



REGENERATION AND ENVIRONMENT SCRUTINY COMMITTEE – 28TH OCTOBER 2014

SUBJECT: BUDGET MONITORING AND TRADING ACCOUNT REPORT 2014/2015

REPORT BY: ACTING DEPUTY CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 To inform Members of the most recent budget monitoring position for 2014/2015 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 2014/2015 based on the latest available financial information, 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 26th February 2014.
- 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 26th February 2014 detailed the need to apply further budget efficiency savings in 2014/2015 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 £2.7million (appendix 2). The savings targets were detailed in the budget report to Regeneration and Environment Scrutiny Committee on the 1st July 2014, some applied to Direct Labour and Direct Service Organisations (DLO/DSO's) as contract efficiency savings.
- 4.1.3 As noted above, budget details for 2014/2015, including budget efficiency savings, were reported to and considered by the Regeneration and Environment Scrutiny on 1st July 2014.
- 4.1.4 The table below summarises the present budget monitoring position, with an overall Directorate under spend **exclusive** of ring fenced budgets of £451k. Appendices 1a to 1d provide more detail on the budget variation projections for each Service Division.

	ORIGINAL ESTIMATE 2014/2015	REVISED ESTIMATE 2014/2015	ANTICIPATED OUTTURN 2014/2015	ANTICIPATED VARIANCE 2014/2015 Under (Over)
	£000	£000	£000	£000
Regeneration, Planning & Economic Development Division	4,932	5,012	4,669	343
Engineering Services Division	21,304	21,404	21,484	(80)
Public Protection Division	7,269	7,279	7,124	155
Community & Leisure Services Division	20,152	20,214	19,836	378
Directorate General	(197)	(197)	0	(197)
DLO/DSO's	68	68	(12)	80
NET DIRECTORATE	53,528	53,780	53,101	679
Home to School Transport - ring fenced under spend				17
Social Services Transport – ring fenced overspend				(92)
Cemeteries Task & Finish – ring fenced under spend				303
Local Development Plan – ring fenced under spend				0
NET DIRECTORATE excluding ring fenced budgets				451

4.2 REGENERATION, PLANNING & ECONOMIC DEVELOPMENT

- 4.2.1 Overall, the service division presently has a projected under spend of £343k. Planning services are reporting an over spend of £130k and Economic Development & Tourism an under spend of £473k.

- 4.2.2 Countryside Services are reporting a small under spend of £15k, with a shortfall in income generation from the recently introduced car park charging of £40k due to late implementation of this MTFP initiative, offset by under spends in relation to staffing and other operational costs.
- 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 was set at £553k for 2014/15 including a new budget of £20k for pre-application advice as part of the MTFP savings. At present income is projected to be £62k below budget. Building Control fee income budget was set at £302k and is anticipated to be £78k below budget. Search fee income is £3k below the £111k budget. These income shortfalls are however partly offset by under spend in staffing costs of £48k, part of which are subject to MTFP savings proposals in 2015/2016. Income in these areas 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 over spent by £45k due a present shortfall in grant and other income in relation to LDP monitoring and associated LDP monitoring costs. The Monitoring costs will however be funded from an existing reserve for expenditure associated with ongoing LDP monitoring.
- 4.2.5 Schemes under the Rural Development Plan (R.D.P) are continuing in 2014/2015 as extensions to European grant funding was secured. 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.
- 4.2.6 Economic Development & Tourism is presently projecting an under spend of £473k. This under spend is partly due to staff vacant posts in Business Enterprise Support, Business Urban Renewal and Tourism & Events, all of which are proposed MTFP savings in advance for 2015/2016. There is also a projected £195k under spend in relation to industrial estates due to income from rents in excess of targets and reduced maintenance costs, again this is being considered as a MTFP saving in 2015/2016. At present the Tourism Venues are reporting an overall under spend of £33k due to a combination of income generation above target and reduced operational costs, again, further MTFP savings are being considered for the tourism venues in 2015/2016.
- 4.2.7 The under spends noted in paragraph 4.2.6 are partly offset by a projected over spend on the GO 2 initiative of £50k, due to a shortfall in income generation and delay in staff restructuring proposals.
- 4.2.8 Cabinet approved at its meeting on 2nd 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 over spend of £80k is projected for the Engineering Division for 2014/15, but after excluding budget variations in relation to Home to School Transport (£17k under spend) and Social Services Transport (£92k over spend) which will be ring fenced and appropriated back to the Service Directorates, there is an over spend of £5k.
- 4.3.2 The original 2014/2015 highways infrastructure/ roads maintenance and street lighting budget was subject to budget efficiency savings of £225k, the original budget being £9,182million. Expenditure is presently overall projected to be £53k over spent due to highway reactive maintenance repairs. However, 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 Supervision fee income receivable under the Highways Act (Section 38 and other agreements) is likely to be £20k short of budget (£151k). This continues to be the consequence of the economic slowdown and the downturn in the construction industry.
- 4.3.4 There are some overspends in relation to car parks, primarily NNDR costs (£21k) but this is partly offset by car park income in excess of budget (£12k). Car park income budget includes an increased target to reflect the no free parking in the Christmas period applied as part of the MTFP savings in 2014/2015. There is also a £27k projected overspend in relation to bus stations & shelters and park & rides in relation to maintenance, cleaning and CCTV. There was a MTFP saving applied in 2014/2015 of £60k in relation to bus shelters cleaning & maintenance, so this will be monitored closely.
- 4.3.5 At present the Engineering Division budget over spend variations noted above are offset by under spend in relation to staffing non/delayed filling of vacant posts and other operational savings.
- 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 £17k under spend and Social Services transport an over spend of £92k due to demand.
- 4.3.7 Cabinet approved at its meeting on 2nd April 2014 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 £155k.
- 4.4.2 Environmental Health is currently projecting a net under spend of £27k, this is primarily due to an increase in fee income in relation to the pest control service. Projected under spend will be reduced later in the year due to ongoing sewerage discharge costs at closed landfill sites.
- 4.4.3 Trading Standards, Licensing and Registration service group is reporting a projected under spend of £13k, this is primarily due to an under spend in staffing due to a secondment and income above budget in relation to Registrar's fees, this is partly offset by a shortfall in licensing fee income. Licensing income will be monitored closely as it can be subject to variation during the year.
- 4.4.4 Community Safety is projecting an under spend of £26k this is primarily due to an under spend in staffing costs in the CCTV control room. 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 2014/2015 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 £89k on a £3.2million net budget. There is an under spend projected in Primary, breakfast club and Comprehensive school catering of £98k due to a combination of increased income and reduced operating costs. However, this will need to be carefully monitored as any school closures due to industrial action or adverse winter weather will impact upon income. An increase in school meal prices of 5% was implemented in September 2014 as part of the 2014/2015 MTFP savings, which may have an impact on meal take up and income levels for the remainder of the year, so this will be monitored closely. The under spend in schools catering is partly offset by small over spend in relation to the staff restaurants of £9k, which also includes a 5% increase in prices as part of 2014/2015 MTFP savings.

