

**To:** Infrastructure, Land and Environment Policy Board

**On:** 20 March 2024

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**Report by:** Director of Finance & Resources  
Director of Environment, Housing & Infrastructure

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**Heading:** Revenue Budget Monitoring as at 5 January 2024

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## **1. Summary of Revenue Financial Position**

- 1.1 The projected Revenue outturn as at 31 March 2024 for Infrastructure, Land and Environment is an overspend position of £3.321m (10.3%) against the revised budget for the year.
- 1.2 The projected Capital outturn as at 31 March 2024 for Infrastructure, Land and Environment is a break-even position.
- 1.3 At its last meeting of 24 January 2024, the Policy board agreed that an expanded financial report would be presented to the next board with a detailed analysis of the financial position of the services under its remit.
- 1.4 This report sets out broad reasons for overspend in subjective budget headings, reported in Appendix 1 of this report, and a more detailed analysis of spend at a service area level, as summarised in Appendix 2.
- 1.5 When the Council set its budget for 2023/24, there was an expectation that the use of ringfenced reserves would be required to address any budget deficits that transpired during the year in the knowledge that the Council would continue to face significant financial challenges over the 2023/2024 financial year. The overspend position set out in this report, and previous reports to the Policy Board over the course of this financial year, are then incorporated into the financial overview for the Council that is reported to the Finance, Resources and Customer Services Board. The overall service overspend position will be funded by the Financial Sustainability Fund, as approved by Council in March 2023.
- 1.6 It should be noted that almost a third of the projected overspend being reported is attributable to Car Parking income shortfalls, partly as a result of the policy position taken during the Covid period, this is currently projected at £1.065m (0.868m income

gap plus additional spend relating to relining activity). Paragraph 5.5 of the 2023/24 Council budget, approved on 2 March 2023 notes that this under-recovery was expected and would contribute to a £1m draw on ring-fenced reserves. This Policy board approved a new Renfrewshire Parking Strategy in November 2023, which was implemented in February 2024, and as a result has helped reduce the projected under-recovery.

- 1.7 As also detailed in the 2023/24 budget approved by Council in March 2023, no general inflationary uplift to non-pay budgets was applied, unless specifically detailed. This has been the position in the agreed Council budgets over many years; however, the cumulative impact of inflation over the last 4 years has on average increased the price of supplies, services, and contracts by up to 30%, and in some cases higher.
- 1.8 In addition, higher pay awards over the last 4 years have increased the majority of frontline staff overtime rates by around 30%. Whilst core pay uplifts have been awarded through the basic pay related budgets, it has been standard practice not to allocate this uplift to overtime budgets, with an expectation that uplifts could be managed through reduced volumes of overtime. Within the services reporting to this board, overtime is a necessary tool for service delivery across many 24/7 services, responding to matters that emerge, delivering services on public holidays, and where absence cover is required to undertake the service activity. The overtime budget has therefore reduced in real terms over the last 4 years and is one of the core reasons for overspend. Due to the percentage pay awards agreed over the last few years, a review of the impact of inflation on overtime is being considered within the budgeted pay provision for 2024/25.
- 1.9 This report also sets out mitigations that are in place and planned to reduce the overspends. However, it should be noted that following the approval of the 2024/25 budget by Council in February 2024, the same position relating to inflation on non-pay budgets has been maintained, meaning that until the overtime review is complete, the board may still see overspends forecast in the areas of pressure set out in this report for 2024/25.
- 1.10 Every effort will continue be made to manage spend and income within overall budget to minimise the draw down from reserves. However, given the ongoing pressures noted above, the board is asked to note that medium term plans require to be undertaken by the Council as part of the Council's financial sustainability strategy.

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## **2. Recommendations**

It is recommended that the Infrastructure, Land and Environment Policy Board:

- 2.1 Notes that the Revenue Budget Monitoring report at Appendix 1 identifies a projected annual overspend of £3.321m (10.3% of total budget) for Infrastructure, Land and Environment. The overall overspend for the services reporting to this board has increased by £161k since the last reporting period;

- 2.2 Notes that the projected costs for this financial year are based on the financial information available at the time of writing this report, and the outturn position may vary depending on the operational and market conditions. Narrative is provided below to provide context and explanation to the budget position for service areas; and
- 2.3 Notes that the forecasted financial overview and overspend position for this Policy Board will be reported to Finance, Resources and Customer Services Board incorporating the overspend position. The Council's overall overspend position will be managed through the Financial Sustainability Fund approved by Council in March 2023.

