

# Finance and Resources Committee

10.00am, Thursday, 16 August 2018

## Resources Directorate - Revenue Budget Monitoring 2018/19 - Month Three position

Item number	7.6
Report number	
Executive/routine	
Wards	City-wide
Council Commitments	

### Executive Summary

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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 May 2018 and expenditure and income projections for the remainder of the financial year.

The Resources Directorate is currently projecting a budget pressure of £1.075m in the Property and Facilities Management Division for 2018/19 due to non-achievement of savings previously assumed from the Asset Management Strategy. The Resources Directorate is progressing the identification of savings measures to offset this budget pressure, both in-year and sustainably for the future, to achieve outturn expenditure in line with the approved revenue budget for 2018/19. The attainment of this position is subject to ongoing actions to deliver all other approved savings together with the active management of risks and pressures.

## Resources Directorate - Revenue Budget Monitoring 2018/19 - Month Three position

### 1. Recommendations

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- 1.1 It is recommended that the Finance and Resources Committee notes:
  - 1.1.1 The Resources Directorate is currently projecting a budget pressure of £1.075m for 2018/19;
  - 1.1.2 The Resources Management Team are progressing the identification of alternative savings measures to achieve outturn expenditure in line with the approved revenue budget for 2018/19. A progress update will be reported to Finance and Resources Committee in October 2018;
  - 1.1.3 the ongoing risks to the achievement of a balanced revenue budget projection for the Directorate.

### 2. Background

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- 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 currently projected outturn for the Resources Directorate revenue budget for 2018/19 based on the position after three months of the financial year.

### 3. Main report

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#### Month Three Position

- 3.1 The Resources Directorate revenue budget for 2018/19 is £160.861m, which incorporates a series of Council wide costs, such as the PPP Schools, rates and utilities expenditure for the operational estate, the external audit fee and the ICT contract.
- 3.2 The period three projection reflects a currently forecast budget pressure of £1.075m arising due to non-achievement of savings previously assumed through the Asset Management Strategy.

- 3.3 The additional Asset Management Strategy savings target for 2018/19 is £4.2m. £1.092m of this additional target is forecast to be securely achieved in 2018/19. A further £0.770m is being progressed towards full delivery in 2018/19.
- 3.4 There is currently a forecast shortfall in Asset Management Strategy savings of £2.338m, which has arisen due to:
- 3.4.1 changes in the FM operating model, from the original FM Services assumed model used to set savings targets;
  - 3.4.2 an increase in the size of floor area of the Council estate supported by FM Services compared to the original FM Services assumed model;
  - 3.4.3 Estate Rationalisation savings being less than planned.
- 3.5 Measures to partially address the budget pressure totalling £1.263m have been identified by the Property and Facilities Management Senior Management Team. These include favourable variances being forecast for utility expenditure and Investment Estate rental income. The Property and Facilities Management Senior Management Team is progressing with identification of other savings measures to achieve outturn expenditure in line with the approved revenue budget for 2018/19. The Executive Director of Resources has also instructed Heads of Service to identify additional savings, in-year, across the Resources Directorate to mitigate this pressure. A further progress update will be reported to Finance and Resources Committee in October 2018.
- 3.6 All other Divisions within Resources Directorate are currently forecasting outturn expenditure within the approved revenue budget for 2018/19. An analysis of the projection by Division is provided in Appendix 1.

### **Savings Implementation Plans**

- 3.7 The revenue budget approved by Council on 22 February 2018 requires Resources Directorate to achieve incremental savings of £9.830m in 2017/18. These are detailed in Appendix 2.
- 3.8 Revenue budget monitoring reports are actively considered by the Resources Management Team on a monthly basis.
- 3.9 As noted at paragraph 3.4, there is currently a shortfall of £2.338m in savings forecast against the assumed Asset Management Strategy savings target of £4.2m for 2018/19. This shortfall is partially mitigated by £1.263m of measures, as identified at paragraph 3.5. Work is ongoing to fully mitigate this shortfall in 2018/19.
- 3.10 The incremental Customer Services savings targets of £1.944m are on course to be achieved. £1.2m of savings, previously planned to be achieved through Process Automation and a Review of Business Support and Shared Services are now forecast to be achieved through vacancy management in Customer and additional external funding for statutory burdens.

