

Report to: Executive Cabinet Member
Environmental Services

Date: 15th June 2015

Report of: Director of Environmental Services
Borough Treasurer

Report No: ECMES/06/15

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Report Title: Environmental Services – Finance Report 2014/15 – Final Outturn

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 Cabinet Member with information relating to the financial final outturn position for the Environmental Services portfolio for the 2014/15 financial year.

Recommendations: It is recommended that the Executive Cabinet Member:

- notes the final outturn financial position of the Environmental Services Department

Decision:

Background Doc(s):

(for use on Exec Rep)

Signed:

Leader / Executive Cabinet
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 final outturn position in respect of Environmental Services portfolio for the 2014/15 financial year.

Key Issues**Revenue Expenditure:**

Revenue expenditure is projected to underspend against the budget by £104k after planned reserve movements.

The main variances are in the Albert Halls and Markets.

Capital Expenditure:

Capital expenditure as at final outturn was £16.691m against a revised budget at quarter 3 of £19.915m.

Reserves:

The Department has a year end balance on its general reserve of £104,535 at the end of the year.

Efficiency targets:

The budgeted efficiency savings for 2014/15 for Environmental Services were £3,385,000.

All planned efficiencies have been achieved.

Risk:

Specific areas of financial risk identified for the year related to loss of income due to the economic downturn and energy prices for street lighting.

1 Introduction

This report provides the Executive Cabinet Member with the financial position relating to Environmental Services, for the final outturn of the 2014/15 financial year.

The information is divided into five elements.

- Revenue expenditure
- Capital expenditure
- Reserve movements
- Efficiency targets
- Areas of financial risk

2 Revenue expenditure

2.1 Revenue budget

The approved revenue budget for the department totals:

Table One: Approved Revenue Budget 2014/15

	<u>£'000</u>	<u>£'000</u>
Original Approved Budget 2014/15		27,730
Recharges 2014/15		2,954
Original Manager's Controllable Budget 2014/15		24,776
Superannuation back to Corporate Centre	(51)	
Post transfer to Corporate Centre	(30)	
Low paid earners	248	
Transfer of post from Chief Executives	20	
Insurance revised estimate	(11)	
Adjustment relating to telephones	(91)	
		85
Adjusted Manager's Controllable Budget 2014/15		24,861
Recharges 2014/15		2,954
Adjusted Budget as at Quarter 4		27,815

2.2 In year revenue changes

There have been no budget adjustments made in the last quarter.

2.3 Financial position – as at final outturn

Table two below outlines the Environmental Services Department's financial position, after movements to reserves, as at 31st March 2015.

Table Two – financial position final outturn 2014/15

<u>Service</u>	Net Budget	Year End Variance	Year End Variances Transfer to General Reserves	Final Outturn
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Standard Spending Accounts				
Highways & Engineering	9,279	-23	23	9,279
Parking Services	-135	-3	3	-135
Neighbourhood Services	7,673	-81	81	7,673
Community Safety & Neighbourhood Management	1,255	0	0	1,255
Waste	8,348	-17	17	8,348
Trade Waste	110	-19	19	110
Civil Contingencies	267	-6	6	267
Bereavement Services	-262	-67	67	-262
Albert Halls	304	133	-133	304
Subtotal	26,839	-83	83	26,839
Trading Accounts				
Building Cleaning	280	-19	19	280
School Meals	1,051	-5	5	1,051
Transport	-255	-41	41	-255
Social Needs Transport	-31	0	0	-31
Supported Employment	79	-4	4	79
Heaton Fold	19	-11	11	19
Security Services	104	-41	41	104
Markets	-80	103	-103	-80
Subtotal	1,167	-18	18	1,167
Overhead Accounts				
Corporate & Democratic Core	86	-1	1	86
Apportionable Overheads	-442	0	0	-442
Subtotal	-356	-1	1	-356
Cross Departmental	165	-2	2	165
Net Budget	27,815	-104	104	27,815

Variance analysis

The overall financial position for the department amounts to a final outturn position of an underspend of £104k of the net budget.

