



REGENERATION AND ENVIRONMENT SCRUTINY COMMITTEE – 1ST NOVEMBER 2017

SUBJECT: BUDGET MONITORING REPORT 2017/2018

REPORT BY: CORPORATE DIRECTOR - COMMUNITIES

1. PURPOSE OF REPORT

- 1.1 To inform Members of the most recent budget monitoring position for 2017/2018 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 2017/2018 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 22nd February 2017.
- 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 monitoring and management information itself is in accordance with the corporate theme of delivering the Strategies.
- 3.4 Effective financial planning and financial control contribute to the following Well-being Goals within the Well-being of Future Generations (Wales) Act 2015:-
- A prosperous Wales
 - A resilient Wales
 - A healthier Wales
 - A more equal Wales
 - A Wales of cohesive communities
 - A Wales of vibrant culture and thriving Welsh Language
 - A globally responsible Wales

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 22nd February 2017 detailed the need to apply further budget efficiency savings in 2017/2018 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 £0.904million.
- 4.1.3 The table 1 below summarises the present budget monitoring position, with an overall Directorate under spend of £539k, but **exclusive** of ring fenced budgets this under spend is reduced to £330k. The report will highlight that part of the overspend in relation to Community & Leisure Division can if necessary, be funded from a corporate earmarked reserve created to temporarily finance overspends in relation to dry recycling treatment until the benefits of new contract arrangements are fully secured (paragraph 4.5.2 below). Appendices 1a to 1d provide more detail on the budget variation projections for each Service Division.

TABLE 1	ORIGINAL ESTIMATE 2017/2018	REVISED ESTIMATE 2017/2018	ANTICIPATED OUTTURN 2017/2018	ANTICIPATED VARIANCE 2017/2018 Under (Over)
	£000	£000	£000	£000
Regeneration & Planning Division	4,018	4,018	3,881	137
Engineering Services Division	19,984	19,984	19,917	67
Public Protection Division	7,224	7,224	6,887	337
Community & Leisure Services Division	18,490	18,490	18,492	(2)
Directorate General	164	164	164	0
NET DIRECTORATE	49,880	49,880	49,341	539
Home to School Transport - ring fenced over spend				0
Social Services Transport – ring fenced under spend				28
Cemeteries Task & Finish – ring fenced under spend				181
NET DIRECTORATE under spend (excluding ring fenced budgets)				330

4.2 REGENERATION & PLANNING DIVISION

- 4.2.1 Overall, the service division presently has a projected under spend of £137k. Planning services are reporting over spend of £163k and Regeneration under spend of £300k.
- 4.2.2 Countryside Services are reporting underspend of £59k, with a shortfall in income generation from car park charging of £30k being more than offset by under spends from staff vacant posts and other operational costs.

