



REGENERATION AND ENVIRONMENT SCRUTINY COMMITTEE – 29TH OCTOBER 2013

SUBJECT: BUDGET MONITORING AND TRADING ACCOUNT REPORT 2013/2014

REPORT BY: ACTING DEPUTY CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 To inform Members of the most recent budget monitoring position for 2013/2014 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 2013/2014 based on the financial position to the end of August 2013, 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 27th February 2013.
- 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 27th February 2013 detailed the need to apply further budget efficiency savings in 2013/2014 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 £627k. 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 2nd July 2013. 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 2013/2014, including budget efficiency savings, were reported to and considered by the Regeneration and Environment Scrutiny on 2nd July 2013.
- 4.1.4 The table below summarises the present budget monitoring position, with an overall Directorate under spend exclusive of ring-fenced budgets of £841k. The appendices provide more detail on the budget variation projections.

| | ORIGINAL ESTIMATE 2013/2014 | REVISED ESTIMATE 2013/2014 | ANTICIPATED OUTTURN 2013/2014 | ANTICIPATED VARIANCE 2013/2014 Under (Over) |
|---|------------------------------------|-----------------------------------|--------------------------------------|--|
| | £000 | £000 | £000 | £000 |
| Regeneration, Planning & Economic Development Division | 5,700 | 5,915 | 5,549 | 366 |
| Engineering Services Division | 21,661 | 21,761 | 22,066 | (305) |
| Public Protection Division | 7,323 | 7,333 | 7,334 | (1) |
| Community & Leisure Services Division | 21,669 | 21,779 | 20,944 | 835 |
| Directorate General | (194) | (194) | (194) | 0 |
| DLO/DSO's | 55 | 55 | (79) | 134 |
| | | | | |
| NET DIRECTORATE | 56,214 | 56,649 | 55,620 | 1,029 |
| Home to School Transport - ringfenced | | | | (3) |
| Social Services Transport – ring fenced | | | | (147) |
| Cemeteries Task & Finish – ring fenced | | | | 338 |
| NET DIRECTORATE excluding ring fenced budgets | | | | 841 |

4.2 Regeneration, Planning & Economic Development

- 4.2.1 Overall, the service division presently has a projected under spend of £366k. Planning services are reporting an under spend of £283k and Economic Development & Tourism a £83k 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 2013/14 and is at present projected to be on target, due a relatively high level of planning application fees for the first 5 months, however this will be monitored closely as numbers of application

and fee levels can vary. The Building Control fees income budget was set at £298.3k and is at present anticipated to be £94k below budget.

- 4.2.3 At present the Planning salary budget is projected to be £300k under spent including savings in relation to two vacant Group manager positions in Countryside and Strategic Planning & Urban Renewal as a result of retirements and non filling of vacant posts in these service groups and planning administration and support. These staff savings are being identified as MTFP (Medium Term Financial Plan) savings in advance.
- 4.2.4 Schemes under the Rural Development Plan (RDP) are continuing in 2013/2014 as extensions to European grant funding was secured to December 2014. The total cost of these schemes will be 80% funded by European (WEFO) grant. Approval of the new schemes has helped secure continuity of employment of Planning Countryside staff.
- 4.2.5 Economic Development & Tourism is presently projecting an under spend of £83k. This under spend is primarily due to staff savings in Business Enterprise Support and at the Tourism venues from the non filling of vacant posts, these savings are being identified as MTFP savings in advance. The tourism venues are also achieving their income targets as a result of ongoing increases in visitor numbers. There are also other operational cost savings in relation to marketing & promotion, printing etc. These under spends are however partly offset by a projected over spend on the GO 2 initiative of £85k, due to a shortfall in income generation and delay in staff restructuring proposals and an overspend of £70k in relation to tourism events due a shortfall in funding for events such as Proms in the Park.
- 4.2.6 Cabinet approved at its meeting on 18th June 2013 to award £180k of Community Assets funding to Regeneration & Planning for a range of initiatives including town centre urban renewal schemes, community partnership schemes, invasive plant species, living environment partnerships and climate change.

4.3 Engineering Services

- 4.3.1 A net over spend of £305k is projected for the Engineering Division for 2013/14, but after excluding budget variations in relation to Home to School Transport (£3k over spend) and Social Services Transport (£147k over spend) which will be ring fenced and appropriated back to the Service Directorates, there is an over spend of £155k.
- 4.3.2 The original 2013/2014 highways infrastructure/ roads maintenance and street lighting budget was subject to budget efficiency savings of £160k and a reduction of £350k in Outcome agreement funding for 2013/2014, the original budget being £8,633million. Expenditure is presently overall projected to be £123k over spent, but the severity of winter weather will have an impact on the overall outturn position.
- 4.3.3 The Engineering Division's salaries budget was reduced by £47k for allocated vacancy management efficiency savings. The salary budget is presently projected to be £90k under spent due to non- filling of vacant posts and other i n year savings.
- 4.3.4 Supervision fee income receivable under the Highways Act (Section 38 and other agreements) is likely to be £17k short of budget (£150k). 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 only projecting a small overspend of £7k mainly due to NNDR increases, at present car park income is projected to be close to budget. There is also a £64k projected overspend in passenger transport due to bus shelter/park & ride maintenance and Public Transport contractor payments and a reduction in Grant Income.
- 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 ITU (Integrated Transport Unit), will be ringfenced for transfer back to the service Directorates. It should be noted that Home to School Transport expenditure includes £200k in relation to transporting

Cwmcarn students to Ebbw Vale, excluding these costs, Home to School transport is presently projecting a £197k under spend.

