

Report to: Environmental Services,
Regeneration, Housing and Skills
Scrutiny Committee

Date: 1st December 2011

Report of: Director of Environmental Services
Director of Corporate Resources

Report No: ESRHSSC/13/11

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Report Title: Environmental Services – Financial Monitoring Report 2011/12 –
Quarter Two

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 Environmental Services, Regeneration, Housing and Skills Scrutiny Committee with information relating to the financial position for the Environmental Services portfolio for the 2011/12 financial year, as at the end of Quarter Two.

Recommendations: It is recommended that the Environmental Services, Regeneration, Housing and Skills Scrutiny Committee:

- notes the financial position of the Department as at Quarter Two
- 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 2011/12 financial year, as at the end of Quarter Two.

Key Issues:**Revenue Expenditure:**

Revenue expenditure is projected to underspend against the budget by £86,000.

The department has budgeted to use reserves of £114,000.

There are no major variances to report.

Capital Expenditure:

Capital expenditure for the quarter totals £4,895k against a programme of £21.689m.

Reserves:

The Department's projected deficit reserve position at 31st March 2012 is £1,222,000.

Detailed repayment plans are included within the report.

Efficiency targets:

Budgeted efficiency savings for the department are £3,705,000 which includes demand led of £200,000 to repay the deficit reserve.

The current projection is to achieve 100% of the planned efficiencies.

Risk:

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

This report provides the Executive Member with information relating to the financial position relating to the Environmental Services portfolio, for the 2011/12 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

2.0 REVENUE EXPENDITURE

2.1 REVENUE BUDGET

The approved revenue budget for the department totals:

Table One: Environmental Services Department – Approved Revenue Budget 2011/12

	<u>£'000</u>	<u>£'000</u>
Original Approved Budget 2011/12		27,457
Recharges 2011/12		3,203
Original Managers Controllable Budget 2011/12		24,254
£250's back to Corporate Centre	-297	
0.3% Superannuation returned to Corporate Centre	-67	
Supported Employment	-30	
Forward Incident Officers	5	
ABG - Working Neighbourhood Funding	100	
Mainstream Recycling Income	357	
Albert Halls and Community Centres	400	
		468
Adjusted Managers Controllable Budget 2011/12		24,722
Recharges 2011/12		3,203
Adjusted Budget as at Quarter 2		27,925

2.2 IN YEAR REVENUE CHANGES

For a number of years the waste collection budget has received an in year transfer from the waste levy account. A budget has been received to reflect this.

As a result of the recent realignment of services across the council a budget transfer has been made of £400k to reflect the transfer of the Albert Halls and Community Centres.

2.3 FINANCIAL POSITION – AS AT QUARTER TWO

Table Two below outlines the Environmental Services Department's financial position, as at the 30th September 2011.

**TABLE TWO – ENVIRONMENTAL SERVICES
FINANCIAL POSITION 2011/12 QUARTER TWO**

<u>Service</u>	<u>Budgeted Turnover</u>	<u>Net Budget</u>	<u>Projected Year End Outturn</u>	<u>Year End Variance</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Standard Spending Accounts				
Highways & Engineering	17,940	10,300	10,295	-5
Parking Services	2,440	0	0	0
Neighbourhood Services	11,385	7,446	7,423	-23
Waste Collection	7,911	7,416	7,435	19
Trade Waste	1,450	231	222	-9
Civil Contingencies	285	285	280	-5
Cemeteries & Crematoria	1,557	-184	-184	0
Albert Halls	1,469	400	400	0
Subtotal	44,437	25,894	25,871	-23
Trading Accounts				
Building Cleaning	3,206	128	113	-15
School Meals	7,095	891	862	-29
Transport	8,266	-156	-176	-20
Vulnerable Persons	4,875	-26	-26	0
Transport				
Supported Employment	244	73	73	0
Heaton Fold	434	0	14	14
Security Services	2,480	96	66	-30
Markets	1,393	-115	-98	17
Subtotal	27,993	891	828	-63
Overhead Accounts				
Corporate & Democratic Core	84	84	84	0
Apportionable Overheads	6,235	73	73	0
Subtotal	6,319	157	157	0
Deficit Reserve Repayment	800	800	800	0
Unapportionable Overhead	183	183	183	0
Net Budget	79,732	27,925	27,839	-86

VARIANCE ANALYSIS

The overall financial position for the department amounts to a projected final outturn position of an underspend of £86,000 of the net budget.

2.3.1 STANDARD SPENDING ACCOUNTS

The projected outturn position for the Standard Spending Accounts amounts to £23,000 less than the revenue budget.