2.3.1 Standard spending accounts

The final outturn position for the standard spending accounts amounts to an underspend of £83,000.

Albert Halls £133,000

The Albert Halls closed in February 2015 for refurbishment works. However, there was a gradual phasing of closure beginning with the Dido suite in October 2014.

The impact on the revenue account relating to the closure has been planned for and is reflected within this report.

2.3.2 Trading accounts

The final outturn position in relation to the trading accounts was an underspend of £18,000.

Markets £103,000

The business plan agreed as part of the Markets 2014 redevelopment was based on a number of financial assumptions around income generation. Due to the staggered implementation of the business plan the income targets for this financial year have not been met.

There have also been a number of issues facing the service which has resulted in the use of agency staff.

3 Saving and efficiency reductions

In setting the Strategic Budget for the year, the department was required to implement £3,385,000 of saving and efficiency reductions.

Action has been taken to implement the reductions and ongoing monitoring of expenditure against specific options was incorporated into the financial monitoring.

Appendix A provides details of the approved options and the year end position. 100% of the approved options have been achieved.

4 Capital programme monitoring

Appendices Bi and Bii outline the capital programme position for the Department for 2014/15 at final outturn. Capital expenditure for the year is £16.691m against the revised budget at quarter 3 of £19.915m.

4.1 Highway programmes

The highways capital programme achieved a final spend of £12.375m against a revised projection of £14.763m at quarter 3. The programme had approvals totalling £19.707m which comprised of the original approval of £9.949m in the Capital Programme report to Cabinet on 17th February 2014, £4.594m brought forward from the residual 2013/14 programme and an additional £5.164m approved in year. £7.332m of these approvals are carried forward into 2015/16 for completion of schemes in progress.

	£m
2014/15 Original Approval	9.949
Carried forward from 2013/14	4.594
Additions in year	<u>5.164</u>
Total available funding:	<u>19.707</u>
Actual spend 2014/15	12.375
Approvals carried forward to 2015/16	7.332

During Q3 highway construction spending increased significantly rising more than 250% on Q1 & 2 combined. The Highways Framework Contract facilitated this enabling the works to move rapidly to construction during the quarter. In addition significant savings were realised over estimates prepared before the contract was in place. This had the advantage of allowing reserve schemes to come into the programme; although conversely meant increased spend had to be carried forward into 2015/16 as the enlarged programme could not be physically completed in the timescales, or at times without adversely impacting the operation of the highway network across the borough. The programme has been wrapped around the financial year end though to maintain continuity in the asset renewal.

The LED programme has now commenced in earnest, so although the actual spend was less than anticipated in 2014/15, the overall timings of the project have not altered. To aid efficiency, the LED programme and the column replacement programme are being managed as a one major project titled latern upgrades.

4.2 Other departmental programmes

The non-highways capital programme achieved a final spend of £4.316m against a revised projection of £5.152m at quarter 3. The programme had approvals totalling £14.115m which comprised of the original approval of £5.017m in the Capital Programme report to Cabinet on 17th February 2014, £4m transferred from central services capital programme in respect of the Albert Halls Refurbishment and £2.319m brought forward

from the residual 2013/14 programme. An additional £2.779m was approved in year. £9.799m of these approvals are carried forward into 2015/16 for completion of schemes in progress.

	£M
2014/15 Original Approval	5.017
Carried forward from 2013/14	2.319
Transferred from other service	4.000
Additions in year	<u>2.779</u>
Total available funding:	<u>14.115</u>
Actual spend 2014/15	4.316
Approvals carried forward to 2015/16	9.799

The main variances in spend compared to the revised projection at quarter 3 relate to the Albert Halls Refurbishment, Queens Park and Equipped Play areas.

The Albert Halls closed in the final quarter of 2014/15 and a provisional £250k of the scheme approval was held for any preliminary costs incurred from that date. At 31st March no costs had been incurred against this budget and so the approval will carry forward into 2015/16.

