

# Transport and Environment Committee

10.00am, Thursday, 1 October 2020

## Revenue Monitoring Update – 2019/2020 Provisional out-turn and 2020/2021 Month three position

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| Executive/routine<br>Wards<br>Council Commitments | Executive<br>All |
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### 1. Recommendations

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- 1.1 Transport and Environment Committee are asked to:
- 1.1.1 note that the overall Place provisional revenue out-turn for 2019/2020 was a £6.996m overspend including costs attributable to Covid-19 and £5.345m when Covid-19 net costs are excluded. Services within the remit of the Committee delivered provisional out-turn overspends in 2019/2020 of £3.876m excluding Covid-19 impacts;
  - 1.1.2 note that the overall Place revenue budget month three position for the 2020/2021 financial year is a projected £3.020m overspend (excluding Covid-19 impact). Services within the remit of the Committee are forecasting an overspend of £0.95m (excluding Covid-19 impact), which represents the 2020/2021 savings delivery risk;
  - 1.1.3 note that General Fund Covid-19 costs of c. £29m in addition to pressures set out at 1.1.2 have been forecast for the overall Place Directorate at month three with circa £18m relating to services within the remit of the Committee; and
  - 1.1.4 note that the Executive Director of Place is taking measures to reduce budget pressures and progress will be reported to Committee at agreed frequencies;

**Paul Lawrence**

Executive Director of Place

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## Revenue Monitoring Update – 2019/2020 Provisional out-turn and 2020/2021 Month three position

### 2. Executive Summary

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- 2.1 The report sets out the provisional out-turn for the 2019/2020 financial year and the projected month three revenue monitoring position for Place Directorate services which are under the remit of this Executive Committee. This is based on the unaudited annual accounts for 2019/2020 in respect of the provisional out-turn and for the month three forecast, an analysis of actual expenditure and income to the end of June 2020 with expenditure and income projections for the remainder of the 2020/2021 financial year.
- 2.2 The overall 2019/2020 provisional out-turn excluding Covid-19 impact was largely as reported at month nine to Finance and Resources Committee, in that an overspend of £5.345m was returned after adjusting for Covid-19 impacts. The provisional out-turn for the services which are under the remit of this Committee was an overspend of £3.876m.
- 2.3 At month three, the 20/21 full year forecast business as usual (excluding Covid-19 impact) overall Place gross budget pressure is currently £8.690 (net of £1.902m approved investment as part of the 2020/2021 budget process), partially offset by agreed management actions totalling £5.670m, resulting in a net residual budget pressure of £3.020m.
- 2.4 At month three, services within the remit of this Committee are forecasting a business as usual overspend in 2020/2021 of £0.950m which in the main represents the in-year delivery risks relating to £1.348m of 2020/2021 approved savings.
- 2.5 At month three, the General Fund Covid-19 impact for Place Directorate has been forecast to be a net cost in the region of £29m with circa £18m of this relating to projected lost income and additional costs incurred in services within the remit of this Committee.
- 2.6 This report will focus primarily on the aspects of Place revenue budgets which are within the remit of the Transport and Environment Committee.
- 2.7 The Executive Director of Place is fully committed to making all efforts to identify management action to reduce the budget pressures. However, given the magnitude of these pressures, there is the potential for a significant level of overspend.

### 3. Background

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- 3.1 The total 2019/2020 approved gross General Fund revenue budget for the Place Directorate was £236.511m. The net budget is £43.543m after adjusting for income from other parts of the Council, external grants and other income. This budget was net of £8.98m of approved budget savings and a further £2.8m allocation of Council efficiency savings approved by Council in February 2019.
- 3.2 The total 2020/21 approved gross GF revenue budget for the Place Directorate is £242.181m. The net budget is £45.729m after adjusting for income from other parts of the Council, external grants and other income. This budget is net of £4.508m of approved savings approved by Council in February 2020.
- 3.3 This report provides an update on financial performance against the above revenue budgets; provisional 2019/2020 out-turn and 2020/2021 forecast at month three. A separate report to the Council's Finance and Resources Committee on [27 August 2020](#) set out the projected position on the Capital Investment Programme.
- 3.4 Covid-19 identified net costs have been separated from the 'business as usual' in order to facilitate understanding of the underlying budget position and drivers of risks, cost pressures and mitigating actions where applicable.

