

Corporate Monitoring

Appendix 3 (3) – Economy & Infrastructure

Economy and Infrastructure Budget Monitoring Report as at 31st March 2020

1 Summary

Economy and Infrastructure Directorate at 31st March has a provisional outturn position of £131.818m pre COVID-19, an overspend of £1.513m. This represents a £0.180m increase to the overspend from that reported at Quarter 3 (Q3), as summarised in the table below. There has also been £0.400m of expenditure incurred as a result of the response to COVID-19 which has been met from a drawdown from the earmarked reserve for this purpose.

NET EXPENDITURE						
Original Budget		Revised Budget	Actual Outturn	Outturn Variance	Variance Q3	Change in Variance
£m		£m	£m	£m	£m	£m
0.179	Director	0.179	0.174	(0.005)	(0.002)	(0.003)
2.825	Director Support	2.700	2.088	(0.612)	(0.601)	(0.011)
47.306	Highways & Transportation	50.440	51.735	1.294	1.359	(0.065)
40.865	Economy & Environment	41.751	41.683	(0.068)	(0.166)	0.098
12.017	Capital Programme & Property	12.220	12.353	0.133	0.042	0.091
0.000	Planning Performance Agreements (PPAs)	0.016	0.015	(0.001)	0.000	(0.001)
23.792	Capital Charges and Insurance	23.792	23.792	0.000	0.000	0.000
(0.160)	Port of Workington	(0.101)	(0.023)	0.078	0.008	0.070
0.000	Connecting Cumbria	0.031	0.031	0.000	0.000	0.000
0.320	Carbon Tax	0.277	(0.030)	(0.307)	(0.307)	0.000
(1.000)	Cross cutting	(1.000)	0.000	1.000	1.000	0.000
126.145	Total	130.305	131.818	1.513	1.333	0.180
0.000	COVID-19	0.400	0.400	0.000	0.000	0.000
126.145	Grand Total	130.705	132.218	1.513	1.333	0.180

The key variances to the revised budget at outturn, and discussed in detail later in the report are:

- Directorate Support (£0.612m)
- Highways and Transportation £1.294m
- Carbon Tax (£0.307m)
- Cross Cutting Saving £1.000m
- Other small variances with a net combined total of £0.138m

The material movements from Q3 are:

- Economy & Environment £0.098m
- Capital Programme & Property £0.091m

2 Transfers from or to Earmarked Reserves.

2.1 The following drawdowns from Earmarked Reserves have been made:-

- Catering Consortium £0.026m
- Connecting Cumbria £0.031m
- Parking £0.008m
- Port of Workington £0.050m
- Working Together £0.047m
- Flood Grant £0.129m
- COVID-19 £0.400m

2.2 The following increases to existing or creation of new Earmarked Reserves have been made:-

- Coastal Railway £0.040m
- Commons Land £0.003m
- Social Enterprise £0.180m
- Revenue Grants Environment £0.190m
- Central DSG £0.488m

3 Request for Revenue Contributions to Capital

3.1 The following requests have been made, the first two of which are from Economy and Environment service relating to grant contributions received from South Lakeland Local Committee

- £0.020m to support Grange Flood Alleviation Scheme
- £0.020m to support Ulverston Transport Study
- £0.050m related to Port of Workington equipment purchase
- £0.248m transfer to Corporate Property Planned maintenance

3.2 There have been two contributions made for the following capital projects list following the drawdown of an earmarked reserve:-

- £1.000m to support SEND vehicle purchases
- £0.883m to support West Cumbria House and the Kendal and Citadel Car Parks

4 Service Positions

4.1 Directorate Support (£0.612m)

There is a provisional outturn underspend of (£0.612m). Of this;

- (£0.496m) is as a result of ongoing vacancies.
- (£0.116m) is primarily due to printing, postage and stationery underspends.

There has been a slight reduction to the underspend forecast at Q3 of (£0.011m) within Soft Facilities Management, specifically associated with postage, office supplies, printer and photocopier paper.

4.2 Highways and Transportation £1.294m

The provisional outturn position for the service is an overspend £1.294m, the material elements of which, are set out below:

- Special Educational Needs (SEND) Transport (including Cumbria Transport Ops Team (CTOT)), has an underlying overspend of £1.587m due to continuing high demand, which in part is due to the 10.5% increase in the total number of SEND pupils since April 2019, along with commissioning of complex and therefore more costly routes to meet service user needs. The service is working on plans to mitigate the pressure going forward, including the set-up of a cross directorate programme board to review a variety of areas including commissioning, delivery models and policy.

This is alongside the in house team created to provide alternative transport delivery, undertaking more cost effective routes and providing services the market is not able to.

The underlying pressure has in part been offset by the release of Community Transport budget due to the receipt of a one year grant along with an in year underspend on Road Safety, resulting in a net pressure of £0.800m. The provisional outturn overspend of £0.800m includes virements of the budgets released from both Community Transport and Road Safety to SEND Transport.

