



## REGENERATION AND ENVIRONMENT SCRUTINY COMMITTEE - 19TH FEBRUARY 2013

**SUBJECT: BUDGET MONITORING AND TRADING ACCOUNT REPORT 2012/2013**

**REPORT BY: CHIEF EXECUTIVE**

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### **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 and Economic Development Division, Engineering Division, Public Protection Division and Community and 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 and 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 November 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 17<sup>th</sup> 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 17<sup>th</sup> 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.

	<b>ORIGINAL ESTIMATE 2012/2013</b>	<b>REVISED ESTIMATE 2012/2013</b>	<b>ANTICIPATED OUTTURN 2012/2013</b>	<b>ANTICIPATED VARIANCE 2012/2013 Under (Over)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Regeneration, Planning &amp; Economic Development Division</b>	5,619	5,707	5,643	64
<b>Engineering Services Division</b>	22,309	22,469	22,611	(142)
<b>Public Protection Division</b>	5,996	6,037	6,016	21
<b>Community &amp; Leisure Services Division</b>	21,893	22,116	21,905	211
<b>Directorate General</b>	(190)	(124)	(124)	0
<b>DLO/DSO's</b>				102
<b>NET DIRECTORATE</b>				

## 4.2 Regeneration, Planning and Economic Development

- 4.2.1 Overall, the service division presently has a projected under spend of £64k. Planning services are reporting a small £12k over spend and Economic Development and Tourism a £76k 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 £60k 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 £207k 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 £76k. Anticipated additional expenditure in relation to the launch of the new GO 2 initiative and also tourism events, are offset by general under spends in relation to administration costs and salaries including savings in relation to the vacant Head of Service post. Income generation at the tourism venues is also presently projected to be above target, due to ongoing increases in visitor numbers and this now includes Blackwood Miners Institute which transferred to Environment Directorate this year. Arts Development was also transferred and at present budget targets are projected to be achieved.
- 4.2.7 Cabinet approved at its meeting on 29<sup>th</sup> 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 7<sup>th</sup> 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 over spend of £142k is projected for the Engineering Division for 2012/13, but after excluding budget variations in relation to Home to School Transport (£142k under spend) and Social Services Transport (£198k over spend) which will be ring fenced and appropriated back to the Service Directorates, there is an over spend of £86k. The under spend for Home to School transport does include anticipated costs this year of £260k to transport Cwmcarn High school children to the Ebbw vale campus.
- 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 £21k 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 £40k 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 (£20k) 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 29<sup>th</sup> 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 small net under spend of £21k.
- 4.4.2 Environmental Health is currently projecting a small net under spend of £11k. The previously projected overspend in relation to costs of discharge works at the Aberbargoed closed landfill site being reduced from £60k to £32k, these costs have been reduced due to successful remedial works, resulting in less reinstatement work. The over spend relating to Aberbargoed closed landfill is more than offset by under spend on sewerage discharge consents due to the ongoing works, savings on salaries due to vacancy management and an increase in miscellaneous and fixed penalty income.
- 4.4.3 Health Improvement Team funding of £14k for Townsend monies for Aber Valley has been agreed and discussions are ongoing with Aneurin Bevan Health Board to spend the £12k funding agreed for Health initiatives for this financial year. The extra £15k funding awarded from the Directorate reserve for tobacco control and alcohol strategies is on course to be spent this year. The Food Safety Team is awaiting £9k income from the Food Standards Agency for undertaking additional food safety visits. The Enforcement Team is continuing training of three new trainees, funded by the Council's apprentice training fund, in general enforcement, Pest Control and Dog warden's services. Options for collaboration with Blaenau Gwent County Council in the Pest control service are on hold at present, while Blaenau Gwent County Council consider their wider financial position. It is hoped this can be revisited in the future.
- 4.4.4 Trading Standards, Licensing and Registration service group is reporting a small over spend of £16k, mainly due to a 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 £72k primarily relating to salary savings and maintenance costs in relation to CCTV equipment. It is anticipated that planned expenditure on CCTV enhancements and replacements will be completed by the year end.
- 4.4.6 Catering Services are projecting overspend of £46k which shows improvement on the £75k over spend reported earlier in the year, Comprehensive schools have performed better than anticipated during the Autumn period with higher numbers of meals served and income generated. Additional staffing costs in relation to the introduction of the living wage and general food price inflation have contributed to the over spend, but this has been offset by other savings in operational costs. Although it is estimated that a modest increase in school meal prices would have realised an additional £80k, prices were not increased during 2012/13. The meals on wheels service continues to give cause for concern, with ongoing reductions in meals numbers and income generation and an over spend of £62k.
- 4.4.7 Cabinet approved at its meeting on 29<sup>th</sup> 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 7<sup>th</sup> 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 The Community and Leisure Division (formally Public Services Division) is presently projecting an under spend of £211k on a revised budget of £22.1 million. The division now includes Leisure Services which transferred to the Directorate in August 2012.

4.5.2 Waste management and cleansing is projecting an over spend of £308k. 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 Overall, Parks, Outdoor Facilities and Cemeteries services is presently projecting an under spend of £220k. Playing fields, playgrounds and outdoor facilities are reporting a small over spend of £12k and cemeteries an under spend of £232k. The under spend in relation to cemeteries, is the result of a combination of increased income from burial charges and reduced reactive maintenance expenditure. This under spend is ring fenced for future planned investment to create and enhance cemetery provision across the County Borough.

4.5.4 Leisure centres, Sports Development and outdoor education is presently projecting an under spend of £299k, over half of this under spend (£173k) are planned savings in advance of medium term financial plan (MTFP) savings targets for 2013/2014 in relation to vacancy management, energy and new initiative loan repayments. There are other operational savings in relation to staffing costs.

4.5.5 Cabinet approved at its meeting on 29<sup>th</sup> 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 7<sup>th</sup> 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 £11k, which is a reduction on the £92k profit reported for the same period last year. Work and income is presently £400k less than last year, it is anticipated however 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 trading loss of £15k, however, additional operational savings will be generated in the next few months, which should ensure the DSO can generate a financial break even. However, the outturn position is still dependent on the value of work through the workshop and the ability of the DSO to finance fixed overheads.
- 4.7.3 Building Cleaning DSO is reporting a trading profit of £106k for the first nine months this year compared to a profit of £111k for the same period last year. The DSO has incurred increased staffing costs since October 2012 as a result of the introduction of the living wage which has impacted on the overall level of trading profit. The DSO has however 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 increased operating costs from the introduction of the living wage.

## **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  
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  
Cheryl Jeremic, Senior 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 Planning  
Appendix 2 Economic Development and Tourism  
Appendix 3 Engineering Services  
Appendix 4 Public Protection  
Appendix 5 Community and Leisure Services

### Links to other Documents:

Agenda and Minutes of Council Meeting 23/02/2012: "Budget Proposals 2012/13" (Item No. 2(c))