

Bolton Council

Report to: Executive Cabinet Member
Environmental Services

Date: 11th February 2019

Report of: Director of Place
Director of Corporate Resources

Report No: ECMES/508

Contact Officer: Janet Pollard - Head of Strategic
Finance and Accountancy

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Report Title: Directorate of Place – Finance Report 2018/19 – Quarter Three

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 quarter three projected outturn position of the Environmental Services portfolio, within the Directorate of Place.

Recommendations: It is recommended that the Executive Cabinet Member:

- Note the quarter three financial position of the Environmental Services portfolio
- Approve revisions made to the capital programme for the Environmental Services portfolio at quarter three, as set out in section 4 and Appendix A of the report.
- Approve the realigned savings contained within section 3
- Authorise the Director of Place to call off under any available framework(s) to enable the capital programme to progress for schemes under the limit of £300k.

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 quarter three position in respect of the Environmental Services portfolio, within the Directorate of Place.

Key Issues**Revenue Expenditure:**

After planned reserve movements, revenue expenditure for the Environmental Services portfolio is projected to overspend against the budget by £32k. This is within an overall projected overspend of £65k for the Directorate of Place.

Capital Expenditure:

Capital expenditure for the Directorate of Place as at quarter three was £43.7M against a revised budget at quarter three of £62.4M.

Reserves:

Directorate of Place have a projected general reserve of £54,852 for the end of the year.

Efficiency targets:

The budgeted efficiency savings for 2017/19 for the Directorate of Place are £2.8m.

All planned efficiencies are projected to be 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 quarter three, projected outturn, financial position relating to their portfolio, within the Directorate of Place.

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 Directorate of Place is £39.0M

Table One: Directorate of Place Approved Revenue Budget -2018/19 Quarter 3

	Total £'000
Original Approved Budget 2018 / 19	39,240
Recharges 2018 / 19	910
Original Manager's Controllable Budget 2018 / 19	38,330
<u>Virements in Year :</u>	
Supported Employment posts to Directorate of People	-34
Transfer of Chief Officer Post from Directorate of Corporate Resources	98
Transfer to Directorate of Corporate Resources related to savings review	-33
Contribution to new procurement posts	-16
CPS Budget Resource Transfer from Directorate of Corporate Resources	27
Registrars Rental - notional rent for Merehall from Directorate of Corporate Resources	54
Revised Insurance Estimate	-191
Mobile phone contract saving	-16
MFD Contract saving	-38
Adjusted Manager's Controllable Budget 2018 / 19	38,181
Adjusted Recharges 2018 / 19	856
Adjusted Budget as at Dec 2018	39,037

2.2 In year budget adjustments

There have been three budget adjustments made during quarter three:

- A revised insurance estimate has been incorporated into the current budget
- Contract savings from mobile telephony contract have been included in the current budget
- Contract savings from use of multi-function printing devices have been incorporated into the budget.

2.3 Financial Position

Table Two below outlines the financial position of the Directorate of Place after movements to reserves, as at 31st December 2018.

Table Two – Directorate of Place Financial Position -2018/19 Quarter Three

Executive Cabinet Member	Net Budget	Projected Outturn	Year End Variance
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Deputy Leader	3,727	3,725	-2
Strategic Housing & Planning	1,246	1,195	-51
Environmental Services	18,529	18,561	32
Culture & Sport	7,922	7,919	-3
Highways & Transport	6,663	6,752	89
Community Issues	740	740	0
Corporate Resources	210	210	0
Total Directorate of Place	39,037	39,102	65

Variance analysis

The financial position of the portfolio and details of any significant variances are given in Appendix A.

The year end financial position of the Directorate of Place at quarter three is projected to be an overspend of £65k against budget, after planned reserve movements.

3 Saving and efficiency 2017/19 reductions

In setting the Strategic Budget for the year, the Directorate of Place was required to implement £2.8m of saving and efficiency reductions. £2.353m of this target had been achieved by the close of the 2017/18 financial year to leave £447k outstanding. The remaining target of £447 is made up of:

- £192k within Neighbourhood Management (approved at Council on 23rd January 2019)
- £255k cross-cutting across the Directorate of Place.