4.4.6 Cabinet approved at its meeting on 2nd 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 under spend of £378k on a revised budget of £20.2 million. However, £303k 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 £75k.

4.5.2 Waste management & cleansing is projecting an under spend of £108k, the under spend primarily relates to anticipated under spend of £366k in relation to residual waste due to the commencement of the Project Gwyrdd interim contract in September, resulting in expected reduced landfill and landfill tax costs. However the final value of under spend will depend on the volume of waste treated at the facility, which in turn will depend greatly on any operational and technological issues with the facility which may require diversion of some waste streams to more costly landfill, which will reduce the level of under spend presently being projected.

4.5.3 There is also under spend in relation to street cleaning services and HQ operational costs mainly due to staff vacancies. However these under spends are partly offset by increased costs of treating waste at CA sites and fluctuations in recycled waste tonnage and increases in recycling treatment contract rates. Other issues in relation to new CA site restrictions/charges introduced as part of the 2014/2015 MTFP savings, required modifications at the Full Moon transfer station site and additional costs of treating mechanical street sweeping waste may also adversely impact on the overall financial position at year end. 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 £632k, required to provide an efficient and effective front line service. A separate report was submitted to Scrutiny Committee on 16th September regarding a range of waste management service issues which may require additional financial support in the future.

4.5.4 Overall, Parks, Outdoor Facilities and Cemeteries services is presently projecting an under spend of £310k however as noted in paragraph 4.5.1 above, £303k 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 a small £7k under spend overall.

4.5.5 Leisure centres, Sports Development and outdoor education is presently projecting an over spend of £39k. The Leisure Centres were set challenging income targets in 2014/2015 including an additional £135k target in relation pricing structures as part of the 2014/2015 MTFP initiatives. At present Leisure Centres are showing an over spend of £129k partly offset by an under spend on energy and other HQ operational costs, but the service will look to reduce operational costs further to fund any shortfall in income targets to ensure a financial break even can be achieved by year end.

4.5.6 Cabinet approved at its meeting on 2nd April 2014 to award £62k 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. The present target is £197k and this will be reduced as further savings are identified and allocated to service divisions.

4.7 DIRECT LABOUR AND DIRECT SERVICE TRADING ACCOUNTS

- 4.7.1 At this stage of the year Network Contracting Services is reporting a break even position compared to a small £12k profit 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 £6k compared to a £6.5k loss. 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 £64k this year compared to a profit of £106k for the same period last year. This includes additional budget provision provided to the DSO of £337k to finance increased salary costs associated with the implementation of and increases in the living wage, less a £50k budget reduction as a contribution to MTFP savings. 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.

4.8 MEDIUM TERM FINANCIAL PLANS (MTFP) SAVINGS 2014/2015

- 4.8.1 The 2014/15 revenue budget for Environment Directorate included targeted MTFP savings of £2.712m as detailed in appendix 2. The projected overspends and under spends discussed in the above paragraphs take account of these savings targets.
- 4.8.2 As reflected in the budget monitoring figures reported above, most of the approved MTFP savings introduced for 2014/2015 have or will be achieved by the end of the financial year, however, there are some where full achievement is not likely due to late implementation, including car park charging at country parks and others that require further review and monitoring including increased income generating targets in relation to Leisure Centres, Catering, Licensing, waste collection charges and CA site charging/restrictions 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 ring fenced reserves for specific requirements, the remaining Directorate under spend and cash profit of the DLO/DSO's presently projected at £451k, 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 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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Councillor, D. Poole Cabinet Member Community & Leisure Services
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Steve Harris, Interim 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 2014/2015 and DLO/DSO Trading Accounts 2014/2015

Minutes - Council Meeting 26/2/2014: "Budget Proposals 2014/15 and Medium Term Financial Strategy 2014/2017" Agenda Item No. 3(2)

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
Appendix 2	Environment Directorate – Savings 2014/15