

Report to: EXECUTIVE MEMBER
ENVIRONMENTAL SERVICES

EXECUTIVE MEMBER CLEANER
SAFER GREENER

Date: 26th February 2008

Report of: Director of Environmental Services
Director of Corporate Resources

Report No: EMES/136/08
EMCGS/19/08

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Report Title: Environmental Services – Financial Monitoring Report – Quarter 3
2007/08

**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 Executive Members with information relating to the performance and financial position of the Environmental Services portfolio, for the 3rd Quarter of the 2007/08 financial year.

Recommendations:

It is recommended that the Executive Member:

- notes the projected financial outturn position of the Department
- approves the request waive standing orders as outlined within the report.

Decision:

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Background Doc(s):

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(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 position in respect of financial information relating to the Environmental Services portfolio for the 3rd Quarter of the 2007/08 financial year.

Key Issues:**Revenue Expenditure:**

Revenue expenditure is anticipated to exceed the budget by £774,000, largely due to a reduction in income for car parking and pressures within the school meals service caused by rises in the price of food.

Capital Expenditure:

Capital expenditure for expenditure to the end of the third quarter is £6.1 million against an available allocation of £20 million

Reserves:

The Department's projected deficit reserve position at 31st March 2008 is £4.9m. Detailed repayment plans are included within the report.

Gershon targets:

Cumulative Gershon savings totaling £3.047 million are anticipated to be have achieved by 31st March 2008

1 INTRODUCTION

This report provides the Executive Members with information relating to the performance and financial position of the Environmental Services portfolio, for the third quarter of the 2007/08 financial year.

The information is divided into five elements.

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

Previous reports have included performance information; however, there is a required increase in performance information to be considered by the Executive Member. To accommodate this, a separate report has been produced which will be considered at the same meeting.

REVENUE EXPENDITURE

3.1 REVENUE BUDGET

The revenue budget has been increased by £400,000 during this quarter. This adjustment relates to the introduction of the new paper and cardboard collection process. Payments made to Paperchase for the services that they provided have largely been funded within the Levy Account. However, with the introduction of the new service, the collection element of costs now needs to be resourced within the Department's waste collection account. Therefore, the net budget for the services provided by the Department has now risen to £28.112 million.

3.2 PROJECTED FINANCIAL OUTTURN INFORMATION

Table One below outlines the Environmental Services Department's financial position, as at the 31st July 2007.

**TABLE ONE – ENVIRONMENTAL SERVICES
FINANCIAL POSITION 2007/08 – QUARTER THREE**

<u>Service</u>	Budgeted Turnover	Net Budget	Projected Year End Outturn	Projected Year End Variance
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Standard Spending Accounts				
• Highways & Engineering	20,210	13,646	13,646	0
• Parking Services (Off Street)	2,517	-607	-372	235
• D.P.E. (ring fenced account)	1,008	-79	1	80
• Neighbourhood Services	13,750	8,192	8,300	108
• Waste Collection	8,179	6,614	6,614	0
• Civil Contingencies	257	260	260	0
• Cemeteries & Crematoria	1,482	26	26	0
Subtotal	47,403	28052	28,475	423
Trading Accounts				
• Building Cleaning	3,625	0	73	73
• School Meals	7,493	0	143	143
• Transport	7,869	-170	-170	0
• Bolmoor	1,230	0	65	65
• Heaton Fold	389	0	10	10
• Security Services	2,175	15	15	0
Subtotal	22,781	-155	136	291
Markets	3,070	67	127	60
Overhead Accounts				
• Corporate & Democratic Core	148	148	148	0
• Apportionable Overheads	5,101	0	0	0
Subtotal	5,249	148	148	0
Net Budget	78,503	28,112	28,886	774

VARIANCE ANALYSIS

The overall financial position for the service amounts to a final outturn position which is £774,000 in excess of the net budget. The budgeted information shown in Table One relates to the service's net budget. However, this budget reflects expenditure of £78 million, offset by income of £50 million. In this context, the variance amounts to 1% of the service turnover. Explanations for specific variances are shown below:

3.2.1 STANDARD SPENDING ACCOUNTS

The final outturn position for the Standard Spending Accounts amounts to £423,000 greater than the revenue budget.

