



## REGENERATION AND ENVIRONMENT SCRUTINY COMMITTEE – 27TH OCTOBER 2015

**SUBJECT: BUDGET MONITORING REPORT 2015/2016**

**REPORT BY: CORPORATE DIRECTOR - COMMUNITIES**

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### **1. PURPOSE OF REPORT**

- 1.1 To inform Members of the most recent budget monitoring position for 2015/2016 for Environment Directorate service Divisions, including Regeneration & Planning Division, Engineering Services Division, Public Protection Division and Community & Leisure Services Division.

### **2. SUMMARY**

- 2.1 The report summarises the most recent budget monitoring projections for 2015/2016 based on the latest available financial information.
- 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 25<sup>th</sup> February 2015.
- 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' 1a to 1d.

- 4.1.2 It should be noted that the budget report to Council on 25th February 2015 detailed the need to apply further budget efficiency savings in 2015/2016 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 £3.861million.
- 4.1.3 The table below summarises the present budget monitoring position, with an overall Directorate under spend of £1.182million, but exclusive of ring fenced budgets this under spend is reduced to £607k. Appendices 1a to 1d provide more detail on the budget variation projections for each Service Division.

	<b>ORIGINAL ESTIMATE 2015/2016</b>	<b>REVISED ESTIMATE 2015/2016</b>	<b>ANTICIPATED OUTTURN 2015/2016</b>	<b>ANTICIPATED VARIANCE 2015/2016 Under (Over)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Regeneration &amp; Planning Division</b>	<b>4,338</b>	<b>4,418</b>	<b>4,202</b>	<b>216</b>
<b>Engineering Services Division</b>	<b>20,435</b>	<b>20,535</b>	<b>19,835</b>	<b>700</b>
<b>Public Protection Division</b>	<b>7,233</b>	<b>7,243</b>	<b>7,033</b>	<b>210</b>
<b>Community &amp; Leisure Services Division</b>	<b>18,779</b>	<b>18,847</b>	<b>18,791</b>	<b>56</b>
<b>NET DIRECTORATE</b>	<b>50,785</b>	<b>51,043</b>	<b>49,861</b>	<b>1,182</b>
Home to School Transport - ring fenced under spend				<b>257</b>
Social Services Transport – ring fenced under spend				<b>43</b>
Cemeteries Task & Finish – ring fenced under spend				<b>275</b>
<b>NET DIRECTORATE excluding ring fenced budgets</b>				<b>607</b>

#### 4.2 Regeneration & Planning Division

- 4.2.1 Overall, the service Division presently has a projected under spend of £216k. Planning services are reporting an over spend of £112k and Economic Development & Tourism an under spend of £328k.
- 4.2.2 Countryside Services are reporting a under spend of £22k, with a shortfall in income generation from car park charging of £22k offset by under spends in relation to a staff vacant post which is a MTFP saving in advance for 2016/2017 and other operational costs.
- 4.2.3 Development Control is reporting an under spend of £33k, due to delayed filling of a vacant post also Planning application fee income is projected to be close to the £571k budget target, including pre application advice income charges of £20k. This is the first year for a number of years that planning fee income is projected to achieve budget targets and is a reflection of an increase in the number and value of planning applications. However, the under spend in relation to Development Control is more than offset by an over spend of £74k in Building Control, where income is projected to be £91k below the £307k budget. This income shortfall is however partly offset by under spend in staffing costs due to the delayed filling of a vacant post. Search fee income is £11k below the £112k budget. Planning application fee, building control fee and search fee income is dependent on the number of applications received and this 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 projected to be £82k over spent due a shortfall in grant and other fee income and associated LDP monitoring costs, partly offset by staffing under spend due to maternity leave not being covered.
- 4.2.5 Schemes under the Rural Development Plan (R.D.P) are continuing in 2015/2016 as a result of a new approved RDP programme 2014-2020. 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 and Countryside staff.
- 4.2.6 Economic Development & Tourism is presently projecting an under spend of £328k. This under spend is partly due to staff vacant posts (£64k) in Business Enterprise Support and Business Urban Renewal most of which are proposed MTFP savings in advance for 2016/2017 and savings in relation to publicity & promotion and office costs. There is a projected £76k under spend in relation to industrial estates due to income from rents in excess of targets and reduced maintenance costs, again there is a MTFP saving in advance proposal of £100k for 2016/2017. Tourism Events have a net under spend of £13k, with additional income generated from the Big Cheese event being partly offset by one off costs in relation to the Urdd held at Llancaiach Fawr in May. 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, MTFP savings are being considered for the tourism venues in 2016/2017. The financial performance of the tourism venues is pleasing especially as summer weather has been poor.
- 4.2.7 The under spends noted in paragraph 4.2.6 are partly offset by a projected over spend of £58k in relation to the Bargoed retail shop units which are part of the Bargoed Regeneration project. This is due to anticipated under occupancy in 2015/2016 on the units.
- 4.2.8 Cabinet approved at its meeting on 2<sup>nd</sup> 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 under spend of £700k is projected for the Engineering Division for 2015/16, but after excluding budget variations in relation to Home to School Transport (£257k under spend) and Social Services Transport (£43k under spend) which will be ring fenced and appropriated back to the Service Directorates, there is an under spend of £400k.
- 4.3.2 The original 2015/2016 highways infrastructure/ roads maintenance and street lighting budget was subject to budget efficiency savings of £850k, the original budget being reduced to £7,910million. Expenditure in relation to highway reactive maintenance repairs is presently projected to be £50k over spent due to ongoing pressures on the highway network. However, this is more than offset at this stage, by an under spend in street lighting energy (£200k) due to low energy prices and capital investment in low energy LED lights and a £48k under spend in street lighting maintenance due to a reduction in maintenance requirements because of the ongoing capital investment. MTFP savings of £350k have already been approved and a further, £100k proposed in relation to street lighting in 2016/2017. 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 & Invest to save repayment (part year return/full year repayment) costs (£26k) but this is partly offset by car park excess income and salary under spend (£20k). The car park income budget includes an increased target of £20k to reflect the ceasing of holding events in pay & display car parks.

