

**Environment and Sustainable
Communities Overview and Scrutiny
Committee**



12 February 2021

**Neighbourhoods & Climate Change –
Quarter 2: Forecast of Revenue and
Capital Outturn 2020/21**

Report of Corporate Directors

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Change**

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide details of the forecast outturn budget for this service area highlighting major variances in comparison with the budget, based on the position to the end of Quarter 2 (30 September 2020).

Executive summary

- 2 This report provides an overview of the updated forecast of outturn, based on the position at Quarter 2, 2020/21. It provides an analysis of the budgets and forecast outturn for the service areas falling under the remit of this Overview and Scrutiny Committee and complements the reports considered and agreed by Cabinet on a quarterly basis.
- 3 The updated position is that there is a forecast revenue break-even position, against a revised budget of £108.999 million.
- 4 In arriving at the cash limit position, COVID-19 related expenditure and lost income of £13.513 million, offset by COVID-19 related savings of £105,000 have been excluded from the forecasts. COVID-19 related costs are being treated corporately and offset by Government funding so far as is possible, though forecast net costs currently exceed the grant that has been made available.

- 5 The revised service capital budget is £40.094 million and this is forecast to be fully spent by year-end.
- 6 Details of the reasons for under and overspending against relevant budget heads is disclosed in the report.

Recommendation(s)

- 7 Environment and Sustainable Communities Overview and Scrutiny Committee is requested to note the contents of this report.

Background

- 8 County Council approved the Revenue and Capital budgets for 2020/21 at its meeting on 26 February 2020. These budgets have subsequently been revised to account for changes in grant (additions/reductions), budget transfers between service groupings and budget re-profiling between years (in terms of capital). This report covers the financial position for the following budgets of the services within the scope of this committee;
 - (a) Revenue Budget - £108.999million
 - (b) Capital Programme – £40.094 million
- 9 The summary financial statements contained in the report cover the financial year 2020/21 and show: -
 - (a) The approved annual budget;
 - (b) The forecast of income and expenditure as recorded in the Council's financial management system;
 - (c) The variance between the annual budget and the forecast outturn;
 - (d) For the revenue budget, adjustments for items outside of the cash limit (outside of the Service's control) to take into account such items as redundancies met from the strategic reserve, capital charges and use of / or contributions to earmarked reserves.

Forecast Revenue Outturn 2020/21

- 10 The service is reporting a **cash limit break-even position** against a revised budget of £108.999 million.
- 11 The following table shows the revenue outturn position analysed by Head of Service area.

Service Budget - Analysis by Head of Service £'000

| Head of Service | 2020/21 Budget £'000 | Forecast Of Outturn £'000 | Variance (under) / over spend £'000 | Net Covid Adjustment £'000s | Items Outside Cash Limit – Transfers to / From Reserves £'000 | Cash Limit Variance QTR2 £'000 |
|-------------------------------------|----------------------|---------------------------|-------------------------------------|-----------------------------|---|--------------------------------|
| Central Costs | 33,344 | 33,194 | (150) | 0 | 0 | (150) |
| Environmental Services | 50,186 | 59,640 | 9,454 | (8,975) | (404) | 75 |
| Technical Services | 13,429 | 14,752 | 1,323 | (1,121) | 0 | 202 |
| Community Protection | 4,396 | 4,401 | 5 | (67) | 8 | (54) |
| Partnerships & Community Engagement | 7,645 | 10,644 | 2,999 | (3,244) | 169 | (77) |
| NET EXPENDITURE | 108,999 | 122,630 | 13,631 | (13,407) | (227) | (3) |

Cash Limit Outturn – Explanation of Over and Under Spending

- 12 The forecast revenue outturn for 2020/21 is a break-even cash limit position, after taking account of the forecast use of reserves, and items outside the cash limit.
- 13 The main reasons accounting for the outturn position are shown below:
 - Environmental Services is forecast to overspend by £75,000. There are overspends relating to pay re-grading for Refuse Collection drivers of £0.206 million and Neighbourhood Wardens of £0.188 million, along with unachieved MTFP savings within Fleet of £0.166 million and in Clean & Green of £73,000. Income at the Joint Stocks site has underachieved by £0.330 million for power generation and £53,000 for soil importation. These overspends have however largely been offset by a combination of increased income from Garden Waste signups (£0.131 million), an underspend on power generation equipment maintenance (£0.106 million), underspends due to vacant posts (£0.163 million), £63,000 in additional SLA income, savings due to delays in implementing the two new refuse collection (£0.330 million), and delays in appointing the new Neighbourhood Wardens (£0.148 million), The service received full year budget growth in 2020/21 for the new refuse rounds and the additional

Neighbourhood Wardens, meaning that the delays in implementation are producing one-off underspends in the current year.