Within the Queens Park project, works on the entrances and footpaths had commenced in the final quarter of 2014/15 but were not complete by the end of the quarter resulting in a reduced spend to that anticipated at quarter 3.

The current programme of Equipped Play Areas includes a scheme at Hulton Lane. Work commenced on site, but as a result of wet ground conditions it was necessary to delay equipment installation. This will now take place early in 2015/16.

Amongst the other funds carried forward to 2015/16 is the £4m approved for the Albert Halls refurbishment. Work will commence in 2015/16 and the identified budget will be reprofiled in future quarters to meet planned project expenditure.

4.3 One Off Investment

As part of the 2013/15 Budget Report to Council, £22.1m one off funding was approved for a range of strategic investments covering both capital and revenue schemes over four years. The 2014/15 Budget Report to Council identified and allocated a further £7m to services. The table below shows funding currently earmarked to Environmental Service Areas.

Table Three - One Off Strategic Investment – monitored through the capital programmes

	One off Allocation £	2013/14 Actual £	2014/15 Actual £	Balance carried forward to 2015/16 £
<u>Capital Schemes</u>				
Highways Maintenance	4,000,000	2,000,000	2,000,000	0
Footpaths	1,000,000	353,462	319,498	327,040
Greenspace	1,000,000	262,489	587,603	149,908
Albert Halls Refurbishment	1,000,000	0	0	1,000,000
Approved - Cabinet report 16/09/13	7,000,000	2,615,950	2,907,102	1,476,948
<u>One Off Resources Schemes - Approved 2013/14 Budget Report to Cabinet 11/02/13</u>				
Sporting / Leisure Facilities	1,500,000	17,574	205,993	1,276,434
<u>Approved 2014/15 and 2015/16 Budget Report - Council 26 Feb 2014</u>				
Highways - principle & residential roads	2,000,000		1,078,043	921,957
Total Investment	10,500,000	2,633,524	4,191,137	3,675,338

5 Reserve movements

Table four –Reserves position 2014/15 financial year

Environmental Services Reserves	Opening Balance at 1.4.14 £	Inter department Transfer £	Requests in Year £	Closing Balance at 31.3.15 £
Legal requirements	(1,920,938)	0.00	-883,370.00	(2,804,308)
Existing commitments	(4,563,009)	0	(417,018)	(4,980,027)
To cover key areas of future spend	(1,023,413)	330,000	(1,220,050)	(1,913,463)
To cover key areas of risk	(720,794)	0	(258,354)	(979,148)
Service general contingencies	0	0	0	0
Available for re-allocation	(173,366)	173,366	(104,535)	(104,535)
Total ES Reserves	(8,401,520)	503,366	(2,883,327)	(10,781,481)

Outlined above are movements in the Department's reserves for 2014/15 summarised into corporately reported categories based on the reason for holding a reserve. These categories clearly rank the reserves in importance from top down. The in year column represents the impact upon reserves of the final position shown at table two of the report.

A detailed reserve table can be found in appendix C.

The departmental specific reserves are to be used for identified schemes. There are a number of reserves that are significant in value:

Fleet Purchases

A review of the vehicle requirements of services has been undertaken in light of the service reviews that have been undertaken. The programme is due to be rolled out from March 15 and continue in to the new financial year. The Executive Member approved this programme on the 16th June 2014.

Asset Management

The department has identified a number of schemes that require investment to ensure they do not fall into a state of disrepair or mitigate a potential Health & Safety risk. These schemes will be completed in 2014/15 and 2015/16.

6 Risk areas

During the year a number of potential risks were identified.

6.1 Loss of income due to the economic downturn

This is being felt across the Department, particularly impacting on:

- Highways Developers' income
- Trade waste income
- Reduction in external income as a result of the current financial climate
- Income from Schools
- Impact of the accommodation project on Civic Catering / Albert Halls
- Markets

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 Increases in energy costs

Environmental Services has a potential risk if energy prices inflate more than anticipated during the financial year. Areas are monitored each month with particular attention being made to street lighting.

