

Report to: Environmental Services Scrutiny Committee

Date: 6th October 2010

Report of: Director of Environmental Services
Director of Corporate Resources

Report No: ESSC/73/10

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Report Title: **Environmental Services – Financial Monitoring Report 2010/11 – Quarter One**

Confidential / Non Confidential:
(delete as approp)

(**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 Scrutiny Committee with information relating to the financial position for the Environmental Services portfolio for the 2010/11 financial year, as at the end of Quarter One.

Recommendations:

It is recommended that the Scrutiny Committee:

- notes the financial position of the Department as at Quarter One
- endorses the ongoing repayment plan in respect of the Department's deficit reserves.

Decision:

Background Doc(s):

(for use on Exec Rep)

Signed:

Leader / Executive 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 position in respect of Environmental Services portfolio for the 2010/11 financial year, as at the end of Quarter One.

Key Issues:**Revenue Expenditure:**

Revenue expenditure is projected to exceed the budget by £119,000.

The department has budgeted to use reserves of £400,000.

The main variances are largely due to Bolmoor , Trade Waste and the Markets

Capital Expenditure:

Capital expenditure for the quarter totals £2,932m against a programme of £23,834m.

This follows the reduction to the 2010/11 capital programme agreed by Executive in the 2010/11 – Review of Capital Programme on 26 July 2010.

Reserves:

The Department's projected deficit reserve position at 31st March 2011 is £1,788,000.

Detailed repayment plans are included within the report.

Efficiency targets:

Budgeted efficiency savings for the department are £892,000 which includes demand led of £200,000 to repay the deficit reserve. The current projection is to achieve all planned efficiencies.

Risk:

Specific areas of financial risk relate to loss of income due to the economic downturn, reduction in grant funding and the potential increase in fuel costs.

1 INTRODUCTION

This report provides the Executive Member with information relating to the financial position of the Environmental Services portfolio, for the 2010/11 financial year, as at the end of Quarter One.

As with previous financial monitoring reports, the information is divided into six elements.

- Highlights from the performance report
- Revenue expenditure
- Capital expenditure
- Reserve movements
- Efficiency Targets
- Areas Of Financial Risk

2 PERFORMANCE

A comprehensive performance report is to be presented at the same meeting as this report. Below are the main highlights from that report:

- Recycling rates are at 32.6% which is a slight increase from Quarter 1 in 2009/10 by 0.5%.
- Within the first 3 months of the year, 15 people were killed and/or seriously injured and 6 children were killed and/or seriously injured. The number of children is high for a three month period.
- The levels of unacceptable street and environmental cleanliness based on the first survey of the year, are very strong, with only 6% of unacceptable levels of litter.
- Sickness absence continues to reduce for the Department and is now at 4.4% which is down from 5.24% at the year end; a reduction of 0.84%.
- Stronger performance in dealing with customer feedback, particularly complaints, with 90% being responded to within standard. This is a significant improvement on the year end performance.

REVENUE EXPENDITURE

3.1 REVENUE BUDGET

The approved revenue budget for the department totals:

Table One: Environmental Services Department – Approved Revenue Budget 2010/11

	<u>£'000</u>	<u>£'000</u>
Original approved budget 2010/11		28,772
Budget virement for Finance Post	-26	
Pay and Grading Overtime	147	
0.5% Pay Deflation	-102	
		19
Adjusted departmental budget as at quarter 1		28,791

3.2 IN YEAR REVENUE REDUCTIONS

Earlier this month the Government announced savings to be implemented in the current year of £6.1B, of which Local Government's direct share would be £1.16B. One of the areas affected has been in year grant allocations. Bolton Council have subsequently received greater clarity on the impact on the grants it receives. In the current year we are being asked to save £3.167M Revenue, all of which is part of the Area Based Grant that the Council receives.

The Executive approved a report on the 28th June revising the allocations for Area Based Grant which has meant a reduction of £240,000 for Environmental Services.

The department had planned to receive £13,000 of playbuilder grant income during 2010/11. This funding has been withdrawn with immediate effect.

