

Finance and Resources Committee

10.00am, Thursday, 21 January 2020

Resources Directorate: Revenue Budget Monitoring 2020/21 – Month Eight position

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 that the Resources Directorate is forecasting expenditure to be within budget for 2020/21;
- 1.3 the Executive Director of Resources and Heads of Service will continue to progress the identification of additional savings measures required to offset any further budget pressures arising in-year to achieve outturn expenditure in line with the approved revenue budget for 2020/21; and,
- 1.4 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 Eight position

2. Executive Summary

- 2.1 The report sets out the projected eight-month revenue monitoring position for the Resources Directorate, based upon actual expenditure and income to the end of October 2020 and expenditure and income projections for the remainder of the financial year.
- 2.2 The Resources Directorate is projecting expenditure to be within budget for 2020/21. A further £0.950m of in-year savings, which contribute towards the Council's overall corporate position are forecast, following the extension of the strategic ICT partnership contract with CGI, as approved by the Finance and Resources Committee.
- 2.3 The Directorate will continue to progress the 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 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 eight months of the financial year.

4. Main report

Revenue Budget 2020/21

- 4.1 Resources Directorate revenue budget for 2020/21 is £167.955m. This includes Councilwide budgets for a range of contracts, services and costs, including, but not limited to: PPP school services; non-domestic rates and utilities (energy)

expenditure for the whole operational property estate, including schools; the Council's external audit fee; the Scotland Excel membership fee and the Digital Services / ICT contract costs.

- 4.2 The Resources Directorate is forecast to incur significant additional costs as a direct consequence of responding to the needs of the City and the Council during the Coronavirus pandemic. Additional employee costs of £0.773m are forecast from administering the Scottish Government's Business Support Grant schemes, additional support and services to vulnerable and shielded individuals within Edinburgh, responding to significant increases in Universal Credit and other Welfare/Benefits support applications and the delivery of Scottish Government funded services for Test and Protect Support and Self-Isolation Assistance. Additional Digital Services expenditure of £0.696m is also forecast as a result of enabling enhanced capacity for Council services to work remotely.
- 4.3 These additional costs are forecast to be partially mitigated by cost recovery and income of £0.244m from the Scottish Government and Midlothian Council respectively. The Midlothian Council income element is as a result of the Council's Customer and Digital Services Division administering the business support grant applications for this neighbouring authority. Further administration funding may be provided in-year by the Scottish Government for a proportion of these additional costs and proposed allocations will be carefully scrutinised by CoSLA, the Local Authority Finance Director group and Council officers.
- 4.4 An update on the Commercial Property Portfolio was reported to Finance and Resources Committee on 29 October 2020. A projected income loss of £9m was currently forecast for the Commercial Property portfolio due to the increased risk of non-recovery of rental income and deferrals to future years. This projected outturn remains subject to an ongoing review. A further update on the Commercial Property portfolio will be reported to the Committee on 2 February 2021.
- 4.5 The forecast loss of income on the Commercial Property Portfolio is projected to be partially mitigated by slippage of £3m in spend on repairs and maintenance, due to the shutdown of construction and associated services earlier in the year. In addition, energy savings across of the operational estate of £1.811m and a reduction of £0.5m in the funding required to meet non-domestic rate liabilities arising from lockdown will also act to partially mitigate this projected shortfall.
- 4.6 The Corporate Catering Service, which is classified as a Significant Trading Organisation (STO) for accounting purposes within Property and Facilities Management is forecasting a loss of income of £0.655m, as a consequence of corporate building closure. Whilst this income loss cannot be mitigated fully, actions including the furloughing of corporate catering staff was undertaken earlier in the year to provide some offsetting measures. These staff have now returned from furlough and have been fully redeployed within the School Catering Service, to support service continuity and the priority of maintaining open schools.

- 4.7 Excluding the costs of responding to the Coronavirus pandemic, the period eight forecast for the Resources Directorate is for expenditure to be within the approved revenue budget for 2020/21. The Executive Director of Resources has applied robust financial controls across the Directorate, including a recruitment freeze on all non-essential vacant posts and agency worker use, as well as increased vacancy “gapping” for essential roles to ensure a greater turnover saving is achieved. In addition, all discretionary expenditure where no legal or contractual commitment exists has ceased to offset any further budget pressures. These actions continue to contribute to achieving outturn expenditure in line with the approved revenue budget for 2020/21.
- 4.8 A favourable variance of £0.950m, which contributes towards the Council’s overall corporate financial position is forecast, following the recent extension of the Council’s strategic ICT partnership contract with CGI, with consequent savings in the payment profile.
- 4.9 Excluding costs associated with responding to the Coronavirus pandemic, the Property and Facilities Management Division is forecasting an adverse variance of £168,000. Budget pressures include:
- 4.9.1 a shortfall of £1.197m against Asset Management Strategy and other legacy savings targets and after application of one-off previous year balances;
 - 4.8.2 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;
 - 4.8.3 £0.535m employee costs, including revised employee terms and conditions following the completion of the cleaning and janitorial reviews, £0.197m cost pressures from the security services contract and a forecast loss of Shared Repairs Service income of £0.124m during lockdown; and,
 - 4.8.4 loss of rental income as a consequence of lease changes from commercial properties (£0.151m) and corporate properties (£0.174m).
- 4.10 This budget pressure within the Property and Facilities Management Division is forecast to be mitigated by:
- 4.10.1 savings of £0.960m from posts vacant until the end of July 2020;
 - 4.10.2 PPP contract costs being £0.762m less than budgeted;
 - 4.10.3 forecast reduction in Non-Domestic Rates liability of £0.219m;
 - 4.10.4 a one-off payment of £0.171m from the Energy RE: FIT programme, as reported to Finance and Resources Committee on 3 December 2020: Settlement of RE: FIT Saving Guarantee; and,
 - 4.10.5 a net reduction in other expenditure, including discretionary expenditure of £0.398m.