- Streetworks has an overspend of £0.631m. £0.453m due to the underachievement of income, the impact of the improved standard of work undertaken by utilities providers and the resulting decline in the number of chargeable failed inspections. The service continues to review how the pressure within Streetworks can be mitigated and during Q4 the Councils Permitting Scheme commenced. Whilst there has been little impact in 2019/20 it is anticipated that this will mitigate the pressure in 2020/21. £0.178m one off additional costs associated with the implementation of the permitting scheme relating to staffing and provider costs have been incurred.
- There is an overspend of £0.199m relating to Windermere Ferry, relating to an increase in staffing costs associated with additional pay such as bank holiday, night and weekend allowances not included in the budget assumptions. There is also a shortfall in income, in part, as a result of the ferry being taken out of service to allow essential repairs and maintenance works and a reduced service during the storms in February.

- Home to School transport, has an underlying overspend of £0.432m which is mostly within secondary school transport, largely due to an increase in the number of bus passes issued for service routes where pupils are eligible for free travel but where a Home to School route is not available. The overspend, has in part, been offset by the £0.200m virement from the English National Concessionary Transport (ENCTS) underspend approved within their delegation by the Executive Director.
- Partially offsetting the above is an underspend associated with Road lighting energy of (£0.106m) which is the result of the acceleration of the Streetlight replacement scheme along with improved technology and efficiency in LED since the start of the programme.
- There are also underspends of (£0.336m) ENCTS and (£0.191m) associated with staffing vacancies and the delayed reshaping.

There has been a decrease in the overspend reported at Q3 of (£0.065m) which is as a result of a number of movements within the service including; a decrease in the overspend on SEND (£0.319m), ENCTS (£0.227m) and Home to School transport (£0.023m), which have been impacted by reduced services following the COVID-19 outbreak with SEND and HTS impacted by (£0.198m) and ENCTS (£0.104m), offset in part by an additional shortfall in Streetworks income achieved and increased costs attributable to the permitting scheme implementation, £0.188m. There has also been a reduced underspend on Road lighting, which is £0.074m more than forecast, along with reduced income achieved from the Windermere ferry £0.054m and additional Winter Maintenance spend £0.056m, incurred during the storms in February.

4.3 Economy and Environment (£0.068m)

The service has an underspend at provisional outturn of (£0.068m).

The key variances are:

- Regulatory Services (£0.203m) in part due to the current Senior Manager vacancy along with an underspend on Trading Standards, due to reduced costs associated with professional services in year and one off additional income.
- Waste £0.179m, largely due to an overspend on Renewi Waste Contract £0.679m which includes £0.400m of MTFP contract savings not achieved. The overspend is partly offset by additional Commercial Waste income (£0.185m), (£0.109m) due a reduction in the cost of the Kendal Fell contract following its renewal during the year, (£0.136m) underspend on recycling credits and an underspend of (£0.161m) due to vacancies in the Waste Disposals Team and a delay in the implementation of the restructure.

There has been a £0.098m reduction to the underspend reported at Q3 due to a lower level of staff recharges to Capital than assumed at Q3.

4.4 Capital Programme & Property £0.133m

There is a provisional outturn overspend of £0.133m.

The key variances are:

- Property £0.220m, largely due to holding costs of surplus properties being £0.193m greater than budget. In addition, there has been an under recovery of income, £0.057m relating to Parkhouse for Quarter 4 (Q4) and £0.050m due to income from the BAE car park, this is now expected to be received in 2021/22. The level of property disposals in year has also been less than previously anticipated. These are offset in part by (£0.060m) additional Industrial Estates lettings income.
- Corporate Maintenance Fund £0.179m due to additional reactive maintenance expenditure in year.
- Offset by (£0.168m) underspend on staffing and (£0.104m) on facilities management.

There has been a movement of £0.071m from the position reported at Q3 which is predominantly related to £0.179m additional reactive maintenance costs within Corporate Maintenance Fund, offset in part by (£0.087m) of small movements within Property.

4.5 Carbon Tax (£0.307m)

A provisional outturn underspend of (£0.307m) has been identified which is as a result of the current Carbon Reduction Commitment Energy Efficiency Scheme ending in April 2019. The Climate Charge Levy currently attached to electricity and gas expenditure has increased as a result of the change but is significantly less than the outgoing scheme.

The position is as reported at Q3.

4.6 Cross cutting savings £1.000m

The Directorate had £1.000m of savings to deliver in year, which related to a Council wide cross cutting saving linked to Transport Integration. The saving proposal included in the 2018/19 MTFP stepped up in 2019/20 to £1.000m and had 6 key changes to deliver the full saving. One of these, 'Supply Chain Intervention' has been progressed, with the creation of the Cumbria Transport Operations Team (CTOT), however this is currently partly mitigating the pressure within SEND transport (See 4.2). The remaining five changes are Council wide and include the implementation of performance management of Travel Hierarchy, Logistics, Warehousing and the establishment of a core operational transport management function, these changes all need to be progressed to support delivery of the full saving. They will form part of the savings proposal to be delivered in 2020/21.

The position is as reported at Q3.

4.7 COVID-19 £0.400m

The provisional outturn position includes COVID-19 related costs incurred during March, of £0.400m. Although the greater part of the financial impact from COVID-19 will be reflected in 2020/21, there have been associated costs, specifically in relation to the development of vacant care homes to provide additional hospital capacity, in year.

This has been met by a drawdown of the COVID-19 Reserve.