At this point in the year there are no major variances to report.

2.3.2 TRADING ACCOUNTS

The projected outturn position in relation to the trading accounts is an underspend of £63,000.

At this point in the year there are no major variances to report.

2.4 STRATEGIC GROWTH & REDIRECTIONS

In setting the Strategic Budget for the year, the Department was required to implement £3,705,000 of redirections. The £3,705,000 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 100% of the efficiencies will be met.

3 CAPITAL PROGRAMME MONITORING

Appendices Bi and Bii outline the capital outturn position for the Department for 2011/12 at quarter 2.

3.1 Highways Programmes

The available budget of £14.482 million is made up of:

- £5.888 million of new approvals for 2011/12
- £6.557 million of slippage from 2010/11

- principally the Transport Infrastructure Fund
- £2.037 million of in year approvals.

The information shows highways capital expenditure of £3,797k (Appendix Bi) against an available allocation of £14.482 million.

3.2 Other Departmental Programmes

The available budget of £7,207 million is made up of £2.473 of new approvals for 2011/12, £4.202 million of slippage from 2010/11 and £532k of additional items approved in year. In respect of the non highways capital expenditure (Appendix Bii), expenditure of £1,098k has been incurred against a programme of £7.207 million.

4 RESERVE MOVEMENTS

TABLE THREE – ENVIRONMENTAL SERVICES DEPARTMENTS RESERVES POSITION 2011/12 FINANCIAL YEAR

SUMMARY OF RESERVE ACCOUNTS 2011/12					
	Task Name	As at 01/04/11	Outturn Movements	Other Movement	As at 31/03/12
Specific Reserve	Model Railway	-7		3	-4
	Graves in Perpetuity	-338		11	-327
	Moss Bank Park Toilets	-1			-1
	Highways Works	-549			-549
	Waste Campaign	-100		100	0
	NS Queens Park	-76			-76
	Decommissioning of Toilets	-60			-60
	Cashless System - School Meals	-30			-30
	Mobile Workings	-30			-30
	CCTV	-130			-130
	ES Change Management	-200			-200
		-1,521	0	114	-1,407
General Reserve	General	2,108	-86	-800	1,222
		2,108	-86	-800	1,222
Grand Total		587	-86	-686	-185

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

The other movement's column represents:

- Repayment of the deficit reserve budget of £800,000.
- Utilisation of the Model Railway
- Utilisation of the Graves in Perpetuity
- Utilisation of the Marketing for Waste Campaign

Proposals to Repay Deficit Reserves

The projected deficit reserve position (general reserve) totals £1,222,000.

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
2012/13	£1,222	£800	£422
2013/14	£422	£422	£0

5 RISK AREAS

The Department faces the challenge of managing a balanced budget in the current economic climate, with increased fuel, energy costs, waste minimization and the impact on the levy account and potential pressures if there is a severe winter.

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 not achieved. This is being felt across the Department, particularly impacting on:

- Highways Developers' income
- Road works, skips, scaffold licenses
- Trade waste income
- Reduction in external income as a result of the current financial climate
- 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 Increases in Energy Costs

Environmental Services has a potential risk if energy prices go up more than anticipated during the financial year. This will particularly affect Street Lighting.

There is currently an issue regarding the costs relating to the distribution of energy. It is anticipated that any overspend relating to this specific issue will be picked up corporately as part of the year end closure process.

5.3 Severe Winter

Environmental Services has received corporate support over previous years due to the impact of severe weather. Within this report it is assumed that any overspend relating to this specific issue will be picked up corporately as part of the year end closure process.

5.4 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.

5.5 Waste Minimisation and Recycling Initiatives

There is currently concern around the potential increase in the waste levy payment. In order to mitigate the potential increases the department is working on a waste minimisation and recycling initiative. In the short term there may be additional collection costs incurred that would enable future savings on the levy account.

Food within the garden waste was implemented from the 3rd October. Potentially there maybe an additional waste collection cost of providing this service in the region of £163k for 2011/12. It was intended that the additional collection cost could be mitigated by the introduction of other recycling initiatives that have not had political approval at this point.

There is a risk that the disposal costs associated with school waste is not covered by existing budgets. This is an issue that has been discussed with the corporate centre and will be considered as part of the year end closure process.

