



REGENERATION AND ENVIRONMENT SCRUTINY COMMITTEE – 17TH FEBRUARY 2015

SUBJECT: BUDGET MONITORING AND TRADING ACCOUNT REPORT 2014/2015

REPORT BY: ACTING DEPUTY CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 To inform Members of the most recent budget monitoring position for 2014/2015 for Environment Directorate service divisions, including Regeneration, Planning & Economic Development Division, Engineering Division, Public Protection Division and Community & Leisure Services Division. The report also outlines the latest trading position for the Direct Labour and Direct Service Organisations (DLO/DSO's), including Network Contracting Services (NCS), Building Cleaning DSO and Fleet Management & Vehicle Maintenance DSO.

2. SUMMARY

- 2.1 The report summarises the most recent budget monitoring projections for 2014/2015 based on the latest available financial information, including likely budget outturn variations and the latest trading results for the DLO/DSO trading accounts.
- 2.2 It attaches, as appendices the more detailed budget monitoring figures for each of the Council Fund Services outlined in paragraph 1.1 above.

3. LINKS TO STRATEGY

- 3.1 The content of the report is in accordance with the budget strategy considered by the Council at its meeting of 26th February 2014.
- 3.2 The budget figures outlined in this report assist in meeting the ambition of the Authority to build better communities by building better public services, building better lifestyles, building a vibrant economy and building Futures Changing Lives.
- 3.3 Budget and trading account monitoring and management information itself is in accordance with the corporate theme of delivering the Strategies.

4. THE REPORT

4.1 Introduction

- 4.1.1 The report outlines the revenue budget position for each of the service divisions that form part of the Environment Directorate based on the most current financial information available. Projected outturn figures for the financial year are compared with the budget to show the anticipated under/overspends. More detailed budget monitoring figures are shown in the

appendices'. The report also outlines the latest trading position for the Environment DLO/DSO's.

- 4.1.2 It should be noted that the budget report to Council on 26th February 2014 detailed the need to apply further budget efficiency savings in 2014/2015 to meet medium term financial plan (MTFP) targets and achieve budget strategy aims. Environment Directorate services were targeted to achieve new budget efficiency savings of £2.7million (appendix 2). The savings targets were detailed in the budget report to Regeneration and Environment Scrutiny Committee on the 1st July 2014, some applied to Direct Labour and Direct Service Organisations (DLO/DSO's) as contract efficiency savings.
- 4.1.3 As noted above, budget details for 2014/2015, including budget efficiency savings, were reported to and considered by the Regeneration and Environment Scrutiny on 1st July 2014.
- 4.1.4 The table below summarises the present budget monitoring position, with an overall Directorate under spend of £512k, but **exclusive** of ring fenced budgets this under spend is reduced to £200k. Appendices 1a to 1d provide more detail on the budget variation projections for each Service Division.

	ORIGINAL ESTIMATE 2014/2015	REVISED ESTIMATE 2014/2015	ANTICIPATED OUTTURN 2014/2015	ANTICIPATED VARIANCE 2014/2015 Under (Over)
	£000	£000	£000	£000
Regeneration, Planning & Economic Development Division	4,932	5,012	4,848	164
Engineering Services Division	21,304	21,404	21,458	(54)
Public Protection Division	7,269	7,279	7,044	235
Community & Leisure Services Division	20,152	20,454	20,215	239
Directorate General	(197)	(197)	0	(197)
DLO/DSO's	68	68	(57)	125
NET DIRECTORATE	53,528	54,020	53,508	512
Home to School Transport - ring fenced under spend				22
Social Services Transport - ring fenced overspend				(75)
Cemeteries Task & Finish - ring fenced under spend				365
NET DIRECTORATE excluding ring fenced budgets				200

4.2 Regeneration, Planning & Economic Development

- 4.2.1 Overall, the service division presently has a projected under spend of £164k. Planning services are reporting an over spend of £202k and Economic Development & Tourism an under spend of £366k.
- 4.2.2 Countryside Services are reporting a small over spend of £9k, with a shortfall in income generation from the recently introduced car park charging of £50k due to late implementation of this MTFP initiative, offset by under spends in relation to staffing and other operational costs.

