



REGENERATION AND ENVIRONMENT SCRUTINY COMMITTEE – 30TH OCTOBER 2012

SUBJECT: BUDGET MONITORING AND TRADING ACCOUNT REPORT 2012/2013

REPORT BY: CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 To inform Members of the most recent budget monitoring position for 2012/2013 for Environment Directorate service divisions, including Regeneration, Planning & Economic Development Division, Engineering Division, Public Protection Division and Community & Leisure Services Division (previously the Public 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 2012/2013 based on the financial position to the end of August 2012, 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 23rd February 2012.
- 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 23rd February 2012 detailed the need to apply further budget efficiency savings in 2012/2013 to meet medium term financial plan (MTFP) targets and achieve budget strategy aims. Overall the Environment Directorate was targeted to achieve new budget efficiency savings of £411k. The efficiency savings were allocated to individual Service Divisions and there is also presently an element held at strategic Directorate level. The savings targets were detailed in the budget report to Regeneration and Environment Scrutiny Committee on the 17th July 2012. Also, in past years, some savings have been applied to Direct Labour and Direct Service Organisations (DLO/DSO's) as contract efficiency savings.
- 4.1.3 As noted above, budget details for 2012/2013, including budget efficiency savings, were reported to and considered by the Regeneration and Environment Scrutiny on 17th July 2012.
- 4.1.4 The table below summarises the present budget monitoring position and the Appendix provides more detail on the budget variation projections. As noted in paragraph 1.1 above, the report includes details of the financial position for the Community and Leisure Services Division (previously the Public Services Division) including Leisure Services recently transferred to the Directorate. The report also includes details of Blackwood Miners Institute and Arts Development, which recently transferred to the Regeneration, Planning and Economic Development Division of the Directorate.

	ORIGINAL ESTIMATE 2012/2013	REVISED ESTIMATE 2012/2013	ANTICIPATED OUTTURN 2012/2013	ANTICIPATED VARIANCE 2012/2013 Under (Over)
	£000	£000	£000	£000
Regeneration, Planning & Economic Development Division	5,619	5,707	5,698	9
Engineering Services Division	22,309	22,453	22,413	40
Public Protection Division	5,996	6,027	6,140	(113)
Community & Leisure Services Division	21,888	22,095	22,077	18
Directorate General	(190)	(124)	(124)	0
DLO/DSO's				95
NET DIRECTORATE				49

4.2 REGENERATION, PLANNING AND ECONOMIC DEVELOPMENT

- 4.2.1 Overall, the service division presently has a projected small under spend of £9k. Planning services are reporting a small £7k over spend and Economic Development and Tourism a £16k under spend.
- 4.2.2 Planning application fee and building control 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 remained at £525.2k for 2012/13 and is at present anticipated to be £100k less than budget. The Building Control fees income budget was set at £305.5k and is at present anticipated to be £100.5k below budget.

- 4.2.3 The Planning service area salary budget was reduced by £42k at the start of the year due to allocated vacancy management efficiency savings, at present the salary budget is projected to be £233k under spent and this under spend is helping to offset the under achievement in income generation outlined in paragraph 4.2.2 above.
- 4.2.4 Schemes under the Rural Development Plan (R.D.P) business plan 2 commenced in March 2012 as expected. 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.
- 4.2.5 Grant of £25k in relation to the Aberbargoed grasslands scheme has been secured for 2012/2013 from the Countryside Council for Wales.
- 4.2.6 Economic Development and Tourism is presently projecting an under spend of £16k. Anticipated additional expenditure in relation to the launch of the new GO 2 initiative are offset by general under spends in relation to administration costs and anticipated savings in relation to the vacant Head of Service post. Income generation on the tourism venues is presently projected to be above target, due to ongoing increases in visitor numbers. Income generation at the tourism venues will be monitored closely as it is subject to seasonal changes. The service group now also includes Blackwood Miners Institute and Arts Development and at present budget targets are projected to be achieved.
- 4.2.7 Cabinet approved at its meeting on 29th May 2012 to award £88k of Community Assets funding to Planning for a range of initiatives including urban renewal schemes, invasive plant species, living environment partnerships and climate change.
- 4.2.8 Council also approved on 7th August 2012 to utilise the Environment Directorate reserve, including capital funding for replacement 4x4 countryside vehicles (£60k).

