

Committee(s)	Dated: 26 January 2021
Planning & Transportation Committee	
Subject: Revenue and Capital Budgets 2021/22	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	n/a
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	n/a
What is the source of Funding?	n/a
Has this Funding Source been agreed with the Chamberlain's Department?	n/a
Report of: The Chamberlain Director of the Built Environment Director of Open Spaces	For Decision
Report author: Dipti Patel, Chamberlain's Department	

Summary

This report presents for approval the revenue and capital budgets for the Planning & Transportation Committee for 2021/22.

Overall, the proposed revenue budget for 2021/22 totals (£18.830M), a decrease in net expenditure of £0.552M compared to the 2020/21 Original Budget of (£19.382M).

The proposed budget for 2021/22 has been prepared within the resource envelopes allocated to each Director by Resource Allocation Sub Committee in December 2020, but is dependent on the delivery of significant savings proposals, some of which are subject to Member approval, and some of which are still being developed. These resource envelopes cannot be exceeded.

The resource envelopes include Target Operating Model (TOM) savings which have been applied but are yet to be identified. The Director will continue to work through proposals against the 12% savings and these will be revised once the TOM is progressed through the year(s).

The resource envelopes must be adhered to, as failure to do so will impact Finance Committee's ability to set Council Tax rates for the year ahead and the requirement in law for the City to set a balanced City Fund budget.

Recommendation(s)

Members are asked to:

- i) review and approve the proposed revenue budget for 2021/22 for submission to Finance Committee;
- ii) review and approve the proposed capital budgets for 2021/22 for submission to Finance Committee;
- iii) review and approve the 50 Year Bridges' Repairs, Maintenance and Major Works budgets;
- iv) authorise the Chamberlain, in consultation with the Directors of the Built Environment and Open Spaces, to revise these budgets to allow for any further implications arising from subsequently approved savings proposals, amended 2021/22 pay award and changes to the Cyclical Works Programme; and
- v) agree that amendments to budgets arising from changes to recharges during budget setting be delegated to the Chamberlain.

Main Report

Background

1. This report sets out the latest budget for 2020/21 and the proposed revenue and capital budgets for 2021/22 for your Committee and under the control of the Departments of the Built Environment and Open Spaces, analysed between:
 - **Local Risk budgets** – these are budgets deemed to be largely within the Chief Officer's control.
 - **Central Risk budgets** – these are budgets comprising specific items where a Chief Officer manages the underlying service, but where the eventual financial outturn can be strongly influenced by external factors outside of their control or are budgets of a corporate nature (e.g. interest on balances and rent incomes from investment properties).
 - **Support Services and Capital Charges** – these cover budgets for services provided by one activity to another. The control of these costs is exercised at the point where the expenditure or income first arises as local or central risk.
2. In the various tables, income, increases in income, and reductions in expenditure are shown as positive balances, whereas brackets will be used to denote expenditure, increases in expenditure, or reductions in income. Only significant variances (generally those greater than £50,000) have been commented on.
3. The latest 2020/21 budget and provisional 2021/22 budgets, summarised in Table 1 below, are analysed by risk, fund and Chief Officer in Appendix 1.

Table 1 Summary Revenue Budgets 2020/21 and 2021/22	Original Budget 2020/21 £'000	Latest Budget 2020/21 £'000	Original Budget 2021/22 £'000
Expenditure	(48,136)	(49,284)	(38,097)
Income	41,127	41,973	31,612
Support Services & Capital Charges	(12,373)	(12,408)	(12,345)
Total Net Expenditure	(19,382)	(19,719)	(18,830)

Latest Revenue Budget 2020/21

4. Appendix 2 provides details on budget movements between the 2020/21 original budget and 2020/21 latest budget. Overall, the 2020/21 latest budget is net expenditure of (£19.719M), an increase in net expenditure of (£0.337M) compared to the 2020/21 original budget. Main reasons for this net increase are:

Budget Increases:

- Approved COVID-19 re-budgeting adjustment (£310,000) from RASC
- Increases in pay costs due to contribution pay and recruitment of apprentices (£289,000)
- Parking Ticket Office Restructure cost (£274,000)

Budget Decreases:

- Carry-forward of budget overspend from 2019/20, £221,000
- Reduction in the cost of the Cyclical Works Programme due to changes in planned works £264,000

Proposed Revenue Budget for 2021/22

5. The proposed 2021/22 budget is net expenditure of (£18.830M), a decrease of £0.552M in net expenditure compared to the 2020/21 original budget.
6. The budget has been prepared within the resource envelopes allocated to each Director agreed by Resource Allocation Sub Committee in December 2020, with the following exceptions and assumptions:

Director of the Built Environment

- In order to remain within the Director's resource envelope before the 12% savings and Target Operating Model (TOM) reductions are applied, changes to service provision will be required and options for Members' approval are set out in a separate paper on this agenda. Total savings to be delivered of £1.09M are required, which include provisional savings of £0.785M that have already been allocated to individual budgets and a further amount of "Savings to be Applied" of £0.307M which are all subject to Member approval for this Committee. These have been incorporated into the 2021/22 budget, if Members approve options which will deliver a lower level of savings, alternative savings to the value of the shortfall must be identified in order to remain within the Director's resource envelope.

