

Finance and Resources Committee

10.00am, Friday, 6 December 2019

Resources Directorate - Revenue Budget Monitoring 2019/20 – Half Year 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 The Resources Directorate is currently projecting a forecast budget pressure of £0.670m for the 2019/20 financial year end;
- 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 – Half Year position

2. Executive Summary

- 2.1 The report sets out the projected six-month revenue monitoring position for the Resources Directorate, based on actual expenditure and income to the end of September 2019 and expenditure and income projections for the remainder of the financial year.
- 2.2 The Resources Directorate is currently projecting a forecast budget pressure of £0.670m for the 2019/20 financial year end. The directorate will continue to progress with the 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 six months of the financial year.

4. Main report

- 4.1 Resources Directorate revenue budget for 2019/20 is £163.330m. This includes Councilwide 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 six projection is a forecast budget pressure of £0.670m. This represents a favourable movement of £0.270m from the forecast adverse variance of £0.940m reported to Finance and Resources Committee on 15 August 2019.
- 4.3 The Customer and Digital Services Division is forecasting a budget pressure of £0.352m due to the requirement to achieve savings to compensate for a reduction of £0.352m in the Department of Work and Pensions (DWP) Housing Benefit Administration Subsidy. The DWP assess local authority grant allocations annually, with funding provided as a contribution to the cost of administering Housing Benefit. The level of grant allocated to each Council is based on Housing Benefit and Universal Credit caseload volumes together with an estimated volume of natural migrations from Housing Benefit to Universal Credit. In line with Government departmental efficiency savings, an efficiency saving reduction is also applied.
- 4.4 The Resources Directorate has a one-off budget pressure of £0.175m from its allocation of the additional cost of replacement end user devices in the Council's corporate ICT estate (which excludes schools). 5,403 corporate devices were included in scope of the originally agreed IT estate refresh project and contract with CGI, calculated with reference to the baseline of the 2015/16 ICT estate provided by BT and with an assumed reduction of 20% in device numbers required. In September 2019, there were an additional 750 devices in use across the Council's corporate ICT estate requiring support. This one-off pressure will be mitigated through additional savings identified in the Directorate's ICT costs.
- 4.5 A budget pressure of £0.572m is forecast for the Property and Facilities Management Division:
- 4.5.1 recurring budget pressure from 2018/19 from a shortfall of £0.942m against proposed Asset Management Strategy savings targets;
- 4.5.2 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;
- 4.5.3 a shortfall against Service Design programme savings, as part of the long-term consolidation and reprovisioning 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;
- 4.5.4 a shortfall of £0.770m against the approved efficiency savings target;
- 4.5.5 other net budget pressures of £98,000, which includes budget pressures for Investment Estate rental income and Computer Assisted Facilities Management (CAFM) system implementation support costs.

- 4.6 These budget pressures are forecast to be partly mitigated by a backdated saving of £1.296m in the budget achieved for successful appeals in regard to non-domestic rates for operational properties, covering the period 2017-2019 and a reduction of £0.101m in the Edinburgh Shared Repairs Service operating costs.
- 4.7 At this stage of the year, estate-wide energy costs are forecast to be £0.4m less than budgeted. This position will be tracked throughout the Winter months, but has been planned for by the Council's Energy and Sustainability Manager.
- 4.8 The recurring budget pressure from the Asset Management Strategy has arisen due to:
- 4.8.1 changes in the Facilities Management (FM) operating model, from the 2015 assumed FM Services model used to set savings targets;
 - 4.8.2 an increase in the size of floor area of the Council's operational estate supported by FM Services compared to the original FM Services assumed model;
 - 4.8.3 Estate Rationalisation savings and property disposals being less than planned when originally set in 2015.
- 4.9 A shortfall of £0.273m in the recovery of Legal Services recharges is forecast. The Legal and Risk Division is tracking and reviewing recovery rates on a monthly basis to identify mitigating measures and to ensure income is optimised.
- 4.10 Favourable variances are forecast for employee costs for Finance (£0.100m) and Human Resources (£77,000), reflecting 2019/20 employee turnover levels.
- 4.11 To mitigate the remaining Resources Directorate adverse variance, the Executive Director of Resources has applied 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, based on employee turnover to date during 2019/20.
- 4.12 If all mitigation measures are fully realised, this would leave a residual unmitigated budget pressure for Resources Directorate of £0.670m. An analysis of the projection by each Division is provided in Appendix 1.
- 4.13 The revenue budget approved by Council on 21 February 2019 required Resources Directorate to achieve incremental savings of £9.053m in 2019/20. These are detailed in Appendix 2.
- 4.14 £6.616m (73%) of approved savings are currently forecast to be on track for full delivery and are assessed as 'Green'. Progress is being made towards delivery of a further £0.668m (7%) 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.

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

4.15.1 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. It is anticipated this balance will mitigate this risk for 2019/20 only;

4.15.2 Property repairs and maintenance expenditure exceeding the additional investment approved by Council in February 2018, to address the findings of Property Condition Surveys. Work is being progressed by Property and Facilities Management to assess expenditure and commitments. There remains a significant risk that expenditure will exceed resources in 2019/20;

4.15.3 Adverse Winter weather leading to higher than forecast energy costs;

4.15.4 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 £0.670m 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 - 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 Six position
- 9.2 Appendix 2 - Resources Directorate: Approved Revenue Budget Savings 2019/20

Appendix 1

Resources Directorate

Revenue Budget Monitoring 2019/20

Month Six position

Forecast Revenue Outturn by Division

	Revised Budget	Projected Outturn	Projected Variance	Adverse / Favourable
	£'000	£'000	£'000	
Customer and Digital Services	54,187	54,539	352	ADV
Finance	6,720	6,620	(100)	FAV
Human Resources	4,709	4,632	(77)	FAV
Legal and Risk	1,353	1,626	273	ADV
Property and Facilities Management	96,135	96,707	572	ADV
Directorate and service-wide costs.	226	(124)	(350)	FAV
Total Net Expenditure	163,330	164,000	670	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)	294	Green
		362	Amber
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	6,616	73
Amber assessed	668	7
Red assessed	1,769	20
TOTAL	9,053	100