- 4.3.5 There is also an overall under spend in staffing due to vacant posts/delayed filling of £182k most of which (£132k) relates to the Transport Engineering and Public Transport, an element of which is MTFP savings in advance for 2016/2017.
- 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 £257k under spend primarily due to new bus contracts, although the taxi contracts are due for renewal shortly, which may impact on the overall financial position. Social Services transport is projecting an under spend of £43k, partly due to reduced vehicle costs resulting from investment in new vehicles.
- 4.3.7 Cabinet approved at its meeting on 2<sup>nd</sup> April 2014 to award Community Assets funding to Engineering for community response teams (£100k) and this is included in the revised estimates.
- 4.3.8 At this stage of the year Network Contracting Services is reporting a break even position. 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.
- 4.4 Public Protection**
- 4.4.1 Public Protection is presently projecting an under spend of £210k on a revised budget of £7.2million.
- 4.4.2 Environmental Health is currently projecting a net under spend of £61k, this includes a £11k under spend in enforcement group due to additional income from Blaenau Gwent in relation to pest control, £34k under spend in Pollution due to vacant posts which are MTFP savings in advance and £15k under spend in the food team due to staff vacancy maternity. These under spends may be partly offset due to potential increases in Welsh Water costs resulting from monitoring at closed landfill sites and the appointment of new consultants for contaminated land. Costs in relation to closed landfills, pollution and contamination can be volatile and subject to change during the year so they will be monitored closely.
- 4.4.3 Trading Standards, Licensing and Registration service group is reporting a projected under spend of £77k, again, partly due to a staff vacant post in Commercial Services (£42k) which is a MTFP savings in advance for 2016/2017, reduced casual hours in Registrars (£6k) plus additional fees & charges income in Registrars (£11k). Licensing fee income is presently projected close to the budget target and will be monitored closely as this can be subject to variation and the target was increased in 2015/2016 as part of approved MTFP savings.
- 4.4.4 Community Safety is projecting a small £7k under spend primarily due to staffing in relation to CCTV and Community Safety Wardens from reduced overtime and maternity leave. All grant funded schemes are on budget to date, final approval of the 2015/2016 spend plans from Welsh Government for the Substance Misuse Action Fund, have now been agreed. Newport City Council now acts as regional banker for this initiative for the Gwent Authorities and is being periodically recharged for costs incurred.
- 4.4.5 Public Protection administration and support costs are under spent by £44k due to staff vacant posts in administration and trainees which are MTFP savings in advance for 2016/2017.
- 4.4.6 Catering Services are projecting an overall under spend of £20k on a £3.2million net budget primarily due to reduced operating costs (staffing and food costs). However, this will need to

be carefully monitored as any school closures due to adverse winter weather will impact upon income.