The impact of these in year savings has been accounted for in the projected outturn figures presented within this report.

3.3 FINANCIAL POSITION – AS AT QUARTER ONE

Table One below outlines the Environmental Services Department's financial position, as at the 30th June 2009.

**TABLE ONE – ENVIRONMENTAL SERVICES
FINANCIAL POSITION 2010/11 QUARTER ONE**

<u>Service</u>	Budgeted Turnover	Net Budget	Projected Year End Outturn	Year End Variance
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Standard Spending Accounts				
• Highways & Engineering	23,802	11,920	11,778	-142
• Parking Services	2,019	0	0	0
• Neighbourhood Services	12,885	7,988	7,977	-11
• Waste Collection	8,725	6,739	6,739	0
• Trade Waste	0	0	301	301
• Civil Contingencies	273	273	228	-45
• Cemeteries & Crematoria	1,530	-161	-271	-110
Subtotal	49,234	26,759	26,752	-7
Trading Accounts				
• Building Cleaning	4,040	63	81	18
• School Meals	7,407	703	665	-38
• Transport	6,325	-211	-208	3
• Social Needs Transport	4,779	27	27	0

• Supported Employment	346	179	231	52
• Heaton Fold	419	-2	4	6
• Security Services	1,923	211	191	-20
• Markets	1,305	-212	-87	125
Subtotal	26,544	758	904	146
Overhead Accounts				
Corporate & Democratic Core	0	0	0	0
Apportionable Overheads	6,149	165	145	-20
Subtotal	6,149	165	145	-20
Deficit Reserve repayment Account	600	600	600	0
2% contingency	509	509	509	0
Net Budget	83,036	28,791	28,910	119

VARIANCE ANALYSIS

The overall financial position for the service amounts to a projected final outturn position which is £119,000 in excess of the net budget.

3.3.1 STANDARD SPENDING ACCOUNTS

The projected outturn position for the Standard Spending Accounts amounts to £7,000 less than the revenue budget.

Trade Waste - £301,000

Trade Waste income has fallen considerably in the last eighteen months, this is due to a number of factors including the economic downturn and an increased number of closed business and lost contracts. An increase in fees and charges was approved by the Executive member on the 27th July 2010.

3.3.2 TRADING ACCOUNTS

The projected outturn position in relation to the trading accounts is a year end variance of £146,000

Outlined below is an explanation of the main anticipated variances.

Bolmoor / Supported Employment- £52,000

Bolmoor ceased trading at the end of April 2010. Costs relating to the winding up of the business have been incurred during the financial year 2010/11.

Markets - £125,000

A strategy is in place to address some of the trading difficulties facing the markets service. Individual plans are being approved by the Executive member throughout the financial year.

3.4 STRATEGIC GROWTH & REDIRECTIONS

In setting the Strategic Budget for the year, the Department was required to implement £892,000 of redirections. The £892,000 includes demand led of £200,000 to repay the deficit reserve. The details are shown at Appendix A to the report.

Redirections

Adjustments have been made to budgets to reflect the redirections approved as part of the budget.

Action has been taken to implement the redirections, and ongoing monitoring of expenditure against the options has been incorporated in producing the financial monitoring information outlined at Section 2 of this report.

Appendix A details the approved options and the projected year end position. At this point in the financial year we are forecasting that all the efficiencies will be met.

4 CAPITAL PROGRAMME MONITORING

Appendices Bi and Bii outline the capital outturn position for the Department for 2010/11 at quarter 1.

4.1 Highways Programmes

The information highlights that the highways capital expenditure (Appendix Bi) amounted to £1.750 million against an available allocation of £17.146 million.

Due to the anticipated in year savings required to respond to the changing economic climate a temporary freeze has been placed on all capital expenditure that has not been committed.

4.2 Other Departmental Programmes

In respect of the non highways capital expenditure (Appendix Bii), expenditure of £1.182 million has been incurred against a programme of £6.688 million.

Due to the anticipated in year savings required to respond to the changing economic climate a temporary freeze has been placed on all capital expenditure that has not been committed.