- In addition to the savings proposals outlined above, the Department's required 12% TOM reduction of £2.423M, of which for this Committee amounts to £1.368M, have yet to be identified. The Director will continue to work through proposals against the 12% savings and these will be revised once the TOM is progressed through the year(s). The 12% savings have therefore been included in the budget as Unidentified Efficiency Savings to ensure flexibility to move people into the right roles as a result of the TOM.

Director of Open Spaces

- The budget has been prepared within the Bridge House Estate resource base.

7. Appendix 3 provides details on budget movements between the 2020/21 original budget and the 2021/22 proposed budget. Overall, there is a decrease in net expenditure of £0.552M. Main reasons for this net decrease are:

Budget Decreases:

- Reduced transfer to reserves mainly due to impact of the pandemic on parking income from PCN's/dispensations/suspensions £5.364M
- 12% TOM savings yet to be identified £1.368M
- Savings to be applied £0.307M subject to Member approval
- Reduced contract and staff costs of £1.307M for "Traffic Restriction Enforcement through improved camera technology, including Beech St Zero Emission Zone"
- Reduction in Highways Repairs & Maintenance, Recoverable works and energy costs £741,000
- Reduced contractor costs for Parking Services £501,000
- One-off cost adjustment relating to Fundamental Review for review of Planning Obligations Funding requirements and CIL changes on developments £130,000 and other reduction in Supplies and Services £94,000
- A reduction in the cost of the Cyclical Works Programme due to changes in planned works £192,000

Budget Increases:

- Decrease mainly in PCN income and Traffic Restriction Enforcement income (£7.017M)
- Shortfall in income from Thames Tideway SLA, Recoverable Works, Hoarding & Scaffolding Licences, Road Closures, Car Park fees, Building Control fees, Pipe Subway Openings and Highways Admin Charges (£1.458M)
- Decrease in transfer from parking reserves required to Highways Services and Off-Street Parking (£515,000) due to reduced operating costs
- Reduced staff cost recharges to capital projects (£559,000)

Staffing Statement

8. Table 2 below shows the movement in manpower and related staff costs.
9. Members should note that the staff costs for 2021/22 included below and throughout the report were calculated based on the original 3-year pay deal agreed in 2020 which included a cost of living pay award of 2.25% on basic pay and 5% on London weighting for all staff from 1 July 2021. The subsequent decision to reduce the 2021/22 pay award to a 1.525% increase for staff on grades A to C only, was made too late to be incorporated into this report, and budgets will need to be amended accordingly, with the resulting savings of approximately £227,000 now being used to offset the £556,000 vacancy factor in the first instance.

Table 2 Staffing Summary	Original Budget 2020/21		Original Budget 2021/22	
	Manpower Full-time Equivalent	Estimated Cost £000	Manpower Full-time Equivalent	Estimated Cost £000
Director of The Built Environment				
Town Planning	49.8	(3,188)	53.3	(3,474)
Planning Obligations	2.2	(140)	2.2	(147)
Transportation Planning	41.0	(2,878)	34.9	(2,589)
Road Safety	3.0	(202)	2.0	(123)
Building Control	23.5	(1,604)	23.0	(1,633)
Structural Maintenance/Inspections	5.1	(372)	5.0	(383)
Highways	26.8	(1,666)	24.7	(1,612)
Traffic Management	17.5	(886)	16.6	(898)
Off-Street Parking	2.0	(101)	0.7	(48)
On-Street Parking	31.0	(1,308)	22.8	(1,095)
Drains & Sewers	8.4	(465)	8.6	(500)
Directorate	10.4	(967)	11.1	(1,037)
Vacancy Factor		306		556
	220.7	(13,471)	204.9	(12,983)
Director of Open Spaces				
Tower Bridge Operational	31.5	(1,469)	30.6	(1,564)
	31.5	(1,469)	30.6	(1,564)
Total P&T Committee	252.2	(14,940)	235.5	(14,547)

Bridges Repairs, Maintenance and Major Works

10. The functions relating to the control, maintenance and repair of the five City river bridges (delegated to Planning & Transportation Committee) is exercised in the City's capacity as trustee of Bridge House Estates (BHE). The main purpose of the BHE charity is the maintenance and support of the bridges. In considering whether or not to expend funds of the BHE, the City Corporation as sole trustee of the charity must ensure expenditure is in furtherance of the charitable purposes and BHE is compliant with the duties on the City as trustee (including to act in the best interests of the charity). See Appendix 4 for a summary of the principal duties and responsibilities of charity trustees.