- 4.2.3 Schemes under the Rural Development Plan (R.D.P) are continuing in 2017/2018 as a result of a new approved RDP programme 2014-2020 and European grant funding of £2.643million for the period up to 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. However this position is likely to change in future years due to the UK's exit from the European Union and the impact this will have on existing European grant funding.
- 4.2.4 Development Control is reporting an over spend of £80k as a result of Planning application fee income presently being projected to be £70k short of the £564k budget target and also additional legal fees and advice linked to a number of large planning applications (£64k). These overspends are partly offset by staffing underspend due to a vacant post. There is also an over spend of £86k in Building Control, where income is presently projected to be £102k below the £295k budget. Planning application fee and building control fee income is dependent on the number of applications received and applications and fee levels can vary significantly. The addition of one or two large planning applications can make a significant difference to income levels and this will be monitored closely over the next few months.
- 4.2.5 Strategic Planning budgets are presently projected to be £51k over spent due a shortfall in rechargeable fee income, partly offset by staffing under spend due to staff on reduced working hour contracts.
- 4.2.6 Overall Regeneration is presently projecting an under spend of £300k. Business Support has underspend of £120k which is due to a combination of under spend of £100k in Community Regeneration Fund due to an anticipated reduction in the number of applicants for grant match funding support and reductions in other operational costs such as marketing & promotion, subscriptions etc.
- 4.2.7 Business Urban Renewal is reporting an over spend of £46k, this includes a projected over spend of £55k in relation to the Bargued retail shop units due to anticipated under occupancy of the units and reduced rental income in 2017/2018 partly offset by underspend in other operational costs within the Urban Renewal and Town Centre management teams.
- 4.2.8 There is a projected £40k under spend in relation to industrial properties due to rental income in excess of budget and underspend in some operational costs. There will be further review of this service and initiatives identified to sustain and increase Industrial Property rent income in order to ensure budget targets are achieved in the future.
- 4.2.9 Tourism Events and marketing have a net under spend of £22k, due to additional income from pitch fees and concessions at various events including the Big Cheese and town centre markets and reduction in some operational costs in the marketing, promotion and events team. At present the Tourism Venues (including the BMI) are reporting an overall combined under spend of £124k primarily due to delayed filling of staff vacant posts and some vacant posts which are MTFP savings in advance. Income targets at some venues are being exceeded particularly the Caerphilly Visitor Centre. Income at Cwmcarn Visitor Centre is still being influenced by the adverse effect of the closure of the Scenic Drive due to the ongoing tree felling works, but despite this the venue is doing well to be close to income targets. Income generation at the tourism venues will be closely monitored as it can be susceptible to variation due to changes in consumer demand and visitor numbers. Marketing & promotion and identifying new customer offer options are important to the ongoing financial sustainability of the tourism venues.
- 4.2.10 Community Regeneration has an under spend of £7k, mainly due to additional staff recharge income from support provided to the grant funded Community First programme.
- 4.2.11 There is underspend of £33k in senior management support due to the vacant Head of Service post partly offset by interim acting up payments for Head of Service cover.

4.3 ENGINEERING SERVICES

- 4.3.1 Engineering is reporting a net under spend of £67k on a £19.98million budget, but after excluding budget variations in relation to Home to School Transport (break even at present) and Social Services Transport (£28k under spend) which will be ring fenced and appropriated back to the Service Directorates, there is an under spend of £39k.
- 4.3.2 Highway Operations is reporting over spend £48k. This includes a £23k overspend in highway maintenance works primarily due to additional pot hole repairs (£100k) partly offset by reduced call outs for other reactive maintenance work. In addition there is a projected £62k overspend in street lighting energy due to increased energy prices but partly offset by savings from energy efficient light investments. There is also projected £20k reduced income in relation to New Roads Street Acts Works (NRSWA) fixed penalties and additional £23k income from dropped kerb installation requests. The expected levels of reactive highway maintenance work in 2017/18 are difficult to predict but every attempt will be made to manage the overall maintenance programme to stay within budget. The current assumption is the winter maintenance element of the highway maintenance budget (£1.1m) will be fully spent but this will depend on the severity of the winter. There is funding in the winter maintenance reserve of £500k which can be accessed if necessary. The Engineering Division is reviewing the highway maintenance programme to identify measures to balance the budget by the end of the financial year.
- 4.3.3 EPG (Engineering Projects Group) is reporting underspend of £29k including underspend in staffing from delayed filling of posts (£74k) partly offset by reduced fee income and additional costs associated with acquisition of surveying equipment and I.T. systems.
- 4.3.4 Transport Engineering overall is projecting a balanced budget, with a shortfall in car park income of £66k (on £736k budget) and overspend on car park running costs due to phase 2 of the car park asset review (£75k), being offset by underspend in staffing of £122k including Transport manager secondment, vacant car park attendant posts and vacant posts in school crossing patrols.
- 4.3.5 Public Transport is reporting an under spend of £27k, mainly due to the Connect 2 lead driver being recovered via grant.
- 4.3.6 Home to School Transport is projected to budget at present. However over 200 special transport contracts are being renegotiated for September and the mainstream Primary/Secondary contracts are to be retendered in January 2018, both of which could have an impact on the financial position. The projection assumes full spend of the additional £148k funding for Islwyn High School.
- 4.3.7 Social Services Transport is projecting under spend of £28k due to vacant posts partly offset by increased operator costs. It is also assumed that the planned RCCO on the new lease/replacement strategy takes place in 17/18.
- 4.3.8 At this stage Network Contracting Services (NCS) is anticipating surplus of £70k primarily in relation to the SEW contract. The financial position of NCS is heavily dependent on the volume and value of work secured during the year and this is monitored closely along with productivity levels within the workforce.
- 4.3.9 Engineering general has projected overspend £36k primarily additional costs of Head of Service cover.

