

**Report to:** Environmental Services Scrutiny Committee

**Date:** 25<sup>th</sup> November 2014

**Report of:** Director of Environmental Services  
Borough Treasurer

**Report No:** ESSC/06/14

**Contact Officer:** Janet Pollard - Head of Strategic Finance and Accountancy

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**Report Title:** Environmental Services – Finance Report 2014/15 – Quarter Two

**Non Confidential:** This report does **not** contain information which warrants its consideration in the absence of the press or members of the public

**Purpose:** This report provides the Environmental Services Scrutiny Committee with information relating to the financial quarter two position for the Environmental Services portfolio for the 2014/15 financial year.

**Recommendations:** It is recommended that the Environmental Services Scrutiny Committee:

- notes the quarter two financial position of the Environmental Services Department

**Decision:**

**Background Doc(s):**

*(for use on Exec Rep)*

**Signed:**

\_\_\_\_\_  
Leader / Executive Cabinet Member

\_\_\_\_\_  
Monitoring Officer

**Date:**

\_\_\_\_\_  
This report does not require an equality impact assessment to be carried out due to being outside the high and medium relevance review requirements

**Summary:**

This report outlines the financial quarter two position in respect of Environmental Services portfolio for the 2014/15 financial year.

**Key Issues****Revenue Expenditure:**

Revenue expenditure is projected to underspend against the budget by £44,000 after planned reserve movements.

The main variances are in the Albert Halls, School Meals and Markets.

**Capital Expenditure:**

Capital expenditure for the quarter was £2.839m against a programme of £28.129m.

**Reserves:**

The Department has a projected general reserve of £44,000 at the end of the year.

**Efficiency targets:**

Budgeted efficiency savings for the department are £3,385,000.

All planned efficiencies have been achieved. Where the approved option has not been achieved, one off savings has been found.

**Risk:**

Specific areas of financial risk identified for the year relate to loss of income due to the economic downturn and energy prices for street lighting.

## 1 Introduction

This report provides the Executive Cabinet Member with the financial position relating to Environmental Services, for quarter two of the 2014/15 financial year.

The information is divided into five elements.

- Revenue expenditure
- Capital expenditure
- Reserve movements
- Efficiency targets
- Areas of financial risk

## 2 Revenue expenditure

### 2.1 Revenue budget

The approved revenue budget for the department totals:

**Table One: Approved Revenue Budget 2014/15**

	<u>£'000</u>	<u>£'000</u>
<b>Original Approved Budget 2014/15</b>		<b>27,730</b>
Recharges 2014/15		2,954
<b>Original Manager's Controllable Budget 2014/15</b>		<b>24,776</b>
Superann back to Corporate	(51)	
Post transfer to Corporate	(30)	
Low Paid Earners	248	
		167
<b>Adjusted Manager's Controllable Budget 2014/15</b>		<b>24,943</b>
Recharges 2014/15		2,954
<b>Adjusted Budget as at Quarter 2</b>		<b>27,897</b>

### 2.2 In year revenue changes

There has been one further budget adjustment made in the second quarter. A virement has been made from Corporate for the additional budget requirements for the Low Paid Earners initiative.

## 2.3 Financial position – as at quarter two

Table two below outlines the Environmental Services Department's financial position, after movements to reserves, as at 30<sup>th</sup> September 2014.

