

Transport and Environment Committee

10.00am, Thursday, 12 November 2020

Revenue Monitoring Update –2020/2021 Month five position

Executive/routine Wards Council Commitments	Executive All
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Recommendations

- 1.1 Members of the Transport and Environment Committee are asked to:
 - 1.1.1 note that the overall Place ‘business as usual’ revenue budget month five position for the 2020/2021 financial year is a projected £1.710m overspend (excluding Covid-19 impact). Services within the remit of the Committee are forecasting an overspend of £0.650m (excluding Covid-19 impact), which is largely equivalent to the 2020/2021 savings delivery risk in quantum. There are budgetary pressures forecast in the Waste and Cleansing Service, Scientific and Bereavement Services and Fleet at month five.
 - 1.1.2 note that Covid-19 costs of c. £28m in addition to pressure set out at 1.1.1 have been forecast for the overall Place Directorate at month five with circa £21.9m relating to services within the remit of the Committee; and
 - 1.1.3 note that the Executive Director of Place is taking measures to reduce budget pressures and progress will be reported to Committee at agreed frequencies.

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Executive Director of Place

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Revenue Monitoring Update – 2020/2021 Month five position

2. Executive Summary

- 2.1 The report sets out the projected month five revenue monitoring position for the Place Directorate services. The month five forecast is based on analysis of actual expenditure and income to the end of August 2020, and expenditure and income projections for the remainder of the 2020/2021 financial year.
- 2.2 Excluding the costs of the Coronavirus pandemic, the month five projection for the Place 2020/21 revenue budget is a net residual budget pressure of £1.710m. This is an improvement of £1.310m on the reported month three position reflective of an updated assessment of approved savings delivery, implementation of additional measures to mitigate carried forward pressures, receipts of external funding and savings from reduced scale external events. £0.300m of this improvement relates to services within the remit of this Committee reflective of reduced delivery risk in relation to 2020/2021 approved savings and management actions delivered to mitigate budget pressures.
- 2.3 At month five, the services within the remit of this Committee are forecasting a net overspend against budget in 2020/2021 of £0.650m. Progress against 2020/2021 approved savings delivery is set out later in this report as are the pressures, risks and management actions in relation to Waste and Cleaning, Scientific and Bereavement Services and Fleet arising from legacy savings and pressures which are in the process of being addressed.
- 2.4 At month five, the General Fund Covid-19 impact for Place Directorate has been forecast to be a net cost in the region of £28m with circa £21.9m of this relating to services within the remit of this Committee.
- 2.5 This report will focus on the aspects of Place revenue budgets which are within the remit of the Transport and Environment Committee.
- 2.6 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

- 3.1 The total 2020/21 approved gross General Fund 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 savings initiatives approved by Council in February 2020.

- 3.2 Covid-19 related net costs have been separated from the 'business as usual' in order to facilitate understanding of the drivers of risks, cost pressures and mitigating actions where applicable.
- 3.3 This report provides an update on financial performance against the above revenue budgets. A separate report to the Council's Finance and Resources Committee on 29 October 2020 set out the projected position on the Council's Capital Investment Programme.

4. Main Report

Month five – 'business as usual' forecast

- 4.1 At month five, the 2020/2021 forecast net pressure across Place general fund revenue budgets is £1.710m. This is an improvement of £1.310m from the position reported at month three. The improvement is a combination of progress made in delivery of existing agreed management action, service manager efforts to address 'at risk' elements of approved savings (paragraph 4.4) and identification of £1.125m of new measures by Place Senior Management Team. Gross pressures of £8.690m have been identified and £8.190m of management actions have been agreed across the Directorate with a commitment to identify additional measure to mitigate against the risk of not delivering a balanced budget for the Directorate as a whole. The month five forecast reflects the delivery status assessment of agreed management actions.
- 4.2 At month five, the forecast position for services within the remit of the Committee is a £0.650m overspend (excluding Covid-19 impact). This is an improvement of £0.300m from the position reported at month three and in net terms remains largely representative of the 'at risk' elements of approved budget savings in terms of overall quantum. The delivery risk assessment in respect of 2020/2021 approved budget savings is shown as Appendix 1. Pressures, risks and management actions are captured in the specific section of the report.
- 4.3 Identified management actions referred to in paragraph 4.1, which have still to be fully delivered and are pertinent to the service within the remit of the Committee total £0.600m. The actions are at varying stages of delivery and relate to reconfiguration and recommencement of environmental testing services to generate income, reduction in operational costs and optimisation of permissible staff time against capital projects where appropriate. If all identified management actions are delivered and emergent pressures managed by the services, the business as usual forecast out-turn for services under the remit of this Committee would be £0.050m overspent. In the current operating environment, there is a higher than normal level of uncertainty and therefore increased risk related to delivering this outcome.

2020/21 budget – Approved savings delivery

- 4.4 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 £0.413m of approved savings within the remit of this Committee.
- 4.5 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.
- 4.6 The savings which fall under the remit of this Committee total £1.348m and are shown in Appendix 1 with the month five 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, £0.845m of approved savings are assessed as “green” (saving on track to be achieved); £0.090m is assessed as “amber” (reasonable assurance that saving will be achieved); and £0.413m are assessed as “black” (material change in circumstances with substantial risk that saving will not be achieved).