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### 3. Subjective Review

The subjective heading set out in this section and Appendix 1 are the categories recommended by CIPFA to set out expenditure and income for the services reporting to this Policy Board.

#### Employee Costs

- 3.1 The projected overspend on employee costs is £1.383m (5.8%). The overspend is related to two predominant areas of overtime (£1.154m) and agency costs (£0.622m) with offsetting underspends due to vacancies. Reasons for these overspends are attributed as follows:
- 3.2 The projected overspend in overtime is £1.154m (5.44% of employee projected overspend). The reasons for overtime spend in excess of budget are as follows:
- Additional work: this is where additional activities are requested by other services and a corresponding income is charged to cover the additional overtime expenditure. There is an over-recovery of Income associated with this spend.
  - Overtime budgets have not been subject to pay awards and over the last three pay settlements this equates to a 30.3% increase.
  - Carry forward of annual leave: for the financial year 2023/24, many Waste Service employees had a remainder of holidays carried forward from the financial year 2021/22 and 2022/23 when they had forgone leave to continue to deliver the waste collection service during the COVID-19 pandemic.
  - Statutory Work that required to be undertaken in relation to memorial safety over above the available funding.
  - The service is also incurring costs for agency drivers in relation to the delivery of free school meals, however this is offset by funding income of £280k.
  - The agency overspend is also associated with cover for sickness or vacancies within Refuse collection (£71k) and Roads (£207k), offset with a corresponding underspend in basic employee costs due to vacancies.

For noting, the service received an in-year budget addition of £187k (£55k recurring budget) to offset some of the cost of additional public holidays.

### Premises Costs

- 3.3 The projected overspend on premises costs is £243k (19.8%). The overspend is related to two predominant areas of Waste bins and depot facility management costs.

### Waste

- 3.4 The cost of supplying bins to residents has increased and the number of additional bin requests to swap the size of bin has contributed to this overspend, including the additional cost for the provision of sacks for the households that still require a sack collection.

### Depot Facilities Management

- 3.5 Solid fuel (£24k) and water charges (£25k) are projecting an overspend totalling £49k. These areas will be taken into consideration as part of the wider review of utility budgets and further discussions will be undertaken to discuss the potential to mitigate any budget or inflationary issues moving forward. There was also a requirement to enhance the cleaning arrangements and other property costs associated with the Underwood Road depot, totalling £40k.

### Transport Costs

- 3.6 The projected overspend within Transport Costs £418k (6.9%) is largely a result of significant rate increases in relation to vehicle hire (£154k), and the cost of replacement parts, tyres, and specialist contractors (£221k). In terms of hire costs, some rates have increased by 168% in recent years; for example, in 2020 the hire cost of an accessible bus was £166 per week, whereas this has risen to £445 in 2024.

### Supplies and Services

- 3.7 The projected overspend in Supplies and Services £1.973m (14.9%) is in the main related to four main service areas, namely Neighbourhood Services, Refuse Disposal, Fleet and Parking. Within each of these areas, the impact of inflation is the main contributing factor as costs relating to work by contractors, unit tonnage rates for Refuse Disposal, for example, are seeing significant inflationary increases, with tonnage rates having increased by c10% over the past year. In addition, as part of the parking strategy, work has been undertaken to reline the parking bays with the council area. As part of the tree management work Neighbourhood Services undertake, the service has seen increased costs being incurred as contractors pass inflationary pressures to the Council as the client. However, it should be noted that as part of the 2024/25 base budget exercise, the Council has agreed to allocate a recurring revenue budget of £650k to the ongoing tree management work that is required.

### Income

- 3.8 The services areas that report to this board are showing a projected over-recovery of income equating to £683k (4.4%). Note that this is net of the projected under-recovery of parking income (£0.868m).

Some of the service areas reporting to this board reporting an under-recovery of income against budget will be offset against various overspends detailed above. Significant variance are forecast in the following areas:

- Neighbourhood Services – the service is showing an over-recovery of £553k as result of charging for various tasks they are commissioned to undertake including work for other areas of the Council including the Housing Revenue Account (HRA) and One Ren. There is also a recharge here of staff costs related to work undertaken for capital projects.
- Roads – the service is projecting an over-recovery equating to £491k. The service will incur expenditure through their revenue budget that will be recharged to capital projects and other services, as well as recharging employee costs to specific capital projects. It should be noted that the Roads service is reporting an overall break-even position.
- Social Transport – the social transport team supports the delivery of free school meals and received related funding of £280k in 2023/24.
- Transport and Development – The service is projecting an over-recovery of £108k and similar to other service areas, there is an element of the staff costs here that is recharged to specific capital projects.

