

Report to: Environmental Services Scrutiny
Committee

Date: 6th April 2011

Report of: Director of Environmental Services
Director of Corporate Resources

Report No: ESSC/78/11

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

Non Confidential: (**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 Members with information relating to the financial position for the Environmental Services portfolio for the 2010/11 financial year, as at the end of Quarter Three.

Recommendations: It is recommended that the Scrutiny Members:

- note the financial position of the Department at Quarter Three
- endorse 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 Three.

Key Issues:**Revenue Expenditure:**

Revenue expenditure is projected to exceed the budget by £562,000.

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

The main variances are largely due to Bolmoor and Highways.

Capital Expenditure:

Capital expenditure totals £8.647 million against a programme of £24.864 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 £1,933,000.

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 Three.

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 Coporate	-2	
Contingency Repaid	-460	
Fuel Virement	578	
P&G Protection (6 mths)	-106	
H&S/ Legal Devolved	-14	
Economic Downturn	231	
		74
Adjusted departmental budget as at quarter 3		28,846

2.2 IN YEAR REVENUE REDUCTIONS

Earlier this year 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 THREE

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Table Two below outlines the Environmental Services Department's financial position, as at the 31st December 2010.

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

<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	23,825	11,943	12,551	608
• Parking Services	2,019	0	0	0
• Neighbourhood Services	12,913	8,016	7,994	-22
• Waste Collection	9,203	7,217	7,212	-5
• Trade Waste	0	0	0	0
• Civil Contingencies	271	271	243	-28
• Cemeteries & Crematoria	1,519	-172	-147	25
Subtotal	49,750	27,275	27,853	578
Trading Accounts				
• Building Cleaning	4,040	63	62	-1
• School Meals	7,307	603	638	35
• Transport	6,311	-225	-239	-14
• Vulnerable Persons	4,832	80	80	0
Transport				
• Supported Employment	346	179	245	66
• Heaton Fold	419	-2	0	2
• Security Services	1,923	209	154	-55
• Markets	1,398	-117	-89	28
Subtotal	26,576	790	851	61
Overhead Accounts				
Corporate & Democratic Core	0	0	0	0
Apportionable Overheads	6,116	132	55	-77
Subtotal	6,116	132	55	-77
Deficit Reserve Repayment Account	600	600	600	0
2% Contingency	49	49	49	0
Net Budget	83,091	28,846	29,408	562

VARIANCE ANALYSIS

The overall financial position for the service amounts to a projected final outturn position which is £562,000 in excess of the net budget.

2.3.1 STANDARD SPENDING ACCOUNTS

The projected outturn position for the Standard Spending Accounts amounts to £578,000 more than the revenue budget.

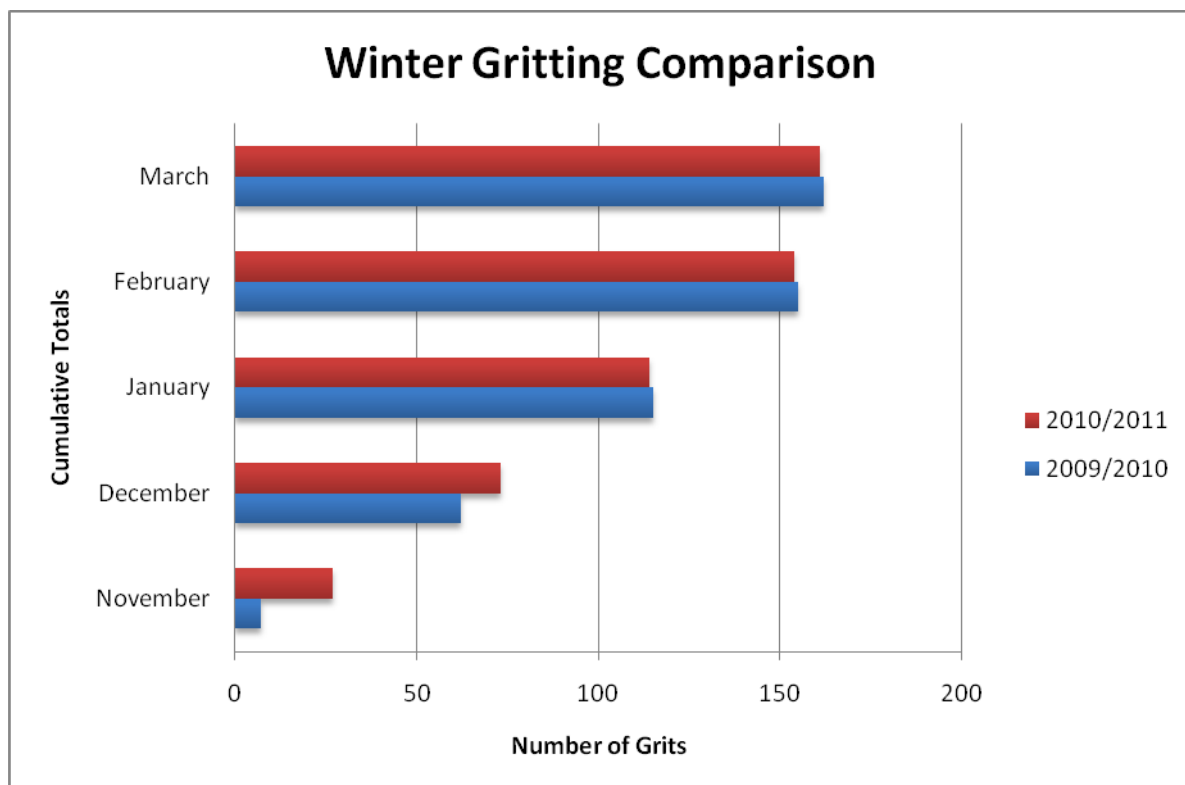
Highways - £608,000

During this quarter the weather has been severe including periods of snow and very low temperatures.