**Table Two – financial position quarter two 2014/15**

<b><u>Service</u></b>	<b>Net Budget</b>	<b>Projected Outturn</b>	<b>Year End Variance</b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>
<b>Standard Spending Accounts</b>			
Highways & Engineering	9,311	9,264	-47
Parking Services	-125	-84	41
Neighbourhood Services	7,700	7,651	-49
Community Safety & Neighbourhood Management	1,260	1,260	0
Waste	8,351	8,349	-2
Trade Waste	110	209	99
Civil Contingencies	253	271	18
Bereavement Services	-263	-316	-53
Albert Halls	310	541	231
<b>Subtotal</b>	<b>26,907</b>	<b>27,145</b>	<b>238</b>
<b>Trading Accounts</b>			
Building Cleaning	283	259	-24
School Meals	1,054	903	-151
Transport	-253	-345	-92
Social Needs Transport	-30	-30	0
Supported Employment	79	79	0
Heaton Fold	19	19	0
Security Services	108	19	-89
Markets	-79	48	127
<b>Subtotal</b>	<b>1,181</b>	<b>952</b>	<b>-229</b>
<b>Overhead Accounts</b>			
Corporate & Democratic Core	86	86	0
Apportionable Overheads	-455	-508	-53
<b>Subtotal</b>	<b>-369</b>	<b>-422</b>	<b>-53</b>
Cross Departmental	178	178	0
<b>Net Budget</b>	<b>27,897</b>	<b>27,853</b>	<b>-44</b>

### Variance analysis

The overall financial position for the department amounts to a quarter two position of an underspend of £44,000 of the net budget.

### **2.3.1 Standard spending accounts**

The projected outturn position for the standard spending accounts amounts to an overspend of £238,000.

#### Albert Halls £231,000

It is anticipated that the Albert Halls will be closed from February 2015 for refurbishment works. The Dido suite is due to close on the 3<sup>rd</sup> October 2014. The projected loss of income and expenditure has been shown in the accounts.

### **2.3.2 Trading accounts**

The projected outturn position in relation to the trading accounts is an underspend of £229,000.

#### School Meals -£151,000

In September 2014 the new government initiative for Universal Free School Meals entitlement for Key Stage 1, (reception, year 1 and year 2), will commence. This with an introduction of a new pricing regime will generate an underspend. To be able to adjust to the expected increase in school meals some investment in to kitchens will be needed. The financial implications of this investment will be known by quarter 3.

#### Markets £127,000

The business plan agreed as part of the Markets 2014 was based on a number of financial assumptions around income generation. Due to the staggered implementation of the business plan the income targets for this financial year have not been met. There are a number of staffing issues facing the service. Agency staff have been recruited as an interim solution.

This service area is monitoring the budget closely working to reduce the overspend.

## **3 Saving and efficiency reductions**

In setting the Strategic Budget for the year, the department was required to implement £3,385,000 of saving and efficiency reductions.

Action has been taken to implement the reductions and ongoing monitoring of expenditure against specific options has been incorporated into the financial monitoring.

Appendix A provides details of the approved options and the year end position. 100% of the approved options have been achieved.

## **4 Capital programme monitoring**

Appendices Bi and Bii outline the capital programme position for the Department for 2014/15 at quarter two. Capital expenditure so far for the year is £2.839m against the current capital programme of £28.129m.

### **4.1 Highway programmes**

The highways capital programme at quarter two has an available budget of £18.376m. This comprises of £9.949m approved in the Capital Programme report to Cabinet on 17<sup>th</sup> February 2014, £4.594m brought forward from the residual 2013/14 programme and £3.833m of new additions reported at quarter 1.

Spend in quarter two totals £1.787m. Progress on highways construction works has slowed while the procurement and legal processes for the new Highways Framework Contract have been completed. This has now been finalised and approved. Upon completion of the legal processes we have been working closely with our contractors to ensure capacity is in the system to accelerate works in quarter 3 and we remain confident that we will still be able to deliver the annual programme by financial year end.

The major works programmes included in the LTP Maintenance Block and Highways Strategic Investment budgets were approved in July. Since then the design and contract documentation has been prepared ready for procurement using the Framework Contract in Quarter 3. The Street Lighting LED programme is currently procuring the LED lanterns and CMS. The start of installation is intended to commence before the end of Quarter 3.

The externally funded Local Pinch Point scheme associated with Logistics North is well advanced in design and has outline approval from the Highways Agency. The HA have to pre-approve the works as they impact on the M61 Junction 4. These work are to be completed by the end of March 2015 to meet the funding criteria.