11. The City as trustee has established a designated fund to meet expenditure on repair, maintenance and works on the bridges, known as the BHE Bridges Repairs Fund. It is operated to provide sufficient resources to meet maintenance costs of the five bridges over a period of 50 years. In accordance with the management of the Fund, the schemes have been reviewed and updated in the 50 year projections to 2070/71. These are shown in Appendix 5.

12. Designated funds relevant to the BHE bridges are now managed as follows:

- Bridges Repairs – representing funds required to maintain the bridges for the next 5 years. The balance held at each financial year-end will be adjusted in line with the maintenance reports provided by the specialist structural engineers contracted by DBE to advise on matters relating to the Bridges owned by DBE, to ensure sufficient funds have been ring fenced.
- Bridges Replacement - representing funds set aside for the future rebuild of the bridges, based on the present value of estimated future costs and adjusted for increases in construction costs.

13. The value of the above designated funds as at 31 March 2020 was:

- Bridges Repairs £41,736,500
- Bridges Replacement £158,510,433

14. A summary of the works projection is shown below in Table 3. The proposed works are considered to be within the purposes of BHE.

Table 3: Bridges Repairs, Maintenance and Major 50 Year Works Projection to 2070/71	
	£'000
Planned expenditure (inflated at 2% pa):	
• Blackfriars Bridge	(52,290)
• Southwark Bridge	(43,145)
• London Bridge	(25,894)
• Millennium Bridge	(32,762)
• Tower Bridge	(155,819)
Forecast Works as at 31 March 2071	(309,910)

15. Within the budgets provided for you as part of the overall Bridges Repairs Fund, there are a number of projects which are currently classed as Supplementary Revenue Projects (SRP) which will have to go through the gateway process.

The forthcoming projects which may be required are summarised in Table 4 below.

Table 4	Project	Budget £'000	Starting Date
Blackfriars Bridge	Parapet Repairs /Bridge Refurb South Subway Repairs	9,065 650	19/20-23/24 24/25
Southwark Bridge	Approach Spans Refurbishment Footway Strengthening Touch-up Painting	2,047 1,250 600	20/21-22/23 22/23-23/24 23/24-24/25
Millennium Bridge	Cable Re-tensioning (if required) Deck/Parapet Works Inclinators Repair/Renewal	1,283 637 900	21/22 23/24-24/25 22/23-23/24
Tower Bridge	High Voltage System Replacement Domestic/Foul Water Drainage Hydraulic Power Pack Replacement Sprinkler System Replacement Operating System Replacement Paint Touch-up Service Cover Duct Replacement	8,011 500 1,300 3,000 833 4,250 561	20/21-22/23 22/23 20/21-21/22 22/23 21/22-22/23 22/23-24/25 21/22
All Bridges	River Camera Projects	357	20/21-21/22

Draft Capital and Supplementary Revenue Budgets

16. The latest estimated costs of the Committee's current capital and supplementary revenue projects are summarised in Appendix 6.
17. Pre-implementation costs comprise feasibility and option appraisal expenditure which has been approved in accordance with the project procedure, prior to authority to start work.
18. Therefore, the above pre-implementation figures exclude the indicative costs of schemes which have not yet received authority to start work, such as the capital costs of implementing the Bank Junction or Tower Bridge HV system replacement project.
19. The latest Capital and Supplementary Revenue Project forecast expenditure on approved schemes will be presented to the Court of Common Council for formal approval in March 2021.

Conclusion

20. This report presents the proposed budgets for 2021/22 for the Planning & Transportation Committee for Members to consider and approve.

Appendices

- Appendix 1 – Committee Summary Budget – by Risk, Fund and Chief Officer
- Appendix 2 – 2020/21 Original Budget to 2020/21 Latest Budget
- Appendix 3 – 2020/21 Original Budget to 2021/22 Original Budget
- Appendix 4 - Summary of Charity Trustee's Role
- Appendix 5 - Bridges Repairs, Maintenance and Major works 50 Year Programme
- Appendix 6 – Draft Capital and Supplementary Revenue Budgets

Background Papers

- Report: 2021/22 Budget Setting Update – Resource Allocation Sub Committee, 10 December 2020

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