

Transport and Environment Committee

10.00am, Thursday, 12 October 2023

Revenue Budget Monitoring 2023/24 – Month Three position

Executive/routine
Wards

Routine
All

1. Recommendations

- 1.1 Transport and Environment Committee is asked to note:
 - 1.1.1 The 2022/23 outturn position for the services within the remit of this Committee (Appendix 1);
 - 1.1.2 That services within the remit of this Committee are collectively forecasting an underspend against budget of £0.365m for 2023/24, as at month three. This is the net position after adjustment for relevant provisions made in respect of eligible Covid-19 impact and inflationary cost pressures;
 - 1.1.3 Place Directorate overall is forecasting a net pressure of £1.95m as at month three after adjustment for the impact of relevant provisions made;
 - 1.1.4 Appropriate measures will continue to be progressed to offset budget pressures and fully deliver approved savings targets to achieve a position in line with the approved revenue budget for 2023/24; and
 - 1.1.5 Routine updates will continue to be provided to Committee at agreed frequencies during the remainder of the year.

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Executive Director of Place

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Revenue Budget Monitoring 2023/24 – Month Three position

2. Executive Summary

- 2.1 This report summarises the out-turn for financial year 2022/23 and focuses on the month three 2023/24 revenue monitoring position (including early projections) for the services within the remit this Committee.
- 2.2 The 2022/23 audited accounts were approved by the Finance and Resources Committee on 21 September 2023 and the audited accounts were submitted to the external auditor by the statutory deadline of 30 September 2023. An unmodified audit opinion has been issued on the 2022/23 annual accounts. The audited financial statements confirm a General Fund revenue underspend for 2022/23 of £13.700m. The 2022/23 outturn position for the services within the remit of this Committee are summarised in Appendix 1.
- 2.3 The projected Council-wide General Fund revenue budget position for 2023/24, based on month three, was [reported](#) to the Finance and Resources Committee on 21 September 2023. At this stage, an overall overspend of £13.200m is being projected, including a forecast overspend of £1.950m for the Place Directorate. Without identification of mitigating actions, this would require application of the 2022/23 underspend to achieve a balanced in-year position, as well as giving rise to recurring pressures for future years. There is potential for further risks to emerge, including in respect of the 2023/24 non-teaching employee pay award. Given these factors, no additional commitments should be taken on until the underlying position has improved.
- 2.4 The month three forecast in 2023/24 for services within the remit of this Committee is an underspend of £0.365m. Further information is provided in paragraph 4.1 of this report. This is after assuming application of funding of £4.200m in respect of continuing cost impacts of Covid-19 (including £4m in respect of parking income), and an additional £4.175m in respect of energy and other contract inflationary cost increases.

3. Background

- 3.1 The Council's Financial Regulations require submission of regular budget monitoring reports to all Executive Committees.
- 3.2 This report provides an update on the revenue budget 2023/24 forecast at month three for services within the remit of this Committee. A separate [report](#) to Finance and Resources Committee on 21 September 2023 set out the projected position on the Capital Investment Programme.
- 3.3 Covid-19 identified net costs and inflationary pressures have been separated from 'business as usual' in order to facilitate understanding of the drivers of risks, cost pressures and mitigating actions wherever tangible.