As at the end of December we had 73 grit turnouts compared to 62 in the same period last year. In anticipation we have projected the same number of grits for February and March as last year.

The impact of this is that the winter maintenance budget is projected to overspend by of £580k.

The graph below shows the winter gritting comparison between 2009/10 and 2010/11.



2.3.2 TRADING ACCOUNTS

The projected outturn position in relation to the trading accounts is a year end variance of £61,000

Outlined below is an explanation of the main anticipated variances.

Bolmoor / Supported Employment - £66,000

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.

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 3.

3.1.1 Highways Programmes

The information highlights that the highways capital expenditure (Appendix Bi) amounted to £5.088 million against an available allocation of £17.450 million.

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 £3.559 million has been incurred against a programme of £7.414 million.

During quarter 3 there have been additions to the capital programme regarding the following:

- the Replacement of Wellington Yard workshop roof at £196k
- replacement of three vehicles £205k.
- Following the reduction in Environmental Management budgets in the first quarter due to the reduction in Playbuilder Grant, the programme has now reviewed and revised upwards. This is to allow some of the originally planned schemes to continue by using section 106 funding to replace some of the lost grant and to include revisions to the profile of existing Heritage Lottery Funding approvals.

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	562	-600	2,748
		2,786	562	-600	2,748
Grand Total		1,907	562	-536	1,933

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 £2,783,000.

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	£2,748	£800	£1,948
2012/13	£1,948	£1,000	£948
2013/14	£948	£948	£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
- 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. It is recommended that the Scrutiny Members:

- note the financial position of the Department as at Quarter Three.
- endorse 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
	Grounds Maintenance Standards	Service Redirection	34		34	0
Policy and Performance Departmental	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 9)

Project Name	Total Current Programme 10/11	Committe d Spend 10/11	Projected Expenditur e 10/11
£000's			
LTP			
Minor Works	925	578	925
Local Road Safety	553	349	553
Highway Maintenance (PRN)	2442	913	2442
Street Lighting	150	218	150
Bridges & Structures	1629	328	1629
Bridges & Structures (Section 31)	800	64	800
Sub Total LTP	6499	2450	6499
Non LTP			
Street Lighting Energy / Carbon Reduction	175		175
Illuminated Bollards & Signs - Energy/ Carbon Reduction	100	56	100
Crime Related Street Lighting	69		69
Installation of Capacitors	80	80	80
Water Asset Management	40	31	40
Disability Discrimination Act Schemes	48	58	48
Business Support Systems	32		32
Public Right of Way Improvement Plan	5	5	5
Congestion	35		35
Severe Weather Impact on Roads	2034	1359	2034
Roadside Memorials	27	8	27
Pitt Review	25	6	25
Ravenden Clough Culvert	306	2	306
Sub Total Non LTP	2976	1605	2976
Total	9475	4055	9475
Transport Infrastructure Fund (funding inc PTE)	7975	1033	7975
TOTAL	17450	5088	17450

Funding:

Borrowing	7,559
Grants	9,585
Capital Receipts	306
Revenue	0
	<u>17,450</u>

Environmental Services Capital Programme 2010/2011 (Month 9)				
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	56	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	10	31	0
Out of Town Car Parks	0	0	0	0
Car Parks Computer Software	0	0	0	0
Lining & Signing - TSRGD	60	32	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	0	0	0
Heritage	3,687	1,827	1,900	1,787
Play	436	319	436	0
Potters Hill	66	0	0	66
Repairs & Maintenance	13	12	13	0
Playing Fields	66	25	66	0
Local Nature Reserve	106	63	106	0
Furniture	0	0	0	0
Signage	1	1	1	0
Meadow Close	30	30	30	0
Neighbourhood Services				
Public Conveniences	0	5	5	0
Street Furniture Recycling	0	0	0	0
Highway Litter Bin Replacement Programme	20	20	20	0
Waste Management				
Recycling	305	172	305	0
Cemeteries & Crematoria				
Heaton Cemetery	956	483	716	240
Cemetery/Crematorium Security	15	0	15	0
Memorial Safety	13	3	13	0
Cremator	601	0	51	550
Crematorium Columnbaria	9	0	0	9
Transport				
Transport Phase 2	80	56	80	0
Waste Vehicles	226	67	67	159

Markets				
Ashburner Street Market	150	108	150	0
Mobile Working Platform	125	74	125	0
Transport Roof - Wellington Yard	196	196	196	0
TOTAL	7,414	3,559	4,430	2,989

Funding:	
Borrowing	2,902
Grants	3,780
Other contributions	464
Capital Receipts	190
Revenue	78
	<u>7,414</u>