

**Report to:** Environmental Services Scrutiny Committee

**Date:** 7<sup>th</sup> April 2015

**Report of:** Director of Environmental Services  
Borough Treasurer

**Report No:** ESSC/09/15

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

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**Report Title:** Environmental Services – Finance Report 2014/15 – 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 Environmental Services Scrutiny Committee with information relating to the financial quarter three position for the Environmental Services portfolio for the 2014/15 financial year.

**Recommendations:** It is recommended that the Environmental Services Scrutiny Committee:

- notes the quarter three 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 quarter three 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 £75,000 after planned reserve movements.

The main variances are in the Albert Halls, School Meals and Markets.

**Capital Expenditure:**

Capital expenditure up to the third quarter was £6.810m against a programme of £19.915m.

**Reserves:**

The Department has a projected general reserve of £75,000 at the end of the year.

**Efficiency targets:**

Budgeted efficiency savings for the department are £3,385,000.

All planned efficiencies have been achieved. Where the approved option has not been achieved, one off savings has been found.

**Risk:**

Specific areas of financial risk identified for the year relate 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 quarter three 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>
<b>Original Approved Budget 2014/15</b>		<b>27,730</b>
Recharges 2014/15		2,954
<b>Original Manager's Controllable Budget 2014/15</b>		<b>24,776</b>
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
<b>Adjusted Manager's Controllable Budget 2014/15</b>		<b>24,861</b>
Recharges 2014/15		2,954
<b>Adjusted Budget as at Quarter 3</b>		<b>27,815</b>

### 2.2 In year revenue changes

There have been three further budget adjustments made in the third quarter. As a result of a recent consultation report relating to ICT, one post that previously sat in office services has been transferred in to the Environmental Services Finance and Business

Development team. There have also been two corporate adjustment made relating to insurance and telephones.

## 2.3 Financial position – as at quarter three

Table two below outlines the Environmental Services Department's financial position, after movements to reserves, as at 31<sup>st</sup> December 2014.

**Table Two – financial position quarter three 2014/15**

<b><u>Service</u></b>	<b>Net Budget £'000</b>	<b>Projected Outturn £'000</b>	<b>Year End Variance £'000</b>
<b>Standard Spending Accounts</b>			
Highways & Engineering	9,279	9,266	-13
Parking Services	-135	-135	0
Neighbourhood Services	7,673	7,599	-74
Community Safety & Neighbourhood Management	1,255	1,255	0
Waste	8,348	8,315	-33
Trade Waste	110	206	96
Civil Contingencies	267	261	-6
Bereavement Services	-262	-306	-44
Albert Halls	304	521	217
<b>Subtotal</b>	<b>26,839</b>	<b>26,982</b>	<b>143</b>
<b>Trading Accounts</b>			
Building Cleaning	280	260	-20
School Meals	1,051	902	-149
Transport	-255	-331	-76
Social Needs Transport	-31	-31	0
Supported Employment	79	79	0
Heaton Fold	19	18	-1
Security Services	104	14	-90
Markets	-80	47	127
<b>Subtotal</b>	<b>1,167</b>	<b>958</b>	<b>-209</b>
<b>Overhead Accounts</b>			
Corporate & Democratic Core	86	86	0
Apportionable Overheads	-442	-451	-9
<b>Subtotal</b>	<b>-356</b>	<b>-365</b>	<b>-9</b>
Cross Departmental	165	165	0
<b>Net Budget</b>	<b>27,815</b>	<b>27,740</b>	<b>-75</b>

## **Variance analysis**

The overall financial position for the department amounts to a quarter three position of an underspend of £75,000 of the net budget.

### **2.3.1 Standard spending accounts**

The projected outturn position for the standard spending accounts amounts to an overspend of £143,000.

#### Albert Halls £217,000

It is anticipated that the Albert Halls will be closed from February 2015 for refurbishment works. However, there has been a gradual phasing of closure beginning with the Dido suite in October 2014.

The impact of the closure has been built in to the financial information contained within this report.

### **2.3.2 Trading accounts**

The projected outturn position in relation to the trading accounts is an underspend of £209,000.

#### School Meals -£149,000

In September 2014 the new government initiative for Universal Free School Meals entitlement for Key Stage 1, (reception, year 1 and year 2), commenced. This along with a new pricing structure is anticipated to generate a surplus in 2014/15. However due to the higher than anticipated take up levels additional resources are required. These costs have not been built into the financial information at quarter 3.

#### Markets £127,000

The business plan agreed as part of the Markets 2014 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 are also a number of issues facing the service which has resulted in the use of agency staff as an interim solution.

The budget for this service area is being monitored closely with the aim of reducing the overspend.

## **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 has been 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 quarter three. Capital expenditure so far for the year is £6.810m against the current capital programme of £19.915m.