### **4.2 Other departmental programmes**

The non highways capital programme for 2014/15 (Appendix Bii) has an available budget of £9.753m.

This comprises of £4.817m approved in the Capital Programme report to Cabinet on 17<sup>th</sup> February 2014, £2.519m brought forward from the residual 2013/14 programme and a net £1.33m of revisions reported in quarter 1. In quarter 2 an additional £1.0m budget has been included for the start of the Albert Halls refurbishment which was approved by Cabinet on 18<sup>th</sup> August 2014 and is due to commence early 2015. A further £87k funded by the department has been added to the capital budget for the vehicle wash and other depot works.

Spend in quarter two totals £1.052m. Approval to tender for replacement of waste vehicles was given in June and a contract is now being finalized to enable orders to be placed in quarter 3. The Greenspace Investment Programme comprises of a number of schemes identified in a report to the Executive Member of 8 April 2013 using one off resources over a period of four years. Progress continues over a range of projects including the Dawes Street Skate Park, but reprofiling of spend is expected to take place over the remaining part of the year as work programmes for subsequent works are

finalized. Significant works in Queens Park are due to start on footpaths, vantage point and formal garden. These are all weather dependent but are currently planned to commence in quarter 3.

### 4.3 One Off Investment

As part of the 2013/15 Budget Report to Council, £22.1m one off funding was approved for a range of strategic investments covering both capital and revenue schemes over four years. The 2014/15 Budget Report to Council identified and allocated a further £7m to services. The table below shows funding currently earmarked to Environmental Service Areas.

**Table Three - One Off Strategic Investment**

	<b>Original Profile 14/15 £000</b>	<b>Budget available including 13/14 b/f £000</b>
<b><u>Capital Schemes</u></b>		
Interchange Complimentary Investment	500	1,000
Highways Maintenance	2,000	2,000
Footpaths	500	647
Greenspace	500	738
<b>As per Capital Programme Cabinet Report 16/09/13</b>	<b>3,500</b>	<b>4,385</b>
	<b>Original Profile 14/15 £000</b>	<b>Budget available including 13/14 b/f £000</b>
<b><u>One Off Resources Schemes</u></b>		
Sporting / Leisure Facilities	1,500	1,483
<b>As per 2013/14 Budget Report to Cabinet 11/02/13</b>	<b>1,500</b>	<b>1,483</b>
<b>2014/15 One Off Funding Allocations</b>		
Main Roads	1,000	1,000
Residential Roads	1,000	1,000
<b>As per 2014/15 Budget Report to Council 26/2/14</b>		
<b>Total</b>	<b>5,000</b>	<b>7,868</b>

## 5 Reserve movements

**Table four –Reserves position 2014/15 financial year**

<b>Environmental Services Reserves</b>	<b>Opening Balance at 1.4.14 £</b>	<b>Inter department Transfer £</b>	<b>Requests in Year £</b>	<b>Closing Balance at 31.3.15 £</b>
Model Railway	(16,501)			(16,501)
Graves In Perpetuity (Formerly a Trust Fund)	(297,126)			(297,126)
Asset Management Liability	(1,113,433)		772,181	(341,252)
NCP CCTV sinking fund	(486,868)			(486,868)
Mobile Working	(30,000)	30,000		0
Proceeds of Crime	(23,511)			(23,511)
Regulatory Services	(141,705)			(141,705)
School Meal Promo	(300,000)	300,000		0
Depot Sweeper Bay	(50,000)		50,000	0
Emergency Control Centre	(24,000)			(24,000)
Footpath Strategic Improvements	(500,000)			(500,000)
Refurbishment of Depot	(819)		819	(0)
Moss Bank Park Café	(200,000)		200,000	0
Trading Income Loss	(579,089)		2,000	(577,089)
Highways Works Area Forum	(246,043)			(246,043)
Neighbourhood Management	(397,514)		(61,000)	(458,514)
Community Safety	(524,195)		20,000	(504,195)
Halliwell N mgmnt	(66,400)			(66,400)
Farnworth Neighbourhood Mgmnt cont	(7,956)			(7,956)
Reserve Funding for Fleet Purchases	(1,865,390)		1,765,390	(100,000)
Bow Street MSCP	(790,191)		790,191	0
Kitchen Investment	(135,000)		100,000	(35,000)
Cremator	(12,867)		12,867	0
Waste Initiatives	(344,000)		133,000	(211,000)
Winter Maintenance	(45,546)			(45,546)
Health & Safety	(30,000)		30,000	0
<b>Total Specific Reserves</b>	<b>(8,228,154)</b>	<b>330,000</b>	<b>3,815,448</b>	<b>(4,082,706)</b>
General Reserve	(173,366)	173,366	(44,000)	(44,000)
<b>Total ES Reserves</b>	<b>(8,401,520)</b>	<b>503,366</b>	<b>3,771,448</b>	<b>(4,126,706)</b>