- Technical Services is forecast to overspend by £0.202 million. There are employee vacancy savings of £0.293 million, along with additional income of £67,000 relating to permit income and other fees and charges in Strategic Highways. There is also a £0.123 million underspend due to savings on electricity charges. These savings are partially offset however by a predicted overspend in winter maintenance costs of £0.420 million after fully utilising the remaining winter maintenance reserve, and also overspends of £0.265million on agency costs relating to condition surveys, contractor costs and rechargeable works.
- Partnerships & Community Engagement is forecast to underspend by £77,000. This is mainly due to a managed underspend in Supplies and Services, that will be utilised in 2021/22 for a delayed MTFP saving.
- Consumer Protection is forecast to underspend by £54,000. There are a number of vacant posts resulting in an underspend of £0.243 million, but these are partially offset by £0.111 million costs relating to unbudgeted staff regradings and £78,000 under achieved licensing income.

- 14 **Appendix 2** provides a more detailed breakdown of variations across the service area contained within the revenue budget.

Capital Programme

- 15 The capital programme was revised in May for budget re-phased from 2019/20. This increased the 2020/21 original budget. Further reports to the MOWG detailed further revisions, for grant additions/reductions, budget transfers and budget re-profiling into later years. The revised budget now stands at **£40.094million**.
- 16 Summary financial performance to the end of September is shown below.

| Service | Original Annual Budget 2020/21 £000 | Revised Annual Budget 2020/21 £000 | Forecast Outturn 2020/21 £000 | Variance 2020/21 £000 |
|-------------------------------------|--|---|--|----------------------------------|
| Environmental Services | 6,237 | 4,543 | 4,543 | 0 |
| Technical Services | 30,954 | 30,252 | 30,252 | 0 |
| Partnerships & Community Engagement | 5,972 | 5,193 | 5,193 | 0 |
| Community Protection | 106 | 106 | 106 | 0 |
| Total | 43,269 | 40,094 | 40,094 | 0 |

- 17 As at 31 March 2020, the capital programme for 2020/21 was £43.269 million. The capital budget has subsequently been adjusted at MOWG meetings during the year as a result of additional funding sources being identified, along with virements into future years, and this has now resulted in a revised 2020/21 Capital Programme of £40.094 million. It is currently anticipated that the full budget will be spent in 2020/21.

Background papers

- County Council Report (26 February 2020) – Medium Term Financial Plan 2020/21 to 2023/24 and Revenue and Capital Budget 2020/21.
- Cabinet Report (18 November 2020) – Forecast of Revenue and Capital Outturn 2020/21 – Period to 30 September 2020.

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Appendix 1: Implications

Legal Implications

Not applicable.

Finance

Financial implications are detailed throughout the report which provides an analysis of the revenue and capital projected outturn position.

Consultation

Not applicable.

Equality and Diversity / Public Sector Equality Duty

Not applicable.

Human Rights

Not applicable.

Crime and Disorder

Not applicable.

Staffing

Not applicable.

Accommodation

Not applicable.

Risk

The consideration of regular budgetary control reports is a key component of the Council's Corporate and Financial Governance arrangements.

Procurement

Not applicable.

Appendix 2: Heads Of Service Analysis – Environmental Services

| | Variance | Explanation |
|---------------------------------|-----------|---|
| Head of Environment | 0 | No variance |
| Environment & Design | (13) | Minor variance |
| North Penines AONB | 0 | No variance |
| Clean & Green | (53) | <p>£73k overspend due to unachieved 18/19 savings</p> <p>(£38k) underspend re unbudgeted Commuted Sums from developers</p> <p>£65k overspend on 3 unbudgeted posts at Wharton park (Programme Officer and 2 x apprentices)</p> <p>£30k overspend on 1 unbudgeted post for Playing Fields & Pitches</p> <p>(£60k) overachievement of SLA income</p> <p>(£48k) underspend on transport due to lower contract hire costs until new vehicles arrive</p> <p>(£75k) underspend on materials</p> |
| Depots | 21 | <p>£34k overspend due to 18/19 MTFP (£30k) security saving not achieved</p> <p>(£78k) underspend on utilities</p> <p>£58k overspend on additional repairs incl £10k at Morrison Busty workshop where pit is to fill and £15k works at Meadow field IT building</p> <p>£7k overspend on supplies such as refuse collection and equipment</p> |
| Fleet | 183 | <p>(£27k) underspend on vacant posts for part of the year</p> <p>£93k overspend due to 2018/19 MTFP restructure</p> <p>£43k overspend due to historic 2016/17 MTFP Business Support saving</p> <p>£74k overspend on sub-contractors</p> |
| Neighbourhood Protection | 47 | <p>£188k overspend due to Wardens pay increase</p> <p>(£148k) underspend on Neighbourhood Wardens mainly due to new wardens not being appointed until part way through the year</p> <p>£25k overspend on Bereavement mainly due to lower levels of cemetery income</p> <p>(£16k) underspend on Pest control due to overachievement of income</p> <p>(£2k) minor variance across other areas</p> |
| Refuse & Recycling | (92) | <p>£206k overspend on job evaluation of drivers</p> <p>£35k overspend to remove and re-fit camera and brakesafe equipment on new vehicles</p> <p>(£330k) underspend on delay of new rounds not starting until September</p> <p>(£43k) underspend on transport costs due to vehicle replacement</p> <p>£40k overspend on legal fees relating to EU challenge</p> |
| Strategic Waste | (17) | <p>(£136k) underspend on Employees due mainly to vacant posts</p> <p>(£131k) underspend on Garden Waste scheme where the sign ups have increased</p> <p>£356k underachieved Income - £333k Power generation, £52k soil imports less £29k additional trade waste disposal</p> <p>(£106k) underspend on other areas such as power generation maintenance</p> |
| TOTAL | 76 | |