Pressures, Risks and Management Actions

- 4.7 Place Directorate overall is forecasting a £1.710m overspend at month five. As set out in paragraph 4.1, additional measures at differing stages of delivery have been identified since the month three position was reported. 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.
- 4.8 Place Directorate discuss budgets with Finance colleagues on a weekly basis at the Senior Management Team in order to seek to manage the risks set out in this report and consider emergent risks in the unprecedented pandemic context. In line with the agreed governance framework a half year review of the Place budget management strategy is being undertaken in October and November 2020.
- 4.9 It is the responsibility of the Executive Director of Place to deliver a balanced budget overall. As reported to this Committee on [1 October 2020](#) there are legacy savings and pressures which are in the process of delivery and until such times are fully delivered substitute measures are planned and undertaken by Place Senior Management Team. Some of the measures are one off and others more sustainable. At month five, there are pressures in service areas under the remit of this Committee totalling £0.650m as set out in paragraph 4.2 with further management actions totalling £0.600m as set out in paragraph 4.3. Committee is however asked to note that at month five pressures are forecast in some service

areas; Waste and Cleansing £1.178m overspend, Scientific and Bereavement Services £0.540m overspend and Fleet £0.201m overspend. This is compensated for by forecast underspends in other areas including Roads and Transport and Localities.

- 4.10 The 2020/21 budget management strategy which was agreed and is currently being implemented by the Place Senior Management Team has given 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.

Month five – Covid-19 impact forecast

- 4.11 As stated earlier in this report, General Fund 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 five, in the region of £28m of budget impacts have been forecast across Place Directorate which relate to Covid-19. Within this total, circa £21.9m relates to the remit of this Committee and is set out within Appendix 2.

5. Next Steps

- 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

- 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

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

8. Background reading/external references

- 8.1 Revenue Budget 2020/23: 2020/21 Month Five Position and Framework Assumptions Update – [29 October 2020](#)
- 8.2 2020-30 Capital Budget Strategy – Period Five Monitoring and Revised Budget Update – [29 October 2020](#)

9. Appendices

- 9.1 Appendix 1 – Place Directorate: 2020/2021 Month five Approved Savings Assessment - within remit of Transport and Environment Committee.
- 9.2 Appendix 2 – Covid-19 Impact – Place Directorate - Month five forecast 2020/21.

Appendix 1 – Place Directorate: 2020/2021 Month five assessment of Approved Savings within remit of Transport and Environment Committee.

2020/20/21 Approved Saving	Green £m	Amber £m	Red £m	Black £m	Total £m
	Delivered	In Progress	Difficult	At Risk *	
Income Generation – Including Parking Action Plan.	0.030	0.000	0.000	0.088 MC	0.118
Workforce Savings – Including Scientific and Bereavement Services.	0.000	0.090	0.000	0.000	0.090
Third Party Savings – Including Joint Waste.	0.000	0.000	0.000	0.325 MC	0.325
Transport Reform	0.400	0.000	0.000	0.000	0.400
Fees & Charges	0.415	0.000	0.000	0.000	0.415
Total	0.845	0.090	0.000	0.413	1.348
% of Total Savings	63%	6%	0%	31%	100%

***MC= Material Change in Circumstances**

Appendix 2 – Covid-19 Impact – Place Directorate - Month five forecast 2020/21.

Principal additional expenditure and reduced income impacts of COVID-19 pandemic - Services within Remit of Transport and Environment Committee		Appendix 2
		Revised
		F&R 29 Oct
Service Area	Impact	
		£m
Increases in expenditure		
Waste and Cleansing	Additional refuse collection vehicles, fuel, external contractors, PPE, etc. Projection also reflects agency staffing and overtime expenditure linked to the reopening of Community Recycling Centres and for providing wider absence cover, as well as a reduction in income from sale of recyclates, based on depressed state of market.	1.419
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. Projection now reflects additional costs of full-year opening as outlined in report to Policy and Sustainability Committee on 6 October.	0.248
Street lighting	Increased energy and prudential borrowing costs due to delay in roll-out of LED programme.	0.231
Temporary mortuary hire	Including provision for additional direct staffing	0.110
Other incident-related costs	Including ICT, PPE and Registrar's Service staffing.	0.375
Total increases in expenditure		2.383
Reductions in income		
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 continuing steady improvement in income levels, the projection remains unchanged at this time pending confirmation of demand over the medium term.	11.674
Place (various)	Net loss of income - including pest control and scientific services, tables and chairs permits, cruise liner berthing fees.	1.433
Roads	Reduction in staff salaries chargeable to the Capital Programme.	2.061
Parking Income - enforcement	Enforcement and bus lane cameras Penalty Charge Notice reductions	2.013
Parking - residents' and other permits	Loss of income for residents', retailers', business and trade permit schemes and associated non-enforcement	1.675
Public transport	Loss of bus station income due to reduced departures, etc. While the figure shown reflects a revised 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.	0.420
Refunds/discounts for cancelled services - garden waste	Costs of extending current-year permits by further five weeks - updated assessment	0.150
Total reductions in income		19.426
Total net additional costs		21.809