

Finance and Resources Committee

3.00pm, Tuesday, 4 December 2018

Resources Directorate - Revenue Budget Monitoring 2018/19 - Month Six position

Item number	7.5
Report number	
Executive/routine	
Wards	City-wide
Council Commitments	

Executive Summary

The report sets out the projected six-month revenue monitoring position for the Resources Directorate, based on actual expenditure and income to the end of August 2018 and expenditure and income projections for the remainder of the financial year.

The Resources Directorate is projecting expenditure and income to be within budget for 2018/19, following implementation of a range of budget management measures to contain a budget pressure of £4.073m 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 will continue to progress identification of savings measures to offset any further budget pressures which may emerge, 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 Six position

1. Recommendations

- 1.1 It is recommended that the Finance and Resources Committee notes:
 - 1.1.1 The Resources Directorate is currently projecting expenditure and income to be within budget for 2018/19;
 - 1.1.2 The Resources Management Team will continue to progress identification of savings measures to offset any further budget pressures which may emerge, to achieve outturn expenditure in line with the approved revenue budget for 2018/19;
 - 1.1.3 the ongoing risks to the achievement of a balanced revenue budget projection for the Directorate.

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

3. Main report

Month Six Position

- 3.1 The Resources Directorate revenue budget for 2018/19 is £166.949m. This incorporates a series of Council wide costs, including service costs for PPP Schools, rates and utilities expenditure for the operational property estate, the Council's external audit fee and the ICT contract costs.
- 3.2 The additional Asset Management Strategy savings target for 2018/19 is £4.2m. £0.666m of this additional target is forecast to be achieved in 2018/19, with a further £1.600m contributing towards Asset Management Strategy savings targets approved in previous years.

- 3.3 The period six projection reflects management of a forecast residual budget pressure of £4.073m arising due to non-achievement of savings previously assumed through the Asset Management Strategy and staff turnover in the Property and Facilities Management service.
- 3.4 As reported to Finance and Resources Committee in the report Resources Directorate - Revenue Budget Monitoring 2018/19 - Month Three position, this variance has arisen due to:
- 3.4.1 changes in the Facilities Management (FM) operating model, from the assumed FM Services 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.

A subsequent update - Asset Management Strategy Transformation Programme – Update was provided to Finance and Resources Committee on 27 September 2018.

- 3.5 Measures of £3.314m have been identified by the Property and Facilities Management Divisional Management Team to address the budget pressure for Asset Management Strategy savings (£3.534m) and staff turnover (£0.539m). These include favourable variances being forecast for utility expenditure, Investment Estate rental income and savings from a revised expenditure profile for ICT upgrades in the Edinburgh Shared Repairs Service. The Property and Facilities Management Divisional Management Team is progressing the identification of other savings measures to achieve outturn expenditure in line with the approved revenue budget for 2018/19.
- 3.6 In September 2018, the Executive Director of Resources instructed Heads of Service to identify additional in year savings across the Resources Directorate to mitigate forecast budget pressures.
- 3.7 Savings from a pause in recruitment and enhanced workforce controls were applied from 17 September 2018. The maximum saving from this in 2018/19 is estimated at £0.445m. Exceptions to this recruitment pause are essential posts in the Contact Centre and Transactions Team, including Welfare and Benefits administration and Cleaning, Janitorial, Catering and Facilities Management delivery posts and where organisational reviews have recently been completed and capacity and capability is required, such as the Human Resources Division.
- 3.8 A review of discretionary expenditure has also been implemented, with spending to be ceased or delayed, where there is currently no legal commitment.
- 3.9 Following these reviews, Resources Divisions, excluding Property and Facilities Management are forecasting outturns less than the approved revenue budget for 2018/19, as a result of implementing these robust controls and actions. An analysis of the projection by Division is provided in Appendix 1.

Savings Implementation Plans

- 3.10 The revenue budget approved by Council on 22 February 2018 requires the Resources Directorate to achieve incremental savings of £9.830m in 2017/18. These are detailed in Appendix 2.
- 3.11 Revenue budget monitoring reports are actively considered by the Resources Management Team on a monthly basis.
- 3.12 As noted at paragraph 3.3, there is currently a shortfall of £3.534m in savings forecast against the assumed Asset Management Strategy savings target of £4.2m for 2018/19. This shortfall and the shortfall from staff turnover savings of £0.539m is partially mitigated by £3.314m of measures, as identified at paragraph 3.5. Work is ongoing to fully mitigate this shortfall in 2018/19.
- 3.13 The incremental Customer and Digital 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 Business Support, with additional external funding for statutory burdens.
- 3.14 Savings implementation in Finance, Human Resources and Legal and Risk have been progressed, with the achievement of savings targets either fully achieved or being satisfactorily progressed.

Risks

- 3.15 Financial risks in the Resources Directorate revenue budget for 2018/19 are:
 - 3.15.1 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 and continuing to identify 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
 - 3.15.2 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

- 3.16 Resources currently has a Directorate-wide contingency of £0.126m to mitigate residual service financial risks in 2018/19. It is currently planned to use £0.1m of the contingency to offset forecast budget pressure in Resources Directorate in 2018/19.

4. Measures of success

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

5. Financial impact

- 5.1 The report forecasts Resources Directorate outturn expenditure and income to be within the approved budget for Resources Directorate for 2018/19. 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

- 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

- 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 Integrated 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 2018/19 revenue budget.

10. Background reading/external references

[Resources Directorate - Revenue Budget Monitoring 2018/19 - Month Three](#) position: Finance and Resources Committee, 16 August 2018

[Asset Management Strategy Transformation Programme – Update](#): Finance and Resources Committee, 27 September 2018

[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

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

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

Appendix 1

Resources Directorate

Revenue Budget Monitoring 2018/19

Month Six position

Forecast Revenue Outturn by Service Area

	Revised Budget	Projected Outturn	Projected Variance	Adverse / Favourable
	£'000	£'000	£'000	
Customer and Digital Services	55,293	54,941	(352)	FAV
Finance	6,337	6,237	(100)	FAV
Human Resources	4,733	4,652	(81)	FAV
Legal and Risk	1,349	1,381	32	ADV
Property and Facilities Management	99,011	99,770	759	ADV
Directorate and service-wide costs, including balance of forecast savings from recruitment pause and discretionary expenditure controls.	226	(32)	(258)	FAV
Total Net Expenditure	166,949	166,949	0	-

Appendix 2

Resources Directorate: Approved Revenue Budget Savings 2018/19

Service	Saving Description	2018/19 £'000	Red/Amber/Green assessment
Customer and Digital Services	Reviewing Customer Service structures	444	Green
Customer and Digital Services	Automating major processes and transactions for citizens	300	Green
Customer and Digital Services	Process Automation Phase 1	800	Amber
Customer and Digital Services	Reviewing Business Support and Shared Services	400	Amber
Customer and Digital Services	Improving the costs of external ICT services	443	Green
Customer and Digital Services	Technology savings (ICT)	600	Green
Customer and Digital Services	Reducing interim management expenditure	200	Amber
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	Green
Human Resources	Improving occupational health and wellbeing support for staff	175	Green
Legal and Risk	Reviewing Legal and Risk structures	62	Green
Legal and Risk	Reducing external legal spend	200	Amber
Property and FM Services	Asset Management Strategy (total of £4.200m)	491	Green
		175	Amber
		3,534	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
	TOTAL	9,830	