3.9 A review of income budgets will be undertaken to ensure they accurately reflect existing both Service Level Agreements with partners, and anticipated work to be recharged to the Capital Programme.

#### **4. Objective Review - Service areas**

##### Waste Services

4.1 This reflects the financial position for Refuse Collection, Refuse Disposal and Household Waste Recycling Centres.

4.2 As reported previously, the overspend here in the main relates to the high levels of overtime spend being incurred within Refuse Collection and HWRC. This is partly due to the amount of overtime being allocated, as well as the level of budget provision as detailed above. The main reasons for the high levels of overtime paid are shown below:-

- Absence cover relating to short and long-term sickness
- HR related absences
- Public holidays where staff opt for day in lieu of double time, with these shifts requiring further cover
- Holidays carried over due to pandemic
- Pandemic related working practices
- Driver Training backlog clearance, due to in-person training unable to take place.

4.3 In line with normal practice, the service is absorbing the impact of incremental drift on staffing budgets within their current resource allocation (i.e. staff moving up the salary scale within their grade). For information, this practice is the standard approach across the Council, with all services having to absorb the financial impact of staff moving through the salary scales within budget. However, this is becoming a significant budgetary constraint within the ILE staffing budgets. On reviewing the current staffing establishment report, incremental drift equates to £117k for Waste Services (including employer NI and pension costs). This does not include vacancies or casual/seasonal staff.

4.4 Similar to other operational areas, the impact of inflationary increases on the costs of goods and services is a contributing factor to the overspend currently projected for Waste Services. For example:

- increased external vehicle hire costs (£53k);
- increased purchase costs of bins (£108k); and
- a reduction in demand for special uplift income.

4.5 In relation to the movement in Refuse Disposal, as previously reported, the market is highly volatile. The impact of high inflation has resulted in the unit tonnage price for each of the contracts increasing.

#### Neighbourhood Services (previously named Streetscene)

4.6 The current projected overspend within Neighbourhood Services largely relates to additional tree management and associated health and safety issues, such as tree inspections and tree health monitoring, including Ash Dieback and Larch infection activities. It should be noted that the level of work with regards to the tree management activities being undertaken has increased significantly and this has been reflected into the outturn position. The investment on this matter was reported at a previous Policy Board and updates will be taken to future boards.

4.7 Like other areas within the service, the projected outturn is showing inflationary pressures in other supplies and services. The Operational Management team has worked closely with Finance to review costs, resulting in a slight reduction in the anticipated overspend.

4.8 The service is also experiencing high levels of overtime for similar reasons to that of Waste Services, some of which is recovered through recharges.

4.9 The service has an ongoing health and safety commitment for memorial safety and has incurred additional spend of £256k over the reserve balance that was available during 2023/24. It should be noted that as part of the 2024/25, base budget process, the service has been allocated £170k to cover the recurring staff costs required to run this service.

4.10 Within Neighbourhood Services, there is a projected overspend in relation to the mower maintenance costs (£78k), similar to that experienced within Fleet Services.

4.11 There is a projected overspend within Sustainability and Place as a result of water charges and inflationary pressures on tools and equipment and increased work by

contractors. These overspends have been partially offset by an over-recovery in income due to rental income and grant funding for commissioned work.

- 4.12 The current projected overspend within Fleet Services in the main reflects the inflationary impact on contractor, material and tyre costs. In addition, the projected outturn includes £78k that relates to EV leasing costs for the previous financial year, due to late invoicing.
- 4.13 In relation to Social Transport, the service is reporting an underspend as a result of vacancies and an underspend in non-fair, wear and tear charges. It should be noted that the costs for the delivery of Universal Free School Meals and the associated recharge project income (as noted above) are reflected within this service area.