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

Due to the recent chief officer changes, it is proposed that the senior management review with a target of £255k be transferred to the 2019/21 programme. The in year shortfall can be met by the removal of cash limited budgets.

Table Three below provides details of the approved options. All of the approved options are projected to be achieved.

Table Three – Strategic Options 2017/19 – Directorate of Place

Review	Revised Target 2017-19	Delivered	In consultation	No report yet	Comments
	£'000	£'000	£'000	£'000	
Savings & Efficiencies achieved in 2017/18	1,813	1,813	0	-	
ECM – Environmental Services					
Review of Neighbourhood Management and Area Working	266	74	0	192	Approved at Council on 23 rd January 2019.
Cross Cutting options which include a review of senior management and a review of cash limited budgets	721	466	0	255	Approval sought within this report to substitute this option.
Total Place	2,800	2,353	0	447	

4 Capital Programme

Total capital expenditure at quarter three for the Directorate of Place is £43.7M against a revised quarter 3 allocation of £62.4M. It should be noted that a significant proportion of the capital budget sits under the Deputy Leader Portfolio relating to the Town Centre Masterplan investment. The programme currently contains allocations for a number of large property transactions if these do not take place before the end of March the budget will be carried over into 2019/20.

Details of any capital approvals held by this portfolio are included in Appendix A.

4.1 In year movements

The capital programme of the Directorate of Place, had approvals totaling £86.908M. This comprises of:

- the original approval of £77.423M in the capital programme report to Council on 21st February 2018,
- £6.307M brought forward from the residual 2017/18 programme
- an additional £6.484M of funding programmed since the capital programme report of February 2018.

Of these approvals £27.661M are currently forecast to be carried forward into 2018/19 for schemes profiled to complete in 2019/20. £128k has been transferred to the Directorate of People.

	£M
2018/19 Original Approval	77.423
Brought forward from 2017/18	6.307
Additions in year	6.484
Virement to Dept. of People	<u>-0.128</u>
Total available funding:	<u>90.086</u>
Quarter 3 Revised Allocation	<u>62.425</u>

The Directorate of Place's capital programme can be broken down across the portfolio areas as follows:

	2018/19			2019/20	
	Original Allocation	Revised Allocation	Actual at 31/12/18	Original Allocation	Revised Allocation
	2018/19 £	2018/19 £	2018/19 £	2019/20 £	2019/20 £
Total Deputy Leader Portfolio	51,830,850	35,530,673	29,082,729	34,000,000	49,065,507
Total Environmental Services Portfolio	8,053,332	7,022,131	3,569,217	3,482,888	7,014,295
Total Leisure & Culture Portfolio	8,922,731	7,320,997	2,735,390	2,250,000	5,521,848
Total Highways & Transport Portfolio	8,615,989	12,551,349	8,269,256	0	3,175,432
Directorate of Place Grand Total	77,422,902	62,425,150	43,656,593	39,732,888	64,777,081

4.2 One Off Investment

As part of the annual budget approved by full Council, one off funding was approved for a range of strategic investments covering both capital and revenue schemes over four years. Where the portfolio has one off investment details are shown in Appendix A.

5 Reserve movements

Table Four –Directorate of Place Reserves Position - 2018/19 Quarter 3

Executive Cabinet Member	Opening Balance at 01/04/18 £	Anticipated Movements in Year £	Closing Balance 31/03/2019 £
Culture & Sport	-3,499,713	358,526	-3,141,187
Deputy Leader	-4,073,778	1,468,383	-2,605,395
Environment	-4,039,201	656,888	-3,382,313
Highways & Transport	-2,681,505	2,114,380	-567,125
Strategic Housing & Planning	-277,561	11,276	-266,285
Community Issues	-234,195	0	-234,195
Total	-14,805,953	4,609,453	-10,196,500

After the projected use of reserves of £4,609,453 during 2018/19, the closing balance at 31 March 2019 would be £10,196,500.

The projected year-end balance is expected to be £3.38m, however 100% of these reserves are allocated for specific projects.

Detailed reserve tables for Environmental Services Portfolio can be found in Appendix B.

6 Risk areas

During the year a number of financial risks have been identified for the Directorate of Place.

