

# Finance and Resources Committee

10.00am, Thursday, 15 August 2019

## Resources Directorate - Revenue Budget Monitoring 2019/20 - Month Three position

Executive/routine	
Wards	City-wide
Council Commitments	

### 1. Recommendations

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It is recommended that the Finance and Resources Committee notes:

- 1.1 The Resources Directorate is currently projecting a budget pressure of £0.940m for 2019/20;
- 1.2 The Resources Management Team will continue to progress the identification of savings measures to offset this budget pressure to achieve outturn expenditure in line with the approved revenue budget for 2019/20;
- 1.3 the ongoing risks to the achievement of a balanced revenue budget projection for the Directorate.

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# Report

## Resources Directorate - Revenue Budget Monitoring 2019/20 - Month Three position

### 2. Executive Summary

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- 2.1 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 2019 and expenditure and income projections for the remainder of the financial year.
- 2.2 The Resources Directorate is currently projecting a budget pressure of £0.940m for 2019/20. The Directorate will continue to progress identification of savings measures to offset this budget pressure, to achieve outturn expenditure in line with the approved revenue budget for 2019/20. 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.

### 3. Background

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- 3.1 The Council's Financial Regulations require submission of quarterly monitoring reports on service financial performance to the Finance and Resources Committee.
- 3.2 This report advises on the currently projected outturn for the Resources Directorate revenue budget for 2019/20 based on the position after three months of the financial year.

### 4. Main report

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- 4.1 The Resources Directorate revenue budget for 2019/20 is £157.064m. This incorporates a series of Council wide budgets, 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 cost.
- 4.2 The period three projection reflects a forecast net budget pressure of £0.940m. £1.014m of budget pressure is forecast in the Property and Facilities Management Division arising due to:

- 4.2.1 recurring budget pressures from 2018/19 from a shortfall of £0.942m against Asset Management Strategy savings targets;
  - 4.2.2 a current shortfall against the Service Design Programme savings target of £0.159m;
  - 4.2.3 a current shortfall of £0.770m against the 2019/20 1.55% efficiency savings target;
  - 4.2.4 other net budget pressures of £0.277m, which includes budget pressures for the Commercial Property Investment Estate rental income and Computer Assisted Facilities Management (CAFM) system implementation and support costs.
- 4.3 These budget pressures are forecast to be partly mitigated by a saving of £1.134m in the budget for non-domestic rates for the Council's operational properties, covering the period 2017-2020. The anticipated reduction in rates liabilities is dependent on the outcome of property rating revaluation appeals and therefore carries risk until revised rates revaluations are confirmed. Confirmation is anticipated in early October 2019.
- 4.4 Recurring budget pressures from the Asset Management Strategy Transformation Programme have arisen due to:
- 4.4.1 Committee decisions to alter the Facilities Management (FM) operating model, from the assumed FM Services model used to set savings targets, such the retention of a 5 day a week cleaning service and increased janitorial service provision compared to the proposed model;
  - 4.4.2 an increase in the size of the floor area of the Council's operational estate being required to be supported by FM Services when compared to the original FM Services assumed model. This demand led increase in FM costs resulted without adequate additional revenue allocation being provided to offset these rising demands primarily from the education estate;
  - 4.4.3 Estate Rationalisation savings being less than planned.
- 4.5 All other planned savings for the Resources Directorate are currently forecast to be achieved in 2019/20, with budget pressures forecast to be fully mitigated. However, the Committee is advised that 2019/20 is already proving to be an extremely challenging year for the Resources Directorate, with significant capacity and capability reductions having been made in all 5 Divisions over a number of successive years. This means that any additional reductions proposed to be made in future years will require Members to carefully balance the potential risks against the need to ensure the Council maintains robust governance, internal controls and a wholly effective three lines of defence model enabled by professional corporate services teams. For other elements of the Directorate to be reduced further, then

Members will need to equally give consideration to the critical role of Customer Contact and Transactions in delivering continued strong performance in respect of Council Tax and Non-Domestic Rates collection, as well as effective welfare and benefits administration on behalf of citizens. Other areas equally contribute substantial income or underwrite their own costs, such as through the effective management of the Commercial Property Investments portfolio, or through the internal recharging of Legal Services.