- 4.2.3 Planning application fee, building control fee and search fee income is dependent on the number of applications received and in recent years has been adversely affected by the general economic climate. The budget for Planning Application fees was set at £553k for 2014/15 including a new budget of £20k for pre-application advice as part of the MTFP savings. At present income is projected to be £131k below budget. Building Control fee income budget was set at £302k and is anticipated to be £89k below budget. Search fee income is £5k below the £111k budget. These income shortfalls are however partly offset by under spend in staffing costs of £127k, part of which are subject to MTFP savings proposals in 2015/2016. Income in these areas will be monitored closely as numbers of applications and fee levels can vary.
- 4.2.4 Strategic Planning and Local Development Plan (LDP) budgets are presently over spent by £95k due a present shortfall in grant and other fee income and associated LDP monitoring costs. The Monitoring costs of £21k will however be funded from an existing reserve for expenditure associated with ongoing LDP monitoring.
- 4.2.5 Schemes under the Rural Development Plan (R.D.P) are continuing in 2014/2015 as extensions to European grant funding was secured. The total cost of these schemes will be 80% funded by European (W.E.F.O) grant. Approval of the new schemes has helped secure continuity of employment of Planning Countryside staff.
- 4.2.6 Economic Development & Tourism is presently projecting an under spend of £366k. This under spend is partly due to staff vacant posts (£156k) in Business Enterprise Support, Business Urban Renewal and Tourism & Events, all of which are proposed MTFP savings in advance for 2015/2016. There is also a projected £150k under spend in relation to industrial estates due to income from rents in excess of targets and reduced maintenance costs, again this is being considered as a MTFP saving in 2015/2016. At present the Tourism Venues are reporting an overall under spend of £84k due to a combination of income generation above target and reduced operational costs, again, further MTFP savings are being considered for the tourism venues in 2015/2016.
- 4.2.7 The under spends noted in paragraph 4.2.6 are partly offset by a projected over spend on the GO 2 initiative of £60k. The GO 2 hosting service has now been transferred to alternative providers, to alleviate any further future overspend. There is also a projected unbudgeted cost of £25k in relation to the Bargoed retail shop units which are part of the Bargoed Regeneration project, this is due to anticipated under occupancy in 2014/2015 on the units.
- 4.2.8 Cabinet approved at its meeting on 2nd April 2014 to award £80k of Community Assets funding to Regeneration & Planning for a range of initiatives including town centre urban renewal schemes, community partnership schemes, invasive plant species and living environment partnerships.

4.3 **Engineering Services**

- 4.3.1 A net over spend of £54k is projected for the Engineering Division for 2014/15, but after excluding budget variations in relation to Home to School Transport (£22k under spend) and Social Services Transport (£75k over spend) which will be ring fenced and appropriated back to the Service Directorates, there is an over spend of £1k.
- 4.3.2 The original 2014/2015 highways infrastructure/ roads maintenance and street lighting budget was subject to budget efficiency savings of £225k, the original budget being £9,182million. Expenditure is presently overall projected to be £52k over spent due to highway reactive maintenance repairs. However, the severity of winter weather in relation to snow, gritting and flooding will have an impact on the overall outturn position. Engineering are reviewing the highway maintenance programme and endeavouring to balance the budget by the financial year end.
- 4.3.3 The Engineering Projects Group (EPG) has a projected under spend of £32k, mainly due to staff vacant posts.