### 4. Main report

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#### **Place Directorate - 2019/2020 provisional out-turn**

- 4.1 The Directorate's activities continued to be subject to significant pressures during the year and the reported outturn position (after exclusion of COVID-19 related costs) is largely consistent with that reported at month nine. The Place provisional out-turn position for 2019/2020 is a net overspend of £6.996m including Covid-19 related costs and £5.345m after adjusting for covid-19 impacts.
- 4.2 The provisional out-turn for 2019/2020 for the services within the remit of the Committee is a net overspend of £3.876m. The main areas of pressure were delays in savings delivery and emergent pressures which are set out in Appendix 1:
- 4.2.1 Waste and Cleansing returned a provisional out-turn overspend of £1.1m, this can mainly be reconciled to a delay in savings delivery. Management Action has been instructed in 2020/2021 in terms of service cost reduction.
- 4.2.2 Scientific and Bereavement Services returned a provisional out-turn overspend of £0.9m overspend which can mainly be reconciled to the temporary suspension of Environmental Testing Services. Management action is underway in 2020/2021 to resolve this issue.
- 4.2.3 Transport Services in total returned a provisional out-turn overspend of £1.2m, which can be mainly reconciled to a delay in savings delivery. As denoted in Appendix 1, the income related savings in relation to parking were on track to be delivered until Covid-19 impacted. The Transport

Review is being implemented in 2020/2021 which should enable savings delivery.

- 4.3 Other material variances in 2019/20 related to the Place-wide efficiency savings allocation of £2.8m where the Directorate was unable to fully meet the approved savings target, in addition to delivery of specific service savings and mitigation of service pressures.

#### **2019/2020 Approved Savings Delivery**

- 4.4 2019/20 approved savings totalled £11.78 including an efficiency savings requirement of £2.8m, Overall, around 63% of 2019/20 approved savings and efficiency savings were delivered in year (£7.39m), with progress made towards the delivery of previous year savings such as charging for garden waste which has now been delivered in full. A summary of the delivery status of 2019/2020 approved savings and efficiency savings within the remit of the Committee is shown in Appendix 1, with elements not delivered in year carried into the 2020/2021 budget management strategy.

#### **Place Directorate - 2020/2021 Month three forecast**

- 4.5 At month three, the 2020/2021 forecast net pressure assuming delivery of identified management actions within Place budgets overall is £3.020m (excluding Covid-19 net costs).
- 4.6 At month three, the forecast position for services within the remit of the Committee is a £0.950m overspend (excluding Covid-19 impact). This is largely representative of the 'at risk' elements of approved budget savings.

#### **2020/21 Budget – Approved Savings Delivery**

- 4.7 The approved budget savings for Place Directorate in 2020/2021 total £4.508m. Progress in the delivery of the savings programme is reviewed regularly by Place Senior Management Team. £2.438m of approved 2020/2021 budget savings have been assessed by Place SMT as having been impacted by factors, including the Coronavirus pandemic with a "substantial risk" that the approved savings will not be achieved. This includes £0.503m of approved savings within the remit of this Committee.
- 4.8 Whilst services have been asked to produce plans to bring substitute savings forward, it is important to understand the reasons for savings being 'at risk'. To this end, the traditional RAG assessment provided within the Committee reporting and governance framework has been expanded to include a black assessment denotation which is applied to savings where there has been a material change in context leading to a substantial delivery risk or where there are serious concerns around project design resulting in the same outcome.

- 4.9 The savings which fall under the remit of this Committee total £1.328m and are shown in Appendix 2 with the month three delivery assessment. A risk assessment exercise has been undertaken in consultation with Place Management Team, this indicates that, on the basis of actions planned or already undertaken, £0.445m of approved savings are assessed as “green” (saving on track to be achieved); £0.400m is assessed as “red” (limited assurance that saving will be achieved); and £0.503m are assessed as “black” (material change in circumstances with substantial risk that saving will not be achieved).

