of £42,000. These budgets include both internal management or 'client' budgets as well as individual Devolved School Management budgets. Some pressures exist within the Primary 'client' budget relating to the on-going review of Janitorial Services as well as wider

Transportation costs. Despite a reported overspend on the Secondary schools group, much of this is due to budget phasing and this position is likely to be rectified from Period 4 onwards. There remains pressure across a number of secondary schools, and we will continue to work closely with Education Management and respective schools to ensure school budgets can be delivered within available resources. Members should be aware the individual Primary and Secondary school budgets are finalised in September following the school pupil census, the outcome of which will continue to be closely monitored and reflected within the next quarterly review.

- 3.10 The first quarter of 2016/17 is reporting an under-spend on the **Health & Adult Care Partnership** budgets of £0.045 million (0.3%). Despite this, and reflecting upon both the 2015/16 provisional outturn and challenging efficiency targets, both Children's and Adult's Services are currently being categorised as 'High Risk'. With respect to **Children's Services**, there are pressures on children placed in secure accommodation as well as an increase in the number of children placed in External Fostering placements. Given this, the service is currently projecting an overspend against budget and we are working closely with Children's Wellbeing Management to identify options to ensure the service can be delivered within available resources.
- 3.11 With respect to **Adult Wellbeing Service**, although reporting an overspend of £29,000 at end of June 2016, there are a wide range of pressures and the service has been categorised as 'High Risk' and remains subject to enhanced financial controls. Pressures are evident in the purchasing of care packages particularly for the elderly and individuals with learning disability, in addition to managing on-going demographic and demand pressures. In addition, we are working closely with Health & Social Care Management around the increasing Social Care Fund commitments relating to the cost of delivering the Living Wage, and National Care Home Contract commitments, as well as the delivering a substantial programme of efficiencies across the service. We continue to closely monitoring the financial commitments across the Adult Wellbeing budget and will continue to work actively with Management to identify options for the service commitments to be delivered within available resources.
- 3.12 All of the **Partnerships & Services for Communities** budgets are performing in line with 2015/16 performance, with a reported underspend relative to budget of £0.393 million to the end of June 2016. Landscape and Countryside Management area has been categorised as 'Medium Risk' largely due to the level of income targets in relation to Coastal Car Parking, and the delay in approval and implementing parking decriminalisation. Any income generated is being used to fund and support the Coastal Car Parking programme included within the wider General Services Capital Programme, and we will continue to closely monitor the income levels which are being generated during the year.

- 3.13 All of the **Corporate Income** budget lines are performing in line with expectations. Gross Council Tax levied is slightly lower than anticipated, however the budget profiling is based on the assumption that all properties will be billed as at 1 April 2016, where a number of properties will be completed in year, and therefore will be subject to Council Tax charge during the year.

Housing Revenue Account Summary for Quarter One – 2016/17

- 3.14 As at 31 March 2016, the **Housing Revenue Account** sits with unaudited reserve balances totalling £7.252 million. At the end of June 2016 the Housing Revenue Account was reporting an overspend against budget of £0.208 million. Most of the current overspend relates to higher than anticipated repair costs relating to a backlog of completed work. It is anticipated that Housing repair costs will be delivered on budget. Income levels and operational service expenditure are performing well within budget.
- 3.15 Details of the Housing Revenue Account capital budgets and expenditure as at 30 June 2016 are included at **Appendix C**. The total capital budget approved for the HRA was £22.509 million. To the end of June 2016 the actual spend was £4.187 million (19%) with most HRA capital budgets progressing as expected.

General Services Capital Budgets

- 3.16 The General Services Gross expenditure capital budget including the estimated carry forwards from 2015/16 is £25.7 million. The carry forwards are estimates subject to finalisation of the audit of the 2015/16 financial annual accounts.
- 3.17 **Appendix D** sets out the 2016/17 expenditure to the end of June against the revised annual Capital budget, with actual expenditure totalling £2.56 million. We will continue to monitor the programme closely but expect the rate of spend to increase during the rest of the financial year.

4 POLICY IMPLICATIONS

- 4.1 There are no direct policy implications associated with this report although ongoing monitoring and reporting of the Council's financial performance is a key part of the approved Financial Strategy.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report has been considered and given there is no change in policy direction, there is no requirement to undertake any further impact assessment.

