

Report to: ENVIRONMENTAL SERVICES
SCRUTINY

Date: 1st December 2010

Report of: Director of Environmental Services
Director of Corporate Resources

Report No: EMES/409/10
EMCGS/136/10

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

**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 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 Two.

Recommendations:

It is recommended that the Committee:

- notes the financial position of the Department as at Quarter Two
- comments on 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 Two.

Key Issues:**Revenue Expenditure:**

Revenue expenditure is projected to exceed the budget by £95,000.

The department has budgeted to use reserves of £64,000.

The main variances are largely due to Bolmoor , Trade Waste and School Meals.

Capital Expenditure:

Capital expenditure totals £6.081 million against a programme of £24.706 million.

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 £1,466,000.

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

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

- Revenue expenditure
- Capital expenditure
- Reserve movements
- Efficiency Targets
- Areas Of Financial Risk

REVENUE EXPENDITURE

2.1 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	
1.5% Pay Deflation	-307	
Xmas Lights	33	
IT back to Corporate	-2	
Contingency Repaid	-460	
Fuel Inflation	578	
P&G Protection (6 months)	-110	
		-147
Adjusted Departmental Budget as at Quarter 2		28,625

2.2 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.

2.3 FINANCIAL POSITION – AS AT QUARTER TWO

Table Two below outlines the Environmental Services Department's financial position, as at the 30th September 2010.

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

<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	23,831	11,949	11,949	0
• Parking Services	2,019	0	0	0
• Neighbourhood Services	12,910	8,013	7,953	-60
• Waste Collection	8,967	6,981	6,987	6
• Trade Waste	0	0	244	244
• Civil Contingencies	271	271	222	-49
• Cemeteries & Crematoria	1,519	-172	-207	-35
Subtotal	49,517	27,042	27,148	106
Trading Accounts				
• Building Cleaning	4,040	63	46	-17
• School Meals	7,307	603	780	177
• Transport	6,312	-224	-285	-61
• Vulnerable Persons	4,832	80	80	0
Transport				
• Supported Employment	346	179	249	70
• Heaton Fold	419	-2	10	12

• Security Services	1,923	209	57	-152
• Markets	1,399	-116	-85	31
Subtotal	26,578	792	852	60
Overhead Accounts				
Corporate & Democratic Core	0	0	0	0
Apportionable Overheads	6,175	191	120	-71
Subtotal	6,175	191	120	-71
Deficit Reserve Repayment	600	600	600	0
Net Budget	82,870	28,625	28,720	95

VARIANCE ANALYSIS

The overall financial position for the service amounts to a projected final outturn position which is £95,000 in excess of the net budget.

2.3.1 STANDARD SPENDING ACCOUNTS

The projected outturn position for the Standard Spending Accounts amounts to £106,000 more than the revenue budget.

Trade Waste - £244,000

Trade Waste has suffered from loss of income over the past 18 months. A report was approved by the Executive member on the 27th July that identified fee increases.

This along with strong financial management has reduced the overspend in this area from £301,000 at quarter one to £244,000 at quarter two. The department is hopeful that this overspend will continue to reduce as a result of the interventions in place.

2.3.2 TRADING ACCOUNTS

The projected outturn position in relation to the trading accounts is a year end variance of £60,000

Outlined below is an explanation of the main anticipated variances.

Bolmoor / Supported Employment - £70,000

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.

School Meals - £177,000

The main variance relates to food inflation. 37% of the cost of producing a school meal is made up of direct materials (food). Recent modeling has shown that the costs of essential food basics such as wheat, potatoes, rice and dairy products have risen between 11% and 18%.

2.4 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.

3 CAPITAL PROGRAMME MONITORING

Appendices Bi and Bii outline the capital outturn position for the Department for 2010/11 at quarter 2.

3.1.1 Highways Programmes

The information highlights that the highways capital expenditure (Appendix Bi) amounted to £4.171 million against an available allocation of £17.452 million.

An addition to the programme in quarter two is £306k for rebuilding of Harricraft Farm bridge on the Smithills Estate.

Apart from work carried on from 2009/10, following Government, AGMA and Corporate redirections all capital highway work was suspended until after the Executive approval of the budget at the end of July 2010. Work was then re-commenced and final approval to the new 2010/11 Highways Capital programmes was given by the Executive Member for Environmental Services on 27th September 2010. The only programme where significant delays are likely to have occurred is the Transport Infrastructure Fund; negotiations are ongoing with GMPTE to extend the programme beyond March 2011 to ensure the budget is fully utilised

3.1.2 Other Departmental Programmes

In respect of the non highways capital expenditure (Appendix Bii), expenditure of £1.91 million has been incurred against a programme of £7.254 million.

Additions to the programme during quarter 2 are: the Replacement of Wellington Yard workshop roof at £196k; replacement of three vehicles £205k. Also, following the reduction in Environmental Management budgets in the last quarter due to the reduction in Playbuilder Grant, the programme has now reviewed and revised upwards. This is to allow some planned schemes to continue by use of section 106 funding to replace some of the lost grant.