6.1 Levels of Income Built into the budget

Assumptions have been made when compiling the budget. Income levels have been based on trend analysis, actual income received and service specific knowledge. There is a risk, due to the present economic climate, that budgeted income levels may not be achieved.

6.2 Loss of Trading Services Contracts

Within the services provided by the Directorate of Place there are a number of trading accounts. Some of the service areas, such as Building Cleaning are seeing an increase in the number of contracts not being renewed. The levels of losses are currently manageable within the directorate's overall resources however, this is being closely monitored.

6.3 Asset Management

The Directorate of Place is responsible for a large number of assets. The directorate is continually reviewing its health and safety responsibilities and managing the portfolio. The costs of this are currently being met by directorate resources.

6.4 Brexit

At this point it is unknown as to how the Brexit arrangements will impact the financial position of the Directorate. However, work is being undertaken to assess the risk.

6.5 Energy costs

Due to the nature of the services delivered by the Directorate of Place, slight changes in energy prices, can have a material effect. In 2018/19, the increase of the unit cost of energy has meant that the highways budget is overspent, this can currently be managed within the overall directorate's financial resources.

7 Conclusions and recommendations

This report has provided information relating to the financial position at quarter three, projected outturn for the Environmental Services portfolio, within the Directorate of Place, for the 2018/19 financial year.

It is recommended that the Executive Cabinet Member:

- Note the quarter three financial position of the Environmental Services portfolio.
- Approves revisions made to the capital programme for the Environmental Services portfolio at quarter three, as set out in section 4 and Appendix A of the report.
- Approve the realigned savings contained within section 3
- Authorise the Director of Place to call off under any available framework(s) to enable the capital programme to progress for schemes under the limit of £300k.

Environmental Services – Quarter Three 2018/19 Financial Position**Revenue**

The Environmental Services portfolio at quarter three is projected to overspend by £32k against budget after planned movements to reserves. Detailed variances are shown in Table One below:

Table One – Financial position at quarter three 2018/19

Portfolio	Net Budget £'000	Projected Outturn £'000	Year End Variance £'000
<u>Executive Cabinet Member - Environmental Services</u>			
Neighbourhood & Regulatory Services	7,198	7,208	10
Neighbourhood Management	818	777	(41)
Waste	8,027	8,045	18
Trade Waste	(17)	(49)	(32)
Bereavement Services	(680)	(648)	32
Social Needs Transport	16	16	0
Supported Employment	75	75	(0)
Building Cleaning	392	434	42
School Meals	355	388	33
Heaton Fold	7	7	(0)
Security Services	(54)	(47)	7
Markets	4	35	31
Albert Halls	95	214	119
Corporate & Democratic Core	89	56	(33)
Cross Departmental	226	86	(139)
Housing Services	1,977	1,963	(14)
Total ECM – Environmental Services	18,529	18,561	32
Total Directorate of Place	39,037	39,102	65

Variances

There is one significant variance within the Environmental Services portfolio:

Albert Halls +£119k

The delayed tendering of the Albert Halls bar, event catering and restaurant facilities has resulted in additional costs and loss of income.

Capital Programme

Details of the approvals and spend at quarter three for the Environmental Services portfolio capital programme are shown in table two below.

At quarter 3 capital expenditure of £3.57M had taken place against a revised allocation of £7.02M for the Environmental Services portfolio in 2018/19

