

Finance and Resources Committee

10.00am, Thursday, 29 October 2020

Resources Directorate - Revenue Budget Monitoring 2020/21 – Month Five position

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| Executive/routine Wards Council Commitments | Executive All |
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1. Recommendations

- 1.1 It is recommended that the Finance and Resources Committee notes:
- 1.2 the Resources Directorate is forecasting a favourable budget variance of £0.165m for 2020/21;
- 1.3 a further £0.950m of in-year savings following the Committee approved extension of the IT contract with CGI, which contribute towards the Council's overall financial position;
- 1.4 the Executive Director of Resources and Heads of Service are continuing to progress identification of additional savings measures to offset any further budget pressures arising to achieve outturn expenditure in line with the approved revenue budget for 2020/21; and,
- 1.5 the ongoing risks to the achievement of a balanced revenue budget projection for the Directorate.

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Finance and Resources Committee

Resources Directorate - Revenue Budget Monitoring 2020/21 – Month Five position

2. Executive Summary

- 2.1 The report sets out the projected month five revenue monitoring position for the Resources Directorate, based on actual expenditure and income to the end of August 2020 and expenditure and income projections for the remainder of the financial year.
- 2.2 The Resources Directorate is projecting a favourable budget variance of £0.165m for 2020/21. A further £0.950m of in-year savings, which contribute towards the Council's overall financial position, are forecast following the Committee approved extension of the IT contract with CGI.
- 2.3 The Directorate will continue to progress identification and implementation of savings to offset any further budget pressures arising, to achieve outturn expenditure in line with the approved revenue budget for 2020/21. 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 projected outturn for the Resources Directorate revenue budget for 2020/21 based on the position after five months of the financial year.

4. Main report

Revenue Budget 2020/21

- 4.1 The Resources Directorate revenue budget for 2020/21 is £168.631m. 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 / IT contract costs.
- 4.2 As reported elsewhere on this agenda, the Council is forecast to incur significant additional costs to respond to the Coronavirus pandemic. The Resources Directorate is forecast to incur additional employee related costs of £0.719m as a consequence of providing support to vulnerable and shielding groups and responding to increased Universal Credit and other Welfare and Benefits applications. Additional IT costs of £0.279m have been incurred to support services working remotely, across both the corporate and learning and teaching digital estates.
- 4.3 A projected loss of £9m is currently assumed from the Property Investment Estate rental income as a consequence of increased risk of non-recovery of rental income and deferrals to future years. The Facilities Management Catering service is forecasting a loss of income of £0.521m as a consequence of building closures across the learning and corporate operational estate.
- 4.4 The additional costs and loss of income identified at paragraphs 4.2 and 4.3 are forecast to be partially mitigated by managed slippage of £3m in the Property Repairs and Maintenance Programme, energy savings during Lockdown of £1.283m and a reduction of £0.5m in the funding required to meet non-domestic rate liabilities.
- 4.5 Excluding the costs of responding to the Coronavirus pandemic, the period five projection for Resources Directorate is a favourable budget variance of £0.165m. The Executive Director of Resources has continued to apply stringent financial controls across the Directorate, including a recruitment freeze on vacant posts where appropriate, and agency worker use, as well as ceasing all discretionary expenditure, where no legal or contractual commitment exists, to offset any further budget pressures arising, in order to achieve outturn expenditure in line with the approved revenue budget for 2020/21.
- 4.6 A further favourable variance of £0.950m, which contributes towards the Council's overall financial position, is forecast, following the recent extension of the IT Service contract with CGI, with consequent savings in the payment profile.
- 4.7 Excluding costs associated with responding the Coronavirus pandemic, the Property and Facilities Management Division is currently forecasting a favourable variance of £65,000. Budget pressures include:

- 4.7.1 a shortfall of £1.197m against Asset Management Strategy and other legacy savings targets and after application of one-off previous year balances;
 - 4.7.2 anticipated income of £0.3m from additional digital advertising is not forecast as achievable, owing to a lack of adjustment to the Council's Planning Guidance in August 2019;
 - 4.7.3 £0.535m employee costs, including revised employee terms and conditions, £0.197m cost of security services contract and a forecast loss of Shared Repairs Service income of £0.095m during Lockdown.
- 4.8 These budget pressures are forecast to be mitigated by:
- 4.8.1 savings of £1.016m from posts vacant until the end of July 2020;
 - 4.8.2 PPP contract costs £0.691m less than anticipated;
 - 4.8.3 forecast reduction in Non-Domestic Rates liability of £0.195m;
 - 4.8.4 a net reduction in other expenditure, including discretionary expenditure of £0.487m.
- 4.9 Following a review of all costs and income, the Legal and Risk Division is now forecasting a balanced outturn.
- 4.10 An employee cost underspend due to vacancies of £0.100m is forecast for the Finance Division.
- 4.11 An analysis of the projections by each Division within the Resources Directorate is provided in Appendix 1.
- 4.12 The approved 2020/21 revenue budget requires Resources Directorate to achieve incremental savings of £2.644m in 2020/21. These are detailed in Appendix 2.
- 4.13 £1.514m (57%) of approved savings are forecast to be on track for full delivery and are assessed as 'Green'. Progress is being made across the Resources Directorate towards delivery of a further £0.735m (28%) with these savings assessed as 'Amber'. Delivery of £0.395m (15%) of planned savings are assessed as having been impacted by other factors, including the Coronavirus pandemic and are assessed as 'Black'. The 'Black' assessed savings are mitigated in 2020/21 by the Property and Facilities Management savings detailed at paragraph 4.8.
- 4.14 Financial risks in the Resources Directorate revenue budget for 2020/21 include:
- 4.14.1 Additional costs incurred to respond to the Coronavirus pandemic;
 - 4.14.2 Savings from the control of vacant posts being less than anticipated.

5. Next Steps

- 5.1 Continuing work to identify mitigating measures through workforce and limited discretionary expenditure control opportunities 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 favourable outturn variance of £0.165m for Resources Directorate for 2020/21. 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.
- 6.2 A further £0.950m of in-year savings are forecast, following extension of the IT contract with CGI.

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 2020/21 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 None

9. Appendices

- 9.1 Appendix 1 - Resources Directorate Revenue Budget Monitoring 2020/21 - Month Five position
- 9.2 Appendix 2 - Resources Directorate: Approved Revenue Budget Savings 2020/21

Appendix 1

Resources Directorate

Revenue Budget Monitoring 2020/21

Month Five position

Forecast Revenue Outturn by Division

| Division | Revised Budget | Projected Outturn | Projected Variance | Adverse / Favourable |
|--|----------------|-------------------|--------------------|----------------------|
| | £'000 | £'000 | £'000 | |
| Customer and Digital Services | 57,000 | 57,000 | 0 | |
| Finance | 6,899 | 6,799 | (100) | FAV |
| Human Resources | 5,308 | 5,308 | 0 | |
| Legal and Risk | 1,330 | 1,330 | 0 | |
| Property and Facilities Management (FM) | 97,911 | 97,846 | (65) | FAV |
| Executive Director and Directorate wide costs. | 183 | 183 | 0 | |
| Total Net Expenditure | 168,631 | 168,466 | (165) | FAV |

Appendix 2

Resources Directorate: Approved Revenue Budget Savings 2020/21

| Division | Saving Description | 2020/21 £'000 | Red/Amber/Green/Black* assessment |
|-------------------------------|--|------------------|--------------------------------------|
| Customer and Digital Services | CGI - further contract efficiencies | 600 | Green |
| Customer and Digital Services | Digital Delivery | 250 | Green |
| Customer and Digital Services | ICT/CGI Partnership Arrangements | 150 | Green |
| Property and FM | Facilities Management | 500 | Amber |
| Property and FM | Additional advertising income | 300 | Black |
| Property and FM | Edinburgh Shared Repairs - Management Resource & Income Generation | 48 | Green |
| | | 47 | Amber |
| | | 95 | Black |
| Service-Wide | Resources Directorate Workforce Savings | 408 | Green |
| Service-Wide | 5% average increase in discretionary fees and charges | 58 | Green |
| | | 188 | Amber |
| | TOTAL | 2,644 | |

| SUMMARY | £'000 | % |
|----------------|--------------|------------|
| Green assessed | 1,514 | 57 |
| Amber assessed | 735 | 28 |
| Red assessed | 0 | 0 |
| Black Assessed | 395 | 15 |
| TOTAL | 2,644 | 100 |

* Black Assessment denotes other factors impacting on savings delivery e.g. Coronavirus pandemic.