

Transport and Environment Committee

10.00am, Thursday, 11 January 2024

Revenue Budget Monitoring 2023/24 – Month Five position

Executive/routine
Wards

Routine
All

1. Recommendations

- 1.1 Transport and Environment Committee is asked to note:
 - 1.1.1 That services within the remit of this Committee are collectively forecasting an underspend against budget of £2.502m for 2023/24, as at month five. This is the net position, including £1.850m of non-recurring measures and adjustment for relevant provisions made in respect of eligible Covid-19 impact and inflationary cost pressures;
 - 1.1.2 Place Directorate overall is forecasting a net pressure of £0.711m as at month five after adjustment for the impact of relevant provisions made;
 - 1.1.3 Appropriate measures will continue to be progressed by Place Directorate 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
 - 1.1.4 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 Five position

2. Executive Summary

- 2.1 This report summarises the month five 2023/24 revenue monitoring position for the services within the remit this Committee.
- 2.2 The projected Council-wide General Fund revenue budget position for 2023/24, based on month five, was [reported](#) to Finance and Resources Committee on 21 November 2023. At this stage, an overall underspend of £1.880 is being projected, including a forecast overspend of £0.711m for the Place Directorate. There is potential for further risks to emerge, therefore the continuing recommendation is that no additional commitments should be taken on at this time.
- 2.3 The month five forecast in 2023/24 for services within the remit of this Committee is an underspend of £2.502m. Further information is provided in paragraphs 4.1 to 4.6 of this report. This is after assuming £1.85m of non-recurring favourable financial variances arising from slippage on investment of additional cleansing monies and income relating to Millerhill energy income. The projection also reflects application of funding of £4m in respect of continuing cost impacts of Covid-19 on parking income, and an additional £4.177m of corporate funding 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 five for services within the remit of this Committee. A separate [report](#) to Finance and Resources Committee on 21 November 2023 set out the projected position on the Capital Investment Programme.
- 3.3 Ongoing impacts of Covid-19 on parking income and inflationary pressures have been separated from 'business as usual' in order to facilitate understanding of the underlying drivers of risks, cost pressures and underspends.

4. Main report

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

- 4.1 The approved budget for 2023/24 is £39.841m after adjustment for approved savings and investment, as set out in section 4.7 and 4.8 of this report. Budgetary performance at month five is forecasting a £2.502m 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 1.
- 4.2 In terms of the Transport and Environment service portfolio, the key underlying pressure inherent in the overall forecast relates to the funding of public conveniences (details of partial in year mitigation in 4.6).
- 4.3 Covid-19 pressure funding of £4m relates 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, including an improvement in the forecast position stated at month five compared to month three in respect of the parking income changes approved as part of the 2023/24 budget process. Progress against the associated income and expenditure in relation to the phases of controlled parking zone implementation continues to be monitored closely. As set out in paragraph 5.4, the provisions made in response to Covid-19 will reduce to £2m in 2024/25 and work is ongoing on a parking service medium term financial plan which will inform the future management of this pressure.
- 4.4 There is a mitigating favourable forecast income variance of £0.85m pertaining to the sale of outputs at the Millerhill plant to utility companies, however this cannot be relied on in the longer term.
- 4.5 In addition to management of risks and pressures within the Transport and Environment remit, there is a forecast overspend for Place Directorate. Therefore, current and emerging risks will be subject to ongoing tracking and development of mitigation measures.

2023/24 Budget – Approved Savings

- 4.6 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 five, 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 2.

2023/24 Budget – Approved Investment

- 4.7 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 utilised 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). In the main, the costs of providing this service reflect the staffing required. 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

- 4.8 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 management strategy [reported](#) to Finance and Resources Committee on 21 November 2023. The proposals which relate to the remit of this Committee are shown within Appendix 3.