4. Main report

Transport and Environment Committee Remit – 2023/24 Month Three Forecast

- 4.1 The approved budget for 2023/24 is £39.841m after adjustment for approved savings and investment as set out in section 4.2 and 4.3 of this report. Budgetary performance at month three is forecasting a £0.365m underspend in this area after the application of corporate provision made in respect of the continuing impacts of Covid-19 and inflationary pressures. The breakdown of budgets and variances is shown in Appendix 2.
- 4.2 In terms of the Transport and Environment service portfolio, the key pressures relate to the funding of public conveniences (details of partial in year mitigation in 4.8), a continued reduction in parking income post Covid-19 (when compared to pre-pandemic levels) and impacts of higher inflation. The delivery of income uplifts in the transport and parking services (detailed in 4.7) are at this point treated as a risk and not as yet included in the forecast.
- 4.3 Inflationary pressure funding of £4.175m can be categorised as £1.300m pertaining to higher utility costs for traffic signals and streetlighting and £2.875m across contracts which are index linked to Retail Prices Index (RPI). These costs are met in 2023/24 by corporate provision.
- 4.4 Covid-19 pressure funding of £4.200m relates in the main to loss of parking income arising from changed driver behaviour following public health restrictions and changes to the way people work. Income shortfalls have shown year on year improvement since the start of the pandemic. As set out in 5.3 this provision will reduce to £2m in 2024/25 and work is ongoing on a parking service medium term financial plan which will inform the plan to manage this pressure. This report will be presented to Committee once available.
- 4.5 There are mitigating savings from income pertaining to the sale of outputs at the Millerhill plant to utility companies, however this cannot be relied on in the longer term.

- 4.6 In addition to management of risks and pressures within the Transport and Environment remit, there is a forecast overspend for Place Directorate and the Council as a whole. Therefore, current and emerging risks will be subject to ongoing tracking and development of mitigation measures.

2023/24 Budget – Approved Savings

- 4.7 Council wide savings of £26.597m were approved as part of the 2023/24 budget motion; £13.651m of these are required to be delivered by services within the remit of this Committee. At month three, a delivery assessment categorised 73% of these savings as 'green' and 27% at 'amber'. The savings which relate to the remit of this Committee are shown in Appendix 3.

2023/24 Budget – Approved Investment

- 4.8 Additional investment in the Cleansing service of £3.078m was approved as part of the 2023/24 budget process. It is forecast that this will be fully spent in 2023/24, with £0.500m of this sum set aside for the in-year tranche of the multi-year Best Value review of Waste and Cleansing and £0.500m mitigating the cost pressure of maintaining public convenience operations at current level (cost forecast to be £1.260m in 2023/24 with an approved budget of £0.500m). The £1m allocation of funding against the Best Value review and public convenience service pressure is a 2023/24 measure only and can be accommodated by cost slippage in implementing the agreed investment plan in areas, such as recruitment and vehicle purchase.

2024/25 Budget – Proposals within the remit of this Committee

- 4.9 A number of savings proposals which have 2024/25 impacts were approved in principle as part of the 2023/24 budget decision making process and are as such inherent in the future years budget 'gap' [reported](#) to Finance and Resources Committee, 21 September 2023. The proposals which relate to the remit of this Committee are shown within Appendix 4.

5. Next Steps

- 5.1 Given the range of pressures outlined in this report and the Council-wide report, Executive Directors will require to bring forward measures to offset residual service pressures and risks within their respective areas of responsibility during 2023/24.
- 5.2 The Place Senior Management Team (SMT) is looking to the 2024/25 budget management strategy as part of a rolling process. This will include bringing forward proposals to Executive Committees for consideration in the second half of the 2023/24 financial year.
- 5.3 Place SMT will continue to monitor post Covid-19 recovery plans and implications of inflationary pressures, reporting budgetary impacts as appropriate. It should be noted that the budget provision parking services will reduce from £4m in 2023/24 to £2m in 2024/25. The financial implications of the City Centre Transformation proposals will also need to be considered and a report will be brought to Committee in due course.

6. Financial impact

- 6.1 As of month three, and as reported to Finance and Resources Committee on 21 September 2023, an overall Council-wide overspend of £13.2m is forecast. Inherent within this is a £1.950m overspend for the Place Directorate and a projected underspend of £0.365m for the services within the remit of this Committee. Failure to break even in 2023/24 reduces the options to address future years' budget gaps and means that existing expenditure is exceeding in-year resources.
- 6.2 The Council's Financial Regulations set out Executive Directors' responsibilities in respect of financial management, including regular consideration of their service budgets. The position set out in the report indicates pressures emerging within the Place Directorate which require to be addressed.
- 6.3 This report emphasises the importance of proactive management of pressures and delivery of approved savings in maintaining the integrity of the Council's budget framework and business plan objectives.