4.3 ENGINEERING SERVICES

- 4.3.1 A net under spend of £40k is projected for the Engineering Division for 2012/13, but after excluding budget variations in relation to Home to School Transport (£400k under spend) and Social Services Transport (£300k over spend) which will be ring fenced and appropriated back to the Service Directorates, there is an over spend of £60k.
- 4.3.2 The original 2012/2013 highways infrastructure/ roads maintenance and street lighting budget was subject to budget efficiency savings of £140k and for 2012/2013 the original budget was £9,163million. Expenditure is presently overall projected to be close to budget targets, but a more severe winter period could affect progress on carriageway maintenance works and result in an under spend.
- 4.3.3 The Engineering Division's salaries budget was reduced by £28k for allocated vacancy management efficiency savings and a further reduction of £26k has since been applied. The salary budget is presently projected to be £19k overspent.
- 4.3.4 Supervision fee income receivable under the Highways Act (Section 38 and other agreements) is likely to be £16.6k short of budget (£166.6k). This continues to be the consequence of the economic slowdown and the downturn in the construction industry.
- 4.3.5 The car park budget is presently projected to be £30k over spent due to increased maintenance costs, partly offset by increased car park income, there is a projected £30k over spend in relation to park and ride cleaning and £60k over spend for Public Transport due to reduced Local Transport Services Grant.
- 4.3.6 Partly offsetting the reported over spends are under spends due to increased income in relation to New Roads and Street works Act (£35k) and other general under spends.

- 4.3.7 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.
- 4.3.8 Cabinet approved at its meeting on 29th May 2012 to award Community Assets funding to Engineering for community response teams (£100k) and community partnership initiatives (£70k) during 2012/2013 and these are included in the revised estimates.

4.4 PUBLIC PROTECTION

- 4.4.1 Public Protection is presently projecting a net over spend of £113k, of which £75k over spend relates to Catering Services as outlined in paragraph 4.4.6 below.
- 4.4.2 Environmental Health is currently projecting a net overspend of £36k, this is mainly due to £60k projected overspend in Pollution group in relation to discharge works at the Aberbargoed closed landfill site. These costs have been reduced by an under spend on sewerage discharge consents due to the ongoing works, savings on salaries due to vacancy management and a small increase in miscellaneous and fixed penalty income. Engineers are monitoring the ongoing works and are hopeful that a further reduction in the overall cost can be achieved.
- 4.4.3 Health Improvement Team funding of £18k from Public Health Wales ceased from 1st April 2012 and confirmation is still awaited from Aneurin Bevan Health Board of its funding for Health initiatives for this financial year. The extra £15k funding awarded from the Directorate reserve for tobacco control and alcohol strategies will help maintain spend in these areas, while officers are actively searching for other sources of funding for the future. The Food Safety Team has applied to the Food Standards Agency for funding of £9k to undertake additional food safety visits. The Enforcement Team have taken on three new trainees, funded by the Council's apprentice training fund, to train in general enforcement, Pest Control and Dog wardens services. Managers are also actively pursuing options for collaboration with Blaenau Gwent County Council in Pest control, which will hopefully reduce costs, improve efficiency, increase income and provide value for money services.
- 4.4.4 Trading Standards, Licensing and Registration service group is reporting an over spend of £35k, mainly due to a reported shortfall in licensing fee income and additional salary costs for Registration Services, partly offset by under spend in Trading Standards.
- 4.4.5 Community Safety is reporting an under spend of £32k primarily relating to salary savings, it is envisaged that planned expenditure on CCTV enhancements and replacements will be completed by the year end.
- 4.4.6 Catering Services are projecting an overspend of £75k due to a number of factors including ongoing food inflation, falling meal numbers in relation to meals on wheels, the impact of the Living Wage on salary costs and a dip in meal numbers in Secondary Schools where Appetite for Life menus have been introduced. Some of these pressures are being offset by efficiencies across the service and savings on supplies and services.
- 4.4.7 Cabinet approved at its meeting on 29th May 2012 to award £10k of Community Assets funding to Public Protection for landscape crime policing initiatives during 2012/2013.
- 4.4.8 Council also approved on 7th August 2012 to utilise the Environment Directorate reserve, including £55k in relation to Public Protection initiatives such as cold calling, consumer protection, well being and school meals. Also, £70k was awarded for capital expenditure for upgraded and replacement CCTV cameras.