### **4.1 Highway programmes**

The highways capital programme at quarter three has an available budget of £14.763m. This comprises of £9.949m approved in the Capital Programme report to Cabinet on 17<sup>th</sup> February 2014, £4.594m brought forward from the residual 2013/14 programme. New additions in year and expected carry forward of projects not expected to complete by 31<sup>st</sup> March result increase of £220k during the year.

Spend at quarter three totals £4.859m. Progress on highways construction works had slowed while the procurement and legal processes for the new Highways Framework Contract was completed. This which is now finalised and approved, has meant works activity has accelerated in quarter three.

The Street Lighting LED programme has procured the LED lanterns and Control Management System (CMS). Installation will commence in Quarter four.

The externally funded Local Pinch Point scheme of £2.1m associated with Logistics North commenced in Quarter three. This scheme is due to be completed by the end of March 2015 to meet the funding criteria.

Although actual accounted spend is a low percentage of available capital, Task Orders through the Framework Contract, fees and external costs are in place as “work in progress” to a value of £5.841m for schemes to be completed in quarter four. The balance of £4.063m includes further projects being drawn from the framework each week together with other works from non framework contracts or that are internally delivered. A major benefit of using Bolton’s Framework contract is the ability to package work and turn it around from pre-pricing to construction start in a much shorter time than traditional procurement. Giving more confidence in projecting the year end spend profiles.

It is anticipated that the total programme will be delivered by the end of the financial year.

### **4.2 Other departmental programmes**

The non highways capital programme for 2014/15 (Appendix Bii) has an available budget of £5.152. This comprises of £4.817m approved in the Capital Programme report to Cabinet on 17<sup>th</sup> February 2014, £2.519m brought forward from the residual 2013/14 programme and a net £2,184k carried forward into 2015/16 for schemes not expected to complete by 31 March.

Of the current budget, £2.046m relates to the replacement vehicles scheme and Albert Halls refurbishment. Replacement waste vehicles and the SNT buses are not planned to be received until March 2015. The Albert Halls refurbishment work is planned to commence in February, so no significant spend has been incurred in these areas at quarter three.

The Queens Park works which have spanned a number of years have been reprofiled to take account of completion of remaining pieces of work where details have yet to be agreed with the Heritage Lottery Fund. This has resulted in £900k being carried forward into 2015/16 programme.

Work continues into quarter four on a range of greenspace and play projects including the Dawes Street Skate Park. This is subject to suitable weather conditions during the period.

Spend at quarter three totals £1.951m.

### 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**

	<b>Original Profile 14/15 £'000</b>	<b>Revised Allocation Including 13/14 b/f £'000</b>
<b><u>Capital Schemes</u></b>		
Interchange Complimentary Investment	500	1,000
Highways Maintenance	2,000	2,000
Footpaths	500	647
Greenspace	500	738
<b>As per Capital Programme Cabinet Report 16/09/13</b>	<b>3,500</b>	<b>4,385</b>
<b><u>One Off Resources Schemes</u></b>		
Sporting / Leisure Facilities	1,500	1,483
<b>As per 2013/14 Budget Report to Cabinet 11/02/13</b>	<b>1,500</b>	<b>1,483</b>

<b>2014/15 One Off Funding Allocations</b>		
Main Roads	1,000	1,000
Residential Roads	1,000	1,000
<b>As per 2014/15 Budget Report to Council 26/2/14</b>	<b>2,000</b>	<b>2,000</b>
<b>Total</b>	<b>7,000</b>	<b>7,868</b>

## 5 Reserve movements

**Table four –Reserves position 2014/15 financial year**

<b>Environmental Services Reserves</b>	<b>Opening Balance at 1.4.14 £</b>	<b>Inter department Transfer</b>	<b>Requests in Year £</b>	<b>Closing Balance at 31.3.15 £</b>
Legal requirements	(1,920,938)	0	77,181	(1,843,757)
Existing commitments	(4,563,009)	0	118,819	(4,444,190)
To cover key areas of future spend	(1,023,413)	330,000	100,000	(593,413)
To cover key areas of risk	(720,794)	0	(171,000)	(891,794)
Service general contingencies	0	0	(75,000)	(75,000)
Available for re-allocation	(173,366)	173,366		(0)
<b>Total ES Reserves</b>	<b>(8,401,520)</b>	<b>503,366</b>	<b>50,000</b>	<b>(7,848,154)</b>

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 16<sup>th</sup> 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 third quarter a number of potential risks have been 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 quarter three for the Environmental Services portfolio for the 2014/15 financial year. It is recommended that the Environmental Services Scrutiny Committee:

- notes the financial position of the Department as at quarter three

**Efficiency Options for 2014/15**

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

**Highways Capital Programme 2014/15**

<b>Service/Scheme</b>	<b>Revised Allocation 2014/15 £000s</b>	<b>Q3 Actual Outturn 2014/15 £000s</b>	<b>Projection 2014/15 £000s</b>
DfT Highways LTP	3,327	867	3,327
DfT Additional Highways Maintenance	509	0	509
DfT Flood Damage	310	0	310
DfT Pot hole	393	393	393
Concrete lighting columns over 40 years old renewals	87	87	87
Improvement of Street Lighting (capacitors)	45	45	45
Illuminated Bollards & Signs Energy/Carbon Reduction	45	45	45
Street Lighting/Carbon reduction CMS	328	328	328
Street Lighting LED Programme	350	23	350
Highway Drainage imps to prevent ironwork theft	45	45	45
Surface Water Run Off / Highway Drainage Improvement	135	68	135
Public Rights of Way Improvement Plan	15	8	15
Pitt Review	12	0	12
Safety Barrier Replacement Programme	40	5	40
Cycle Lane Improvement	1	0	1
Highways Ashburner Street	500	480	500
Highways Strategic Investment	1,650	455	1,650
2014/15 Highways classified roads	1,000	276	1,000
2014/15 Highways residential roads	1,000	407	1,000
Footpaths Strategic Investment	547	10	547
Flood Defence	75	31	75
Ravenden Clough Culvert (Harricraft Farm)	385	1	385
Transport Infrastructure Fund (TfGM)	322	100	322
LSTF Bolton - Bury Cycle Route	1,168	524	1,168
Casualty Reduction	44	44	44
Lower Bridgeman Street (TfGM)	200	16	200
Cycle Access to Town Centre (TfGM)	130	1	130
Local Pinch Point - Logistics North Access (TfGM)	2,100	600	2,100
<b>Highways Service Total</b>	<b>14,763</b>	<b>4,859</b>	<b>14,763</b>

**Non Highways Capital Programme 2014/15**

	<b>Revised Allocation</b>	<b>Q3 Actual Outturn</b>	<b>Projection</b>
	2014/15 £000s	2014/15 £000s	2014/15 £000s
<b>Service/Scheme</b>			
Car Park Infrastructure Improvements	59	34	59
Octagon Car Park Refurbishment	88	37	88
Bow Street demolition	3	3	3
Moss Bank Park Rock Garden	6	0	6
Queens Park (Grant)	203	203	203
Potters Hill	39	10	39
Equipped Play Area Strategy (S106)	452	184	452
Access To Nature	67	4	67
Neighbourhood Services Asset & Infrastructure Programme	70	29	70
Greenspace - Playing Pitches & Changing Facilities	460	301	460
Greenspace - Tennis Court Refurbishment/Reinstatement	133	123	133
Greenspace - Multi Use Games Areas	98	47	98
Greenspace - Outdoor Gyms/Health Trails	19	0	19
Greenspace - Parks Facility Improvement	464	393	464
Replacement of Waste bins	360	307	360
Heaton Cemetery extension	3	2	3
Overdale Crematorium Emissions Abatement	24	15	24
New Waste vehicles	1,590	0	1,590
Vehicle Wash area Improvements	287	137	287
SNT Client Buses	206	0	206
Emergency Control Centre	20	6	20
Dawes Street Skate Park	233	102	233
Renewable Energy - Ashburner Street	12	11	12
Env Health I T	6	3	6
Albert Halls Refurbishment	250	0	250
	<b>5,152</b>	<b>1,951</b>	<b>5,152</b>

**Reserves 2014/15**

<b>Environmental Services Reserves</b>	<b>Opening Balance at 1.4.14 £</b>	<b>Inter department Transfer</b>	<b>Requests in Year £</b>	<b>Closing Balance at 31.3.15 £</b>
Model Railway	(16,501)			(16,501)
Graves In Perpetuity (Formerly a Trust Fund)	(297,126)			(297,126)
Asset Management Liability	(1,113,433)		77,181	(1,036,252)
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)			(141,705)
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)		(171,000)	(750,089)
Highways Works Area Forum	(246,043)			(246,043)
Neighbourhood Management	(397,514)		(91,000)	(488,514)
Community Safety	(524,195)		20,000	(504,195)
Halliwell N mgmnt	(66,400)			(66,400)
Farnworth Neighbourhood Mgmnt cont	(7,956)			(7,956)
Reserve Funding for Fleet Purchases	(1,865,390)		(120,000)	(1,985,390)
Bow Street MSCP	(790,191)		(104,000)	(894,191)
Kitchen Investment	(135,000)		100,000	(35,000)
Cremator	(12,867)			(12,867)
Waste Initiatives	(344,000)		133,000	(211,000)
Winter Maintenance	(45,546)			(45,546)
Health & Safety	(30,000)		30,000	0
<b>Total Specific Reserves</b>	<b>(8,228,154)</b>	<b>330,000</b>	<b>125,000</b>	<b>(7,773,154)</b>
General Reserve	(173,366)	173,366	(75,000)	(75,000)
<b>Total ES Reserves</b>	<b>(8,401,520)</b>	<b>503,366</b>	<b>50,000</b>	<b>(7,848,154)</b>