6 RESOURCE IMPLICATIONS




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

7 BACKGROUND PAPERS

- 7.1 Council 9 February 2016 – Item 1 – Council Financial Strategy 2015-18
- 7.2 Council 9 February 2016 – Item 5a – Budget Proposals – Administration

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DATE	9 August 2016

REVENUE BUDGET PERFORMANCE at 30 JUNE 2016

	<u>Budget for</u> <u>the year</u>	<u>42,551</u>	<u>Budget for</u> <u>the period</u>	<u>(Surplus) /</u> <u>Deficit</u> <u>period</u>	<u>(Surplus) /</u> <u>Deficit</u>	<u>Financial Risk</u> <u>Assessment</u>	<u>Progress with</u> <u>efficiency</u> <u>savings</u>
Resources & People Services							
Pre-school Education & Childcare	6,418	4,965	4,980	-15	-0.3%	Low	
Additional Support for Learning	7,926	4,361	4,370	-9	-0.2%	Low	
Schools - Primary	34,068	4,138	4,298	-160	-3.7%	Low	
Schools - Secondary	37,468	7,394	7,352	42	0.6%	Low	
Schools Support Services	2,769	773	867	-94	-10.8%	Low	
Financial Services	1,438	539	566	-27	0.0%	Low	
Revenues & Benefits	1,584	38	79	-41	-51.9%	Low	
Human Resources & Payroll	1,282	337	356	-19	0.0%	Low	
IT Services	1,755	448	447	1	0.0%	Low	
Legal & Procurement	625	139	154	-15	0.0%	Low	
Licensing, Admin and Democratic Services	1,933	305	327	-22	-6.7%	Low	
	97,266	23,437	23,796	-359	-1.5%		
Health & Social Care Partnership							
Children's Wellbeing	12,946	3,263	3,247	16	0.5%	High	
Adult Wellbeing	47,868	10,327	10,298	29	0.3%	High	
	60,814	13,590	13,545	45	0.3%		
Partnerships & Services for Communities							
Community Housing	1,826	281	427	-146	-34.2%	Low	
Housing Revenue Account (HRA)	0	-3,365	-3,573	208	0.0%	Low	
Customer Services, Libraries & Safer Communities	3,386	1,053	1,070	-17	-1.6%	Low	
Community Partnerships	4,002	626	623	3	0.5%	Low	
Arts, Museums & Music	1,129	118	108	10	9.3%	Low	
Community Development	2,700	546	570	-24	-4.2%	Low	
Corporate Policy & Improvement	1,320	351	409	-58	-14.2%	Low	
Planning & Environmental Services	2,454	1,676	1,790	-114	-6.4%	Low	
Asset Planning & Engineering	2,291	870	919	-49	-5.3%	Low	
Economic Development & Strategic Services	3,189	508	554	-46	-8.3%	Low	
Facility Support Services	3,421	-1,584	-1,576	-8	0.5%	Low	
Landscape & Countryside Management	4,773	1,308	1,239	69	5.6%	Medium	
Healthy Living	3,872	638	634	4	0.6%	Low	
Property Maintenance	-663	-130	-156	26	-16.7%	Low	
Roads, Transportation & Waste Services	13,258	1,890	1,933	-43	-2.2%	Low	
	46,958	4,786	4,971	-185	-3.7%		
Total of all departments	205,038	41,813	42,312	-499	-1.2%		

Corporate Management

Revenue Support Grant (inc. NNDR)	-169,058	-39,078	-39,078	0	0.0% Low
Council Tax	-49,039	-49,281	-49,620	339	-0.7% Low
Social Care Fund	-4,370	-1,093	-1,100	7	-0.6% Low
Debt Charges/Asset Management / Other	21,255	4,605	5,336	-731	-13.7% Low
Joint Board Requisitions	669	167	167	0	0.0% Low
HRA Transfer	-1,495	0	0	0	0.0% Low
Transfer to Reserves	-3,000	0	0	0	0.0% Low
	-205,038	-84,680	-84,295	-385	-0.5%
Total All Council	0	-42,867	-41,983	-884	-2.1%

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 	<ul style="list-style-type: none"> -Members library reports are approved promptly under delegated powers