4.5 COMMUNITY AND LEISURE SERVICES

- 4.5.1 As noted in paragraph 4.1.4 above, the Division is now referred to as the Community and Leisure Services Division (formally Public Services Division) since the transfer of Leisure Services into the Division. Overall the Division is projecting a small under spend of £18k.
- 4.5.2 Waste Management and Cleaning is presently projecting an over spend of £165k on a £13.8million budget. The over spend primarily relates to increased operating costs for recycling collection and treatment services, which in turn is due to increased tonnage of recycled waste being collected and treated. This overspend, is partly offset by a reduction in residual waste disposal, due to reduced tonnage and also under spend in relation to street cleaning and public conveniences due to reduced agency staff requirements and maintenance costs on the public conveniences. There will be ongoing future budget pressures in waste management as a result of increased landfill tax and the likelihood of reduced SWMG (Sustainable Waste management Grant). The waste management and cleaning financial position assumes at this stage full utilisation of the approved revenue contribution to capital outlay (RCCO) budget for vehicle replacement of £682k, required to provide an efficient and effective front line service.
- 4.5.3 Parks, Outdoor Facilities and Cemeteries services is presently projecting an under spend of £78k. Of this, £133k under spend relates to cemeteries, this under spend is ring fenced for future planned investment and enhancement to cemeteries provision across the County Borough. Playing fields, playgrounds and outdoor facilities are reporting an over spend of £55k at present although this position may vary due to the cyclical nature of the work.
- 4.5.4 Leisure, Sports Development and outdoor education is presently projecting an under spend of £105k, this relates mainly to an under spend on Leisure Centres of £193k due to a combination of vacant posts and repayment of invest to save initiatives. Sports and Health Development is presently projecting a balanced budget and Outdoor Education a £1k under spend, these under spends are partly offset by an over spend of £89k on Outdoor Leisure principally due to a one off spend required with regards to the Senghenydd multi use games area. It should be noted that the financial position for Leisure and Sports Development has also been reported to the Education for Life Scrutiny on 25th September, prior to formalising arrangements for the transfer of the service to the Environment Directorate.
- 4.5.5 Cabinet approved at its meeting on 29th May 2012 to award £15k of Community Assets funding for litter bin replacements and also £117k to Parks services for a range on initiatives in relation to cemeteries, allotments, route and roundabouts enhancements and community schemes.
- 4.5.6 Council also approved on 7th August 2012 to utilise the Environment Directorate reserve (£75k) including improvements to signage at CA sites, gateways and strategic route enhancements and events related work. Also, £87.5k was awarded for capital expenditure in relation to 360 degree CCTV installation in refuse vehicles, street washing equipment and a CA site compactor and also £55k for work at Blackwood Show field in relation to a joggers path and outdoor gym.

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. At the start of 2012/2013, £248k of vacancy management savings was held at Directorate level including £121k of additional savings as part of the 2012/2013 MTFP targets. This was reduced to £190k by the start of 2012/2013 as further savings were identified and allocated to service divisions as part of the 2012/2013 original budget. A further, £66k of savings have now been identified, reducing the unallocated savings target to £124k.

