

Department of Finance Revenue Budget Monitoring 2008/09 Month 6 Position - To 30th September 2008

Finance and Resources Committee

11th November 2008

1 Purpose of Report

To advise the Finance and Resources Committee of the revenue monitoring position after 6 months of the financial year and provide an update on the projected out turn for year 2008/09.

2 Summary

- 2.1 The department is projecting a breakeven position for 2008/09. In addition there is £135,000 available in the departmental contingency fund. It has been presumed that the cost of the single person discount review will be met from Council Tax funds. Costs of £281,000 have been incurred in the current financial year to undertake this work.
- 2.2 The main pressures on the Finance Department budget are currently; the Pathfinder procurement project £300,000 and central support income £160,000.
- 2.3 The funding for these pressures has been met by drawing down from the departmental contingency fund in addition to savings identified within Financial Services and Payments and Procurement budgets.
- 2.4 There are also a number of risks which have been identified, including e-HR and Payroll savings in Payments and Procurement division and Staffing and ICT costs in Revenues and Benefits. These are reviewed each month by the relevant managers.

3 Main Report

- 3.1 The approved budget for the Finance Department in the current year is £12.722m. This budget was based upon the department achieving efficiency savings of £0.566m.
- 3.2 Virements totaling £5,000 have been processed, relating to savings being applied in connection with the e-Hr project and carry forward of funds under budget flexibility. The revised budget, after allowing for these virements, is £12.717m.

Divisional Analysis

3.3 A divisional analysis of the period 6 position is shown in the table below:

Table 1: Divisional Analysis

	Revised Budget £000	Month 6 Projected Outturn £000	Month 6 Projected Variance £000	Month 4 Projected Outturn £000	Move- ment	Adv/ Fav
Revenues and Benefits	3,003	3,057	54	3,127	(70)	Fav
Payments and Procurement	6,060	6,160	100	6,177	(17)	Fav
Financial Services	7,624	7,564	(60)	7,617	(53)	Fav
Central support income	(4,360) ¹	(4,199)	161	(4,360)	161	Adv
Total (ex contingency)	12,327	12,582	255	12,561	21	Adv
Contingency Fund	390	135	(255)	36	99	Adv
Total	12,717	12,717	0	12,597	120²	

Revenues and Benefits

3.4 There is a projected overspend of £54,000. This relates to overspends of £64,000 on employee costs, £51,000 on miscellaneous ICT costs, and a projected shortfall of NDR intervention income of £75,000. This is offset by projected additional Council Tax intervention income of £53,000, £42,000 on interest received on sundry debt collected, £21,000 from Scottish Water, and increase in HB/CTB subsidy of £20,000.

Payments and Procurement

3.5 There is a projected overspend of £100,000. This relates to an underspend in staffing costs offset by additional costs of £300,000 relating to the Pathfinder procurement project as approved by the Finance and Resources Committee in September.

Financial Services

3.6 There is an underspend of £60,000, which is in respect of current staffing vacancies.

Contingency Fund

3.7 The department had established a contingency of £390,000. This represented 1% of gross expenditure plus £120,000 carried forward from 2007/08 using budget flexibility. This has been reduced by £255,000 mainly due to the expenditure in respect of Pathfinder procurement costs as detailed in 3.6.

Central Support Income

3.8 There is a projected shortfall in central support income of £161,000. This is due to a shift in work between clients, resulting in a reduction in charges to Housing and STO's.

¹ Budgets have been realigned from period 4 report to show central support income separately

² £120,000 budget flexibility virement made since P4

3.9 Management Action

In order to keep expenditure within budget the Director of Finance will:

- (a) Maintain staffing levels at those projected.
- (b) Continue discussions with Councils, the Scottish Government and Scotland Excel regarding sharing of costs of the Pathfinder procurement project.

Budget Savings

3.10 The Finance Department budget for 2008/09 was set on the basis of the following savings:

	£000
Further efficiencies from Integration of Financial Services	125
Efficiency from review of Payments and Procurement	64
Efficiency from review of Payroll Services	200
Defer Electronic Mobile working project implementation	105
Increase staff turnover factor	66
20% reduction in publications expenditure	6
	<hr/>
Total	566

3.11 These savings are all on target to be achieved by the Department as detailed in Appendix 2.

3.12 Staffing levels have been reduced within Payments and Procurement to reflect savings assumed for the e-HR project, the Payroll review and Procurement restructuring.