The most significant reasons for variances are:

Parking Services (Off Street) - £235,000

The off street parking service is anticipated to under recover by £235,000, largely due to the following factors:

Pay & Display

Pay & display income is forecast to be £164,000 less than that budgeted, of which £77,000 is due to reduced usage between 2007/08 and 2006/07.

In addition, inflationary increases and increases in charges at the Ashburner Street markets have yet to be implemented, resulting in an adverse variance of £87,000.

APCOA / Multi Storey Car Park Contracts

The income received from multi storey car park contracts is also forecast to be £145,000 less than the budget, also as a result of reduced usage from previous years, coupled with the closure of the Dawes Street car park.

Enforcement Costs

A reduction in the level of enforcement tickets issued in relation to off street parking has resulted in reduced costs of £90,000.

Parking Services (Decriminalised Parking Enforcement - DPE) - £80,000

The on street parking service is anticipated to under recover by £80,000, as a result of difficulties encountered recently in enforcement across the town centre. In addition to this sum, capital expenditure of £40,000 has already been incurred in ensuring the issue is resolved with further costs anticipated.

Neighbourhood Services - £108,000

There is no change in the projected outturn from that reported at Quarter 2 in that the anticipated outturn position for the Neighbourhood Service (formerly shown as Environmental Management – Non waste) is £108,000 greater than the available budget. This is due to the following three factors:

- Revenue costs of £65,000 in relation to increased costs to cover for sickness levels within the service being higher than budgeted.
- Additional expenditure incurred in relation to the use of bio degradable fuel in relation to street sweepers for four months totaling £13,000. As a result of these increased costs, a decision has been taken to revert back to red diesel (which has taxation advantages) for this service.
- Additional costs of £30,000 in relation to increased fuel prices.

Work is ongoing within this service to attempt to return the service to a balanced financial position by year end.

3.2.2 TRADING ACCOUNTS

The overall position in relation to the trading accounts is a year end variance of £291,000. Significant variances are explained below:

Building Cleaning - £73,000

The Building Cleaning Service is projected to incur a deficit of £73,000.

In 2006/07, the service incurred a deficit of £235,000 (which included a one off cost of £100,000) and as part of the final outturn report presented to the Executive Member in July, an action plan was approved to bring the trading account back into a balanced position. However, it was recognised at that time that some of the actions required would only have a part year effect in the current financial year. The projected variance shown is a result this part year effect.

School Meals – £143,000

The school meals service is projected to incur a deficit of £143,000 by the end of the financial year.

The most significant reason for this is that the prices for supply of raw materials has risen by approximately 7% in the latter half of the year (£76,000).

One off costs of £43,000 on redundancies has been incurred which will generate longer term savings for the service.

Finally, whilst improving over time, uptake for the service is still lower than in previous years due to the impact of the national healthy eating agenda.

Bolmoor - £65,000

The service has incurred one off redundancy costs of £20,000. Whilst sales to date have been in line with previous years we will need to monitor sales closely throughout the remaining months of the financial year.

3.2.3 MARKETS

The projected outturn position for the Markets Service is £127,000 deficit against a budgeted deficit of £67,000.

The most significant element of the deficit is the trading position for the Out district markets, which are currently projected to incur deficit of £134,000. The breakdown of this figure is Farnworth Market (£54,000), Horwich Market (£35,000) and Westhoughton Market (£45,000).

3.3 STRATEGIC GROWTH & REDIRECTIONS

In setting the Strategic Budget for the year, the Department received one off growth of £575,000 and was required to implement £1,564,000 of redirections.

Appendix A to the report provides details of progress in implementing options.

With regard to the strategic growth received, the following outcomes are anticipated:

Increased Highways Expenditure Via Area Fora (£100,000)

Works have commissioned by Area Fora from this budget and are currently being implemented.

The anticipated outcome is improved highways where choices for works have been agreed at a local level.

Crime Related Environmental Works (£200,000)

A programme of works has been approved by the Executive Member and implementation is ongoing.