### **Pressures, Risks and Management Actions**

- 4.10 Place Directorate overall is forecasting a £3.020m overspend at month three. Solutions will require to be brought forward to treat the residual budget pressure and any emergent budget risks, this may impact the services within the remit of the Committee.
- 4.11 Place Directorate discuss budgets with Finance colleagues on a weekly basis at the Senior Management Team in order to try and manage the risks set out in this report and consider emergent risks in the unprecedented pandemic context.
- 4.12 The 2020/21 budget management strategy which was agreed and is currently being implemented by the Place Senior Management Team has given full consideration to legacy and new budget pressures as well as the in-year savings requirement. Over the short-to-medium term, concerted action is required to address underlying budgetary issues in a sustainable way.

### **Overall Position – Covid-19 Impact - Month three forecast 2020/21**

- 4.13 As stated earlier in this report, GF Covid-19 direct costs and loss of income are being reported separately to allow appropriate decisions to be made in respect of the business as usual and the unbudgeted extraordinary net costs. At month three, in the region of £29m of budget impacts have been forecast across Place Directorate which relate to Covid-19. Within this total, circa £18m relates to the remit of this Committee and is set out within Appendix 3.

## **5. Next Steps**

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- 5.1 Place Directorate is committed to delivering mitigating management action to address identified budget pressures on an ongoing basis and will continue to report on progress towards the delivery of a balanced budget.
- 5.2 In addition to the introduction of realigned budgets and half-year reviews, a more strategic approach is being implemented in terms of budget management. Place SMT is looking to the 2020/2021 budget management strategy as part of a rolling process not confined to the current financial year. Where planned savings and mitigations are not fully delivered in year, they are being factored into future year budget management strategies.
- 5.3 The Executive Director of Place is fully committed to making all efforts to identify management action to reduce the budget pressures. However, given the magnitude of these pressures, there is the potential for a significant level of overspend.

## **6. Financial impact**

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- 6.1 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 indicate pressures arising within the Place Directorate which require to be addressed.

## **7. Stakeholder/Community Impact**

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- 7.1 Consultation was undertaken as part of the budget setting process.

## **8. Background reading/external references**

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- 8.1 Month 3 Revenue Update Report – [27 August 2020](#)
- 8.2 Revenue 2019/20 Revenue Out-turn Report – [27 August 2020](#)
- 8.3 T&E half year update report 2019/2020

## **9. Appendices**

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- 9.1 Appendix 1 – Place Directorate: 2019/2020 Provisional Out-turn – Pressures within remit of Transport and Environment Committee.
- 9.2 Appendix 2 – Place Directorate: 2020/2021 Month three Approved Savings Assessment - within remit of Transport and Environment Committee.
- 9.3 Appendix 3 – Covid-19 Impact – Place Directorate - Month three forecast 2020/21.

**Appendix 1 – Place Directorate: 2019/2020 Provisional Out-turn – Pressures within remit of Transport and Environment Committee.**

| 2019/2020 PROVISIONAL OUT-TURN  | Approved Saving | Approved Saving | Efficiency Saving | Emergent Pressure | Total |
|---|-----------------|-----------------|-------------------|-------------------|-------|
| TRANSPORT & ENVIRONMENT COMMITTEE   | 2018/2019       | 2019/2020       | 2019/2020         | 2019/2020         |       |
| SUMMARY OF KEY MANAGEMENT ACTIONS STILL TO BE COMPLETED   | £m              | £m              | £m                | £m                | £m    |
| Waste and Cleansing - Operational Working Patterns including defleeting   | 0.37            |                 |                   |                   | 0.37  |
| Joint Procurement of Waste Contracts  |                 | 0.38            |                   |                   | 0.38  |
| Transport Reform  |                 | 0.32            |                   |                   | 0.32  |
| Clean and Green   |                 | 0.25            |                   |                   | 0.25  |
| Parking - increase charges by average of 4.5% per annum over four years   |                 | 0.40            |                   |                   | 0.40  |
| Re-provision of public conveniences   |                 | 0.25            |                   |                   | 0.25  |
| Parking Action Plan Implementation  |                 | 0.19            |                   |                   | 0.19  |
| Improved Approach to Street and Environmental Enforcement   |                 | 0.32            |                   |                   | 0.32  |
| Service Defleeting  |                 | 0.35            |                   |                   | 0.35  |
| Place Management Efficiency - Misc  |                 |                 | 0.76              |                   | 0.76  |
| Emergent Pressure - Environmental Testing Services  |                 |                 |                   | 0.70              | 0.70  |
| <b>Total</b>  | 0.37            | 2.45            | 0.76              | 0.70              | 4.28  |
| Adjusted for Covid-19 impact  |                 | -0.59           |                   |                   | -0.59 |
| <b>Total</b>  | 0.37            | 1.86            | 0.76              | 0.70              | 3.69  |
| Denotes saving was on track to be delivered until Covid-19 (including in year substitution of related measures) |                 |                 |                   |                   |       |
| Denotes partially delivered (including in year substitution of related measures)                                |                 |                 |                   |                   |       |
| Factored into 2020/2021 budget management strategy  |                 |                 |                   |                   |       |

