

Finance and Resources Committee

10.00am, Thursday, 12 August 2021

Resources Directorate: Revenue Budget Monitoring 2021/22 – Month Three 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:
 - 1.1.1 that services delivered by Resources Directorate are forecast to be within budget for 2021/22;
 - 1.1.2 due to the Coronavirus pandemic, it is anticipated there will be additional costs incurred and loss of income. These are currently forecast to be within the provision for Coronavirus additional costs and loss of income approved by Council on 27 May 2021;
 - 1.1.3 measures will continue to be progressed to identify additional savings required to offset budget pressures to achieve outturn expenditure in line with the approved revenue budget for 2021/22; and,
 - 1.1.4 the ongoing risks to the achievement of a balanced revenue budget projection for services delivered by Resources Directorate.

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Finance and Resources Committee

Resources Directorate - Revenue Budget Monitoring 2021/22 – Month Three position

2. Executive Summary

- 2.1 The report sets out the projected three-month revenue monitoring position for services delivered by Resources Directorate, based upon actual expenditure and income to the end of June 2021 and expenditure and income projections for the remainder of the financial year.
- 2.2 Services delivered by Resources Directorate are forecast to be within budget for 2021/22.
- 2.3 Due to the Coronavirus pandemic, it is anticipated there will be additional costs incurred and loss of income. The additional costs and loss of income are currently forecast to be within budget provision approved by Council on 27 May 2021.
- 2.4 Measures will continue to be progressed to identify additional savings required to offset budget pressures to achieve outturn expenditure in line with the approved revenue budget for 2021/22. 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 service financial performance to the Finance and Resources Committee.
- 3.2 This report advises on the projected outturn for services delivered by Resources Directorate after three months of the financial year.

4. Main report

- 4.1 The Resources Directorate revenue budget for 2021/22 is £171.535m. This includes Council-wide budgets for a range of contracts, services and costs, including, but not limited to PPP school services; non-domestic rates and energy expenditure for the whole operational property estate, including schools; the Council's external audit fee; the Scotland Excel membership fee and ICT contract costs.

- 4.2 Council approved the recommendations of a report on the organisational review of the Senior Leadership at its meeting on 27 May 2021. The report recommended a new Council structure, effective from 1 July 2021, which saw the movement of the Strategy and Communications teams into the new Corporate Services Directorate and the movement of the Property and Facilities Management Division into the Place Directorate. Future revenue budget monitoring reports will reflect the new Council structure from 1 July 2021.
- 4.3 The period three forecast is for expenditure to be within budget. This forecast excludes the additional costs and loss of income due to the Coronavirus pandemic.
- 4.4 Financial controls applied during 2020/21, including control of recruitment to all non-essential vacant posts and agency worker use, will continue to be applied during the current year. Controls will also be applied to discretionary expenditure where no legal or contractual commitment exists, to mitigate potential budget pressures.
- 4.5 Significant additional costs, as a direct consequence of responding to the needs of the City and the Council during recovery from the Coronavirus pandemic are forecast for services delivered by Resources Directorate.
- 4.6 Customer and Digital Services is anticipating a range of additional Coronavirus recovery activities during 2021/22 including:
- 4.6.1 additional support required for Benefit payments;
 - 4.6.2 agency resource for Contact Centre, if there is a requirement for staff to return to business as usual activities and additional Scottish Government requirements continue;
 - 4.6.3 ongoing overtime to ensure sufficient capacity to meet service demands;
 - 4.6.4 resource for Council Tax/NDR billing and recovery;
 - 4.6.5 recovery of Housing Benefit overpayments; and,
 - 4.6.6 investment in data management resource to ensure data is effectively analysed to support efficient operation.
- 4.7 Additional costs are forecast to be fully mitigated by a Coronavirus pandemic recovery provision of £1m, established following confirmation of the 2020/21 outturn. These activities will be subject to ongoing review throughout 2021/22.
- 4.8 To enable Coronavirus pandemic recovery and service resumption, Property and Facilities Management is anticipating additional costs for enhanced cleaning and infection control across the Council estate. This includes the educational estate, resilience centres, depots, young people's centres, libraries and community centres. Additional education establishment costs are forecast to be mitigated for a six-month period by Scottish Government Education Recovery funding of £1m.