- 4.3.7 Cabinet approved at its meeting on 18th June 2013 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 a small net over spend of £1k.
- 4.4.2 Environmental Health is currently projecting a small net under spend of £6k, this is primarily due to salary savings as a result of reduced hours and continued Townsend funding for Healthy Living initiatives, offset by increased maternity costs in Pollution Group. Additional funding from the Food Standards Agency has been received for undertaking additional food safety visits and increased income is projected in Enforcement as a result of the new pest control service collaboration with Blaenau Gwent County Council from April 2013. This is offset by a £10k revenue contribution to Capital works at Trinant closed landfill site for emergency drainage works.
- 4.4.3 Trading Standards, Licensing and Registration service group is reporting a small overspend of £8k, mainly due to additional salary costs for Registration Services, partly offset by a small projected increase in income and some in year salary savings across the rest of the group. Licensing income is presently anticipated to be close to budget but will be reviewed regularly.
- 4.4.4 Community Safety is projecting a small under spend of £6k primarily due to additional income providing CCTV monitoring to other services. It is anticipated that some expenditure on CCTV enhancements and replacements will be completed this year due to the establishment of a £11k infrastructure budget for 13/14. 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. All grant funded schemes are on budget to date. Final approval of the 2013/2014 spend plans is still awaited from Welsh Government for the Substance Misuse Action Fund, before funding can be released. Newport County Borough Council now acts as regional banker for this initiative for the Gwent Authorities.
- 4.4.5 Catering Services are projecting an overall small over spend of £5k. There is an under spend projected in Primary school catering due to increased income from increased meal take up by children and reduced staffing costs. This under spend is offset by an over spend in relation to Meals Direct of £46k, which continues to give cause for concern, with reductions in meals numbers and income generation and an over spend at the staff restaurants of £16k. Catering received additional funding of £156k in 2013/2014 in relation to the additional pay costs associated with the living wage and £80k to enable the service to freeze school meal prices.
- 4.4.6 Cabinet approved at its meeting on 18th June 2013 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 £835k on a revised budget of £21.8 million. However, £338k of this relates to cemeteries where any under spend is ring fenced for future improvement and enhancement in cemeteries.
- 4.5.2 Waste management & cleansing is projecting an under spend of £393k, the under spend primarily relates to reduced staffing costs in cleansing services due to the non replacement of vacant posts and reduced operating costs for dry recycling treatment services. Under spend in these areas are identified as MTFP (medium term financial plan) savings in advance. There has however been some problems with the dry recycling treatment contract arrangements with the original contractor being replaced with a new interim contract and the savings originally anticipated will be reduced. Under spend in cleansing and dry recycling is partly offset by

increased costs of treating waste at CA sites, reduced commercial waste collection income and a reduction in SWMG (Sustainable Waste Management Grant). There will be ongoing future budget pressures in waste management as a result of increased landfill tax and the continued reduction of the SWMG. 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 £558k, 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 £356k however as noted in paragraph 4.5.1 above, £338k 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.
- 4.5.4 Leisure centres, Sports Development and outdoor education is presently projecting an under spend of £86k, mainly in relation to energy costs at Leisure centres. Overall the Leisure Centres have performed well and with the work completed and reopening of Newbridge swimming pool and the enhancements at Risca LC further improvement can be expected.
- 4.5.5 Cabinet approved at its meeting on 18th June 2013 to award £110k of Community Assets funding for litter bin replacements, allotment strategy implementation and Parks services for a range on 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. 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 2013/2014 MTFP targets. This was reduced to £194k by the start of 2013/2014 as further savings were identified and allocated to service divisions as part of the 2012/2013 original budget.

4.7 Direct Labour And Direct Service Trading Accounts

- 4.7.1 Network Contracting Services is reporting a small trading profit of £19k, which is a reduction on the £33k profit reported for the same period last year. Work and income is presently £59k 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 profit of £20k compared to a £1k loss this time last year there have been some operational cost savings due to retirements this year. 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 cash profit of £95k this year compared to a profit of £86k for the same period last year. The DSO has received funding of £238k in 2013/2014 to finance the additional salary costs associated with the implementation of the living wage. 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 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 appendices.

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
Sandra Aspinall, Acting Deputy Chief Executive
Pauline Elliot, 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, Acting 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 2013/2014 and DLO/DSO Trading Accounts 2013/2014

Appendices:

Appendix 1 Environment Directorate - Regeneration, Planning & Economic Development Division
Appendix 2 Environment Directorate - Engineering Division
Appendix 3 Environment Directorate - Public Protection Division
Appendix 4 Environment Directorate - Community & Leisure Services Division.

Links to other Documents:

Minutes Council Meeting 27/2/2013: "Budget Proposals 2013/14 and Medium Term Financial Strategy 2013/2016"
Agenda Item No. 2(B)