- 4.4.7 Cabinet approved at its meeting on 2<sup>nd</sup> 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 overall under spend of £56k on a revised budget of £18.847 million. However, £275k 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 £219k.
- 4.5.2 Waste management & cleansing is presently projecting an overall over spend of £241k. There is a large projected over spend in relation to dry recycling treatment of £766k due to revised treatment contract arrangements with a higher cost per tonne, however, the new arrangements will ensure security of recycling materials treatment for at least the next 12 months. There is also over spend of £439k in relation to residual waste treatment & disposal costs. The residual waste disposal budget was reduced by £1,169k in 2015/2016 as part of the anticipated MTFP savings from the early commencement of the Viridor Efw Plant, however, there has been a need to divert some residual waste to landfill because of close down periods at the Plant which has increased costs. In addition there will also be a one off payment to Viridor this year, for the processing of incinerator bottom ash from the Efw process, which will assist in increasing the Council's recycling tonnage closer to the 58% statutory target which needs to be achieved to avoid the imposition of fines.
- 4.5.3 It is anticipated that these over spends will be partly offset by an under spend in relation to CA sites waste treatment of £375k, due to reduced tonnage resulting from the introduction of the permits scheme and also an under spend in staffing costs (£383k) in relation to waste collection, street cleaning and HQ management & supervision staffing, for vacant posts and MTFP savings in advance for 2016/2017. There are also other savings in operational costs of £206k due to reductions in vehicle operational costs such as fuel and repairs, although these costs remain volatile and will be closely monitored. Volumes of waste tonnage from the various waste streams and the treatment costs per tonne are monitored closely as any fluctuations during the year can have a significant impact on the overall financial position. The budget report to Council on 25<sup>th</sup> February 2015, approved the provision of a £240k contingency for waste management, to be held corporately and released to Community & Leisure Waste Management if there was a projected overall over spend for the Service Division due to waste management cost/budget pressures.
- 4.5.4 Overall, Parks, Outdoor Facilities and Cemeteries services is presently projecting an under spend of £336k however as noted in paragraph 4.5.1 above, £275k 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 under spend of £61k, of which £49k is due to a staff vacant post which is a MTFP saving in advance for 2016/2017.
- 4.5.5 Leisure is reporting an overall over spend of £34k. Leisure centres are reporting an over spend of £112k, this is mainly due to a projected under achievement in income targets at present. The Leisure Centres have challenging income budget targets as a result of the additional £100k MTFP savings applied in 2015/2016. The over spend in Leisure Centres is partly offset by an under spend in central leisure due to a vacant managers post and other central costs and an under spend in sports & health development of £23k. Income targets at Leisure Centres will be monitored closely as income generation is subject to variation depending on customer demand.
- 4.5.6 Cabinet approved at its meeting on 2<sup>nd</sup> April 2014 to award £68k 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 roundabout enhancements and community schemes.

4.5.7 Vehicle Maintenance & Fleet management is presently showing an over spend of £39k mainly due to a reduction of work in the workshop which is impacting on productivity levels and income generation. The outturn position will be dependent on the value of work through the workshop over the next few months and the ability to finance fixed overheads.

4.5.8 Building Cleaning is reporting a projected budget surplus of £33k. Building Cleaning 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.

#### 4.6 **Medium Term Financial Plans (MTFP) Savings 2015/2016**

4.6.1 The 2015/16 revenue budget for Environment Directorate included targeted MTFP savings of £3.861m as summarised in table 2 below. The projected overspends and under spends discussed in the above paragraphs take account of these savings targets.

<b>Service Division</b>	<b>Approved Savings 2015/2016 £000</b>
<b>Regeneration &amp; Planning Division</b>	<b>622</b>
<b>Engineering Services Division</b>	<b>985</b>
<b>Public Protection Division</b>	<b>117</b>
<b>Community &amp; Leisure Services Division</b>	<b>2,137</b>
<b>TOTAL</b>	<b>3,861</b>

4.6.2 As reflected in the budget monitoring figures reported above, most of the approved MTFP savings introduced for 2015/2016 have or will be achieved by the end of the financial year, however, there are some that require further review and monitoring including increased income generating targets in relation to Leisure Centres, Outdoor facilities, Licensing and waste collection charges for bins and container replacements 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 to ring fenced reserves for specific requirements. The remaining Directorate under spend presently projected at £607k, 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.

## **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 is maintained Directors are required to review income and expenditure trends.

## **11. STATUTORY POWER**

11.1 Local Government Act 1972.

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Councillor, K. James, Cabinet Member Regeneration, Planning & Sustainable Development  
Councillor, N George Cabinet Member Community & Leisure Services  
Councillor T. Williams Cabinet Member Highways, Transportation & Engineering  
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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 2015/2016

### 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

### Links to other Documents:

Council Meeting 25/2/2015: "Budget Proposals 2015/16 and Medium Term Financial Strategy 2015/2018" Agenda Item No. 4

Cabinet Meeting 04/02/2015: "Budget Proposals 2015/2016 and Medium Term Financial Strategy 2015/2018" Agenda Item No 10