Outlined above are the movements on the Department's reserves for 2014/15. The in year column represents the impact upon reserves of the final position shown at table two of the report.

During this quarter reserves have been reviewed and analysed. Any uncommitted reserves that are no longer required by the department have been transferred to the Corporate balance sheet.



The departmental specific reserves are to be used for identified schemes. There are a number of reserves that are significant in value:

### **Fleet Purchases**

A review of the vehicle requirements of services has been undertaken in light of the service reviews that have been undertaken.

### **Asset Management**

The department has identified a number of schemes that require investment to ensure they do not fall into a state of disrepair. These schemes will be completed in 2014/15.

## **6 Risk areas**

During the second quarter a number of potential risks have been identified.

### **6.1 Loss of income due to the economic downturn**

This is being felt across the Department, particularly impacting on:

- Highways Developers' income
- Trade waste income
- Reduction in external income as a result of the current financial climate
- Income from Schools
- Impact of the accommodation project on Civic Catering / Albert Halls

One of the main risks will be ensuring improvements in satisfaction whilst managing expectations in the current economic climate coupled with the efficiency agenda.

### **6.2 Increases in energy costs**

Environmental Services has a potential risk if energy prices inflate more than anticipated during the financial year. Areas are monitored each month with particular attention being made to street lighting.

### **6.3 Waste minimization and recycling initiatives**

The waste levy has the capability to place an ever increasing strain on the Council's budget, with rising landfill tax levys. The budget could spiral even higher if residents are not continually encouraged to recycle more and reduce their black bin waste quantities. Bolton is actively encouraging recycling initiatives and will begin a door knocking exercise in September.

## **7 Conclusions and recommendations**

This report has provided information relating to the financial position at quarter two for the Environmental Services portfolio for the 2014/15 financial year. It is recommended that the Environmental Services Scrutiny Committee:

- notes the financial position of the Department as at quarter two

**Efficiency Options for 2014/15**

<b>Service</b>	<b>2014/15 Options</b>	<b>Total</b>
		<b>£'000</b>
<b>Highways and Engineering Service</b>	Fundamentally review the whole division and reduce the resources we invest in identified areas	1,389
	Street Lighting - Carbon Management	400
		<b>1,789</b>
<b>Neighbourhood Services</b>	Full year effect of the review	638
		<b>638</b>
<b>Neighbourhood Working</b>	Community Safety and Neighbourhoods – Full year effect of the 13/14 review.	100
	Area Forums and Neighbourhood Management – Full year effect of the 13/14 review.	200
		<b>300</b>
<b>Waste</b>	Changes to the collection arrangements – Full year effect.	286
		<b>286</b>
<b>Community Services</b>	Vacancy Management	32
	Increase in Income	40
		<b>72</b>
<b>Cross Departmental</b>	Review of Finance and Business Development – Full year effect of review in 13/14	200
	Management of Cash Limited Budgets	100
		<b>300</b>
	<b>Total Strategic Redirections</b>	<b>3,385</b>