4.4 PUBLIC PROTECTION

- 4.4.1 Public Protection is presently projecting an under spend of £337k on an overall revenue budget of £7.224million.

- 4.4.2 Environmental Health is currently projecting a net underspend of £144k this is primarily due to underspend of £158k in salaries from a combination of vacant posts some being held to support the Medium-Term Financial Plan savings requirement for 2018/19, maternity, reduced hour contracts and reduced overtime. There are a number of ongoing issues in respect of pollution and contaminated land sites that are unpredictable and difficult to assess in terms of financial cost, but it is assumed the existing provisions and budget will cover this at present. Pollution and contaminated land sites are being closely monitored as any increases in this area would impact on the overall financial position.
- 4.4.3 Trading Standards, Licensing, Community Safety and CCTV has a projected net underspend of £155k. This is primarily due to a combination of staff vacant posts, staff secondment and reduced hour working and additional income from Registrar's and also one-off sampling recharge income in relation to Trading Standards. Licensing fee income can be subject to variation so this will be monitored closely.
- 4.4.4 There is a projected overall net underspend of £37k for Catering Services, this includes underspend in relation to Comprehensive schools (£104k) due to a combination of overachievement of income targets and reduced staffing & food costs, Meals Direct & staff restaurants (£27k) due to reduction in staffing and vehicle running costs and breakfast clubs (£31k) in relation to staffing costs. These underspends are partly offset by a projected overspend in Primary schools of £95k due to additional expenditure in relation to kitchen equipment repairs & maintenance and purchases and also an anticipated need to finance capital related expenditure (£57.9k) in relation to school kitchen refurbishments via a RCCO (Revenue Contribution to Capital Outlay) due to unforeseen costs associated with asbestos removal and additional building works. There is also overspend in relation to HQ staffing (£30k) linked to sickness cover and early commencement of new staff.

4.5 COMMUNITY & LEISURE SERVICES

- 4.5.1 The Community & Leisure Division is presently projecting overall net over spend of £2k on a budget of £18.490 million.
- 4.5.2 Waste Management & Cleaning Services is reporting over spend of £382k. There is anticipated overspend in dry recycling treatment (£326k), albeit this is reduced significantly on previous years due to the commencement of the new dry recycling contract in July, which will reduce costs associated with treating rejected/contaminated waste. There are some ongoing recycling contamination problems which the Council is looking to address in conjunction with the new contractor and via an education, advice and enforcement programme with householders. There is a contingency reserve available to finance overspend in dry recycling during 2017/2018 if the cost reductions from the new contract are not as great as originally anticipated due to the recycling contamination issues. There is also overspend in relation to CA sites (£126k) primarily due to increased tonnage of waste and running costs. Vehicle running costs for all the collection rounds are showing a £265k overspend in relation to repairs, cover vehicles and fuel. These overspends will be partly offset by an anticipated reduction in vehicle acquisitions this financial year and therefore reduced RCCO (£40k) and also a net staffing under spend of £362k primarily due to vacant posts in street cleansing services some of which are being held to support the Medium-Term Financial Plan savings requirement for 2018/19. 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.
- 4.5.3 An underspend of £221k is projected for Parks, Outdoor Facilities and Cemeteries. Cemeteries is reporting a £181k under spend due to income in excess of budget and reductions in maintenance expenditure. Any underspend in relation to cemeteries is ring fenced for future investment in cemetery infrastructure. Parks and Outdoor facilities are reporting combined underspend of £40k primarily due to staff vacant posts some of which are MTFP savings in advance, partly offset by an overspend in relation to tree maintenance. The tree maintenance budget is under significant pressure due to a requirement to undertake essential tree works on a number of road by-passes.