6.3 Waste minimization and recycling initiatives

The waste levy has the capability to place an ever increasing strain on the Council's budget, with rising landfill tax levys. The budget could spiral even higher if residents are not continually encouraged to recycle more and reduce their black bin waste quantities. Bolton is actively encouraging recycling initiatives and has begun a door knocking exercise.

7 Conclusions and recommendations

This report has provided information relating to the financial position at final outturn for the Environmental Services portfolio for the 2014/15 financial year. It is recommended that the Executive Cabinet Member:

- notes the financial position of the Department as at final outturn

Efficiency Options for 2014/15

Service	2014/15 Options	Total
		£'000
Highways and Engineering Service	Fundamentally review the whole division and reduce the resources we invest in identified areas	1,389
	Street Lighting - Carbon Management	400
		1,789
Neighbourhood Services	Full year effect of the review	638
		638
Neighbourhood Working	Community Safety and Neighbourhoods – Full year effect of the 13/14 review.	100
	Area Forums and Neighbourhood Management – Full year effect of the 13/14 review.	200
		300
Waste	Changes to the collection arrangements – Full year effect.	286
		286
Community Services	Vacancy Management	32
	Increase in Income	40
		72
Cross Departmental	Review of Finance and Business Development – Full year effect of review in 13/14	200
	Management of Cash Limited Budgets	100
		300
	Total Strategic Redirections	3,385

Highways Capital Programme 2014/15

	2014/15 Original Allocation	2014/15 Available Budget	Q3 projection	Q4 Actual Outturn	Budget carried forward to
	2014/15	2014/15	2014/15	2014/15	2015/16
	£000s	£000s	£000s	£000s	£000s
DfT LTP Highways Maintenance	3,619	4,232	3,836	3,760	472
DfT Flood Damage		310	310	290	20
DfT Pot hole		393	393	393	0
Concrete lighting columns over 40 years old renewals	350	952	87	157	795
Improvement of Street Lighting (capacitors)	45	45	45	45	0
Illuminated Bollards & Signs Energy/Carbon Reduction	45	45	45	45	0
Street Lighting/Carbon reduction CMS		493	328	412	81
Street Lighting LED Programme	3,075	3,075	350	258	2,817
Highway Drainage imps to prevent ironwork theft	45	45	45	45	0
Surface Water Run Off / Highway Drainage Improvement	140	135	135	135	0
Public Rights of Way Improvement Plan	15	18	15	18	0
Business Support Systems		29	0	0	29
Pitt Review		12	12	0	12
Safety Barrier Replacement Programme	40	40	40	5	35
Cycle Lane Improvement		23	1	22	1
Highways Ashburner Street		500	500	421	79
Highways Strategic Investment	2,000	4,000	3,650	3,078	922
Footpaths Strategic Investment	500	647	547	319	328
Flood Defence	75	75	75	75	0
Ravenden Clough Culvert (Harricraft Farm)		485	385	180	305
Mayor Street Surfacing		25	0	0	25
Wellington Yard Surfacing		25	0	0	25
Transport Infrastructure Fund (TfGM)		322	322	322	0
Rechargeable Works		26	0	26	0
LSTF Bolton - Bury Cycle Route		1,168	1,168	536	632
Casualty Reduction		224	44	51	173
Environment Agency (Culvert Investigations & Red Bridge)		3	0	0	3
Better Bus Area Funding		137	0	137	0
Lower Bridgeman Street (TfGM)		200	200	0	0
Cycle Access to Town Centre (TfGM)		130	130	5	125
Local Pinch Point - Logistics North Access (TfGM)		2,093	2,100	1,640	453
Total Highways	9,949	19,907	14,763	12,375	7,332

Monitoring is against the quarter 3 projection (shaded)

