

Transport and Environment Committee

10.00am, Thursday, 28 January 2021

Revenue Monitoring Update –2020/2021 Month seven position

Executive/routine Wards Council Commitments	Routine All
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Recommendations

- 1.1 Transport and Environment Committee is asked to:
 - 1.1.1 note that the overall Place ‘business as usual’ revenue budget month seven position for the 2020/2021 financial year is a projected £0.516m overspend (excluding Covid-19 impact). Services within the remit of the Committee are forecasting an overspend of £0.464m (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 seven;
 - 1.1.2 note that Covid-19 costs of c. £29m in addition to pressure set out at 1.1.1 have been forecast for the overall Place Directorate at month seven with circa £23.5m 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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Revenue Monitoring Update – 2020/2021 Month seven position

2. Executive Summary

- 2.1 The report sets out the projected month seven revenue monitoring position for the Place Directorate services. The month seven forecast is based on analysis of actual expenditure and income to the end of October 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 seven projection for the Place 2020/21 revenue budget is a net residual budget pressure of £0.516m. This is an improvement of £1.194m on the reported month five position reflective of an updated assessment of approved savings delivery, implementation of additional measures to mitigate carried forward pressures and savings from reduced scale external events. £0.186m of this improvement relates to services within the remit of this Committee reflective of management actions delivered to mitigate budget pressures.
- 2.3 At month seven, the services within the remit of this Committee are forecasting a net overspend against budget in 2020/2021 of £0.464m. 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 seven, the General Fund Covid-19 impact for Place Directorate has been forecast to be a net cost in the region of £29m with circa £23.5m 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 material 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 the above revenue budgets. A separate report to the Council's Finance and Resources Committee on 21 January 2021 set out the projected position on the Council's Capital Investment Programme.

4. Main Report

Month seven – 'business as usual' forecast

- 4.1 At month seven, the 2020/2021 forecast net pressure across Place general fund revenue budgets is £0.516m. This is an improvement of £1.194m from the position reported at month five. 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 delivery of new measures by Place Senior Management Team. Gross pressures of £8.690m have been identified and £8.454m 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 seven forecast reflects the delivery status assessment of agreed management actions.
- 4.2 At month seven, the forecast position for services within the remit of the Committee is a £0.464m overspend (excluding Covid-19 impact). This is an improvement of £0.186m from the position reported at month five 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 £0.270m. 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 £0.194m overspent.

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 seven 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, £0.935m of approved savings are assessed as “green” (saving on track to 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 £0.516m overspend at month seven. As set out in paragraph 4.1, additional measures at differing stages of delivery have been identified since the month five position was reported. The position represents an improvement of £1.194m on the month five position.
- 4.8 At month seven, there are pressures in service areas under the remit of this Committee totalling £0.464m as set out in paragraph 4.2 with further management actions totalling £0.270m as set out in paragraph 4.3. Committee is however asked to note that at month seven pressures are forecast in some service areas; Waste and Cleansing £1.587m overspend, Scientific and Bereavement Services £0.510m overspend and Fleet £0.107m overspend. The increased overspend in Waste and Cleansing relates to a recalculation of costs of disposal. This is compensated for by forecast underspends in other areas including Roads and Transport and Localities.
- 4.9 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 was undertaken in November 2020.
- 4.10 It is the responsibility of the Executive Director of Place to deliver a balanced budget overall for the Directorate. 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 seven – 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 seven, in the region of £29m of budget impacts have been forecast across Place Directorate which relate to Covid-19. Within this total, circa £23.5m relates to the remit of this Committee and is set out within Appendix 2. The main driver of cost growth since month 5 is the net cost of waste disposal; increased tonnages of residential waste and reduced income from sale of recyclates.

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 material 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 2020/21: Month eight Position – report to Finance and Resources Committee, [21 January 2021](#) (Item 7.1)
- 8.2 2020-30 Capital Budget Strategy – 2020/21 Month Eight Monitoring – report to Finance and Resources Committee, [21 January 2021](#) (item 7.2)
- 8.3 Revenue monitoring 2020/21 month five position – report to Transport and Environment Committee, [12 November 2020](#)

9. Appendices

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

Place Directorate: 2020/2021 Month seven 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.	0.090	0.000	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	0.935	0.000	0.000	0.413	1.348
% of Total Savings	69%	0%	0%	31%	100%

*MC= Material Change in Circumstances

Appendix 2 - Covid-19 Impact – Place Directorate - Month seven forecast 2020/21.	Month 7 Forecast £m
Covid-19 Additional Costs - Transport & Environment	
Waste & 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. The January update also incorporates the financial impacts of greater-than-normal waste tonnages collected in the year to date and reduced enforcement activity.	2.695
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 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 Service staffing.	0.375
Covid-19 Income Reductions - Transport & Environment	
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 weekly income from late August until mid-October was generally between 10% and 15% lower than 2019/20's equivalent levels, this shortfall has grown markedly since that time, averaging 25% in the eight weeks to 20 December. Following implementation of tightened restrictions with effect from 5 January, these shortfalls would be expected to grow significantly, at least in the short term. The current year's forecast therefore includes provision for these weekly losses to increase, with a further general £3m risk contingency reflected within the Council-wide forecast to reflect the impact of continuing restrictions on this and related income streams.	11.674
Enforcement. Enforcement and bus lane cameras Penalty Charge Notice reductions.	2.013
Resident and Other Permits. Loss of income for residents', retailers', business and trade permit schemes and associated non-enforcement.	1.675
Place Various. Net loss of income - including pest control and scientific services, tables and chairs permits, cruise liner berthing fees and museum and galleries donations, admissions and rents based on expected periods of closure/service unavailability. The updated projections reflect assumed disruption until the end of the financial year.	1.786
Roads. Reduction in staff salaries chargeable to the Capital Programme.	2.145
Public Transport. Loss of bus station income due to reduced departures. Enforced delays to Bus Station Information System and Real Time Passenger Information signage may give rise to additional costs in the current year.	0.420
Garden Waste. Costs of extending current-year permits by further five weeks	0.150
Total Covid-19 Additional Costs & Income Reductions – T&E	23.522

