

Finance and Resources Committee

10.00am, Thursday, 23 January 2020

Resources Directorate - Revenue Budget Monitoring 2019/20 – Month Eight position

Executive/routine Wards Council Commitments	Executive All
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1. Recommendations

It is recommended that the Finance and Resources Committee notes:

- 1.1 Resources Directorate is currently forecasting a budget pressure of £0.631m for the end of the 2019/20 financial year;
- 1.2 the Executive Director and Heads of Service are continuing to progress the identification of additional 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.

Stephen S. Moir

Executive Director of Resources

Contact: Iain Shaw, Principal Accountant,
Finance Division, Resources Directorate

E-mail: iain.shaw@edinburgh.gov.uk | Tel: 0131 469 3117

Finance and Resources Committee

Resources Directorate - Revenue Budget Monitoring 2019/20 – Month Eight position

2. Executive Summary

- 2.1 The report sets out the projected eight-month revenue monitoring position for the Resources Directorate, based on actual expenditure and income to the end of November 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 £0.631m for the end of the 2019/20 financial year. The Directorate will continue to progress identification and implementation of savings 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 approved savings together with the active management of risks and pressures.

3. Background

- 3.1 The Council's Financial Regulations require submission of quarterly monitoring reports on Directorate 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 eight months of the financial year.

4. Main report

- 4.1 The Resources Directorate revenue budget for 2019/20 is £162.893m. This includes Council wide budgets for PPP school services, non-domestic rates and utilities (energy) expenditure for the whole operational property estate, including schools, the Council's external audit fee and the Digital Services / ICT contract cost.

- 4.2 The period eight projection is a forecast of budget pressure of £0.631m. This represents a favourable movement of £39,000 from the forecast adverse variance of £0.670m reported to Finance and Resources Committee on 6 December 2019.
- 4.3 The Customer and Digital Services Division continues to forecast a budget pressure of £0.352m due to the requirement to achieve savings to compensate for the reduction of £0.352m in the Department of Work and Pensions (DWP) Housing Benefit Administration Subsidy. An ongoing review of savings from the Directorate's enhanced workforce controls is seeking to fully mitigate this budget pressure. Given the likelihood of this pressure continuing, measures will be taken to plan for this in the 2020/21 financial year.
- 4.4 A budget pressure of £0.285m is forecast for the Property and Facilities Management Division. This is a reduction of £0.287m from the budget pressure of £0.572m reported to Finance and Resources Committee on 6th December 2019. The residual budget pressure includes:
- 4.4.1 A shortfall of £0.942m against the 2015 Asset Management Strategy assumptions and savings targets;
 - 4.4.2 anticipated income of £0.4m from additional digital advertising not now forecast as achievable, owing to a lack of adjustment to the Council's Planning Guidance to support this proposal in report [Review of Planning Guidance : Outdoor Advertising and Sponsorship to Planning Committee](#) on 7 August 2019, despite proactive discussions by Divisional Senior Management Team with Planning Officers;
 - 4.4.3 a shortfall against Service Design programme savings, as part of the long-term consolidation and re-provisioning of services across the City, of £0.159m. £91,000 of the Service Design programme savings target will be delivered in 2019/20 through improved utilisation and optimisation of operational estate assets;
 - 4.4.4 a shortfall of £0.770m against the approved efficiency savings target.
- 4.5 These budget pressures are forecast to be partly mitigated by:
- 4.5.1 a backdated saving of £1.296m in the budget achieved for successful appeals for non-domestic rates for operational properties, covering the period 2017-2019;
 - 4.5.2 estate-wide energy costs forecast to be £0.4m less than budget, based upon strong planning and active management by the Energy and Sustainability Team;
 - 4.5.3 senior management cost recharges of £0.130m to Capital Investment Programme projects and EDI Limited for provision of project support;