#### Road Operations, Infrastructure and Assets, Transportation and Development, and Streetlighting

- 4.14 The Roads service is currently reporting a break-even position as at Period 10, despite experiencing increased costs in relation to work by contractors and bitumen. However, these costs are being offset by recharge income that is generated when charging the work undertaken to either the relevant capital programme or other commissioning services' budget.
- 4.15 As previously reported, the current projected overspend within Infrastructure and Assets is as a result of reduced construction consent income, offset by a projected over-recovery in sales, fees and charges. Due to income generated in sales, fees and charges being demand-led, this is a difficult income stream to forecast. Like other operational areas within the service, this area is experiencing inflationary pressures, and this is reflected within the projected overspend position.
- 4.16 The current projected overspend within Transportation and Development in the main reflects an overspend in employee costs, which has been offset by an over-recovery of income relating to recharges to capital projects.
- 4.17 An overspend is projected in Streetlighting, predominantly on the repairs and maintenance of lighting columns, due to the increased cost of materials. It should be noted that there are a number of historical base budget issues within the service that have been identified, and the Finance team is working closely with the Environment, Housing & Infrastructure management team to try and address these within the current budgetary constraints within the 2024/2025 budget approved by Council.

### **5. Looking Forward**

- 5.1 As set out in the report, the service has and will continue to seek to mitigate the financial pressures placed on staff, premises, transport, supplies and services budgets, through management action. There have been several actions taken during 2023/24 through this board that will support the financial position going forward, such as policy changes, charging mechanisms, additional budget allocation in 2024/25 budget and ongoing work to consider what support can be given to pay pressures, subject to the impact of the 2024/25 pay settlement.

Further work will be undertaken by services over the course of 2024/25 to seek further opportunities to support the budget and delivery of the Council's financial strategy. A

summary of the measures taken over the course of this financial year that will support the budget position for the board are detailed below.

- **Parking Strategy:** the first phase of Renfrewshire's Parking Strategy was implemented in February 2024, and the 2024/25 financial year will establish a new baseline of expected income. As part of the 2024/25 revenue budget, Council agreed to allocate £0.5m to this budget to support any recurring gap in expected income targets.
- **Charges:** new charges have been introduced or to reflect the cost of delivering discretionary services, such as bin swaps. These should stabilise demand and support existing delivery cost pressures.
- **Budget 2024/25:** the Council agreed to allocate additional funding as part of the 2024/25 revenue budget for Tree Management, Car Parking income, Waste Disposal contract inflation, Memorial Headstone Safety, Health and Safety Monitoring, and Streetlighting totalling £1.7m.
- **Uplift on overtime budget:** the service is analysing the drivers for spend, and the Finance team is considering the financial impact of this with a view to addressing the additional budget pressure that has become apparent as a result of the recent higher pay settlements.
- **Impact of COVID-19 on Waste Services:** As reported to board, the remainder of carried forward leave and the requirement to catch up on training requirements will no longer be a pressure for 2024/25 budget pressures and should result in a reduction in the staff requirement to work overtime within this service.
- **Budget realignment:** as part of ongoing budget monitoring, the Finance team has identified a number of recurring underspends, as well as the overspends highlighted in this report, and will work closely with the Heads of Service and Senior Managers to review and realign budgets where appropriate in order to mitigate some anticipated recurring variances.

5.2 The impact of inflation on Supplies and Services and pay rates will continue to be seen within the service budgets, as they are across the Council. The 2024/25 Revenue Estimates report to Council noted that service budgets are still under pressure, and that the Financial Sustainability Fund will be used to support overspend over the medium term.

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## Implications of this report

1. **Financial** – The projected outturn position for the Infrastructure, Land and Environment Revenue budget is an overspend of £3.321m.

The projected outturn position for the Infrastructure, Land and Environment Capital budget is a break-even position.



- 2. HR and Organisational Development**  
None directly arising from this report.
- 3. Community/Council Planning**  
None directly arising from this report.
- 4. Legal**  
None directly arising from this report.
- 5. Property/Assets**  
Capital projects result in lifecycle improvements and replacements to the roads and footways network, and vehicles.
- 6. Information Technology**  
None directly arising from this report.
- 7. Equality and Human Rights**  
None directly arising from this report.
- 8. Health and Safety**  
None directly arising from this report.
- 9. Procurement**  
None directly arising from this report.
- 10. Risk**  
The potential risk that the Council will overspend its approved budgets for the year will be managed at a Council-wide level by the Chief Executive and Directors.
- 11. Privacy Impact**  
None directly arising from this report.
- 12. Cosla Policy Position**  
N/a.
- 13. Climate Risk**  
None directly arising from this report.