- 4.11 An employee cost underspend due to vacancies of £0.150m is forecast for the Finance Division.
- 4.12 An analysis of the projection by each Division is provided in Appendix 1.
- 4.13 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.
- 4.14 £2.207m (84%) of approved savings are forecast to be on track for full delivery and are assessed as 'Green'. Mitigation has been established to enable delivery of a £72,000 (3%) of savings assessed as 'Amber' and £65,000 of savings assessed as 'Red'. Alternative measures have also been implemented to achieve a balanced outturn forecast, for savings of £0.3m assessed as 'Black'.
- 4.15 At this stage in the financial year, the principal financial risk identified for the Resources Directorate revenue budget is of under-recovery of Intervention Income by the Customer and Digital Services Division for the collection of Non-Domestic Rates (NDR) and Council Tax, as a consequence of the Coronavirus pandemic:
- 4.15.1 Potential under-recovery of NDR Intervention Income is due to the application of Retail, Hospitality and Leisure 100% rates relief, which reduces the overall sum collectable, together with the Council Incident Management Team's decision to delay debt recovery activities until later in 2020/21, in line with wider business support initiatives.
- 4.15.2 Council Tax warrant income has been affected by an increase in account holders moving onto the Council Tax Reduction Scheme, the offer of extended payment plans and a decision by the Council Incident Management Team to delay debt recovery actions, given the unique circumstances of 2020. These actions are wholly consistent with all other Scottish Councils.
- 4.16 The net financial impact of this risk is estimated to be £0.4m, after potential mitigating measures have been applied.

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 adverse variances become apparent.
- 5.2 Non-Domestic Rates and Council Tax Intervention Income will be reviewed throughout the remainder of 2020/21, after warrants have been raised. An assessment will be made of the potential collection rates.

6. Financial impact

- 6.1 Excluding the costs of responding to the Coronavirus pandemic, the report forecasts expenditure to be within budget for 2020/21 for Resources Directorate. 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 for corporate financial mitigations, following the Committee approved extension of the strategic ICT partnership contract with CGI.

7. Stakeholder/Community Impact

- 7.1 Whilst the report provides a financial monitoring update on the Resources Directorate revenue budget, it should be noted that these costs are directly associated within the provision of a range of front-line and corporate services that have been essential to support citizens, businesses and communities throughout the pandemic. The Directorate has enabled and continues to enable the Council to maintain and adapt core services across the City, as well as responding to the need to provide entirely new and additional services on behalf of the Scottish Government. All these activities have had varying degrees of impact upon the community or key stakeholders.
- 7.2 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 2020/21 – Month Five position](#)
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9. Appendices

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

Appendix 1

Resources Directorate

Revenue Budget Monitoring 2020/21

Month Eight position

Forecast Revenue Outturn by Division

	Revised Budget	Projected Outturn	Projected Variance	Adverse / Favourable
	£'000	£'000	£'000	
Customer and Digital Services	56,270	56,270	0	
Finance	6,899	6,749	(150)	FAV
Human Resources	5,308	5,308	0	
Legal and Risk	1,330	1,330	0	
Property and Facilities Management	97,965	98,133	168	FAV
Directorate and service-wide costs.	183	165	(18)	FAV
Total Net Expenditure	167,955	167,955	0	

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	Green
Property and FM	Additional advertising income	300	Black
Property and FM	Edinburgh Shared Repairs - Management Resource & Income Generation	125	Green
		65	Red
Service-Wide	Resources Directorate Workforce Savings	408	Green
Service-Wide	5% average increase in discretionary fees and charges	174	Green
		72	Amber
	TOTAL	2,644	

SUMMARY	£'000	%
Green assessed	2,207	84
Amber assessed	72	3
Red assessed	65	2
Black Assessed	300*	11
TOTAL	2,644	100

*Black Assessment denotes other factors impacting on savings delivery, which may not be within the direct control of the Resources Directorate Management Team.