7. Equality and Poverty Impact

- 7.1 There are no equality, human rights (including children's rights) and socio-economic disadvantage implications arising as a consequence of this report.

8. Climate and Nature Emergency Implications

- 8.1 There are no Climate and Nature Emergency implications arising as a consequence of this report.

9. Risk, policy, compliance, governance and community impact

- 9.1 Whilst the report provides forecasts of financial outturn based on financial performance and conditions existing on 30 June 2023, there remains a risk that changing circumstances and events will result in budget pressures.
- 9.2 All current and emerging risks will be subject to ongoing tracking, development of mitigation measures and review for the remainder of 2023/24.
- 9.3 Financial performance will be tracked by Place SMT and service management teams to identify and mitigate emerging financial risks.
- 9.4 There are no health and safety, governance, compliance or regulatory implications arising from this report.

10. Background reading/external references

- 10.1 [Revenue Monitoring Update](#) – 2022/23 Month Eight position, Transport and Environment Committee 2 March 2023

11. Appendices

Appendix 1 – Transport and Environment Service Remit – Outturn 2022/23

Appendix 2 – Transport and Environment Service Remit – Month Three Forecast 2023/24

Appendix 3 - Transport and Environment Service Remit – Delivery assessment of 2023/24 Approved Savings

Appendix 4 - Transport and Environment Service Remit – Future Year Savings Proposals

Appendix 1 – Transport and Environment Service Remit - Out-turn 2022/23

The 2022/23 audited accounts were approved by Finance and Resources Committee on 21 September 2023 and the audited accounts were submitted to the external auditor by the statutory deadline of 30 September 2023. An unmodified audit opinion has been issued on the 2022/23 annual accounts. The audited financial statements confirm a General Fund revenue underspend for 2022/23 of £13.700m.

The Place Directorate overall returned out-turn for 2022/23 was an £9.450m overspend after application of £11.200m corporate provisions made in respect of energy and other contract inflationary cost increases.

The services within the remit of this Committee returned an out-turn of £0.563m underspend in respect of 'business as usual' after application of £5.003m corporate provisions made in respect of energy and other contract inflationary cost increases.

The breakdown of this and notable variances are shown in Table 1 below.

Table 1 – Transport and Environment Committee Remit – Provisional 2022/23 Out-turn

Service Area	Net Budget 2022/23	Corporate Provision Drawn Down	Net Out-turn Variance 2022/23	Main driver of variance
	£m	£m	£m	
Waste	33.234	0.370	(0.447)	Number of positive variances across cost and income.
Cleansing	13.935	0.085	0.868	£0.450m costs exceeding budget for public convenience provision.
Network Management and Enforcement	(22.379)	4.145	(1.559)	Better than projected income performance in areas such as bus lane enforcement.
Roads and Infrastructure	14.276	0.166	0.557	Cost of winter weather provision over budget for 'average' winter.
Placemaking and Mobility	0.775	0.237	0.018	-
Total	39.841	5.003	(0.563)	
Corporate Provision				

Covid-19		4.646		
Energy Inflation		0.357		
Contract Inflation		-		
Total		5.003		

Appendix 2 Transport and Environment Service Remit – Month three forecast 2023/24

The projected Council-wide General Fund revenue budget position, based on month three, was reported to Finance and Resources Committee on 21 September 2023. At this stage, an overall overspend of £13.200m is being projected, including a forecast overspend of £1.950m for the Place Directorate. The forecast for the services within the remit of this Committee is a £0.365m underspend after adjustment for appropriate Council provisions in respect of inflationary and Covid-19 impacts.

The breakdown of this and notable variances are shown in Table 1 below.

