

Finance and Resources Committee

10.00am, Thursday, 3 November 2016

Resources Directorate - Revenue Budget Monitoring 2016/17 - Month Five position

Item number 7.5

Report number

Executive/routine

Wards

Executive Summary

The report sets out the projected half-year revenue monitoring position for the Resources Directorate, based on actual expenditure and income to the end of August 2016 and expenditure and income projections for the remainder of the financial year.

The report advises of a balanced year-end projection for the Resources Directorate revenue budget for 2016/17. The attainment of this position is subject to undertaking ongoing action to deliver a number of approved savings and active management of significant risks and pressures.

Links

Coalition Pledges [P30](#)

Council Priorities [CP13](#)

Single Outcome Agreement [SO1](#), [SO2](#), [SO3](#), [SO4](#)

Resources Directorate - Revenue Budget Monitoring 2016/17 - Month Five position

1. Recommendations

- 1.1 It is recommended that the Finance and Resources Committee notes:
 - 1.1.1 Resources Directorate is currently projecting expenditure within the approved revenue budget for 2016/17; and
 - 1.1.2 the risks to the achievement of a balanced revenue budget projection.

2. Background

- 2.1 The Council's Financial Regulations require submission of quarterly monitoring reports on service financial performance to the Finance and Resources Committee.
- 2.2 This report advises on the projected outturn for the Resources Directorate revenue budget for 2016/17 based on the position after five months of the financial year.

3. Main report

Month Five Position

- 3.1 Resources Directorate revenue budget for 2016/17 is £133.267m. The increased level of budget in the Resources Directorate from that reported at month three is due to the ongoing process to re-align budgets to reflect the Council's organisation structure as the Transformation Programme is progressed. The budget is stated after inclusion of approved savings of £8.541m.
- 3.2 The period five projection is for expenditure to be within approved budget for 2016/17. Forecast savings include achievement of Transformation Programme employee cost savings from phase one of Transformation Programme Organisational reviews.
- 3.3 A forecast shortfall in internal recharges by Legal Services, arising due to a number of vacant fee-earning posts is now being mitigated by recruitment to the vacant posts, following implementation of the Legal Services Organisational Review and by offsetting savings in Human Resources service, arising through posts currently held vacant.
- 3.4 An analysis of the projection by service area is provided in Appendix 1.

Savings Implementation Plans

- 3.5 The revenue budget approved by Council on 21 January 2016, requires Resources Directorate to achieve incremental savings of £8.541m in 2016/17. These are detailed in Appendix 2.
- 3.6 Savings implementation plans have been developed and revenue budget monitoring reports are considered by Resources Management Team on a regular basis.
- 3.7 With the exception of £0.293m of Asset Management Strategy savings and the forecast pressure on internal recharge recoveries by Legal Services identified at paragraph 3.3, all other savings are forecast to be fully achieved in 2016/17 and are therefore classified as 'green'.
- 3.8 The Asset Management Strategy programme is developing savings plans from organisational redesign, estate rationalisation and rental income. Alternative measures, including management of vacant posts and additional income recoveries from internal recharges, have been implemented to achieve the net savings target of £0.8m in 2016/17, pending realisation of Asset Management Strategy savings in 2017/18.
- 3.9 A shortfall in Customer savings of £0.9m from delays in the Review implementation dates is being offset by savings from vacant posts held for the period prior to Review implementation. The savings target remains on track to be achieved in both 2016/17 and 2017/18.

Risks

- 3.10 There remain a number of risks in the Resources Directorate revenue budget. Key risks are:
- Demand for payment of Discretionary Housing Payment (DHP) exceeding available resources. At this stage in the financial year, there is sufficient evidence to indicate this risk is minimised. To mitigate this risk, payment thresholds will continue to be monitored and will be reviewed, if required;
 - Risk of under-recovery of Council Tax and Non-Domestic Rates intervention income. Income will continue to be monitored for the remainder of the year. It should be noted that the level of income achievable is not fully known with certainty until the year end; and
 - Risk of savings not being fully achieved. While there is evidence of significant progress towards the achievement of all savings targets, full realisation of targets will continue to be tracked and reported to service management teams. Alternative savings measures will be developed, where a risk emerges as to the achievement of existing savings proposals.

Contingency Planning

- 3.11 A service contingency of £0.160m will be used to mitigate any residual service financial risks in 2016/17.

4. Measures of success

- 4.1 Resources Directorate final outturn for 2016/17 is within budgeted levels and the service meets performance targets.

5. Financial impact

- 5.1 The report projects Resources Directorate expenditure and income will be within approved budget. Attainment of this position is subject to active management of financial risks and, where appropriate, the taking of timely remedial action.