- 4.5.4 Leisure Services is projecting an overall underspend of £143k, this is due to a combination of vacant posts (which are MTFP savings in advance) and reduced operating costs including reduced Invest to Save loan repayments. At present Leisure centre income is projected to be close to budget, however income generation can vary depending on consumer demand and operational closures due to maintenance and refurbishments, so this will be monitored closely.
- 4.5.5 Community Centres are at present projecting a balanced budget on a budget of £386k.
- 4.5.6 Vehicle Maintenance & Fleet Management is currently projecting a surplus of £19k. 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.
- 4.5.7 Building Cleaning is at present reporting a small overspend of £12k, primarily due to staff additional hours to cover sickness and holidays, although it is hoped that the financial position will improve to at least financial break- even. The service is continually seeking to secure additional cleaning contract work to sustain employments levels and finance fixed overheads.

4.6 MEDIUM TERM FINANCIAL PLANS (MTFP) SAVINGS 2017/2018

- 4.6.1 The 2017/18 revenue budget for Environment Directorate included targeted MTFP savings of £0.904million as summarised in table 2 below. The projected overspends and under spends discussed in the above paragraphs take account of these savings targets.

TABLE 2

Service Division	Approved Savings 2017/2018 £000
Regeneration & Planning Division	275
Engineering Services Division	153
Public Protection Division	168
Community & Leisure Services Division	308
TOTAL	904

- 4.6.2 As reflected in the budget monitoring figures reported above, the approved MTFP savings introduced for 2017/2018 have or will be achieved by the end of the financial year.

5. WELL-BEING OF FUTURE GENERATIONS

- 5.1 Effective financial management is a key element in ensuring that the Well-being Goals within the Well-Being and Future Generations (Wales) Act 2015 are met.

6. EQUALITIES IMPLICATIONS

- 6.1 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.

7. FINANCIAL IMPLICATIONS

- 7.1 As noted in the table in paragraph 4.1.3 above some service under spends will be appropriated to ring fenced reserves for specific requirements including Home to School Transport, Social Services Transport and Cemeteries. General revenue underspends not subject to specific ring fencing are appropriated to Directorate strategic reserves and Council working balances on a 50/50 basis. Any Directorate over spends will require funding in full from future years revenue budgets.

- 7.2 Based on current projections, general revenue underspend of £337k in relation to Public Protection Division (table 1 paragraph 4.1.4) will be appropriated to Social Service strategic reserve (£168.5k) and Council working balances (£168.5k).
- 7.3 Based on current projections, combined general revenue overspend of £7k in relation to Regeneration & Planning, Engineering and Community & Leisure services would be appropriated to Communities Strategic reserve. If as noted in paragraph 4.5.2 overspend of £326k in relation to dry recycling treatment is funded from Council Corporate contingency reserves, the net general underspend for these Divisions will be £319k of which £159.5k would be appropriated to the Communities Strategic reserve and £159.5k to Council working balances. Consideration will be given to possible use of the contingency reserve in future budget monitoring and at outturn when further updates of the financial position are reported.

8. PERSONNEL IMPLICATIONS

- 8.1 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.

9. CONSULTATIONS

- 9.1 There are no consultation responses, which have not been included in this report.

10. RECOMMENDATIONS

- 10.1 Members are requested to note the contents of this report.

11. REASONS FOR THE RECOMMENDATIONS

- 11.1 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.

12. STATUTORY POWER

- 12.1 Local Government Act 1972 and 2000.

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Christina Harrhy Corporate Director, Communities
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Dave Whetter, Interim Head of Regeneration
Marcus Lloyd, WHQS and Infrastructure Strategy Manager
Rose Shears, Finance Officer
Jane Southcombe, Education Financial Services Manager
Dave Roberts, Group Accountant
Paul Adams, Senior Assistant Accountant
Mike Jones, Interim Financial Services Manager Social Services

Background Papers:

Divisional budget monitoring working papers 2017/2018

Appendices:

Appendix 1A Budget Monitoring Report - Regeneration and Planning

Appendix 1B Budget Monitoring Report - Engineering Services Division

Appendix 1C Budget Monitoring Report - Public Protection Division

Appendix 1D Budget Monitoring Report - Community and Leisure Services

Links to other Documents:

Special Council Meeting 22/2/2017: "Budget Proposals 2017/18 and Medium Term Financial Strategy 2017/2022" Agenda Item No. 4

Cabinet Meeting 15/02/2017: "Budget Proposals 2017/2018 and Medium Term Financial Strategy 2017/2022 Agenda Item No 4