

Transport and Environment Committee

10.00am, Thursday, 7 March 2024

Revenue Budget Monitoring 2023/24 – Month Nine 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 £0.130m for 2023/24, as at month nine. This is the net position, including £1.300m of non-recurring measures and adjustment for relevant provisions made in respect of eligible Covid-19 impact and inflationary cost pressures;
 - 1.1.2 That approved budget savings for 2023/24, within the remit of this Committee are assessed at 85% 'green' with 15% at 'amber':
 - 1.1.3 That plans will be developed by 31 March 2024 to address cost pressures which have been identified in respect of financial year 2024/25.

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Revenue Budget Monitoring 2023/24 – Month Nine position

2. Executive Summary

- 2.1 This report summarises the month nine 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 eight was [reported](#) to Finance and Resources Committee on 25 January 2024. The month nine position will be reported to Finance and Resources Committee on 14 March 2024. There have been material changes to the final reported forecast for the 2023/24 financial year, therefore this report focuses on the month 9 position.
- 2.3 The month nine forecast in 2023/24 for services within the remit of this Committee is an underspend of £0.130m. Further information is provided in paragraphs 4.1 to 4.6 of this report. This is after assuming £1.300m 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 £4.297m 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 nine for services within the remit of this Committee. A separate [report](#) to Finance and Resources Committee on 25 January 2024 set out the projected position on the Capital Investment Programme as at month eight.
- 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 Nine Forecast

- 4.1 The approved budget for 2023/24 is £39.841m after adjustment for approved savings and investment, as set out in section 4.6 and 4.7 of this report. Budgetary performance at month nine is forecasting a £0.130m 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 Committee portfolio, the key underlying pressure inherent in the overall forecast relates to the funding of public conveniences (details of partial in year mitigation in paragraph 4.7). At month nine there have been material movements in the forecasts of two areas within the Committee's remit; Waste and Network and Enforcement. The Waste movement relates to a reassessment of the levels of third-party income which will be received from the sale of Millerhill plant outputs to utility companies. This reduction in income has not been confirmed and is based on the application of prudence in the final reporting cycle of 2023/24. The Network and Enforcement movement relates to a reassessment of the combined impacts of all income streams after considering a larger population of actual data to extrapolate out.
- 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 thus far, however the 'new normal' income levels are unlikely to return to levels within core budgets. As set out in paragraph 5.4, the provisions made in response to Covid-19 will reduce to £2m in 2024/25. Measures have been included within the 2024/25 budget proposal to address this pressure including additional uplift of pay and display parking charges, increase to permit charges in line with Traffic Regulation Order approval and bringing bus lane enforcement penalty notice charges in line with parking penalty charge notices.
- 4.4 There is a mitigating favourable forecast income variance of £0.300m pertaining to the sale of outputs at the Millerhill plant to utility companies, however this cannot be relied on in the longer term as this third-party income will be variable in line with price fluctuations in the wholesale energy market, a commitment to repay the prudential borrowing in respect of the heat interchange system at Millerhill and a reduction in available outputs when heat is diverted from the plant as per strategic plans. The income forecast for 2023/24 is still an estimate and will require to be confirmed in due course by FCC Environment. In the interests of prudence, the month nine forecast has been reduced from the £0.850m favourable variance previously reported.
- 4.5 In addition to management of risks and pressures within the Transport and Environment remit, there is a forecast overspend for Place Directorate. Current and emerging risks will be continue to be subject to ongoing tracking and

development of mitigation measures on a rolling budget basis, however the scope to effect new measures and see budget performance improvement in in the current year is limited. Mitigation plans for 2024/25 identified risks and pressures will be developed by 31 March 2024 and will be reported to Committee where the proposed mitigations relate to the policy remit.

2023/24 Budget – Approved Savings

- 4.6 Council wide savings of £26.597m were approved as part of the 2023/24 budget motion; £13.647m of these are required to be delivered by services within the remit of this Committee. At month nine, a delivery assessment categorised 85% of these savings as ‘green’ and 15% 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 25 January 2024. The full proposals which relate to the remit of this Committee, passed by Act of Council, 22 February 2024 forming the 2024/25 approved budget are shown within Appendix 3.

5. Next Steps

- 5.1 Current and emerging risks will continue to be subject to ongoing tracking and development of mitigation measures on a rolling budget basis, however the scope to effect new measures and see budget performance improvement in in the current year is limited. Mitigation plans for 2024/25 identified risks and pressures will be developed by 31 March 2024 and will be reported to Committee where the proposed mitigations relate to the policy remit.

- 5.2 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 and Cleansing Services budget saving and public convenience operating costs as a one-off mitigating measure in 2023/24. The £0.300m 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.
- 5.3 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 for parking services will reduce from £4m in 2023/24 to £2m in 2024/25. Proposals to address this pressure have been included in the 24/25 budget Officer recommendations and are set out within 4.3.