- 3.11 Savings implementation in Finance, Human Resources and Legal and Risk has been progressed, with the achievement of savings targets either fully achieved or being satisfactorily progressed.

### **Risks**

- 3.12 Financial risks in the Resources Directorate revenue budget for 2018/19 are:

3.12.1 Asset Management Strategy savings not being fully achieved or mitigated by alternative savings measures. The Resources Management Team is progressing the achievement of all savings targets or identifying mitigating measures where savings targets are not forecast to be fully achieved in 2018/19. Full realisation of savings targets will continue to be tracked and reported to Resources Management Team; and

3.12.2 Internal recoveries of employee costs by Legal Services is subject to a risk of under-recovery, if rechargeable work is not as high as anticipated. The achievement of the income target is tracked monthly.

### **Contingency Planning**

- 3.13 Resources currently has a Directorate-wide contingency of £0.126m to mitigate residual service financial risks in 2018/19, which the Executive Director has not allocated at this point in the financial year.

## **4. Measures of success**

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- 4.1 The Resources Directorate final outturn for 2018/19 is within the approved revenue budget.

## **5. Financial impact**

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- 5.1 The report currently forecasts Resources Directorate projected outturn budget performance to be £1.075m greater than the approved budget. Attainment of a balanced position is the subject of continuing work to identify mitigating measures, active management of financial risks and taking timely remedial action, where any further adverse variances become apparent.

## **6. Risk, policy, compliance and governance impact**

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- 6.1 The delivery of expenditure within the approved revenue budget for 2018/19 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

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- 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

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- 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

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- 9.1 There is no direct relevance to the report's contents. The Council undertook a budget engagement exercise when developing the 2018/19 revenue budget.

## 10. Background reading/external references

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[Revenue Budget Framework 2018/23: Progress Report - referral from the Finance and Resources Committee](#) : City of Edinburgh Council, 22 February 2018

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## 11. Appendices

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Appendix 1 - Resources Directorate Revenue Budget Monitoring 2018/19 - Month Three position

Appendix 2 - Resources Directorate - Approved Revenue Budget Savings 2018/19.

# Appendix 1

## Resources Directorate

### Revenue Budget Monitoring 2018/19

#### Month Three position

#### Forecast Revenue Outturn by Service Area

	Revised Budget	Projected Outturn	Projected Variance	Adverse / Favourable
	£'000	£'000	£'000	
Customer Services and Information Technology	49,940	49,940	0	-
Finance	6,192	6,192	0	-
Human Resources	4,887	4,887	0	-
Legal and Risk	1,113	1,113	0	-
Property and Facilities Management	98,750	99,825	1,075	ADV
Directorate and service-wide costs	203	203	0	-
Service-wide savings and contingency	(225)	(225)	0	-
<b>Total Net Expenditure</b>	<b>160,860</b>	<b>161,935</b>	<b>1,075</b>	<b>ADV</b>

# Appendix 2

## Resources Directorate: Approved Revenue Budget Savings 2018/19

Service	Saving Description	2018/19 £'000	Red/Amber/Green assessment
Customer Services and IT	Reviewing Customer Service structures	444	Green
Customer Services and IT	Automating major processes and transactions for citizens	300	Green
Customer Services and IT	Process Automation Phase 1	800	Amber
Customer Services and IT	Reviewing Business Support and Shared Services	400	Amber
Customer Services and IT	Improving the costs of external ICT services	443	Green
Customer Services and IT	Technology savings (ICT)	600	Green
Finance	Managing major contracts and external spend	250	Green
Finance	Reviewing Finance and Procurement structures	130	Green
Human Resources	Managing Learning and Development expenditure	150	Green
Human Resources	Reviewing Human Resources	137	Amber
Human Resources	Improving occupational health and wellbeing support for staff	175	Green
Legal and Risk	Reviewing Legal and Risk structures	62	Amber
Legal and Risk	Reducing external legal spend	200	Amber
Property and FM Services	Asset Management Strategy (total of £4.200m)	1,092	Green
		770	Amber
		2,338	Red
Property and FM Services	Staff turnover	539	Red
Property and FM Services	Additional capital recharge and rental income	500	Green
Property and FM Services	Revised property insurance arrangements	200	Green
Property and FM Services	Edinburgh Shared Repair Services income	100	Green
Service-wide	Reducing interim management expenditure	200	Amber

	<b>TOTAL</b>	<b>9,830</b>	
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