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 if required.
- 5.3 Elements of the projected underspend for the services within the remit of this Committee are temporary in nature, including £1m of ongoing Cleansing investment pointed towards the best value review of Waste Services budget saving and public convenience operating costs as a one-off mitigating measure in 2023/24. The £0.850m of additional income arising from Millerhill plant energy outputs may continue into future years, but overall income will decrease as energy prices fall and the unencumbered element will reduce as commitments (such as the prudential borrowing debt servicing requirement of £0.5m per annum) come into effect in 2025/26. The reliance in 2023/24 on non-sustainable measures is material and will require to be addressed as part of the rolling budgeting process.
- 5.4 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 this, together with other potential impacts on the parking budget are currently being developed into a medium term financial plan and Committee will be updated on this in due course.

6. Financial impact

- 6.1 As of month five, and as reported to Finance and Resources Committee on 21 November 2023, an overall Council-wide underspend of £1.880m is forecast. Inherent within this is a £0.711m overspend for the Place Directorate and a projected underspend of £2.502m for the services within the remit of this Committee. Failure to break even at Directorate level 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) or 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 31 August 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

[Revenue Monitoring Update](#) – 2023/24 Month Three position, Transport and Environment Committee 12 October 2023

11. Appendices

Appendix 1 – Transport and Environment Service Remit – Month five Forecast 2023/24

Appendix 2 - Transport and Environment Service Remit – Delivery assessment of 2023/24 Approved Savings

Appendix 3 - Transport and Environment Service Remit – Future Year Savings Proposals

Appendix 1 Transport and Environment Service Remit – Month five forecast 2023/24

The projected Council-wide General Fund revenue budget position, based on month five, was reported to Finance and Resources Committee on 21 November 2023. At this stage, an overall underspend of £1.880m is being projected, including a forecast overspend of £0.711m for the Place Directorate. The forecast for the services within the remit of this Committee is a £2.502m 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 five forecast 2023/24

| Service Area | Net Budget 2022/23 | Net Out-turn Variance 2022/23 | Main driver of variance |
|------------------------------------|--------------------|-------------------------------|---|
| | £m | £m | |
| Waste | 33.234 | (0.703) | Impact of income from Millerhill plant heat outputs over budget. |
| Cleansing | 13.935 | 0.034 | Net position for public conveniences after non-recurring £0.5m mitigation. |
| Network Management and Enforcement | (22.379) | (1.609) | Favourable variances include improved positions in respect of cruise liner docking and parking permit income. |
| Roads and Infrastructure | 14.276 | (0.564) | Assumes a 'normal' severity winter weather response. Favourable variances in respect of Edinburgh Roads Services and Localities Transport re income and staffing. |
| Placemaking and Mobility | 0.775 | 0.340 | Costs over budget for City Mobility Plan and projected shortfall of salary recharge to capital projects. Mitigation required from overall portfolio. |
| Total | 39.841 | (2.502) | |

Appendix 2 – 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. Contextually, the overall parking income loss for Pay & Display and Penalty Charge notices is contained within the £4m Covid-19 loss funding allocated. |
| 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 | 1,262 | 1,127 | 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 offline periods have resulted 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. |
| 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 | Amber saving relates to cost of replacing Fleet Assets and has been considered as part of the Fleet Asset Replacement financing strategy. |
| | 13,647 | 9,743 | 3,904 | |
| | | 71.4% | 28.6% | |

Appendix 3 – 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 November 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 (and changes from 23/24 approved proposals). | 2023/24 £m | 2024/25 Incremental Change £m | Change from 23/24 Budget Narrative |
|---|------------|-------------------------------|--|
| 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 | 0.500 | Additional saving of £0.5m assumed in 2024/25. |
| Millerhill Energy Income | 3.450 | (0.950) | Lower assumption re income receipt in 24/25; £2.5. In 2023/24 £4.3m assumed to be received against approved budget of £3.45m. |
| Net Impact | 2.500 | 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. Proposed charges for 2024/25 will be brought forward as part of the budget setting process.