Table 1 – Transport and Environment Committee Remit – Month three forecast 2023/24

Service Area	Net Budget 2022/23	Corporate Provision Drawn Down	Net Out-turn Variance 2022/23	Main driver of variance
	£m	£m	£m	
Waste	33.234	1.500	(0.850)	Impact of income from Millerhill plant heat outputs over budget.
Cleansing	13.935	-	0.185	Net position for public conveniences after non-recurring £0.5m mitigation.
Network Management and Enforcement	(22.379)	5.775	-	
Roads and Infrastructure	14.276	0.900	-	
Placemaking and Mobility	0.775	0.200	0.300	Costs over budget for City Mobility Plan and projected shortfall of salary recharge to capital projects.
Total	39.841	8.375	(0.365)	
Corporate Provision Summary				
Covid-19		4.200		
Energy Inflation		1.300		

Contract Inflation		2.875		
Total		8.375		

Appendix 3 – Transport and Environment Service Remit – Delivery assessment of 2023/24 Approved Savings.

Proposal description/area	2023/24 Approved Saving	Saving BRAG assessment		Confirmed or planned mitigating actions where full or partial shortfall in delivery identified
		Green	Amber	
	£'000	£'000	£'000	
Transport and Environment Committee Remit				
Road Construction Consent Inspections	400	335	65	
Strategic Review of Parking	2,000	1,000	1,000	Although initial projections are consistent with business case assumptions, implementation remains at a relatively early stage and further evidence is required before greater assurance can be obtained.
Transport and Environment Organisational Review	120	0	120	Awaiting final matching and assumptions on capital recharges to projects.
Fees and charges. Place overall was allocated a £2.935m approved budget saving. This element relates to services within the remit of the Transport and Environment Committee only. Main uplifts relate to pay and display parking charges £1.9m, parking permits £0.32m and £0.17m of other charges spread over the remit.	2,389	1,436	953	Majority of amber-assessed element relates to parking-related uplifts pending further months' evidence of actual income received following 20% overall increase in parking charges implemented in early June.
Garden waste income consolidation	400	400	0	
Bus lane camera income consolidation	600	500	100	Bus lane cameras were offline for three weeks, resulting in income shortfall.
Glass collection and recycling - one-off contract saving	550	550	0	
Penalty Charge Notices	2,400	1,200	1,200	Following implementation of increase in early June, monitoring of income and behavioural impacts remains at a comparatively early stage and a further update will therefore be provided as part of the month five report.
Millerhill Income	3,450	3,450	0	£4.3m minimum income assumed in 2023/24
Best value reviews	500	500	0	As reported to the Transport and Environment Committee on 20 April 2023, £0.5m of the additional funding for street cleansing approved as part of the 2023/24 revenue budget has been set aside in recognition both of the lead-in times for implementation of the planned service improvements and that the best value service review is unlikely to be able to deliver the full saving in 2023/24.
Savings in prudential borrowing costs; includes planned debt servicing for Fleet assets, Depot review programme and Streetlighting assets.	838	546	292	Further work is required to review fleet review programme to understand better its overall affordability.
	13,647	9,917	3,730	

72.7%	27.3%
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Appendix 4 – Transport and Environment Service Remit – Future Year Savings Proposals.

A number of savings proposals which have 2024/25 impacts were approved in principle as part of the 2023/24 budget decision making process and are as such inherent in the future years budget 'gap' reported to Finance and Resources Committee, 21 September 2023.

The proposals which relate to the remit of this Committee are shown in Table 1 below.

Table 1 - Transport and Environment Service Remit – Future Year Savings Proposals.

Future Savings Proposals	2023/24 £m	2024/25 Incremental Change £m	Comment
Strategic Review of Parking	2.000	1.000	Additional saving of £1m assumed
Glass & Recycling Contractual arrangements	0.550	(0.550)	One off 23/24 saving – not required to be delivered in 24/25
Best Value Review – Waste Service	0.500	2.000	Additional saving of £2m assumed.
Millerhill Energy Income	3.450	(0.950)	Lower assumption re income receipt in 24/25; £2.5m
Net Impact		1.500	

A 5% uplift in fees and charges is also approved in principle. This will have a circa £1m impact on Place Directorate and will require to be disaggregated across services.