- 4.6 Further tightening of the already robust workforce controls and controls on discretionary expenditure have been implemented within the Directorate, with spending ceased or delayed, where no legal commitment exists. Through the implementation of these further “grip and control” measures across all 5 Divisions, the Resources Directorate will address the currently forecast net budget pressure of £0.940m and will seek to achieve a balanced outturn within the approved revenue budget for 2019/20. An analysis of the current projection at Month 3 by each of the Divisions is provided in Appendix 1.
- 4.7 The revenue budget approved by Council on 21 February 2019 required the Resources Directorate to achieve further savings of £8.283m in 2019/20. These are detailed in Appendix 2.
- 4.8 £5.952m (72%) of these new savings requirements are already forecast to be on track for full delivery and are assessed as ‘Green’. Progress is being made towards the delivery of a further £2.005m (24%) and these savings are currently assessed as ‘Amber’. There is currently insufficient evidence to be confident and assured that £0.326m (4%) of the new savings requirements are being progressed towards full delivery. Progress towards the successful delivery of savings plans is rigorously reviewed by the Executive Director and Heads of Service on a monthly basis.
- 4.9 The financial risks to the Resources Directorate revenue budget for 2019/20 include:
- 4.9.1 Approved savings within Customer and Digital Services, which are dependent on delivery and implementation of new technologies. Customer and Digital Services retains an ear-marked balance to mitigate a limited level of project slippage. It is anticipated this balance will mitigate this risk for 2019/20 only;
- 4.9.2 The requirement to achieve savings in the Customer and Digital Services budget to compensate for a reduction of £0.352m in Department of Work and Pensions Housing Benefit Administration Subsidy;
- 4.9.3 A potential shortfall in the recovery of Legal Services costs against the budgeted level of recharges. The potential risk is assessed as being between £0.2m and £0.4m. The Legal and Risk Divisional Management Team are actively tracking and reviewing recovery rates on a monthly basis, to identify if alternative mitigating measures will require to be implemented;

4.9.4 The outcome of property rating revaluation appeals for non-domestic rates within the Council's operational estate. Confirmation is anticipated in early October 2019.

## **5. Next Steps**

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5.1 Continuing work to identify mitigating measures through further workforce and discretionary expenditure controls to manage financial risks and taking timely remedial action, where any further adverse variances become apparent.

## **6. Financial impact**

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6.1 The report forecasts a budget pressure of £0.940m for the Resources Directorate for 2019/20. Attainment of a balanced year-end 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.

## **7. Stakeholder/Community Impact**

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7.1 There is no direct relevance to the report's contents. The Council undertook a budget engagement exercise when developing the 2019/20 revenue budget.

7.2 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.

## **8. Background reading/external references**

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8.1 None

## **9. Appendices**

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9.1 Appendix 1 - Resources Directorate Revenue Budget Monitoring 2019/20 - Month Three position

9.2 Appendix 2 - Resources Directorate: Revenue Budget Savings and Pressures 2019/20

# Appendix 1

## Resources Directorate

### Revenue Budget Monitoring 2019/20

#### Month Three position

#### Forecast Revenue Outturn –by Division

	Revised Budget	Projected Outturn	Projected Variance	Adverse / Favourable
	£'000	£'000	£'000	
Customer and Digital Services	49,034	49,034	0	-
Finance	6,818	6,744	(74)	FAV
Human Resources	4,674	4,674	0	-
Legal and Risk	1,398	1,398	0	-
Property and Facilities Management	95,035	96,049	1,014	ADV
Executive Director and Directorate wide costs	105	105	0	-
<b>Total Net Expenditure</b>	<b>157,064</b>	<b>158,004</b>	<b>940</b>	<b>-</b>

# Appendix 2

## Resources Directorate: Revenue Budget Savings and Pressures 2019/20

Division	Saving Description	2019/20 £'000	Red/Amber/Green assessment
Customer and Digital Services	Digital Services Organisational Review	450	Green
Customer and Digital Services	ICT/CGI Partnership Arrangements	50	Green
Customer and Digital Services	Print and Mail Strategy	90	Amber
Customer and Digital Services	Business Support Organisational Review	1,000	Green
Customer and Digital Services	ICT Partnership – Contract Optimisation	1,200	Green
Customer and Digital Services	1.55% efficiency saving (total of £0.656m)	389	Green
		100	Amber
		167	Red
Customer and Digital Services	Upfront Payments	200	Amber
Directorate	Executive Director contingency	126	Green
Human Resources	Corporate Learning and Development	250	Green
Legal and Risk	Monitoring Officer	107	Green
Finance, HR, Legal and Risk	1.55% efficiency saving	136	Green
Property and FM	Edinburgh Shared Repairs Service	218	Green
Property and FM	Property Maintenance additional investment	850	Green
Property and FM	Service Design (total of £0.250m)	91	Green
		159	Red
Property and FM	Appeal of Non-Domestic rates	800	Amber
Property and FM	Increasing Income - Castle Terrace Car Park	500	Green
Property and FM	Additional advertising income (total of £0.470m)	70	Green
		400	Amber
Property and FM	Investment portfolio rationalisation	415	Amber
Property and FM	Management and Investment Estate Savings	515	Green
	<b>TOTAL</b>	<b>8,283</b>	

### SUMMARY

	£'000	%
Green assessed	5,952	72
Amber assessed	2,005	24
Red assessed	326	4
<b>TOTAL</b>	<b>8,283</b>	<b>100</b>