Table Two - Capital Programme 2018/19

	2018/19			2019/20	
	Original Allocation	Revised Allocation	Actual at 31/12/18	Original Allocation	Revised Allocation
	2018/19 £	2018/19 £	2018/19 £	2019/20 £	2019/20 £
<u>Environmental Services Portfolio</u>					
Equipped Play Area Strategy (S106)	0	282,417	70,880	0	0
Greenspace - Playing Pitches & Changing Facilities	49,241	51,748	32,103	0	12,263
Greenspace - Multi Use Games Areas	43,321	0	0	0	43,321
Greenspace - Outdoor Gyms/Health Trails	0	6,303	0	0	0
Replacement of Waste bins	0	210,033	134,219	0	0
Replacement of Fleet Vehicles	325,000	1,114,380	1,023,581	0	0
3G Sports Pitches - Cabinet Feb 16	835,770	96,756	90,899	0	786,135
Street scene Cabinet Feb 2015	0	17,836	723	0	0
Depot Machine	0	84,157	84,157	0	0
Overdale Paths & Resurfacing	0	124,000	70,455	0	0
Heaton Fold Car Park Resurfacing	0	50,000	49,900	0	0
Wellington House Boilers	0	37,500	37,500	0	0
Heaton Fold Summer House	0	50,000	0	0	50,000
<u>Housing</u>					
Private landlords/ empty dwellings	0	67,946	33,760	0	0
Disabled Facilities Grants	2,700,000	2,749,462	981,715	1,982,888	2,622,576
Private Sector Renewal	2,000,000	1,929,324	883,434	1,500,000	1,500,000
Safe Warm Dry Cabinet Feb-17	2,000,000	0	0	0	2,000,000
Housing Improvements Cabinet Feb 2015	100,000	150,269	75,891	0	0
Total Environmental Services Portfolio	8,053,332	7,022,131	3,569,217	3,482,888	7,014,295
Directorate of Place Grand Total	77,422,902	62,425,150	43,656,593	39,732,888	64,777,081

One Off Investment

As part of the annual budget approved by Cabinet, one off funding was approved for a range of strategic investments covering both capital and revenue schemes over four years.

The table below shows funding currently earmarked to Environmental Services Portfolio.

	Re-aligned One Off Allocation	2013-18 Expenditure	Budget allocated to 2018/19	2018/19 Expenditure at Q3	Remaining Budget allocated to 2019/20
	£000	£000	£000	£000	£000
<u>Environmental Services</u>					
<u>2015/16 Strategic Budget</u>					
Clean Up of Neighbourhoods (capital)	200	182	18	1	0
<u>2016/17 Strategic Budget</u>					
3G Pitches	1,500	927	573	91	0
<u>2018/19 Strategic Budget</u>					
Waste Behavioural Change Programme	300	0	300	61	0
Anti Social Behaviour/Home Watch Schemes	100	0	100	0	0
<u>Housing Services</u>					
<u>2017/18 Strategic Budget</u>					
Safe Warm Dry	2,000	0	0	0	2,000
Total Environmental Services Portfolio	4,100	1,109	991	153	2,000

Directorate of Place Reserves 2018/19

Portfolio	Opening Balance 18/19	Movements in Year	Closing Balance 18/19
	£	£	£
<u>Environmental Services Portfolio</u>			
Asset Management Liability	(656,247)	383,622	(272,625)
Cremators Maintenance Fund	(12,867)	0	(12,867)
Farnworth Neighbourhood Mgmt cont	(7,956)	0	(7,956)
Furnished Tenancy	(263,934)	0	(263,934)
Environmental Svs General Reserve	(95,156)	56,337	(38,819)
Housing General Reserve	(7,909)	0	(7,909)
GM Homelessness Group	(16,004)	2,143	(13,861)
Graves In Perpetuity	(197,126)	0	(197,126)
Halliwell UCAN Support	(31,600)	15,800	(15,800)
Homelessness	(292,874)	22,950	(269,924)
Housing Needs & Stock Condition	(36,460)	0	(36,460)
Housing Standards/Empty Homes	(40,244)	16,000	(24,244)
Kitchen Investment	(47,766)	0	(47,766)
Lease Management	(100,560)	0	(100,560)
Model Railway	(12,590)	0	(12,590)
Neighbourhood Management	(391,366)	32,209	(359,157)
Pinpoint (CBL)	(158,362)	0	(158,362)
Prevention of Repossession	(80,320)	30,000	(50,320)
Private Sector Renewal	(32,170)	32,170	0
Proceeds of Crime	(8,511)	0	(8,511)
Property Maintenance	(25,899)	25,899	(0)
Rechargeable Works S278	(50,635)	0	(50,635)
Regulatory Services	(210,261)	0	(210,261)
Safeguarding Implementation	(6,333)	0	(6,333)
Tobacco Product Project	(4,915)	0	(4,915)
Trading Income Loss	(80,449)	0	(80,449)
Waste Initiatives	(141,731)	0	(141,731)
Welfare Reform (Property Issues)	(205,970)	39,758	(166,212)
Refugee Resettlement	(822,987)	0	(822,987)
Total Environmental Services Portfolio	(4,039,201)	656,888	(3,382,313)