- 4.9 During 2020/21, due to the economic downturn, there was an income shortfall of £7.052m on the Commercial Property portfolio. The variance included provision for bad debt, agreed rent deferrals to future years, concessions and write-offs.
- 4.10 In 2021/22, it is anticipated there will be a continuing risk of loss of income on the Commercial Property portfolio. The Revenue Budget Framework approved by Council on 27 May 2021 made provision for up to £5m for rental income mitigation.
- 4.11 Savings of up to £1.9m are estimated, due to a reduction in Non-Domestic Rate liabilities from relief received on retail, hospitality and leisure properties. This and other property-related forecasts e.g. utilities will be subject to ongoing review.
- 4.12 The Corporate Catering Service is currently not operating, due to corporate building closure. Finance and Resources Committee agreed on 4 March 2021 that a report would be presented to a future meeting of the Committee, setting out a business case for any re-commencement of the Corporate Catering Service.
- 4.13 Excluding costs associated with responding to the Coronavirus pandemic, the Property and Facilities Management Division is forecasting a net pressure of £28,000, reflecting a range of budget pressures and mitigations. It is anticipated this pressure will be contained within the Property and Facilities Management budget.
- 4.14 An analysis of the projection by each Division is provided in Appendix 1, together with identification of forecast additional Coronavirus costs and income shortfalls.
- 4.15 The approved 2021/22 revenue budget requires Resources Directorate to achieve incremental savings of £3.595m in 2021/22. These are detailed in Appendix 2.
- 4.16 £1.195m (33%) of approved savings are forecast to be on track for full delivery and are assessed as 'Green', with £2.400m (67%) assessed as 'Amber'. Appendix 2 provides detail of the status of savings assessed as 'Amber'. No savings are assessed as 'Red' or 'Black'.
- 4.17 At this stage in the financial year, the principal financial risks identified for Resources Directorate services include:
- 4.17.1 Welfare Reform grants - additional demand due to ending of Government Furlough Scheme;
 - 4.17.2 Coronavirus recovery activities for Customer and Digital Services exceeds the available funding of £1m;
 - 4.17.3 Potential under-recovery of Non-Domestic Rates Intervention Income due to the application of Retail, Hospitality and Leisure 100% rates relief;
 - 4.17.4 Facilities Management - cost of enhanced cleaning requirements exceeds current six-month estimate of £1m;
 - 4.17.5 Financial implications of Free School Meals expansion and Scottish Government changes to nutritional requirements exceed available funding.

- 4.18 All current and emerging risks will be subject to ongoing tracking and review throughout 2021/22.

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 2021/22, after warrants have been raised. An assessment will be made of the potential collection rates.

6. Financial impact

- 6.1 This report forecasts Resources Directorate expenditure to be within budget, including the additional costs and loss of income due to the Coronavirus pandemic.
- 6.2 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 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.

8. Background reading/external references

- 8.1 [Revenue Budget Framework 2021/26 Update](#), The City of Edinburgh Council, 27 May 2021

9. Appendices

- 9.1 Appendix 1 - Resources Directorate Revenue Budget Monitoring 2021/22 - Month Three position

9.2 Appendix 2 - Resources Directorate: Approved Revenue Budget Savings 2021/22

Appendix 1

Resources Directorate Revenue Budget Monitoring 2021/22 Month Three position

1. Forecast Revenue Outturn by Division

	Revised Budget	Projected Outturn	Projected Variance	Adverse / Favourable
	£'000	£'000	£'000	
Customer and Digital Services	53,270	53,270	0	
Finance	7,117	7,117	0	
Human Resources	5,495	5,495	0	
Legal and Risk	1,420	1,420	0	
Property and Facilities Management	104,028	104,028	0	
Directorate and service-wide costs.	205	205	0	
Total Net Expenditure	171,535	171,535	0	

2. Forecast Coronavirus Costs and Loss of Income

	Budget Provision	Projected Outturn	Projected Variance	Adverse / Favourable
	£'000	£'000	£'000	
Customer and Digital Services – Coronavirus Recovery	1,000	1,000	0	
Property and Facilities Management:				
- Enhanced Cleaning and Infection Control costs.	1,000	1,000	0	
- Commercial Rental Estate – loss of rental income.	5,000	5,000	0	
- reduction in Non-Domestic Rate liabilities – rates relief on retail, hospitality and leisure properties.	0	(1,900)	(1,900)	FAV
Total Net Expenditure	7,000	5,100	(1,900)	FAV

Appendix 2

Resources Directorate: Approved Revenue Budget Savings 2021/22

Division	Saving Description	2021/22 £'000	Red/Amber/Green/Black* assessment
Customer and Digital Services	ICT contract extension savings	950	
Customer and Digital Services	Digital Delivery	250	Saving being progressed by Council's Digital Services Team with Council's ICT partner.
Customer and Digital Services	Renting of Assets for 5G Nodes	50	Income target being progressed by Council's Digital Services Team.
Customer and Digital Services	Print, Mail and Scan Strategy Development	100	Saving being verified and progressed towards final agreement with other Council Directorates.
Property and FM	Re-profile of Repairs and Maintenance Programme	2,000	The mitigation to the risk of achievement of this saving will be to maintain overall Repairs and Maintenance Programme funding allocation within approved 5-year budget of £153m.
Service-Wide	Resources Directorate Workforce Savings - Finance	110	
Service-Wide	5% average increase in discretionary fees and charges	135	
	TOTAL	3,595	

SUMMARY	£'000	%
Green assessed	1,195	33
Amber assessed	2,400	67
Red assessed	0	0
Black Assessed	0	0
TOTAL	3,595	100