

Finance and Resources Committee

10.00am, Friday, 1 February 2019

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

Item number	7.2
Report number	
Executive/routine	
Wards	City-wide
Council Commitments	

Executive Summary

The report sets out the projected nine-month revenue monitoring position for the Resources Directorate, based on actual expenditure and income to the end of November 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 £4.104m in the Property and Facilities Management Division, due to non-achievement of savings previously assumed from the Asset Management Strategy and employee vacancies. 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 Nine 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 nine months of the financial year.

3. Main report

Month Nine Position

- 3.1 The Resources Directorate revenue budget for 2018/19 is £167.702m. 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 cost.
- 3.2 The additional Asset Management Strategy savings target for 2018/19 is £4.2m. £0.635 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 nine projection reflects management of a forecast residual budget pressure of £4.104m arising due to non-achievement of savings previously assumed through the Asset Management Strategy and staff turnover in Property and Facilities Management.
- 3.4 As reported to Finance and Resources Committee in the report Resources Directorate - Revenue Budget Monitoring 2018/19 - Month Six 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.
- 3.5 Measures of £3.373m have been identified by the Property and Facilities Management Senior Management Team to address the budget pressure of £4.104m. These include favourable variances being forecast for utility expenditure, Investment Estate rental income and savings from a revised expenditure profile for ICT upgrades. This leaves a residual budget pressure of £0.731m to be addressed elsewhere within Resources Directorate.
- 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 residual budget pressures.
- 3.7 Savings of £0.762m are forecast to be achieved from a pause in recruitment, enhanced workforce controls and the 2018/19 impact of the HR Organisational Review. As reported to Finance and Resources Committee on 4 December 2018, exceptions have been made to this recruitment pause for essential posts in the Contact Centre and Transactions Team, including Welfare and Benefits administration and Cleaning, Janitorial, Catering and Facilities Management delivery posts.
- 3.8 A review of discretionary expenditure has also been implemented, with spending ceased or delayed, where no legal commitment exists.
- 3.9 Following implementation of these measures, Resources Directorate is forecasting outturn within the approved revenue budget for 2018/19. 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 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 considered by the Resources Management Team monthly.

- 3.12 As noted at paragraph 3.3, there is currently a shortfall of £4.104m in savings forecast against the 2018/19 savings targets for Asset Management Strategy and staff turnover savings. This is partially mitigated by £3.373m of measures, as identified at paragraph 3.5. The residual budget pressure of £0.731m is fully offset by savings identified by other Divisions within Resources Directorate. Following previous recommendation by the Council's Internal Audit service, the report provides an analysis of the alternative savings measures at Appendix 3.
- 3.13 The incremental Customer 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.
- 3.14 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

- 3.15 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 and is currently forecast to be achieved within target.

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 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 2018/19 revenue budget.

10. Background reading/external references

[Resources Directorate - Revenue Budget Monitoring 2018/19 - Month Six](#) position: Finance and Resources Committee, 4 December 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 Nine position

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

Appendix 3 - Resources Directorate: Approved Savings Delivered Through Alternative Measures.

Appendix 1

Resources Directorate

Revenue Budget Monitoring 2018/19

Month Nine position

Forecast Revenue Outturn by Division

	Revised Budget	Projected Outturn	Projected Variance	Adverse / Favourable
	£'000	£'000	£'000	
Customer and Digital Services	55,202	54,851	(351)	FAV
Finance	6,573	6,373	(200)	FAV
Human Resources	4,740	4,652	(88)	FAV
Legal and Risk	1,349	1,380	31	ADV
Property and Facilities Management	99,612	100,343	731	ADV
Directorate and service-wide costs, including balance of forecast savings from recruitment pause and discretionary expenditure controls.	226	103	(123)	FAV
Total Net Expenditure	167,702	167,702	0	-

Appendix 2

Resources Directorate: Approved Revenue Budget Savings 2018/19

Division	Saving Description	2018/19 £'000	Red/Amber/Green assessment
Customer and Digital Services	Reviewing Customer 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	Green
Property and Facilities Management	Asset Management Strategy (total of £4.200m)	460	Green
		175	Amber
		3,565	Red
Property and FM	Staff turnover	539	Red
Property and FM	Additional capital recharge and rental income	500	Green
Property and FM	Revised property insurance arrangements	200	Green
Property and FM	Edinburgh Shared Repair Services income	100	Green
	TOTAL	9,830	

Appendix 3

Resources Directorate: Approved Savings Delivered through Alternative Measures

Division	Description	Saving £m	Alternative Measure	Alternative Saving £m
Property and Facilities Management	Asset Management Strategy	3.565	Utilities savings	0.600
Property and Facilities Management	Staff Turnover	0.539	Centrally held contingency budgets	0.524
Property and Facilities Management			Rates savings	0.500
Property and Facilities Management			Carry Forward of underspend from 2018/19	0.500
Property and Facilities Management			Additional Income – Leases, Rents, Recharges	0.390
Property and Facilities Management			Additional Investment Estate Income	0.568
Property and Facilities Management			Shared Repairs Service – ICT Review and Legal Cost savings	0.196
Property and Facilities Management			Other Miscellaneous savings	0.095
Customer and Digital Services			Head of Digital Services post/ other vacant posts/Third Party costs	0.351
Finance			Recruitment Pause/Employee Turnover Savings	0.200
Human Resources			HR Organisation Review savings	0.088
Executive Director			Service Contingency	0.092
	Total Original Savings	4.104	Total Alternative Savings	4.104