- 4.3.4 There are some overspends in relation to car parks, primarily NNDR costs (£21k) but this is partly offset by car park income in excess of budget (£6k). Car park income budget includes an increased target to reflect the no free parking in the Christmas period applied as part of the MTFP savings in 2014/2015. There is also a £20k projected overspend in relation to park & rides in relation to maintenance, cleaning and CCTV.
- 4.3.5 At present the Engineering Division budget over spend variations noted above are partly offset by under spend in relation to staffing non/delayed filling of vacant posts and other operational savings.
- 4.3.6 As noted in paragraph 4.3.1 above, budget variation in relation to Home to School Transport and Social Services transport which are now part of the Engineering Division's I.T.U (Integrated Transport Unit), will be ring-fenced for transfer back to the service Directorates. Home to School transport is presently projecting a £22k under spend although this may increase as a result of the new contracts introduced in January 2015 and Social Services transport an over spend of £75k due to demand.
- 4.3.7 Cabinet approved at its meeting on 2nd April 2014 to award Community Assets funding to Engineering for community response teams (£100k) and this is included in the revised estimates.

4.4 Public Protection

- 4.4.1 Public Protection is presently projecting an under spend of £235k on a revised budget of £7.2million.
- 4.4.2 Environmental Health is currently projecting a net under spend of £55k, this is primarily due to an increase in fee income in relation to the pest control service, MTFP staff vacancy savings in advance during the year in Health Improvement and additional FSA funding for Food Team. Increased sewer discharge costs at closed landfill sites are expected towards the end of the year and therefore may offset some of the projected under spend. Funding was approved by Cabinet on 1st October 2014 from corporate balances to complete works at Coed Top closed landfill site to alleviate some of these sewer discharge issues though these benefits will not be realised this financial year. There is also a likely to be a need to undertake remedial works to address drainage issues at Aberbargoed closed landfill site, estimated at £25k.
- 4.4.3 Trading Standards, Licensing and Registration service group is reporting a projected under spend of £26k, this is primarily due to an under spend in staffing from a continuing secondment and income above budget in relation to Registrar's fees, this is partly offset by a shortfall in licensing fee income. Licensing income will continue to be monitored closely as it can be subject to variation during the year.
- 4.4.4 Community Safety is projecting an under spend of £56k this is primarily due to an under spend in staffing costs in the CCTV control room due to change in shift patterns & maternity. There has been additional income during the year due to extra cameras for clients. The new Airwaves licence has been purchased in advance for the next three years at cost of £25k, which will be spread over the life of the Licence. Cabinet approved £196k invest to save funding to upgrade BT broadband connection for CCTV. This should reduce costs of line rentals by £45k over the next five years. All grant funded schemes are on budget to date, final approval of the 2014/2015 spend plans from Welsh Government for the Substance Misuse Action Fund, have now been agreed. Newport County Borough Council now acts as regional banker for this initiative for the Gwent Authorities and is being periodically recharged for costs incurred.
- 4.4.5 Catering Services are projecting an overall under spend of £96k on a £3.2million net budget. There is an under spend projected in Primary, breakfast club and Comprehensive school catering of £116k due to a combination of increased income and reduced operating costs. However, this will need to be carefully monitored as any school closures due to adverse

winter weather will impact upon income. An increase in school meal prices of 5% was implemented in September 2014 as part of the 2014/2015 MTFP savings, which may have an impact on meal take up and income levels for the remainder of the year, so this will be monitored closely. The level of projected under spend also reflects anticipated increased pay costs this year for the additional non consolidated lump sum payment to staff in January 2015 as part of the pay award settlement. The under spend in schools catering is partly offset by small over spend in relation to the staff restaurants of £12k, which also includes a 5% increase in prices as part of 2014/2015 MTFP savings and an over spend of £8k in sheltered housing.

4.4.6 Cabinet approved at its meeting on 2nd April 2014 to award £10k of Community Assets funding to Public Protection for Community payback (graffiti removal etc) schemes.

4.5 **Community & Leisure Services**

4.5.1 The Community & Leisure Division is presently projecting an under spend of £239k on a revised budget of £20.4 million. However, £365k of this relates to cemeteries where any under spend is ring fenced for future improvement and enhancement in cemeteries. Excluding cemeteries there is an over spend of £126k.