The anticipated outcome will be reductions in the level of crime and the fear of crime within the borough.

Environmental Enforcement & Projects (£50,000)

The monies have been used to fund an additional resource, the purchase of a covert camera system and an improved printer for evidence gathering. This has resulted in additional enforcement in relation fly posting, leading to six high profile prosecutions.

The outcome of the project has been improved cleanliness within the town and also improved partnership working with the Police and other agencies.

Improved Toilets At Moss Bank Park (£125,000)

A contractor is on site and the refurbishments are anticipated to be completed by April. The outcome will be increased public satisfaction with the park.

Improvements At Overdale (£100,000)

Expenditure of £39,000 has already been incurred on drainage works within the Willows Walk area of Overdale, re-construction of some of the footpaths and painting and decorating the West Chapel. Further work on the footpaths is planned, along with drainage works close to the Chapel of Remembrance.

The outcome of this investment will be increased satisfaction for those that are bereaved.

4 CAPITAL PROGRAMME MONITORING

Appendices Bi and Bii outline the capital outturn position for the Department for 2006/07.

The information highlights that the highways capital expenditure (Appendix Bi) amounted to £3.9 million against an available allocation of £13 million. The majority of expenditure on the capital programme occurs within the final quarter of the year.

In respect of the non highways capital expenditure (Appendix Bii), expenditure of £2.2 million has been incurred against a programme of £6.9 million.

The Executive Member is asked to approve an exemption from standing orders in relation to the purchase of refuse collection vehicle for bulky waste and four bin lifts. Details are shown at Appendix C.

5 RESERVE MOVEMENTS

**TABLE TWO – ENVIRONMENTAL SERVICES DEPARTMENTS RESERVES
POSITION 2007/08 FINANCIAL YEAR**

Description	Opening Balance £'000	Outturn Movements £'000	Other Movements £'000	Closing Balance £'000
Environmental Services				
Highways Reserves	415	0	0	415
Parking Services	215	235	0	450
Decriminalised Parking Enforcement	10	80	0	90
Direct Services Reserve	1,674	399	0	2,073
Invest to Save	327	0	0	327
Vulnerable Persons Transport	135	0	0	135
Computing Reserve	-36	0	36	0
CCTV Reserve	-15	0	0	-15
	2,725	714	36	3,475
Markets				
Markets General Reserve	1,486	60	150	1,696
Total net deficit reserve	4,211	774	186	5,171

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

The other movements represents expenditure that is anticipated to be incurred on replacement computer equipment, that was deferred from 2006/07 due to the decision to await an updated contract to be in place and a prior year adjustment in respect of the Market Hall debtors, which was due to trade debtors being lower than originally anticipated at the close of the 2006/07 accounts.

A repayment plan in respect of the Market's reserves will be considered in light of the redevelopment of the Market Hall. And a repayment plan in respect of the Parking Services deficit reserves will be developed as part of the Parking Services Strategy over the next six months. The set up costs incurred in the creation of the combined Vulnerable Transport Service are to be funded from savings achieved through the implementation of improved contracts and route scheduling.

In respect of the remaining deficit reserves of £2,800,000, the intention is to develop a five year recovery plan as part of the corporate business planning process for 2008/09. This will be achieved by the creation of a demand led growth repayment budget which will be increased each year until the reserves are repaid. The Table below outlines the proposal, showing that deficits would be repaid by the end of the 2012/13 financial year.

Year	Demand Led Growth £'k	Repayment Budget £'k	Remaining Deficit £'k
2008/09	200	200	2,600
2009/10	200	400	2,200
2010/11	200	600	1,600
2011/12	200	800	800
2012/13		800	0
		2,800	

6 GERSON TARGET MONITORING

Outlined below are the efficiencies identified as Gershonable, and their projected performance against the original target set.

