



REGENERATION AND ENVIRONMENT SCRUTINY COMMITTEE – 18TH FEBRUARY 2014

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 and Economic Development Division, Engineering Division, Public Protection Division and Community and 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 and 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 November 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 £995k. The Appendix provides 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	5,316	599
Engineering Services Division	21,661	21,761	22,039	(278)
Public Protection Division	7,323	7,333	7,255	78
Community & Leisure Services Division	21,669	21,779	21,097	682
Directorate General	(194)	(194)	0	(194)
DLO/DSO's	55	55	(153)	208
NET DIRECTORATE	56,214	56,649	55,554	1,095
Home to School Transport - ring fenced overspend				(44)
Social Services Transport - ring fenced overspend				(141)
Cemeteries Task & Finish - ring fenced under spend				210
Local Development Plan - ring fenced under spend				75
NET DIRECTORATE excluding ring fenced budgets				995

4.2 Regeneration, Planning & Economic Development

- 4.2.1 Overall, the service division presently has a projected under spend of £599k. Planning services are reporting an under spend of £409k and Economic Development & Tourism a £190k underspend.
- 4.2.2 At present the Planning salary budget is projected to be £333k under spent including savings in relation to two vacant Group manager positions in Countryside and Strategic Planning and 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.
- 4.2.3 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 remained at £525.2k for 2013/14 and is at present projected to be £41k below budget and the Building Control fee income budget was set at £298.3k and is anticipated to be £50k below budget. Search fee income is £14k below the £105k budget. Income in these areas will be monitored closely as numbers of applications and fee levels can vary.
- 4.2.4 Local Development Plan (LDP) budgets are presently under spent by £75k this is primarily due to performance improvement grant funding from Welsh Government received, to be used for future required strategic reviews of the Council LDP.
- 4.2.5 There are other budget under spends in relation to enhanced maintenance (£91k) and some office based costs (£15k) which are both MTFP savings in advance.
- 4.2.6 Schemes under the Rural Development Plan (R.D.P) 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 (W.E.F.O) grant. Approval of the new schemes has helped secure continuity of employment of Planning Countryside staff.
- 4.2.7 Economic Development and Tourism is presently projecting an under spend of £190k. 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 and also income targets being exceeded at some of the tourism venues, which again are identified as MTFP savings in advance. There is also a projected £95k under spend in relation to industrial estates due to income from rents in excess of targets and reduced maintenance costs, again this is being identified as MTFP savings. There are also other operational cost savings in relation to marketing and promotion, printing etc.
- 4.2.8 The under spends noted in paragraph 4.2.7 are partly offset by a projected over spend on the GO 2 initiative of £90k, due to a shortfall in income generation and delay in staff restructuring proposals and an overspend of £88k in relation to tourism events due a shortfall in funding for events primarily Proms in the Park.
- 4.2.9 Cabinet approved at its meeting on 18th June 2013 to award £180k of Community Assets funding to Regeneration and 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 £278k is projected for the Engineering Division for 2013/14, but after excluding budget variations in relation to Home to School Transport (£44k over spend) and

Social Services Transport (£141k over spend) which will be ring fenced and appropriated back to the Service Directorates, there is an over spend of £93k.

- 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 £80k over spent due to reactive maintenance to repair potholes and emergency response to flooding events. The severity of winter weather 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 Division's salaries budget was reduced by £47k for allocated vacancy management efficiency savings. The salary budget is presently projected to be £100k under spent due to non- filling of vacant posts and other in 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 There are some overspends in relation to car parks, bus shelters and park and ride maintenance costs. Car park income is projected to exceed budget, mainly due to no free parking in the Christmas period. There is also a £60k projected overspend in Public Transport in relation to subsidised bus services due to reduced WG grant, but a recent review of subsidised bus routes may help to reduce this level of overspend.
- 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 ring-fenced for transfer back to the service Directorates. It should be noted that Home to School Transport expenditure excludes £421k in relation to transporting Cwmcaern students to Ebbw Vale (funded separately). Home to School transport is presently projecting a £44k over spend mainly down to the increase in actual school transport days in the financial year 2013/14 and Social Services transport an over spend of £141k due to demand.
- 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 an under spend of £78k.
- 4.4.2 Environmental Health is currently projecting a net under spend of £24k, 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 £10k revenue works at Trinant closed landfill site for emergency drainage works.
- 4.4.3 Trading Standards, Licensing and Registration service group is reporting a projected saving of £19k, due to a projected increase in income in Registration services of £10k and some in year salary savings, partly offset by additional salary costs for Registration Services. Licensing income is presently anticipated to be on budget, but will be reviewed regularly.
- 4.4.4 Community Safety is projecting a small under spend of £16k 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 from Welsh Government for the Substance Misuse Action Fund, has 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 £19k on a £3.2million net budget. There is an under spend projected in Primary school catering of £47k due to increased income from increased meal take up by children and reduced staffing costs. This underspend is offset by an over spend in relation to Meals Direct of £19k, which continues to give cause for concern, with reductions in meals numbers and income generation and also, due to the cost of covering long term sickness absence an over spend at the staff restaurants of £24k. 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 and Leisure Services

- 4.5.1 The Community and Leisure Division is presently projecting an under spend of £682k on a revised budget of £21.8 million. However, £210k of this relates to cemeteries where any under spend is ring fenced for future improvement and enhancement in cemeteries. The under spend excluding cemeteries is £472k
- 4.5.2 Waste management and cleansing is projecting an under spend of £404k, the underspend primarily relates to reduced staffing costs in cleansing services due to the non replacement of vacant posts (£180k of this under spend is identified as MTFP savings in advance) and also a reduction in residual waste landfill. These under spends are partly offset by increased costs of treating waste at CA sites, additional work required at the Full Moon transfer station, a reduction in SWMG (Sustainable Waste Management Grant) and increased costs associated with dry recycling treatment. The dry recycling contract is currently in legal dispute and costs have escalated which is impacting on the financial position. A separate report is being prepared regarding a range of waste management service issues which may require additional expenditure. The waste management and cleansing 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 £234k however as noted in paragraph 4.5.1 above, £210k of this relates to cemeteries where any under spend is ringfenced for future planned investment to create and enhance cemetery provision across the County Borough. The remainder of the service area is presently projecting a small £24k under spend.
- 4.5.4 Leisure centres, Sports Development and outdoor education is presently projecting an under spend of £44k. Closures at a number of Leisure Centres for maintenance and enhancements to changing rooms and swimming pools has impacted on income targets, but this is more than offset by savings in other running costs, particularly energy. With the 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 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. 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 cash profit of £26k, compared to £12k 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 profit of £22k compared to a £6.5k 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 £105k this year compared to a profit of £106k for the same period last year. The DSO has received funding of £275k in 2013/2014 to finance the additional salary costs associated with the implementation of the living wage. The improved financial position is due to a combination of reduced staffing costs and increased income. 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. The DSO will provide a £50k MTFP saving contribution next year in recognition of the trading profits being generated this year

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 £995k, 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, 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 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 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. Poole, Cabinet Member Community and Leisure Services
Councillor T. Williams, Cabinet Member Highways, Transportation and Engineering
Sandra Aspinall, Acting Deputy Chief Executive
Pauline Elliot, Head of Regeneration and Planning
Robert Hartshorn, Head of Public Protection
Terry Shaw, Head of Engineering Services
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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

Appendices:
Appendix 1 Budget Monitoring Report

Background Papers:
Council Report, Item No. 2(B), 27th February 2013: "Budget Proposals 2013/14 and Medium Term Financial Strategy 2013/2016"