- 4.5.4 a reduction of £0.101m in Edinburgh Shared Repairs Service costs;
 - 4.5.5 a reduction in discretionary expenditure of £40,000;
 - 4.5.6 additional rental and service charge income of £19,000, following rent reviews.
- 4.6 The Legal and Risk Division is forecasting an adverse variance of £0.521m due to:
- 4.6.1 a shortfall of £0.189m in the recovery of Legal Services recharges;
 - 4.6.2 additional costs of £0.308m to deliver the 2019/20 Internal Audit Plan by drawing down co-sourced specialist audit capacity;
 - 4.6.3 Monitoring Officer expenditure of £31,000 which will require to be recharged to the Corporate and Democratic Core of the Council's budget.
- 4.7 These pressures are partially offset by net employee turnover savings of £7,000.
- 4.8 Favourable variances are forecast for employee costs for Finance (£100,000) and Human Resources (£77,000), reflecting 2019/20 employee turnover levels.
- 4.9 To mitigate the remaining Resources Directorate adverse variance, the Executive Director of Resources continues to apply stringent financial controls across the Directorate, in addition to those previously in force, including a recruitment freeze on all new vacant posts and agency worker use, as well as ceasing all discretionary expenditure, where no legal or contractual commitment exists. At this stage, a saving of £0.350m is anticipated to be yielded through these measures, based on employee turnover to date.
- 4.10 If all mitigation measures are fully realised, this would leave a residual unmitigated budget pressure for Resources Directorate of £0.631m. An analysis of the projection by each Division is provided in Appendix 1.
- 4.11 The approved 2019/20 revenue budget required Resources Directorate to achieve incremental savings of £9.053m in 2019/20. These are detailed in Appendix 2.
- 4.12 £6.978m (77%) of approved savings are currently forecast to be on track for full delivery and are assessed as 'Green'. Since the Half Year position report to the Finance and Resources Committee on 6th December 2019, £0.362m of the Customer and Digital Services efficiency savings target has been progressed to full delivery. Progress is being made across Resources Directorate towards delivery of a further £0.306m (3%) with these savings assessed as 'Amber'. Of the remaining £1.769m, £1.296m is mitigated in 2019/20 by a one-off saving in the budget for rates for the Council's operational properties.

4.13 Financial risks in the Resources Directorate revenue budget for 2019/20 include:

- 4.13.1 Approved savings within Customer and Digital Services, which are dependent on the delivery and implementation of new ICT functionality. Customer and Digital Services retains an ear-marked balance of £0.607m to mitigate a limited level of project slippage;
- 4.13.2 Property repairs and maintenance expenditure exceeding the additional investment approved by Council in February 2018, to address the findings of Property Condition Surveys. There remains a significant risk that expenditure will exceed profiled funding in 2019/20, which will then be required to be balanced across the full life of the 5 year programme of investment;
- 4.13.3 Adverse Winter weather leading to higher than forecast energy costs;
- 4.13.4 Savings from management of vacant posts being less than anticipated.

5. Next Steps

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

6. Financial impact

- 6.1 The report forecasts a budget pressure of £0.631m for Resources Directorate for 2019/20. Attainment of a balanced position is the subject of continuing work to identify further mitigating measures, active management of financial risks and taking timely remedial action, where any further adverse variances become apparent.

7. Stakeholder/Community Impact

- 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

- 8.1 [Resources Directorate - Revenue Budget Monitoring 2019/20 – Half Year position – report to Finance and Resources Committee 6 December 2019](#)

- 8.2 [Resources Directorate - Revenue Budget Monitoring 2019/20 - Month Three position – report to Finance and Resources Committee 15 August 2019](#)

9. Appendices

- 9.1 Appendix 1 - Resources Directorate Revenue Budget Monitoring 2019/20 - Month Eight position
- 9.2 Appendix 2 - Resources Directorate: Approved Revenue Budget Savings 2019/20

Appendix 1

Resources Directorate

Revenue Budget Monitoring 2019/20

Month Eight position

Forecast Revenue Outturn by Division

	Revised Budget	Projected Outturn	Projected Variance	Adverse / Favourable
	£'000	£'000	£'000	
Customer and Digital Services	53,755	54,107	352	ADV
Finance	6,723	6,623	(100)	FAV
Human Resources	4,744	4,667	(77)	FAV
Legal and Risk	1,310	1,832	521	ADV
Property and Facilities Management	96,135	96,420	285	ADV
Directorate and service-wide costs.	226	(124)	(350)	FAV
Total Net Expenditure	162,893	163,525	631	ADV

Appendix 2

Resources Directorate: Approved Revenue Budget Savings 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	15	Green
		75	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)	656	Green
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	76	Green
		31	Amber
Finance, HR, Legal and Risk	1.55% efficiency saving	111	Green
		25	Red
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	Green
Property and FM	Increasing Income - Castle Terrace Car Park	500	Green
Property and FM	Additional advertising income (total of £0.470m)	70	Green
		400	Red
Property and FM	Investment portfolio rationalisation	415	Red
Property and FM	1.55% efficiency saving	770	Red
Property and FM	Management and Investment Estate Savings	515	Green
Property and FM	Edinburgh Shared Repairs Service	218	Green
	TOTAL	9,053	

SUMMARY	£'000	%
Green assessed	6,978	77
Amber assessed	306	3
Red assessed	1,769	20
TOTAL	9,053	100