TABLE THREE – GERSHON TARGET MONITOR – 2007/08

	<u>Departmental Aim</u>		<u>Projection</u>	
	<u>Cashable</u>	<u>Non</u>	<u>Total</u>	
	<u>Savings</u>	<u>Cashable</u>		
	<u>£'000</u>	<u>Savings</u>	<u>£'000</u>	<u>£'000</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Prior year efficiencies	1,350	703	2,052	2,177
Current year efficiencies				
Highways & Engineering				
Increased productivity / reduction in workforce	100		100	100
Restructure support teams	35		35	35
Appoint permanent staff rather than agency	20		20	20
Reduce senior management post	55		55	55
Parking Services				
Utilise DPE Annual Surplus	69		69	64
Capitalise repairs and maintenance	40		40	40
Environmental Management (Non Waste)				
Delete vacant posts	70		70	70
Improve overhead recovery on traded areas	30		30	30
Delete playground fitter post	20		20	20
Implement 5 / 7 working (less overtime)	100		100	100
Cease payment to Douglas Valley	3		3	3
Reduce payments to Lancashire Wildlife	8		8	8
Use agency staff for summer neighbourhood care operatives	50		50	50
Environmental Management (Waste)				
Remove standby payments	30		30	30
Introduce split shifts for bin delivery teams	15		15	15
Introduce split shifts for trade waste service	50		50	50
Extend co mingled paper and cardboard pilot	100		100	100
Management & Administration				
Convert career grade HR post to part time	5		5	5
Reduction in Executive & Business Support	16		16	16
Review of Business Support	28		28	28
Reduction in Senior Management	31		31	31
Total	2,225	703	2,928	3,047

The table demonstrates that the projected final outturn for efficiencies amounts to £3,047,000.

7 RISK AREAS

- 7.1 There is one area of financial risk, that have not been reported elsewhere within this report:

7.1.1 Fuel Prices

The volatility of fuel prices is a constant a risk within the Department. For example, a 5% increase in price has an impact of £40,000 upon the Neighbourhood Services and Waste Collection budgets

8 CONCLUSIONS AND RECOMMENDATIONS

This report has provided information relating to the performance and financial outturn position of the Environmental Services portfolio for the 2007/08 financial year. It is recommended that the Executive Member:

- notes the projected financial outturn position of the Department and agrees to the content of the report.
- Approves an exemption from standing orders in respect of the purchase of a refuse collection vehicle for bulky waste and four bin lifts, as detailed in Appendix C.

Environmental Services - Strategic Options Monitor 2007/08 - Quarter 2			
Option	One Off Growth £'000	Reductions £'000	Action Taken
Highways & Engineering			
o Increased Funding for Highways spent via Area Forums	100		Information relating to options and outcomes being developed for discussions with Area Fora
o Crime Related Environmental Works	200		Report taken to Executive Member in August
o Increased rates for temporary TROs		-20	Rates increased
o Increased income from external sources		-50	To be monitored throughout the year
o Aids to traffic movement		-50	Budget has been removed and requests for work being refused unless funding can be identified
o Increased rates for charges to capital		-190	Rates for charges to capital have been increased
o Bridge maintenance (capitalise)		-50	Budget has been capitalised
o Increased productivity / reduction in workforce		-100	A zero based budget has been prepared for the Highways & Engineering Service, which has accommodated these options. A report outlining a revised structure for the service is to be brought to the Executive Member in the near future.
o Restructure support teams		-35	
o Appoint permanent staff rather than agency		-20	
o Reduce senior management post		-55	
o Increased volume of capital work		-50	
	300	-620	
Parking Services			
o Utilise DPE Annual Surplus		-69	Projected to achieve £64,000 of this optionn
o Capitalise repairs and maintenance		-40	Accommodated within the capital programme
o Extend on street chargeable parking zones		-10	Proposals to be brought to Executive Member
o Increase parking charges at Ashburner Street		-30	Consultation in progress
o Less costs of implementation		15	Costs will be incurred once inflationary increase is adopted
	0	-134	
Environmental Management (Non Waste)			
o Environmental Enforcement & Education Projects	50		ICT & awareness raising
o Improved Toilets at Mossbank Park	125		Will be completed within the current financial year
o Delete vacant posts		-70	Vacant posts have been deleted
o Delete playground fitter post		-20	Post has been deleted
o Improve overhead recovery on traded areas		-30	Rates have been increased to ensure full recovery of costs incurred.
o Cease payment to Douglas Valley		-3	Payment will not be made
o Additional enforcement income		-10	Anticipated to be achieved during the year. Will need to be monitored closely.
o Implement 5 / 7 working (less overtime)		-100	5 / 7 working has been adopted where appropriate.
o Use agency staff for summer neighbourhood care operatives		-50	Agency staff were used
o Convert staffed public conveniences into unstaffed facilities		-50	Public conveniences are now cleaned by a mobile service, rather than full time staffing
	175	-333	
Environmental Management (Waste)			
o Remove standby payments		-30	Standby payments have been removed
o Introduce split shifts for bin delivery teams		-15	Operational arrangements have been revised to make the appropriate saving.
o Introduce split shifts for trade waste service		-50	
o Extend co mingled paper and cardboard pilot		-100	Pilot has been extended to additional phases
o Increase Trade Waste Fees		-92	Fees were increased
o Charge for new / replacement bins		-70	Charges are being levied
	0	-357	
Bereavements & Crematoria			
o Improvements to Overdale	100		Programme of improvements being developed
	100	0	
Management & Administration			
o Convert career grade HR post to part time		-5	A zero based budget has been prepared for the Management & Administration Service, which has accommodated these options.
o Reduction in Executive & Business Support		-16	
o Review of Business Support		-28	
o Reduction in Senior Management		-31	
o Service Strategy		-16	
o Communication & Development		-24	
	0	-120	
	575	-1,564	