4.5.2 Waste management & cleansing is presently projecting a small under spend of £9k. There is an under spend of £526k anticipated in residual waste disposal due to the commencement of the Project Gwyrdd interim contract, this is less than anticipated earlier in the year due to operational issues with the Plant, which has resulted in a greater diversion of waste to landfill disposal, the final value of under spend will be dependent on tonnage of waste treated which in turn is dependent on any technological issues and periods the Plant is available to take waste. At present the under spend in relation to Project Gwyrdd is more than offset by over spend in relation to residual and recycling waste collection costs, dry recycling treatment tonnage and contract rates, increased costs at CA sites dealing with recyclable waste and works required to the Full Moon transfer station. There is a high level of uncertainty in relation to the cost of treating recyclable waste due to the need for re-tendering exercises and it is likely that this will be an ongoing budget pressure next financial year, along with the cost of dealing with recyclable waste through CA sites. The overall over spend in waste management services is offset by and under spend of £281k in street cleaning services and £80k HQ staffing and operational costs, both of which have been identified as MTFP savings options for 2015/2016.

4.5.3 Overall, Parks, Outdoor Facilities and Cemeteries services is presently projecting an under spend of £305k however as noted in paragraph 4.5.1 above, £365k of this relates to cemeteries where any under spend is ring fenced for future planned investment to create and enhance cemetery provision across the County Borough. The remainder of the service area is presently projecting an over spend of £60k.

4.5.4 Leisure is reporting an over spend of £75k primarily due to an over spend in staffing costs at the Leisure centres and late implementation of the administrative staff rationalisation as part of the MTFP savings for 2014/2015. The Leisure Centres have challenging income budget targets as a result of the additional £135k MTFP savings applied in 2014/2015, but at present the increased income target is projected to be achieved. Income targets will be monitored closely as they can be volatile. The over spend on Leisure Centres is partly offset by under spend in relation to energy costs and in sports development.

4.5.5 Cabinet approved at its meeting on 2nd April 2014 to award £62k of Community Assets funding for litter bin replacements, allotment strategy implementation and Parks services for a range of initiatives in relation to cemeteries, allotments, route and roundabouts enhancements and community schemes.

4.6 **Directorate General**

4.6.1 As noted in 4.1.2 above, an element of vacancy management savings are held at strategic Directorate level until specific service savings are identified. The present target is £197k and this will be reduced as further savings are identified and allocated to service divisions.

4.7 Direct Labour And Direct Service Trading Accounts

- 4.7.1 At this stage of the year Network Contracting Services is reporting a break even position compared to a small £11k profit this time last year. It is anticipated that the value of work and income will increase during the remainder of the year which should result in an improved financial position. NCS is undertaking the work in relation to the Operation and Maintenance (O&M) sub contract with Sirhowy Enterprise Way Ltd for a further 10 years and this should have a positive impact on the overall financial position, although in order to be compliant with the risk transfer aspects of the PFI procurement, surpluses in relation to this contract will again be ring fenced, as they were in previous financial years.
- 4.7.2 The Vehicle Maintenance DSO is presently showing a loss of £28k compared to a £15k loss for the same period last year, primarily due to a reduction in work and income generated through the workshop. The outturn position will be dependent on the value of work through the workshop over the next few months and the ability of the DSO to finance fixed overheads.
- 4.7.3 Building Cleaning DSO is reporting a cash profit of £85k this year compared to a profit of £144k for the same period last year. This includes additional budget provision provided to the DSO of £337k to finance increased salary costs associated with the implementation of and increases in the living wage, less a £50k budget reduction as a contribution to MTFP savings. The reduced profit projection reflects anticipated increased pay costs this year for the additional non consolidated lump sum payment to staff in January 2015 as part of the pay award settlement. The DSO has continued to achieve operational efficiency savings and identify and expand new areas of work including window cleaning and electrical appliance testing, which has assisted in financing operational fixed overheads.