**Highways Capital Programme 2014/15**

<b>Service/Scheme</b>	<b>Revised Allocation 2014/15 £000s</b>	<b>Q2 Actual Outturn 2014/15 £000s</b>	<b>Projection 2014/15 £000s</b>
DfT Highways LTP	3,723	339	3,723
DfT Additional Highways Maintenance	509		509
DfT Flood Damage	310		310
DfT Pot hole	393		393
Concrete lighting columns over 40 years old renewals	952	295	952
Improvement of Street Lighting (capacitors)	45	45	45
Illuminated Bollards & Signs Energy/Carbon Reduction	45	45	45
Street Lighting/Carbon reduction CMS	493	290	493
Street Lighting LED Programme	2,075	3	2,075
Highway Drainage imps to prevent ironwork theft	45	45	45
Surface Water Run Off / Highway Drainage Improvement	135	35	135
Public Rights of Way Improvement Plan	15	4	15
Business Support Systems	32		32
Pitt Review	12		12
Safety Barrier Replacement Programme	40	5	40
Cycle Lane Improvement	23		23
Highways Ashburner Street	500		500
Highways Strategic Investment	2,000		2,000
2014/15 Highways classified roads	1,000	404	1,000
2014/15 Highways residential roads	1,000	10	1,000
Footpaths Strategic Investment	647		647
Flood Defence	75	31	75
Ravenden Clough Culvert (Harricraft Farm)	304	1	304
Mayor Street Surfacing	25		25
Wellington Yard Surfacing	25		25
Transport Infrastructure Fund (TfGM)	322	15	322
LSTF Bolton - Bury Cycle Route	952	146	952
Better Bus Area Funding	22	3	22
Casualty Reduction	224	71	224
Environment agency (Culvert Investigations & Red Bridge)	3		3
Lower Bridgeman Street (TfGM)	200		200
Cycle Acces to Town Centre (TfGM)	130		130
Local Pinch Point - Logistics North Access (TfGM)	2,100		2,100
<b>Highways Service Total</b>	<b>18,376</b>	<b>1,787</b>	<b>18,376</b>

**Non Highways Capital Programme 2014/15**

<b>Service/Scheme</b>	<b>Revised Allocation 2014/15 £000s</b>	<b>Q2 Actual Outturn 2014/15 £000s</b>	<b>Projection 2014/15 £000s</b>
Car Park Infrastructure Improvements	849	37	849
Octagon Car Park Refurbishment	489	0	489
Moss Bank Park Rock Garden	6		6
Queens Park (Grant)	1,103		1,103
Potters Hill	39		39
Equipped Play Area Strategy (S106)	368	81	368
Access To Nature	103	3	103
Neighbourhood Services Asset & Infrastructure Programme	160	21	160
Greenspace - Playing Pitches & Changing Facilities	650	274	650
Greenspace - Tennis Court Refurbishment/Reinstatement	223	76	223
Greenspace - Multi Use Games Areas	164	2	164
Greenspace - Outdoor Gyms/Health Trails	55	0	55
Greenspace - Parks Facility Improvement	397	271	397
Greenspace - Woodland Family Trail	150	0	150
Replacement of Waste bins	613	228	613
Heaton Cemetery extension	0	2	0
Replacement of Fleet Vehicles (Prudential)	136		136
New Waste vehicles	2,090		2,090
Vehicle Wash area & Mayor Street Depot Improvements	287	32	287
SNT Client Buses	256		256
ICT	97		97
Property	247		247
Emergency Control Centre	20	6	20
Dawes Street Skate Park	233	1	233
Renewable Energy - Ashburner Street	12		12
Env Health I T	6	18	6
Albert Halls Refurbishment	1,000		1,000
<b>Non-Highways Service Total</b>	<b>9,753</b>	<b>1,052</b>	<b>9,753</b>