5 RESERVE MOVEMENTS

TABLE TWO – ENVIRONMENTAL SERVICES DEPARTMENTS RESERVES POSITION 2010/11 FINANCIAL YEAR

SUMMARY OF RESERVE ACCOUNTS 2010/11					
	Task Name	As at 01/04/10	Outturn Movements	Other Movement	As at 31/03/11
Specific Reserve	Model Railway	-7			-7
	Graves in Perpetuity	-338			-338
	Moss Bank Park Toilets	-1			-1
	VPT - Invest to Save	36		-36	0
	ABG Flexible Fund	-2			-2
	Highways Works	-472		436	-36
	NS sweeper	-38			-38
	Pension Contribution	-57			-57
		-879	0	400	-479
General Reserve	General	2,786	81	-600	2,267
		2,786	81	-600	2,267
Grand Total		1,907	81	-200	1,788

Outlined above are the movements on the Department's deficit reserves in the current year. The outturn movements column represents the impact upon reserves of the projected outturn position shown at Table One of the report.

The other movements represents:

- Utilisation of the deficit reserve repayment budget of £600,000.
- Part repayment of the expenditure incurred in setting up the consolidated Vulnerable Persons Transport Service (final year).
- Utilisation of the funds carried forward in 2009/10 relating to highways works programme (Manchester Airport Dividend).

Proposals To Repay Deficit Reserves

The projected deficit reserve position (general reserve) totals £2,267,000.

The strategy in place to repay these sums is to increase the current repayment budget within the department by £200,000 each year until the outstanding balance has been repaid.

The Table below outlines the proposal, showing that deficits would be repaid by the end of the 2013/14 financial year.

Year	General Reserve Opening Balance	Repayment	Closing Balance
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2011/12	£2,267	£800	£1,467
2012/13	£1,467	£1,000	£467
2013/14	£467	£467	£0

6 RISK AREAS

The Department faces the challenge of managing a balanced budget in the current economic climate, with increased fuel, food and energy costs and reducing income.

Areas of future financial risk that have not been reported elsewhere within this report are as follows:

6.1 Loss of income due to the economic downturn

This will impact on the delivery of all the strategic priorities if not achieved. This is being felt across the Department, particularly impacting on:

- Highways Developers' income
- Road works, skips, scaffold licenses
- Trade waste income
- Section 106

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 Loss of income due to strategic changes

Environmental Services budget relies on a substantial amount of generated income. There may be an impact on services due to initiatives such as Building Schools for the Future, Academies, and the changes in governance arrangements of Bolton @ Home.

6.3 Loss of Grant Income

Environmental Services receive various grants to support initiatives within the revenue budget as well as schemes within the Capital programme. If grants are withdrawn the impacts will have to be understood.

6.4 Savings and Efficiency Agenda

Environmental Services have developed a programme of Savings and Efficiency reviews. These will enable the department to balance its budget taking into account the anticipated reduction of the budget over the next 3 years. Due to the timing of the reviews, costs may have an impact on the revenue budget, before the saving are realised.

6.5 Increases in Fuel prices

The actual Fuel inflation is anticipated to be higher than originally budgeted. For Environmental Services fuel costs are a major budget item. The department will be monitoring this area closely throughout the year.

7 CONCLUSIONS AND RECOMMENDATIONS

This report has provided information relating to the projected financial outturn position of the Environmental Services portfolio for the 2010/11 financial year. It is recommended that the Scrutiny Committee notes the following:

- notes the financial position of the Department as at Quarter One.
- endorses the proposals to repay deficit reserves.

