

Finance and Resources Committee

10.00am, Thursday, 27 August 2020

Resources Directorate - Revenue Budget Monitoring 2020/21 – Month Three 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 forecasting a budget pressure of £0.151m for 2020/21;
- 1.2 the Executive Director and Heads of Service are continuing to progress identification of additional savings measures to offset this budget pressure to achieve outturn expenditure in line with the approved revenue budget for 2020/21;
- 1.3 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 Three position

2. Executive Summary

- 2.1 The report sets out the projected three-month revenue monitoring position for the Resources Directorate, based on actual expenditure and income to the end of June 2020 and expenditure and income projections for the remainder of the financial year.
- 2.2 The Resources Directorate is projecting a budget pressure of £0.151m for 2020/21. 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 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 three months of the financial year.

4. Main report

Revenue Budget 2020/21

- 4.1 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 / ICT contract cost.

- 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 costs of £0.644m as a consequence of providing support to vulnerable and shielding groups and responding to increased Universal Credit and other Welfare support applications. Additional ICT costs of £0.254m have been incurred to support services working remotely.
- 4.3 An income 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 closure during Lockdown.
- 4.4 The additional costs and loss of income identified at paragraphs 4.2 and 4.3 are forecast to be partially mitigated by 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 three projection for Resources Directorate is a budget pressure of £0.151m. To address this pressure, the Executive Director of Resources has applied stringent financial controls across the Directorate, including a recruitment freeze on vacant posts and agency worker use, as well as ceasing all discretionary expenditure, where no legal or contractual commitment exists.
- 4.6 Excluding costs associated with responding the Coronavirus pandemic, the forecast for Customer and Digital Services Division is a budget pressure of £0.142m from achievement of employee and ICT savings targets. Savings from use of the service contingency and an earmarked balance are forecast to fully mitigate this pressure.
- 4.7 Excluding costs associated with responding the Coronavirus pandemic, a budget pressure of £2.251m is forecast for the Property and Facilities Management Division. The budget pressure includes:
- 4.7.1 a shortfall of £1.178m 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;
 - 4.7.3 £0.481m from 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 The budget pressure is forecast to be partly mitigated by:

- 4.8.1 savings of £0.924m from posts vacant until the end of July 2020;
- 4.8.2 PPP contract costs £0.648m less than anticipated;
- 4.8.3 forecast reduction in Non-Domestic Rates liability of £0.195m;
- 4.8.4 a reduction in discretionary expenditure of £0.331m.
- 4.9 After application of these mitigation measures, the residual budget pressure for Property and Facilities Management Division is £0.153m.
- 4.10 Legal and Risk Division is forecasting an adverse variance of £0.103m due to:
 - 4.10.1 a shortfall of £0.223m in the recovery of Legal Services recharges;
 - 4.10.2 additional costs of £0.127m to deliver the 2020/21 Internal Audit Plan;
 - 4.10.3 Monitoring Officer expenditure of £12,000.
- 4.11 These pressures are partially offset by employee turnover savings of £259,000.
- 4.12 An employee cost underspend due to vacancies of £0.100m is forecast for the Finance Division.
- 4.13 To mitigate the remaining Resources Directorate adverse variance of £0.151m, the Executive Director of Resources has applied a recruitment freeze on vacant posts and agency worker use, as well as ceasing discretionary expenditure, where no legal or contractual commitment exists.
- 4.14 An analysis of the projection by each Division is provided in Appendix 1.
- 4.15 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.
- 4.16 £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 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'. Of the 'Black' assessed savings, £0.242m is mitigated in 2020/21 by the Property and Facilities Management savings detailed at paragraph 4.8.
- 4.17 Financial risks in the Resources Directorate revenue budget for 2020/21 include:
 - 4.17.1 Additional costs incurred to respond to the Coronavirus pandemic;
 - 4.17.2 Savings from management of vacant posts being less than anticipated;
 - 4.17.3 A greater than anticipated under-recovery of Legal Services fee recharges.

Resources Directorate Revenue Budget Outturn 2019/20

- 4.18 Resources Directorate revenue budget outturn for 2019/20 was an underspend of £28,000 (0.02% of net revenue budget). This was a favourable movement of £0.659m from the £0.631m forecast overspend reported to Finance and Resources Committee on 23rd January 2020. The movement reflects additional savings achieved through successful Non-Domestic Rates appeals, the application of workforce controls and controls on discretionary expenditure. These savings fully offset underlying pressures within the Property and Facilities Management Division.

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 £0.151m 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.

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 Three position
- 9.2 Appendix 2 - Resources Directorate: Approved Revenue Budget Savings 2020/21

Appendix 1

Resources Directorate

Revenue Budget Monitoring 2020/21

Month Three position

Forecast Revenue Outturn by 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	5,304	(4)	FAV
Legal and Risk	1,330	1,432	102	ADV
Property and Facilities Management	97,911	98,064	153	ADV
Directorate and service-wide costs.	183	183	0	
Total Net Expenditure	168,631	168,782	151	ADV

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.