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**List of Background Papers**

None

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**RENFREWSHIRE COUNCIL**  
**REVENUE BUDGET MONITORING STATEMENT 2023/24**  
**1 April 2023 to 5 January 2024**

**POLICY BOARD : INFRASTRUCTURE, LAND AND ENVIRONMENT**

Subjective Summary	Annual Budget at Period 8	Budget Adjustments	Revised Annual Budget at Period 10	Projected Outturn	Budget Variance (Adverse) or Favourable		Previous Projected Outturn Variance	Movement
	£000	£000	£000	£000	£000	%	£000	£000
Employees	23,944	102	24,045	25,428	(1,383)	(5.8%)	(1,490)	107
Premises Related	1,226	1	1,227	1,470	(243)	(19.8%)	(242)	(1)
Transport Related	5,998	50	6,048	6,466	(418)	(6.9%)	(427)	9
Supplies and Services	13,138	(89)	13,049	15,022	(1,973)	(15.1%)	(1,726)	(247)
Third Party Payments	3,271	0	3,271	3,258	13	0.4%	13	(0)
Transfer Payments	114	50	164	164	(0)	0.0%	(56)	56
Support Services	35	15	50	50	0	0.0%	(15)	15
Depreciation and Impairment Losses	0	0	0	0	0	0.0%	0	0
<b>GROSS EXPENDITURE</b>	<b>47,726</b>	<b>129</b>	<b>47,854</b>	<b>51,858</b>	<b>(4,004)</b>	<b>(8.4%)</b>	<b>(3,943)</b>	<b>(61)</b>
Income	(15,241)	(351)	(15,592)	(16,275)	683	4.4%	783	(100)
<b>NET EXPENDITURE</b>	<b>32,485</b>	<b>(222)</b>	<b>32,262</b>	<b>35,583</b>	<b>(3,321)</b>	<b>(10.3%)</b>	<b>(3,160)</b>	<b>(161)</b>

## Appendix 2

**RENFREWSHIRE COUNCIL**  
**REVENUE BUDGET MONITORING STATEMENT 2023/24**  
**1 April 2023 to 5 January 2024**

**POLICY BOARD : INFRASTRUCTURE, LAND AND ENVIRONMENT**

Objective Summary	Annual Budget at Period 8	Budget Adjustments	Revised Annual Budget at Period 10	Projected Outturn	Budget Variance (Adverse) or Favourable		Previous Projected Outturn Variance	Movement
	£000	£000	£000	£000	£000	%		£000
Directorate and Service Co-ordination	1,366	0	1,366	1,342	24	1.8%	24	0
Refuse Collection	4,892	0	4,892	5,911	(1,019)	(20.8%)	(926)	(93)
Household Waste Recycling Centres	948	(2)	946	1,183	(237)	(25.1%)	(175)	(62)
Refuse Disposal	7,327	26	7,353	7,634	(281)	(3.8%)	(144)	(137)
Streetscene	7,305	2	7,307	7,373	(66)	(0.9%)	(43)	(23)
Sustainability and Place	432	(5)	427	468	(41)	(9.6%)	(41)	0
Fleet Services	(67)	50	(17)	277	(293)	(1777.8%)	(286)	(7)
Social Transport	1,596	(314)	1,282	1,233	49	3.8%	28	21
Roads Operations	3,065	0	3,065	3,066	(1)	0.0%	(73)	72
Infrastructure and Assets	1,734	33	1,767	1,974	(207)	(11.7%)	(207)	(0)
Transportation & Development	1,037	(39)	998	1,032	(34)	(3.4%)	(36)	2
Parking of Vehicles	(1,181)	(14)	(1,195)	(130)	(1,065)	(89.1%)	(1,127)	62
Street Lighting Maintenance Work	382	0	382	531	(149)	(38.9%)	(154)	5
Energy Management Unit	410	41	451	451	(0)	(0.1%)	0	(0)
Strathclyde Partnership for Transport	3,238	0	3,238	3,238	0	0.0%	0	0
Requisition								
Regulatory Services	0	0	0	0	0	0.0%	0	0
<b>NET EXPENDITURE</b>	<b>32,485</b>	<b>(222)</b>	<b>32,262</b>	<b>35,583</b>	<b>(3,321)</b>	<b>(10.3%)</b>	<b>(3,160)</b>	<b>(161)</b>