Non Highways Capital Programme 2014/15

	2014/15 Original Allocation	2014/15 Available Budget	Q3 projection	Q4 Actual Outturn	Budget carried forward to
	2014/15	2014/15	2014/15	2014/15	2015/16
	£000s	£000s	£000s	£000s	£000s
Car Park Infrastructure Improvements		809	62	59	750
Octagon Car Park Refurbishment		71	88	71	0
Moss Bank Park Rock Garden		6	6	4	2
Queens Park	1,081	1,103	203	97	1,006
Potters Hill		39	39	27	12
Equipped Play Area Strategy (S106)		620	452	378	242
Access To Nature	15	173	67	17	156
Neighbourhood Services Asset & Infrastructure Programme	60	70	70	69	1
Greenspace - Playing Pitches & Changing Facilities	1,030	1,290	460	405	885
Greenspace - Tennis Court Refurbishment/Reinstatement	120	133	133	127	6
Greenspace - Multi Use Games Areas	106	354	98	87	267
Greenspace - Outdoor Gyms/Health Trails		25	19	22	3
Greenspace - Parks Facility Improvement	385	464	464	426	38
Greenspace - Woodland Family Trail		130	0	0	130
Replacement of Waste bins	515	613	360	326	287
Heaton Cemetery extension		67	3	13	54
Overdale Crematorium Emissions Abatement		24	24	21	3
Replacement of Fleet Vehicles	700	2826	1590	1533	1293
Vehicle Wash area Improvements	200	287	287	200	87
SNT Client Buses	724	396	206	206	190
ICT	40	97	0	0	97
Property	41	247	0	0	247
Emergency Control Centre		20	20	6	14
Dawes Street Skate Park		233	233	206	27
Renewable Energy - Ashburner Street		12	12	11	1
Env Health I T		6	6	5	1
Albert Halls Refurbishment		4,000	250	0	4,000
Total Non-Highways	5,017	14,115	5,152	4,316	9,799

Monitoring is against the Quarter 3 projection (shaded)

Appendix C

Reserves 2014/15

Environmental Services Reserves	Opening Balance at 1.4.14 £	Inter department Transfer £	Requests in Year £	Closing Balance at 31.3.15 £
Model Railway	(16,501)		(2,140)	(18,641)
Graves In Perpetuity (Formerly a Trust Fund)	(297,126)			(297,126)
Asset Management Liability	(1,113,433)		(934,189)	(2,047,622)
NCP CCTV sinking fund	(486,868)			(486,868)
Mobile Working	(30,000)	30,000		0
Proceeds of Crime	(23,511)			(23,511)
Regulatory Services	(141,705)		(226,000)	(367,705)
School Meal Promo	(300,000)	300,000		0
Depot Sweeper Bay	(50,000)		50,000	0
Emergency Control Centre	(24,000)			(24,000)
Footpath Strategic Improvements	(500,000)			(500,000)
Refurbishment of Depot	(819)		819	(0)
Moss Bank Park Café	(200,000)		200,000	0
Trading Income Loss	(579,089)		(162,354)	(741,443)
Highways Works Area Forum	(246,043)			(246,043)
Neighbourhood Management	(397,514)		63,522	(333,992)
Community Safety	(524,195)			(524,195)
Halliwell UCAN Support	(66,400)		16,600	(49,800)
Farnworth Neighbourhood Mgmnt cont	(7,956)			(7,956)
Reserve Funding for Fleet Purchases	(1,865,390)		(90,000)	(1,955,390)
Bow Street MSCP	(790,191)		(280,000)	(1,070,191)
Kitchen Investment	(135,000)		0	(135,000)
Cremator	(12,867)			(12,867)
Waste Initiatives	(344,000)		(250,000)	(594,000)
Winter Maintenance	(45,546)		(87,000)	(132,546)
Major Projects Finance	0		(875,000)	(875,000)
Pay and Display Contract	0		(113,000)	(113,000)
War Memorial	0		(45,050)	(45,050)
Health & Safety	(30,000)		(45,000)	(75,000)
Total Specific Reserves	(8,228,154)	330,000	(2,778,792)	(10,676,946)
General Reserve	(173,366)	173,366	(104,535)	(104,535)
Total ES Reserves	(8,401,520)	503,366	(2,883,327)	(10,781,481)