4 RESERVE MOVEMENTS

TABLE THREE – 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 Pk Toilets	-1			-1
	VPT - Invest to Save	36		-36	0
	ABG Flexible Fund	-2			-2
	Highways Works	-472		100	-372
	NS sweeper	-38			-38
	Pension Contribution	-57			-57
		-879	0	64	-815
General Reserve	General	2,786	95	-600	2,281
		2,786	95	-600	2,281
Grand Total		1,907	95	-536	1,466

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 Two 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 specific reserve for Area Forum Highways spend

Proposals To Repay Deficit Reserves

The projected deficit reserve position (general reserve) totals £2,281,000.

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
2011/12	£2,281	£800	£1,481
2012/13	£1,481	£1,000	£481
2013/14	£481	£481	£0

5 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:

5.1 Loss of income due to the economic downturn

This will impact on the delivery of all the strategic priorities if income is not realised. 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.

5.2 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.

5.3 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.

5.4 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. The department will also have to respond to savings and efficiency reviews undertaken by other departments.

5.5 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 has received budget of £578k in this financial year.

5.6 Increases in Price Inflation

The department is experiencing higher than budgeted price inflation in some areas. This is being particularly felt in School Meals.

6 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.

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 6)			
Project Name	Total Current Programme 10/11	Committed Spend 10/11	Projected Expenditure 10/11
£000's			
LTP			
Minor Works	925	519	925
Local Road Safety	553	255	553
Highway Maintenance (PRN)	2,442	544	2,442
Street Lighting	150	145	150
Bridges & Structures	1,629	291	1,629
Bridges & Structures (Section 31)	800	30	800
Sub Total LTP	6,499	1,784	6,499
Non LTP			
Street Lighting Energy / Carbon Reduction	175		175
Illuminated Bollards & Signs - Energy/ Carbon Reduction	100	35	100
Crime Related Street Lighting	69		69
Installation of Capacitors	80	80	80
Water Asset Management	40	31	40
Disability Discrimination Act Schemes	50	55	50
Business Support Systems	32		32
Public Right of Way Improvement Plan	5	11	5
Congestion	35		35
Severe Weather Impact on Roads	2,034	1,332	2,034
Roadside Memorials	27	2	27
Pitt Review	25	4	25
Harricraft Farm Bridge	306	0	306
Sub Total Non LTP	2,978	1,550	2,978
Total	9,477	3,334	9,477
Transport Infrastructure Fund (funding inc PTE)	7,975	837	7,975
TOTAL	17,452	4,171	17,452

Funding:

Borrowing	7,559
Grants	9,585
Capital Receipts	306
Revenue	2
	<u>17,452</u>

Environmental Services Capital Programme 2010/2011 (Month 6)

Project Name	Total Current Programme 10/11	Committed Spend 10/11	Projected Expenditure 10/11	Balance
	£000's	£000's	£000's	£000's
Parking Services				
Car Park Infrastructure Improvements	44	49	44	0
Secured Car Parks Pay on Exit	164	0	0	164
Conversion of Pay and Display Machines	0	0	0	0
Networking of Pay and Display Machines	31	0	31	0
Out of Town Car Parks	0	0	0	0
Car Parks Computer Software	0	10	0	0
Lining & Signing - TSRGD	60	14	60	0
Traffic Management Act 2004 Civil Enforcement	0	0	0	0
CEO Head Cameras	14	0	0	14
Environmental Management				
Greenspace Improvement Programme	0	2	2	-2
Heritage	3,629	870	3,629	0
Play	404	198	404	0
Potters Hill	66	0	66	0
Repairs & Maintenance	15	7	15	0
Playing Fields	66	24	66	0
Local Nature Reserve	96	52	96	0
Furniture	5	0	5	0
Signage	15	1	15	0
Neighbourhood Services				
Public Conveniences	0	4	1	-1
Street Furniture Recycling	0	0	0	0
Highway Litter Bin Replacement Programme	20	17	20	0
Waste Management				
Recycling	305	164	305	0
Cemeteries & Crematoria				
Heaton Cemetery	956	204	956	0
Cemetery/Crematorium Security	15	0	15	0
Memorial Safety	13	3	13	0
Cremator	601	0	601	0
Crematorium Columnbaria	9	0	9	0
Transport				
Transport Phase 2	50	15	50	0
Additional Vehicle	15	0	15	0
Waste Vehicles	190	0	190	0
Markets				

Ashburner Street Market	150	12	150	0
Mobile Working Platform	125	68	125	0
Transport Roof - Wellington Yard	196	196	196	
TOTAL	7,254	1,910	7,079	175

Funding:

Borrowing	2,851
Grants	3,742
Other contributions	275
Capital Receipts	190
Revenue	196
	<u>7,254</u>