ENVIRONMENTAL SERVICES
Efficiency Options for 2010/11

Environmental Services Savings Options 2010-2011						
Service	Proposed Savings	Type	Options 10/11 £000's	Substitution £000's	Achieved £000's	Variance £000's
Waste and Fleet	Renegotiate the Framework Agreement	Efficiency	29		29	0
	Income Optimisation	Increase in Fees and Charges	30	8	22	0
Highways	Vacancy Management	Efficiency	31		31	0
	Procurement Review	Efficiency	100	100		0
	Out of Hours Arrangements	Efficiency	36		36	0
	Reduce Minor Works Programme	Service Redirection	60		60	0
Neighbourhood Services	Reduce Surface Dressing	Service Redirection	30		30	0
	Street Lighting Renewals	Service Redirection	20		20	0
	Alternative arrangements for Posts	Efficiency	68		68	0
	Vacancy Management	Efficiency	149		149	0
	Greenspace Management Review	Service Redirection	88		88	0
Policy and Performance	Grounds Maintenance Standards	Service Redirection	34		34	0
	Vacancy Management	Efficiency	78		78	0
	Vacancy Management	Efficiency	139		139	0
Total Strategic Redirections			892	108	784	0

Highways & Engineering Division - Capital Programme 2010/11 (Month 3)

Project Name	Total Current Programme 10/11	Committed Spend 10/11	Projected Expenditure 10/11	Balance
£000's				
LTP				
Minor Works	1478	283	283	1195
Local Road Safety		-30	-30	30
Highway Maintenance (PRN)	2442	215	215	2227
Street Lighting	150	128	128	22
Bridges & Structures	1629	21	21	1608
Bridges & Structures (Section 31)	800	-337	-337	1137
Sub Total LTP	6499	279	279	6220
Non LTP				
Street Lighting Replacement	0			0
Street Lighting Energy / Carbon Reduction	175	20	20	155
Illuminated Bollards & Signs - Energy/ Carbon Reduction	100			100
Crime Related Street Lighting	69			69
Installation of Capacitors	80			80
Water Asset Management	40	15	15	25
Flood Defence	0			0
Disability Discrimination Act Schemes	51			51
Business Support Systems	32			32
Public Right of Way Improvement Plan	5	2	2	3
Congestion	35			35
Severe Weather Impact on Roads	2034	904	904	1130
Roadside Memorials	27			27
Pitt Review	25			25
Sub Total Non LTP	2673	941	941	1731
Total	9171	1220	1220	7951
Transport Infrastructure Fund (funding inc PTE)	7975	529	529	7446
TOTAL	17146	1750	1750	15397

Environmental Services Capital Programme 2010/2011 (Month 3)				
Project Name	Total Current Programme 10/11	Committe d Spend 10/11	Projected Expenditure 10/11	Balance
	£000's	£000's	£000's	£000's
Parking Services				
Car Park Infrastructure Improvements	44	44	44	0
Secured Car Parks Pay on Exit	164	0	164	0
Conversion of Pay and Display Machines	0	0	0	0
Networking of Pay and Display Machines	31	5	31	0
Out of Town Car Parks	0	0	0	0
Car Parks Computer Software	0	10	0	0
Lining & Signing - TSRGD	50	10	50	0
Traffic Management Act 2004 Civil Enforcement	0	0	0	0
CEO Head Cameras	14	0	14	0
Environmental Management				
Greenspace Improvement Programme	2	2	2	0
Heritage	3,452	808	3,452	0
Play	25	113	25	0
Potters Hill	66	0	66	0
Repairs & Maintenance	9	3	9	0
Playing Fields	0	0	0	0
Local Nature Reserve	87	52	87	0
Furniture	7	7	7	0
Signage	15	0	15	0
Greenspace 2010/11 workplan	0		0	0
Greenspace 2010/11 workplan	478		0	478
Neighbourhood Services				
Public Conveniences	0	1	1	-1
Street Furniture Recycling	0	0	0	0
Highway Litter Bin Replacement Programme	20	0	20	0
Waste Management				
Recycling	305	58	305	0
Cemeteries & Crematoria				
Heaton Cemetery	956	9	515	441
Cemetery/Crematorium Security	15	0	0	15
Memorial Safety	13	13	13	0
Cremator	601	0	0	601
Crematorium Columnbaria	9	0	0	9
Transport				
Transport Phase 2	50	15	50	0
Markets				

Ashburner Street Market	150	0	150	0
Mobile Working Platform	125	32	125	0
TOTAL	6,688	1,182	5,145	1,543