**Appendix 2 – Place Directorate: 2020/2021 Month three forecast – Pressures within remit of Transport and Environment Committee.**

| <b>2020/20/21 Approved Saving</b>   | <b>Green £m</b>  | <b>Amber £m</b>    | <b>Red £m</b>    | <b>Black £m</b>  | <b>Total £m</b> |
|---|------------------|--------------------|------------------|------------------|-----------------|
|   | <b>Delivered</b> | <b>In Progress</b> | <b>Difficult</b> | <b>At Risk *</b> |                 |
| <b>Income Generation – Including Parking Action Plan.</b>                 | <b>0.030</b>     | <b>0.000</b>       | <b>0.000</b>     | <b>0.088 MC</b>  | <b>0.118</b>    |
| <b>Workforce Savings – Including Scientific and Bereavement Services.</b> | <b>0.000</b>     | <b>0.000</b>       | <b>0.000</b>     | <b>0.090 MC</b>  | <b>0.090</b>    |
| <b>Third Party Savings – Including Joint Waste.</b>                       | <b>0.000</b>     | <b>0.000</b>       | <b>0.000</b>     | <b>0.325 MC</b>  | <b>0.325</b>    |
| <b>Transport Reform</b>   | <b>0.000</b>     | <b>0.000</b>       | <b>0.400</b>     | <b>0.000</b>     | <b>0.400</b>    |
| <b>Fees &amp; Charges</b>   | <b>0.415</b>     | <b>0.000</b>       | <b>0.000</b>     | <b>0.000</b>     | <b>0.415</b>    |
| <b>Total</b>  | <b>0.445</b>     | <b>0.000</b>       | <b>0.400</b>     | <b>0.503</b>     | <b>1.348</b>    |
| <b>% of Total Savings</b>   | <b>33%</b>       | <b>0%</b>          | <b>30%</b>       | <b>37%</b>       | <b>100%</b>     |

**\*PD = Project Design, \*MC= Material Change in Circumstances**

**2020/21 Approved Transport and Environment Savings with delivery risk adjustment**

| <b>Month three forecast – 20/21 savings with applied delivery risk percentages</b> | <b>Delivery assumed in month three forecast</b> | <b>Approved Saving 2020/21 £m</b> | <b>Forecast Savings Delivery 2020/21 £m (after delivery risk % applied)</b> | <b>Forecast Savings Shortfall 2020/21 £m</b> |
|--|---|-----------------------------------|---|--|
| Green  | 100%  | 0.445                             | <b>0.445</b>  | -  |
| Amber  | 40%   | 0.000                             | <b>0.000</b>  | -  |
| Red  | 10%   | 0.400                             | <b>0.040</b>  | <b>£0.360m</b>                               |
| Black  | 0%  | 0.503                             | <b>0.000</b>  | <b>£0.503m</b>                               |
| <b>Total</b>   |   | <b>1.348</b>                      | <b>0.485</b>  | <b>£0.863m</b>                               |