HOUSING CAPITAL SPEND & FINANCING AS AT 30 JUNE 2016

	Budgeted (£000s)	Actual (£000s)	Over/(Under) (£000s)
Mortgage to Rent	695		-695
Modernisation Spend (also see below)	10,933	1,585	-9,348
Gross Affordable Homes spend	10,881	2,602	-8,279
Gross Total Housing Capital Spend	22,509	4,187	-18,322
Modernisation Programme - Detailed			
Disabled Adaptations	600	68	-532
Central Heating	2,100	385	-1,715
Electrical Re-wiring	1,180	123	-1,057
Structural surveys	60	15	-45
Fencing Programme	100	22	-78
Energy Efficiency	350	1	-349
Kitchen Replacement Prog.	1,600	225	-1,375
Project Works	350	100	-250
Roofing / Roughcasting / external fabric	400	65	-335
Stair Improvement Programme	50	0	-50
Sheltered Housing	100	0	-100
Roads / Walkway pre-adoption works	100	12	-88
Dispersed Alarms		1	1
Local Initiatives:Projects	200	10	-190
Window & Door Replacement Prog.	100	9	-91
Bathroom Replacement	2,020	418	-1,602
Extensions	250	20	-230
Lead Water Pipes		3	3
Asbestos Works	500	40	-460
IT Projects		19	19
Open Market Acquisition Remedial Works	200	49	-151
Internal Fees	673		Allocated across the Projects
Sub-total before year end allocations	10,933	1,585	-9,348

14.5%

GENERAL SERVICES CAPITAL SPEND - Quarter 1

Name of Project	Budget 2016/17	(subject to year	Spend (incl	2016/17	(£000s)
	£000	£000	£000	£000	£000
Crookston Care Home	-	80	80		(80)
Haddington Town House - Steeple Work	-	13	13	34	21
Torness Strategic Coordination Centre	100	(85)	15	46	31
Property Renewals	900	-	900	26	(874)
Port Seton Sports Hall	300	-	300		
Whitecraig Community Centre	440	-	440		
Community Intervention	200	-	200		(200)
Red School Prestonpans	-	290	290		(290)
Support for Business - Land Acquisition/Infrastructure/Broadband	200	-	200		(200)
Support for Business - Mid Road Industrial Estate	20	2	22		(22)
Town Centre Re-Generation/Growing our Economy	481	-	481		(481)
Acquisition of St. Josephs	-	-	-		-
Dunbar - Lochend Campus/Additional Classrooms	156	414	570	425	(145)
Sandersons Wynd PS - additional Classrooms	-	6	6		(6)
Dunbar Grammar	1,126	-	1,126		(1,126)
Secondary School Communication Provision	18	60	78	154	76
Letham Primary (temp prov'n Knox Academy)	131	-	131		(131)
Letham Primary	100	-	100		(100)
Pinkie St Peter's PS Extension	18	196	214	76	(138)
Law Primary School	3,988	(143)	3,845	8	(3,837)
Windygoul PS - Permanent Additional Classrooms	847	(495)	352		(352)
Wallyford PS - Temp Units		30	30		(30)
Wallyford PS	450	50	500		(500)
Replacement Vehicles	1,850	-	1,850		(1,850)
Synthetic pitches	75	23	98	1	(97)
Pavilions	210	282	492		(492)

Sports Centres - refurbishment & equipment	200	-	200		(200)
IT Program (corporate and schools)	1,375	-	1,375	227	(1,148)
Core Path Plan Implementation	50	-	50	188	138
Polson Park restoration	-	-	-		-
Machinery & Equipment - replacement	40	-	40		(40)
Cemeteries - Extensions/Allotments	20	867	887		(887)
Coastal Car Parks/Toilets	150	-	150		(150)
Peppercraig Depot Haddington	-	-	-		-
Coastal Protection/Flood	100	97	197		(197)
Promenade Improvements - Fisherrow	-	23	23		(23)
Pencaitland Footpaths	-	60	60		(60)
Cycling Walking Safer Streets	112	-	112		(112)
East Linton Rail Stop/Infrastructure	-	25	25		(25)
Roads	5,400	-	5,400	1,261	(4,139)
Parking Improvements / North Berwick phase 1	300	542	842		(842)
Purchase of New Bins/Food Waste Collection	90	51	141	50	(91)
Early years provision	-	1,000	1,000	62	(938)
Construction Academy	-	295	295		(295)
New ways of working	414	-	414	3	(411)
Prestonpans Shared Facility	93	-	93		(93)
Carberry Landfill Gas management	250	-	250		(250)
Town Centre Toilets re-furbishment/New Provision	100	-	100		(100)
East Saltoun School/Community Hall	400	-	400		(400)
sub-total before year end allocations	20,704	3,683	24,387	2,560	(21,087)
Capital Plan Fees/Internal Recharges	1,370	-	1,370		(1,370)
TOTAL	22,074	3,683	25,757	2,560	(22,457)