4.8 Medium Term Financial Plans (Mtfp) Savings 2014/2015

- 4.8.1 The 2014/15 revenue budget for Environment Directorate included targeted MTFP savings of £2.712m as detailed in appendix 2. The projected overspends and under spends discussed in the above paragraphs take account of these savings targets.
- 4.8.2 As reflected in the budget monitoring figures reported above, most of the approved MTFP savings introduced for 2014/2015 have or will be achieved by the end of the financial year, however, there are some where full achievement is not likely due to late implementation, including car park charging at country parks (paragraph 4.2.2) and waste collection route optimisation (paragraph 4.5.2). Also there are others that require further review and monitoring including increased income generating targets in relation to Leisure Centres, Catering, Licensing, waste collection charges and CA site charging/restrictions etc.

5. EQUALITIES IMPLICATIONS

- 5.1 There are no potential equalities implications of this report and its recommendations on groups or individuals who fall under the categories identified in Section 6 of the Council's Strategic Equality Plan. There is no requirement for an Equalities Impact Assessment Questionnaire to be completed for this report.

6. FINANCIAL IMPLICATIONS

- 6.1 As noted in the table in paragraph 4.1.4 above some service under and over spends will be appropriated ring fenced reserves for specific requirements, the remaining Directorate under spend and cash profit of the DLO/DSO's presently projected at £200k, will be appropriated to the Environment Directorate strategic reserve and 50% of this "pooled" under spend/profit will then be appropriated to Authority working balances, the remaining 50% will, subject to members approval be utilised for Directorate based service initiatives or investment requirements.

7. PERSONNEL IMPLICATIONS

- 7.1 Members will be aware that when setting the budget, MTFP savings were identified for the Environment Directorate in relation to vacancy management savings, these are reflected in the financial figures reported.

8. CONSULTATIONS

- 8.1 There are no consultation responses, which have not been included in this report.

9. RECOMMENDATIONS

- 9.1 Members are requested to note the contents of this report and the detailed budget monitoring pages as an Appendix.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 The Council Budget is based on the achievement of both expenditure and income targets. In order to ensure that these are met and the Council's financial integrity maintained Directors are required to review income and expenditure trends.

11. STATUTORY POWER

- 11.1 Local Government Act 1972.

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Consultees
Councillor D.T Davies, Chair Regeneration & Environment Scrutiny Committee
Councillor Mrs E.M Aldworth, Vice Chair Regeneration & Environment Scrutiny Committee
Councillor K. James, Cabinet Member Regeneration, Planning & Sustainable Development
Councillor D. Poole, Cabinet Member Community & Leisure Services
Councillor T. Williams, Cabinet Member Highways, Transportation & Engineering
Chris Burns, Interim Chief Executive
Dave Street, Director of Social Services
Sandra Aspinall, Acting Deputy Chief Executive
Pauline Elliott, Head of Regeneration & Planning
Robert Hartshorn, Head of Public Protection
Terry Shaw, Head of Engineering Services
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Nicole Scammell, Acting Director of Corporate Services
Tony Maher, Assistant Director Planning & Strategy
Steve Harris, Interim Head of Corporate Finance
Cheryl Jeremic, Acting Group Accountant
Rose Shears, Finance Officer
Jane Southcombe, Financial Services Manager
Dave Roberts, Group Accountant
Paul Adams, Senior Assistant Accountant

Background Papers:

Divisional budget monitoring working papers 2014/2015 and DLO/DSO Trading Accounts 2014/2015

Appendices:

Appendix 1A	Budget Monitoring Report – Regeneration, Planning and Economic Development
Appendix 1B	Budget Monitoring Report – Engineering Services
Appendix 1C	Budget Monitoring Report – Public Protection
Appendix 1D	Budget Monitoring Report – Community and Leisure Services
Appendix 2	Environment Directorate – Savings 2014/15

Links to other Documents:

Minutes - Council Meeting 26/02/2014: “Budget Proposals 2014/15 and Medium Term Financial Strategy 2014/2017” – Agenda Item No. 3(2)