Appendix 2: Heads Of Service Analysis – Partnerships & Community Engagement

| | Variance | Explanation |
|---------------------|----------|---|
| AAP | (65) | £4k overspend on Employees due to fully staffed so not able to meet the 3% turnover saving. (£4k) Premises underspend. (£65k) managed underspend on S&S |
| CCU & Policy | 25 | £8k overspend due to fully staffed due to fully staffed so not able to meet the 3% turnover saving. (£8k) managed underspend on S&S (£25k) unachievable income, due to the schools having received training and are now in a position to prepare their own emergency plans. |
| Community Buildings | 0 | No Material Variance |
| PACE Management | 4 | £4k managed overspend on S&S |
| PACE | (41) | (£25k) on Employees due to vacant posts (£16k) managed underspend on S&S |
| TOTAL | (77) | |

Appendix 2: Heads Of Service Analysis – Technical Services

| | Variance | Explanation |
|--------------------------------------|------------|---|
| Head of Technical Services | (95) | Underspend on Employees of (97k) re vacancy offset by overspend on Supplies of 2k. |
| Highways Services Trading | 0 | Reduced income of 5,971k generated by trading activities in Highways, Street Lighting and Commercial Group, offset by reduced related cost of sales of (4,838k) on Employees, Supplies and Agency. Adjustment of (1,333k) for COVID related costs and lost income. |
| Highways Services Non-Trading | 422 | Overspend of 2k on Highways Services Revenue for additional scheduled work on Category 1 and 2 highways repair work, street lighting and cable testing. All overspends to be partially offset by additional surplus on trading activities. Net overspend of 420k on Winter Maintenance due to shortfall in earmarked reserve. |
| Strategic Highways | (124) | Employees net underspend of (293k) due to vacancies and reduced hours in Street Lighting, Drainage, Traffic, Road Safety and Asset Management, offset by additional overtime and agency staff, honoraria payments and apprenticeships in Structures. Saving projection to be reviewed and updated once restructure proposals approved. Highways Permit scheme Employee expenditure offset by matching Income. |
| | | Underspend of (123k) on Premises for electricity saving of (128k) offset by additional business rates of 5k. |
| | | Underspend of (38k) on Transport for car allowances and fuel largely in Traffic, Road Safety and Asset Management. |
| | | Overspend of 117k on Supplies and Services with overspends of 92k on consultants, legal expenses and other hired services, and 61k on ICT, offset by underspends of (36k) on equipment and general expenses across all service areas. |
| | | Overspend of 235k on Agency. Additional spend of 44k on rechargeable works, offset by recharged income. Additional spend of 203k on condition surveys, payments to sub-contractors and Section 38 supervision and rechargeable works in Asset Management, offset by (12k) savings on other supplies. |
| | | Overspend of 33k in Asset Management on Central due to additional staff recharges. |
| | | Over achieved Income of (67k). Street Lighting additional fees of (15k). Traffic & Street Works (207k) additional income from fixed penalty notices, street naming, inspections, and the new permit scheme. Drainage additional SUDS and planning fees and Government grant of (2k). Asset Management reduced sponsorship and other income of 63k. Structures additional recharge income (6k). Road Safety reduced grant, contributions and fee income of 100k. |
| | | Adjustment of (£20k) for COVID related lost income on roundabout sponsorship and £32k for savings on transport, supplies, etc. making a net adjustment of £12k. |
| TOTAL | 203 | |

Appendix 2: Heads Of Service Analysis – Community Protection

| | Variance | Explanation |
|------------------------------------|-------------|---|
| Head of CP | 102 | £111k overspend due to 20/21 staffing budget increase not being funded (regrades/increments) (£8k) underspend due to manager reducing hours |
| Consumer Protection | (18) | (£103k) underspend on staffing due to vacancies £7k overspend on supplies and travel £78k underachieved income due to historic bad budget |
| Health Protection | 46 | £36k overspend on staffing mainly due to staff turnover saving (£7k) underspend on transport and supplies and services £17k underachieved income on Feed project where income has reduced over the years (FSA) |
| Strategic Regulation | (3) | (£3k) underspend on staffing mainly due to turnover saving |
| Environment Protection | (36) | (£28k) underspend on staffing due to maternity leave and reduced agency (£8k) underspend on transport and supplies |
| Neighbourhood Interventions | (85) | (£90k) underspend on staffing due to vacancies £5k under achieved income from PCC |
| Safer Communities | (60) | (£56k) underspend on staffing due to secondment of staff (£4k) underspend on transport and supplies |
| TOTAL | (54) | |