6. Financial impact

- 6.1 As of month nine, and as will be reported to Finance and Resources Committee on 14 March 2024, is a projected underspend of £0.130m for the services within the remit of this Committee after adjustments in respect of Covid-19 and inflationary impacts and £1.300m of one-off mitigations. Failure to break even at Directorate level in 2023/24 will reduce 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 December 2023, there remains a risk that changing circumstances and events will result in further budget pressures.
- 9.2 Financial performance will be tracked by Place SMT and service management teams to identify and mitigate emerging financial risks. All current and emerging risks will be subject to ongoing tracking, development of mitigation measures and review on a rolling budget basis as we move towards the 2024/25 financial year. Management action plans within the budget management strategy will be reported to Committee where the proposed mitigations relate to the policy remit.
- 9.3 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](#) – 2023/24 Month Three position, Transport and Environment Committee 12 October 2023
- 10.2 [2023/24 Month Five position](#), Transport and Environment Committee, 11 January 2024.

11. Appendices

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

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

Appendix 3 - Transport and Environment Service Remit – 2024/25 Approved Budget Proposals

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

The projected Council-wide General Fund revenue budget position, based on month nine, will be reported to Finance and Resources Committee on 14 March 2024. The forecast for the services within the remit of this Committee is a £0.130m 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 nine forecast 2023/24

Service Area	Net Budget 2023/24	Net Out-turn Variance 2023/24	Main driver of variance
	£m	£m	
Waste	33.234	(0.300)	Impact of third party income from Millerhill plant heat outputs over budget. Income figure to be confirmed, however the forecast income has been reduced from month 5.
Cleansing	13.935	0.310	Net position for public conveniences after non-recurring £0.5m mitigation.
Network Management and Enforcement	(22.379)	0.030	Favourable variances in respect of cruise liner docking and parking permit income are mitigating income shortfalls in respect of Bus Lane Camera operational issues and impacts of parking penalty charge notice and pay and display charges increases not being in force for the full financial year. This forecast has deteriorated from previous reporting but is more accurate and reflective of the impact of driver behaviour etc on income considered over a longer period.
Roads and Infrastructure	14.276	(0.470)	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	0.300	Costs over budget for City Mobility Plan and projected shortfall of salary recharge to capital projects. Mitigation required from overall portfolio.
Total	39.841	(0.130)	

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	The approved saving relates to gross income prior to direct costs of delivery stated in the Committee approved business case.
Strategic Review of Parking	2,000	1,500	500	A year-end review will be undertaken to compare business case assumptions to operational performance in terms of pay and display and permit net incomes.
Transport and Environment Organisational Review	120	120	0	
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	1,854	535	Majority of amber-assessed element relates to parking-related uplifts which did not come into force until June 2023 rather than 1 April.
Garden waste income consolidation	400	400	0	
Bus lane camera income consolidation	600	400	200	Circa 6000 fewer penalty notices have been issued than the same time period in 2022/23. This can be attributed to camera offline periods and potentially behaviour change.
Glass collection and recycling - one-off contract saving	550	550	0	
Penalty Charge Notices	2,400	1,700	700	Following implementation of this increase in June 2023 the full year income of £2.4m is unlikely to be reached.
Millerhill Income	3,450	3,450	0	2023/24 third party income figure still to be finalised – this saving will be met.
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	838	0	
	13,647	11,647	2,000	
		85%	15%	

Appendix 3 – Transport and Environment Service Remit – 2024/25 Approved Budget

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, 25 January 2024.

These proposals and those approved by Act of Council, 22 February 2024 which fall under the remit of this Committee are shown in Table 1 below.

Some proposals require to be further disaggregated and will impact on Transport and Environment budgets; approved fees and charges uplifts, Place efficiency savings and Council wide savings re off contract spend and waivers. This will be confirmed prior to 2023/24 financial year close.

Table 1 - Transport and Environment Service Remit – 2024/25 Approved Budget.

2024/25 Approved Budget Proposals	2023/24 £m	2024/25 Incremental Change £m	Change from 23/24 Budget Narrative
Proposals approved in principle within 2023/24 budget process			
Strategic Review of Parking	2.000	1.000	Additional saving of £1m assumed. £3m total.
Glass & Recycling Contractual arrangements	0.550	(0.550)	23/24 saving was a one off.
Best Value Review – Waste and Cleansing Service	0.500	0.500	Additional saving of £0.5m assumed in 2024/25. The £0.5m 23/24m saving was met from applying an unspent element of investment monies awarded to the cleansing service. The £1m cumulative saving in 24/25 will be delivered from efficiencies re communal glass collections as per the 23/24 saving above, increase in garden waste income and efficiencies to dispense with need for annual demography funding.
Millerhill Energy Third Party 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. The final in-year income has still to be confirmed.
Net Impact – Sub total	2.500	-	
New Budgetary changes			(Investment) and Savings - 2024/25 motion
Supported Bus Routes	-	(0.300)	Additional funding assumed to recur in 25/26
Safety Improvements – Active travel off road	-	(0.075)	24/25 only additional funding
Bus Services	-	(0.240)	Additional funding assumed to recur in 25/26
City Clean up	-	(0.892)	Additional funding assumed to recur in 25/26
Net Impact		(1.507)	Additional investment