3.13 Revenues and Benefits are aiming to achieve a challenging staff turnover budget by strictly controlling staffing costs and attempting to maximize income.

3.14 Financial Services continue to achieve savings in relation to Integration of Financial Services.

Risks

3.15 In addition to the pressures already identified in the period 6 forecast, the financial position for 2008/09 is subject to a number of risks. The most significant of which are considered to be:

- a) Staff Turnover, risk that this will not be achieved.
- b) ICT costs, risk of unbudgeted charges.
- c) Intervention Income, risk of income budget not being achieved.
- d) e-HR savings, risk of not being achieved due to project slippage.
- e) Payroll services review savings, risk of not being achieved due to project slippage.
- f) Pathfinder procurement, risk of project costs overrunning.

3.16 A detailed risk register for the department's budget, is included as Appendix 1.

Contingency Planning

3.17 Following the budget setting process, the Finance Department had established a contingency of £270,000, by reductions in discretionary expenditure. This represented 1% of the department's gross revenue budget. This has been increased by £120,000 carried forward from 2007/08.

3.18 The period 6 forecast assumes that the Department will need to draw down £255,000 from this contingency fund.

4 Financial Implications

There are no direct financial implications arising from this report.

5 Environmental Impact

There are no adverse environmental impacts arising from this report.

6 Conclusions

6.1 At period 6 the Finance Department is projecting that spend will be contained within the current budget.

6.2 The achievement of this is dependant upon budget and divisional managers ensuring that staffing costs are not increased beyond the position reported without additional funding being identified.

6.3 The budget for 2008/09 includes efficiency savings totaling £0.566m. At period 6, it is projected that these savings can be met, although detailed monitoring is required to ensure that savings remain on target.

6.4 In addition to the position reflected at period 6 there are a number of risks in the Department's budget, including risk of non achievement of income targets.

7 Recommendations

It is recommended that Finance and Resources Committee:

- a) Notes that the Finance Department is currently projecting a breakeven position for 2008/09.
- b) Notes the efficiency savings included in the budget are anticipated to be achieved.
- c) Note the risks in the Finance Department Budget.



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Director of Finance

3rd November 2008

Appendices	1 – Financial Risk Register 2 – Savings Review
Contact/tel/e-mail	Laura Duncan: 0131 529 6244 laura.duncan@edinburgh.gov.uk
Wards affected	None
Background Papers	None

Appendix 1 - Risk Register

Finance and Resource Committee

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Risk	Indicative value of potential Pressure £	Treatment(s)	Risk Owner	Timescale	Status
Staff Turnover factor: Risk this will not be achieved	290,000	Budget managers now receiving detailed monthly reports. Detailed employee information to be prepared and sent to budget managers	Head of Revenues and Benefits	In place for period 3	Complete-ongoing review required.
Agency temps/ Overtime: Currently no budget	200,000	Detailed agency temps and overtime analysis to be provided by Financial services. SPD business case costs to be monitored closely.	Head of Revenue and Benefits	In place for period 3	Assumed that no agency temps from 30 th September 2008 and £20k overtime budget from this date.
ICT costs	50,000	Monthly detailed monitoring of ICT costs including commitments provided by Financial Services to cost centre manager	Head of Revenue and Benefits	In place for period 3	Complete - Updated at period 4.
Intervention Income: Risk that budget will not achieved	200,000	Ensure all warrants raised timeously and income maximised	Head of Revenue and Benefits	Ongoing	

Risk	Indicative value of potential Pressure	Action	Responsibility	Timescale	Status
E HR savings	120,000	Staff savings to be reviewed monthly to ensure achievable. Delays to roll out may require savings to be re-apportioned to realise benefits over a shorter period.	Head of Payments and Procurement	In place for period 3	Complete-ongoing review required
Payroll services review	200,000	Detailed employee cost monitoring produced monthly for cost centre managers	Head of Payments and Procurement	In place for period 3	Complete-ongoing review required
Additional project costs associated with Pathfinder Procurement	tbd	Monthly monitoring being undertaken	Head of Payments and Procurement	Monthly monitoring in place for period 7	On-going