4.7 DIRECT LABOUR AND DIRECT SERVICE TRADING ACCOUNTS

- 4.7.1 Network Contracting Services is reporting a small trading profit of £33k for the first quarter of the financial year, compared to a trading profit of £24k to the same period last year. The trading position includes a contract efficiency charge of £121k (£180k full year) applied to the DLO as part of the identified budget efficiency savings required by the Directorate. The value of work and income included in the trading account is £1.345million slightly reduced on the £1.538million last year. In order to continue operating profitability, NCS needs to continue to secure sufficient work to finance salary costs and other fixed operating overheads, which in turn, will depend on the value of work NCS undertakes funded from Engineering Division road maintenance budgets and other service departments. Consideration will be given to the funding of newly acquired winter maintenance vehicles by RCCO (revenue contribution to capital outlay) if, sufficient profit is generated by the year- end. As in previous years, in order to be compliant with the risk transfer aspects of the PFI procurement, any surpluses from the Operation and Maintenance (O & M) sub contract with Sirhowy Enterprise Way Ltd will be ring fenced.
- 4.7.2 The Vehicle Maintenance DSO is showing a trading loss of £13.4k to July, compared to a loss of £2.6k the same period last year. Last year the DSO reported a year- end trading profit of £33.8k, which included a £30k contract efficiency saving. It is anticipated that the present financial position will improve, due to an increase in the throughput of work into the workshops especially during the winter months.
- 4.7.3 Building Cleaning DSO is reporting a trading profit of £75k this year compared to a profit of £54.5k last year at the same period. The DSO will incur additional salary related costs for the second half of the year as a result of the recently introduced living wage initiatives, it is anticipated however that these additional costs can be funded from ongoing trading profits and continued operational efficiency savings. The DSO continues to identify and expand new areas of work including window cleaning and electrical appliance testing to assist in the financing operating and fixed overhead costs.

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 Year end revenue budget under/overspends of each Service Division and Cash profit or loss of each DLO/DSO are appropriated to the Environment Directorate strategic reserve, 50% of any "pooled" under spend/profit is then appropriated to Authority working balances, the remaining 50% is, subject to members approval utilised for Directorate based service initiatives or investment requirements. Pooled over spend/loss is retained within the Directorate reserve to be financed from future years under spends/profits.

7. PERSONNEL IMPLICATIONS

- 7.1 Members will be aware that when setting the budget, efficiency savings were identified for the Environment Directorate in relation to vacancy management savings achieved 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 To enable the achievement of the service area's objectives for 2012/2013.

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Consultees: Councillor D.T Davies Chair Regeneration and Environment Scrutiny Committee
Councillor Mrs E.M Aldworth Vice Chair Regeneration and Environment Scrutiny Committee
Councillor K. James, Cabinet Member Regeneration, Planning and Sustainable Development
Councillor D.V. Poole Cabinet Member Community and Leisure Services
Councillor T.J. Williams Cabinet Member Highways, Transportation and Engineering
Anthony O'Sullivan, Chief Executive
Pat Mears, Head of Planning, Economic Development and Regeneration
Robert Hartshorn, Head of Public Protection
Terry Shaw, Head of Engineering Services
Mark S. Williams Head of Community and Leisure Services
Nicole Scammell, Head of Corporate Finance
Geoffrey Edwards, Group Accountant
Cheryl Jeremic, Senior Accountant
Gwyn James, DLO Accountant
Rose Shears, Finance Officer
Jane Southcombe, Financial Services Manager
Dave Roberts, Group Accountant

Background Papers:

Divisional budget monitoring working papers 2012/2013 and DLO/DSO Trading Accounts 2012/2013

Appendices:

Appendix 1.1 Planning Services
Appendix 1.2 Economic Development and Tourism
Appendix 1.3 Engineering Services
Appendix 1.4 Public Protection
Appendix 1.5 Community and Leisure Services

Links to other Documents:

Minutes of Council Meeting 23/2/2012: "Budget Proposals 2012/13". Agenda Item No. 2(c)