| Covid-19 Impact - Place Directorate - Month three forecast 2020/21   |   | Appendix 3    |                |               |
|--|---|---------------|----------------|---------------|
| The sums below are based on a broad period of three months' shutdown from April to June, with a gradual reinstatement of operations over the following three months to the end of September. In a number of cases, however, further expenditure pressures and/or income losses are expected and these are noted below. |   |               |                |               |
|  |   | Estimate      | Increase/      | Revised       |
|  |   | P&S 23 July   | (decrease)     | F&R 27 Aug    |
| Service Area   | Potential Impact  |               |                |               |
|  |   | £m            | £m             | £m            |
| <b>Increases in expenditure</b>  |   |               |                |               |
| Waste and Cleansing  | Additional refuse collection vehicles, fuel, external contractors, PPE, etc. Updated projection reflects increased agency staffing expenditure linked to the reopening of Community Recycling Centres, as well as reduction in income from sale of recyclates, based on depressed state of market.  | 0.388         | 1.060          | 1.448         |
| Public conveniences  | Limited, phased reopening in areas of high footfall, especially in parks and at the seafront, as approved by the Policy and Sustainability Committee on 9 July. Costs are based on period until end of October.   | 0.144         | 0.000          | 0.144         |
| Temporary mortuary hire  | Including provision for additional direct staffing  | 0.110         | 0.000          | 0.110         |
| <b>Total increases in expenditure - Place</b>  |   | <b>0.642</b>  | <b>1.060</b>   | <b>1.702</b>  |
| <b>Reductions in income</b>  |   |               |                |               |
| Parking Income - on-street   | Loss of income from on-street car parking due to the suspension of city-wide parking charges, based on parking charge and enforcement reinstatement wef 22 June but with continuing shortfalls in income for most of the rest of the year due to reduced space availability and/or demand. While recent weeks' figures have generally shown steady improvement in income levels, the projection remains unchanged at this time pending confirmation of demand over the medium term. | 11.674        | 0.000          | 11.674        |
| Housing Property Services  | Estimated reduction in sums chargeable to the Housing Revenue Account   | 2.945         | 0.290          | 3.235         |
| Place (various)  | Net loss of income - including pest control and scientific services, tables and chairs income, cruise liner berthing fees and museum and galleries donations, admissions and rents. Updated projection reflects agreed management actions in respect of asbestos service, net of increased potential shortfall in tables and chairs income following decision of Policy and Sustainability Committee on 6 August.   | 2.738         | (0.445)        | 2.293         |
| Parking Income - enforcement   | Enforcement and bus lane cameras Penalty Charge Notice reductions   | 2.013         | 0.000          | 2.013         |
| Roads  | Reduction in staff salaries chargeable to the Capital Programme.  | 1.820         | 0.000          | 1.820         |
| Parking - residents' and other permits   | Loss of income for residents', retailers', business and trade permit schemes and associated non-enforcement   | 1.675         | 0.000          | 1.675         |
| Cultural venues  | Loss of income - sales, rentals, admissions and rents. Increased projection reflects one month's further assumed shutdown in October.   | 1.342         | 0.210          | 1.552         |
| Parks and Greenspace   | Losses of income including for events, trading stances, park leases, rechargeable tree works, nursery sales, timber sales and Edinburgh Leisure recharge. Increase reflects full assumed cancellation of events through to September.   | 0.996         | 0.000          | 0.996         |
| Building Standards   | Loss of warrant income as construction industry shuts down  | 0.858         | 0.000          | 0.858         |
| Planning   | Reduction in planning applications submitted due to construction shutdown   | 0.625         | 0.000          | 0.625         |
| Licensing  | Refunds/extensions for all licences, including cab, liquor and HMO (NB these costs are now expressed net after any potential contributions from earmarked reserves).  | 0.442         | 0.000          | 0.442         |
| Public transport   | Loss of bus station income due to reduced departures, etc. While the figure shown reflects a revised (lower) assessment of income lost, enforced delays to the replacement of the Bus Station Information System and Real Time Passenger Information signage may give rise to additional costs in the current year.   | 0.700         | (0.280)        | 0.420         |
| Refunds/discounts for cancelled services - garden waste  | Costs of extending current-year permits by further five weeks   | 0.113         | (0.038)        | 0.075         |
| <b>Total reductions in income - Place</b>  |   | <b>27.941</b> | <b>(0.263)</b> | <b>27.678</b> |
| <b>Total net additional costs</b>  |   | <b>28.583</b> | <b>0.797</b>   | <b>29.380</b> |