Highways and Engineering Division
Capital Programme 2007/08
Month 9 Position

<u>Spend</u>	Capital Programme (Executive)	Available Allocation (including 06-07 Slippage)	Month Actual Spend Dec-07	Remaining Approval
<u>Highways</u>	£'000	£'000	£'000	£'000
<u>LTP</u>				
Highway Maintenance	1,630	1,501	644	-857
Street Lighting	127	127		-127
Bridges Contingency	300	300		-300
St Helena Bridge	300	300	48	-252
Bridges & Structures	1,433	1,432	366	-1,066
Minor Works	1,500	1,500	303	-1,197
Local Road Safety	757	927	655	-272
PRIF Schemes	200	200		-200
Sub Total LTP	6,247	6,287	2,016	-4,271
<u>Non LTP</u>				
Crime Related Street Lighting	100	138	19	-119
Street Lighting Replacement	215	301	2	-299
Water Asset Management	150	263	110	-153
Business Support Systems	40	80		-80
Disability Discrimination Act Schemes	250	302	2	-300
Installation of capacitors	80	80		-80
NRSI Initiatives	0	27	24	-3
Other Quality Bus Corridors	0	-87	316	403
Sub Total Non LTP	835	1,104	473	-631
Sub Total	7,082	7,391	2,489	-4,902
Transport Infrastructure Fund	5,611	5,611	1,198	-4,413
EAM	211		84	84
Strategic Programme Management			110	110
Highways Total	12,904	13,002	3,881	-9,121