6. Risk, policy, compliance and governance impact

- 6.1 The delivery of expenditure within the approved revenue budget for 2016/17 is the key target. The risk of budget pressures arising throughout the course of the financial year will continue to be regularly monitored and reviewed and management action taken as appropriate.

7. Equalities impact

- 7.1 There are no direct equalities impact implications arising from this report. All budget proposals are subject to an initial relevance and proportionality assessment and, where appropriate, a formal Equalities and Rights Impact Assessment is then undertaken. The equalities and rights impacts of any substitute measures identified to address savings shortfalls are similarly assessed.

8. Sustainability impact

- 8.1 There is no direct relevance of the report's contents to impacts on carbon, adaptation to climate change and sustainable development. The Council's revenue budget includes expenditure impacting upon carbon, adaptation to climate change and contributing to sustainable development. In addition, all budget proposals are now subject to an upfront assessment across these areas.

9. Consultation and engagement

- 9.1 There is no direct relevance to the report's contents. The Council undertook a budget engagement exercise when developing the 2016/17 revenue budget.

10. Background reading/external references

- 10.1 Resources Directorate - Revenue Budget Monitoring 2016/17 - month three position report to Finance and Resources Committee 18 August 2016.
- 10.2 Resources Directorate service monitoring statement for period five.

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11. Links

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|---------------------------------|---|
| Coalition Pledges | P30 – Continue to maintain a sound financial position including long term financial planning |
| Council Priorities | CP13 - Transformation, workforce, citizen and partner engagement, budget |
| Single Outcome Agreement | SO1 – Edinburgh’s economy delivers increased investment, jobs and opportunities for all SO2 – Edinburgh’s citizens experience improved health and wellbeing, with reduced inequalities in health SO3 – Edinburgh’s children and young people enjoy their childhood and fulfil their potential SO4 – Edinburgh’s communities are safer and have improved physical and social fabric |
| Appendices | Appendix 1 – Resources Directorate Revenue Budget Monitoring 2016/17 - Month Five position Appendix 2 - Resources Directorate - Approved Revenue Budget Savings 2016/17. |

Appendix 1

Resources Directorate

Revenue Budget Monitoring 2016/17

Month Five position

Forecast Revenue Outturn by Service Area

| | Revised Budget | Projected Outturn | Projected Variance | Adverse / Favourable |
|------------------------------------|----------------|-------------------|--------------------|----------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Customer | 28,095 | 28,095 | 0 | - |
| Finance | 6,608 | 6,608 | 0 | - |
| Human Resources | 4,221 | 3,991 | (230) | Fav |
| Legal and Risk | 1,411 | 1,776 | 365 | Adv |
| Property | 91,744 | 91,744 | 0 | - |
| Directorate and service-wide costs | 1,028 | 1,028 | 0 | - |
| Service contingency | 160 | 25 | (135) | Fav |
| Total Net Expenditure | 133,267 | 133,267 | 0 | - |

Appendix 2

Resources Directorate: Approved Revenue Budget Savings 2016/17

| Service | Saving Description | 2016/17 £'000 | Red/Amber/Green assessment |
|-----------------|--|------------------|--|
| Customer | Transformation : Organisational Review | 4,577 | |
| Customer | Priority Based Planning : Revenues and Benefits, Contact Centre, HR and Payroll Service Centre | 484 | |
| Customer | Budget Framework 2014-18 : Increase Council Tax Collection | 311 | |
| Customer | Budget Framework 2014-18 : Workforce saving | 114 | |
| Customer | Transformation: agency staff | 276 | |
| Customer | Transformation : reduce overtime | 48 | |
| Finance | Transformation : Organisational Review | 340 | |
| Finance | Priority Based Planning : Rationalise service accounting teams | 350 | |
| Finance | Budget Framework 2014-18 : Workforce saving | 26 | |
| Finance | Transformation : agency staff | 38 | |
| Human Resources | Transformation : Organisational Review | 301 | |
| Human Resources | Transformation : agency staff | 2 | |
| Human Resources | Transformation : reduce overtime | 4 | |
| Human Resources | Budget Framework 2014-18 : Workforce saving | 26 | |
| Legal and Risk | Transformation : Organisational Review | 322 | Mitigated by other savings (para 3.3) |
| Legal and Risk | Budget Framework 2014-18 : Workforce saving | 11 | |
| Property | Asset Management Strategy (net saving) | 800 | £0.293m pressure mitigated by other savings (paragraphs 3.7 and 3.8) |
| Property | Property Conservation Service | 500 | |
| Service-wide | Increase in discretionary income | 11 | |
| | TOTAL | 8,541 | |