6 CONCLUSIONS AND RECOMMENDATIONS

This report has provided information relating to the projected financial outturn position of the Environmental Services portfolio for the 2011/12 financial year. It is recommended that the Environmental Services, Regeneration, Housing and Skills Scrutiny Committee:

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

ENVIRONMENTAL SERVICES
Efficiency Options for 2011/12

Division	Type	Description of Option	11/12 Options	Achieved by substitute	Achieved	Variance
Policy & Performance	Efficiency	Management of Cash Limited Budgets	50		50	0
Community Services	Efficiency	Social Needs Transport Review	25		25	0
Community Services	Increase in Fees	Income Optimisation	75	39	36	0
Highways	Service Redirections	Full Service Review	1,370	404	966	0
Highways	Service Redirections	Additional - capital costs	875		875	0
Neighbourhood Services	Service Redirections	Full Service Review	605		605	0
Neighbourhood Services	Service Redirections	Additional - capital costs	400		400	0
Waste & Fleet	Efficiency	Joint Transport and Authority Working	90		90	0
Waste & Fleet	Service Redirections	Suspension of Green Waste	90		90	0
Waste & Fleet	Service Redirections	Vacancy Management	125		125	0
		Total Strategic Redirections	3,705	443	3,262	0

ENVIRONMENTAL SERVICES – Highways**Capital Programme 2011/12 (Month 6)**

Project Name	Capital Programme (including 10-11 Slippage)	Total Actual	Projected Expend to 31.03.11	Variance -ve (u/spend) +ve (o/spend)
-	£'000	£'000	£'000	£'000
<u>LTP</u>				
Minor Works	312	94	312	0
Local Road Safety	58	35	58	0
Highway Maintenance (PRN)	2,442	2,080	2,442	0
Street Lighting	127	-13	127	0
Bridges & Structures	1,244	472	944	-300
Sub Total LTP	4,183	2,668	3,883	-300
<u>Non LTP</u>				
Street Lighting Replacement	90		90	0
Illuminated Bollards & Signs - Energy/ Carbon Reduction	43		43	0
Street Lighting Energy / Carbon Reduction	203	60	203	0
Street Lighting Carbon Investment Project	983	180	650	-333
Installation of Capacitors	40	40	40	0
Water Asset Management	9	-1	9	0
Business Support Systems	32		32	0
Public Rights of Way	10	-1	10	0
Disability Discrimination Act		-1		0
Congestion	5		5	0
Severe Weather Impact on Roads	2,077	571	2,062	-15
Pot Holes (DFT grant)	653		653	0
Highway Drainage imps to prevent ironwork theft	50	24	50	0
A6 Blackrod Bypass Drainage Works	100		100	0
Roadside Memorials	9		9	0
Pitt Review	15		15	0
Sub Total Non LTP	4,319	872	3,971	-348
Sub Total	8,502	3,540	7,854	-648
Transport Infrastructure Fund (funding inc PTE)	5,672	257	5,672	0
Other Capital (inc Ravenden Clough Culvert) - Corporate	308		0	-308
Highways Total	14,482	3,797	13,526	-956

ENVIRONMENTAL SERVICES - Non Highways Capital Programme 2011/12 (Month 6)				
Project Name	Current Programme 11/12	Actual Spend 11/12	Projected spend to 31/3/12	Variance
	£000	£000	£000	£000
Parking Services				
Car Park Infrastructure Improvements	35	6	35	0
Secured Car Parks Pay on Exit	163	0	163	0
Networking of Pay and Display Machines	18	0	18	0
CEO Head Cameras	14	0	14	0
Environmental Management				
Greenspace Improvement Programme	0	0	0	0
Heritage	3,635	617	2,572	-1,063
Play	445	103	445	0
Potters Hill	65	0	65	0
Repairs & Maintenance	0	0	0	0
Playing Fields	0	0	0	0
Local Nature Reserve	122	9	122	0
Furniture	66	13	66	0
Signage	0	0	0	0
Meadow Close	1	1	1	0
Waste Management				
Recycling	253	55	253	0
Food Waste in with Garden Roll Out	218	145	218	0
Increase Recycling Participation (New Bins)	198	0	198	0
Cemeteries & Crematoria				
Heaton Cemetery Extension	374	36	100	-274
Cemetery/Crematorium Security	6	5	6	0
Memorial Safety	5	0	5	0
Overdale Crematorium	900	59	300	-600
Blackrod/Westhoughton Cem Work	0	0	0	0
Transport				
Gritter	80	0	0	-80
Installation of Bunkered Fuel	50	0	0	-50
New Waste Vehicles	159	0	159	0
Markets				
Ashburner Street Market	270	23	170	-100
Environmental Services Departmental				
ICT	73	30	73	0
Property	50	0	50	0
Transport Roof - Wellington Yard	7	-4	7	0
TOTAL	7,207	1,098	5,040	-2,167