CAPITAL PROGRAMME 2007/2008				
Project Name	Date of Exec Approval	Total Approval £000	Expenditure 07/08 31.12.07 £000	Remaining Approval £000
Parking Services				
Car Park Infrastructure Improvements	2007/08	103	22	81
Secured Car Parks Pay on Exit	2007/08	341	98	243
Conversion of Pay and Display Machines	2007/08	40	11	29
Networking of Pay and Display Machines	2007/08	35	0	35
Out of Town Car Parks	2007/08	143	21	122
Car Parks Computer Software	2007/08	52	14	38
Environmental Management				
Moss Bank Park	2007/08	155	47	108
Harper Green Playing Field	2007/08	80	0	80
Queens Park Refurbishment	2007/08	153	69	84
Potters Hill	2005/06	69	0	69
Essential Repairs to Walls & Fences	2007/08	29	12	17
Bolton Flat Green Bowling	2006/07	0	26	-26
Seven Acres	2007/08	5	0	5
Doe Hey Park	2007/08	45	0	45
Barlow Park - Culvert Works	2005/06	0	1	-1
Egerton Park	2007/08	68	0	68
Farnworth Park	2007/08	315	5	310
Haslam Park	2007/08	0	3	-3
Westhoughton Central Park	2007/08	153	13	140
Leverhulme Park	2007/08	65	0	65
Sport & Play Accessibility	2005/06	0	0	0
Leverhulme Park Track Refurbishment	2005/06	0	3	-3
Holden Lea	2007/08	5	16	-11
New House Farm	2007/08	55	47	8
Queens Park Refurbishment	2007/08	147	1	146
Moses Gate	2007/08	304	1	303
Old Station Park, Horwich	2007/08	178	137	41
Astley Bridge Park	2007/08	50	17	33
Thomasson Park	2005/06	9	0	9
Bank Top Kearsley	2007/08	30	0	30
Play Strategy	2006/07	-2	64	-66
Leverhulme Track	2006/07	-2	0	-2
Cleaner Safer Greener	2007/08	114	119	-5
Middlebrook Valley	2006/07	19	20	-1
Borough Wide Minor Works/Other Essential Repairs	2007/08	70	4	66
Heywood Park	2007/08	80	56	24
Blindshill Fields	2007/08	0	9	-9
Suffolk Close Play Area	2006/07	0	0	0
Mytham Road Park	2007/08	47	0	47
Local Nature Reserve	2006/07	16	16	0
Seats & Litter Bins	2007/08	25	1	24
Signage	2007/08	20	7	13
Moss Lane	2007/08	80	1	79
Stoneclough Bowling Club	2006/07	0	1	-1
Speed Signs	2006/07	0	87	-87
Greenspace Access & Mobility	2007/08	167	21	146
St James New Bury	2007/08	80	0	80
Brownlow Fold	2007/08	80	0	80
Hall Lea Bank Park	2007/08	15	0	15
Eatoock Lodges	2007/08	5	0	5
Cunningham Clough	2007/08	5	0	5
Doffcocker Lodge	2007/08	5	0	5
Further LNR Development	2007/08	5	0	5
Doorstep Woodlands	2007/08	50	5	45
Green Streets	2007/08	50	0	50
Hilton Estate Playing Field	2007/08	0	61	-61
Public Conveniences	2006/07	100	0	100
Moss Bank Park Toilets	2007/08	125	3	122
Waste Management				
Recycling	2007/08	821	399	422
Cemeteries & Crematoria				
Heaton Cemetery	2007/08	533	6	527
Cemetery/Crematorium Security	2007/08	75	8	67
Memorial Safety	2007/08	50	0	50
Cremator	2007/08	61	6	55
Transport				
Transport Phase 2	2006/07	1,204	733	471
Vulnerable Persons Transport	2007/08	0	0	0
Markets				
Ashburner Street Market	2007/08	205	0	205
Buildings & Depots				
Mayor Street	2007/08	40	55	-15
Security & Response				
CCTV	2006/07	142	0	142
TOTAL		6914	2246	4668

Waiving Of Standing Orders

The Executive Member is asked to provide an exemption from standing orders in respect of two separate purchases by the Transport Unit.

Both relate to the purchase of specific machinery for which a tender procedure would be inappropriate.

Geesink NorbaVulture 22 cubic metre Bulky Item Refuse compaction Body with Combi-Split binlifter

The first request is for the purchase of a specific type of refuse collection vehicle for the collection of bulky household waste. The specific vehicle required is a Geesink NorbaVulture 22 cubic metre Bulky Item Refuse compaction Body with Combi-Split binlifter and the combined cost of the vehicle chassis, body and split binlifter amounts to £116,970.

It is believed that this vehicle is the most suitable for the collection of bulky items.

Terberg Triple bin lifts

The second exemption requested relates to the purchase of four Terberg Triple bin lifts. As a result of the buyout of Faun (the Council's tendered supplier of refuse collection vehicles) by the bin lift company Zoeller, the suppliers of the preferred bin lift for the Council's refuse vehicles do not wish to divulge the price to Faun due to competitive reasons.

Instead, Terberg have requested that they invoice the Council directly for the supply and fitting of the bin lifts.

The cost per bin lift is £21,750 and therefore the total cost of the purchases will be £87,000, which is greater than the tender threshold within the Council's standing orders.