

Finance and Resources Committee

10.00am, Tuesday, 5 September 2017

Resources Directorate - Revenue Budget Monitoring 2017/18 - Month Three position

Item number	7.5
Report number	
Executive/routine	
Wards	

Executive Summary

The report sets out the projected three-month revenue monitoring position for the Resources Directorate, based on actual expenditure and income to the end of June 2017 and expenditure and income projections for the remainder of the financial year.

The report advises of a £0.5m underspend for the Resources Directorate revenue budget for 2017/18. The attainment of this position is subject to undertaking ongoing action to deliver approved savings together with active management of significant risks and pressures.

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1. Recommendations

- 1.1 It is recommended that the Finance and Resources Committee notes:
 - 1.1.1 Resources Directorate is currently projecting a £0.5m underspend for 2017/18; 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 2017/18 based on the position after three months of the financial year.

3. Main report

Month Three Position

- 3.1 Resources Directorate revenue budget for 2017/18 is £165.619million. The budget is stated after inclusion of approved savings of £10.426million.
- 3.2 The period three projection reflects an underspend of £0.5m, which relates to acceleration of 2018/19 savings delivery across the Resources Directorate.. Forecast savings include achievement of Transformation Programme employee cost savings from Transformation Programme Organisational reviews.
- 3.3 An analysis of the projection by service area is provided in Appendix 1.

Savings Implementation Plans

- 3.4 The revenue budget approved by Council on 9 February 2017 requires Resources Directorate to achieve incremental savings of £10.426million in 2017/18. These are detailed in Appendix 2.
- 3.5 Savings implementation plans have been developed and revenue budget monitoring reports are considered by Resources Management Team on a regular basis.

- 3.6 The Asset Management Strategy savings target of £0.8m in 2017/18 is forecast to be achieved through additional rental income. The Asset Management Strategy programme is continuing to develop sustainable plans to achieve savings from organisational redesign, estate rationalisation and rental income, to meet targets of £5.8m in 2018/19 and a further £0.4m for 2019/20 – a cumulative total of £6.2m by 2019/20.
- 3.7 Internal recoveries of employee costs by Legal Services is forecast to be achieved within the income target for 2017/18. This position is subject to a risk of under-recovery, if rechargeable work is not as high as anticipated. The achievement of the income target will therefore be tracked monthly.
- 3.8 Customer savings targets for 2017/18 are on track to be achieved. Savings are mainly forecast to be achieved from a reduction in employee costs in Business Support and Transaction processing and through improved Council Tax collection. £0.932m of savings will be achieved from one-off measures prior to implementation of business cases for printing (annual savings £0.432m) and robotics (annual savings £0.500m) in 2018/19.

Risks

- 3.9 There remain a number of significant financial risks in the Resources Directorate revenue budget for 2017/18. Key risks are:
- 3.9.1 the Council's ICT contract with CGI Limited is subject to ongoing volume usage diligence. Following diligence, there is a risk that contract volumes are at variance with contract assumptions. To mitigate this risk, the financial impact of contract diligence will be tracked until diligence is concluded;
 - 3.9.2 2017/18 Transformation savings not being fully achieved. While there is evidence of significant progress towards the achievement of all savings targets and mitigating measures identified where savings targets are not being fully achieved during 2017/18, full realisation of savings 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;
 - 3.9.3 delay in implementation of Asset Management Strategy (AMS) Facilities Management Phase 3b. Net savings of £17,000 are assumed for 2017/18, based on implementation in December 2017. A delay beyond this date will result in a net cost to the service; and
 - 3.9.4 under-recovery of Council Tax and Non-Domestic Rates intervention income. Income will be monitored for the remainder of the year, although the level of actual income achieved in any year is not known with full certainty until the year end.

Contingency Planning

- 3.10 A service contingency of £0.126million will be used to mitigate any residual service financial risks in 2017/18.

4. Measures of success

- 4.1 Resources Directorate final outturn for 2017/18 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 2017/18 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 2017/18 revenue budget.

10. Background reading/external references

[Revenue budget framework 2017/21 – update](#): City of Edinburgh Council, 9 February 2017

[Revenue and Capital Budget Framework 2017/21 – further update](#): City of Edinburgh Council, 9 February 2017

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11. Appendices

Appendix 1 - Resources Directorate Revenue Budget Monitoring 2017/18 - Month Three position

Appendix 2 - Resources Directorate - Approved Revenue Budget Savings 2017/18.

Appendix 1

Resources Directorate

Revenue Budget Monitoring 2017/18

Month Three position

Forecast Revenue Outturn by Service Area

	Revised Budget	Projected Outturn	Projected Variance	Adverse / Favourable
	£'000	£'000	£'000	£'000
Customer	26,164	26,164	0	-
Finance	5,999	5,999	0	-
Human Resources	5,091	5,091	0	-
Legal and Risk	1,262	1,262	0	-
Property and Facilities Management	95,785	95,785	0	-
Directorate and service-wide costs	944	944	0	-
ICT	30,248	30,248	0	-
Service Wide - contingency/ acceleration of savings	126	(374)	(500)	-
Total Net Expenditure	165,619	165,119	(500)	-

Appendix 2

Resources Directorate: Approved Revenue Budget Savings 2017/18

Service	Saving Description	2017/18 £'000	Red/Amber/Green assessment
Service-wide	Employee turnover savings	339	
Service-wide	Agency staffing	422	
Service-wide	Income	74	
Service-wide	Develop workforce plans and review staffing mix	230	
Service-wide	Other staffing savings	68	
Property and Facilities Management	Asset Management Strategy	800	
Property and Facilities Management	Savings in borrowing support	50	
Customer	Business Support	3,712	
Customer	Customer Services	1,844	
Customer	Customer Services – Printing and Robotics business cases	932	Slippage on business case implementation fully mitigated in 2017/18.
Customer	Efficiencies across Customer Services	302	
Finance	Audit fee saving	65	
Finance	Finance employee cost savings	376	
Finance	Commercial and Procurement Services employee cost savings	231	
Human Resources	Human Resources employee cost savings	101	
Legal and Risk	Internal Audit and Risk employee cost savings	32	
Legal and Risk	Legal Services increased internal income recharges	290	Internal recharge income target being tracked monthly.
ICT	Digital and ICT employee cost savings	548	
Service-wide	Additional income	10	
	TOTAL	10,426	