

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Environmental Services Portfolio Holder
AUTHOR/S: Executive Director Corporate Services

10th August 2010

FINANCIAL MONITORING REPORT ENVIRONMENTAL SERVICES PORTFOLIO EXPENDITURE TO 30th JUNE 2010

Purpose

1. This report compares the actual revenue expenditure and considers any capital expenditure to 30th June for Environmental Services with a pre-determined profiled budget covering the same period.

Recommendations and Reasons

2. The Portfolio Holder is requested to note the report and is invited to comment on the overall level of variance that is outside the local performance target, set at within 3% of budget.

Background

3. It is intended that a quarterly financial monitoring report will be presented to the Portfolio Holder. The report excludes recharges and other year-end transactions. These recharges are calculated for the original estimates in December, preceding financial year, then recalculated for the revised estimates and finalised as soon as possible after the year-end. They form part of a consolidated budget monitoring statement that is reported to Senior Management on a monthly basis.
4. The reported figures are summarised in Appendix A. The budget statement shows a column for profiled expenditure, which is an initial attempt to profile the annual budget into periods of expenditure that correspond to known facts. For example, if it's known that particular expenditure will not be incurred until August, it will be profiled as such in the budget and therefore falls outside the scope of this budget statement.
5. Although this should enable a true comparison with the budget, it should be recognised that as with any organisation, programmes of expenditure do slip and managerial decisions deferred into future periods. Any known factors of this nature have been adjusted on the statement.
6. Members will be acutely aware of this Authority's medium term financial position and the requirement to make recurrent savings on the overall budget. A savings target of £304,000 identified within the MTFs and associated with services within this Portfolio have been included within this year's budgeted expenditure profile.
7. The main purpose of this report is guided towards informing the Portfolio Holder of what the first quarter position is so that problem areas are highlighted at an early stage so that decisions can be steered in a proactive manner.

Commentary will follow on specific relevant areas.

Considerations - Revenue

8. **Environmental Health General** is showing a profiled over spend of c. £7,600. As part of last year's exercise to save £304,000 from the portfolio budget in 2010/11, there remained a £35,000 balancing figure of one-off savings still to be identified. The budget for these savings was placed under this cost centre and as yet is still to be identified.
9. To recognise that these savings are still required to be found, an £8,750 adjustment is recorded representing the first quarter's allocation and is the main contributory factor for this overspend.
10. **Food Safety** teams have been tasked with delivering food hygiene and basic health and safety courses with the aim of increasing the surplus income from £500 in 2009-10, to £3,000 this year.
11. The first quarter results are showing that a surplus of £1,500 has already been achieved which if carried forward pro rata for the rest of the year, will generate a surplus of £6,000. If on scrutiny this level of surplus is sustainable, then a decision will have to be taken on whether to declare any additional savings towards future saving requirements or re-invest them back into the service.
12. **Pest Control's** budget profile for fee income has been based on experience from previous years. The comparison between this profile and the actual amount received in the first quarter is showing additional income of £1,700.
13. With income levels fluctuating from one period to the next, heavily reliant on climatic and ecological conditions, it is notoriously difficult to predict if this quarter's results are sustainable over the full year, suffice to say that the position will be closely monitored.
14. **Integrated Waste Management & Street Cleansing Strategy** reported an under spend in the financial outturn report at the July Portfolio Holder meeting, due to the late delivery of surveillance equipment that was ordered in anticipation for delivery by 31st March. Ultimately the delivery of this equipment in April has lent itself to an over spend of £2,500 in this year's budget.
15. Consideration was placed on the availability of funds within the current year's budget with the aim of absorbing this £2,500 without the need for unnecessary rollover. It was decided that the rollover would not be required and that budgets would be adjusted to reflect the current position.
16. **Refuse Collection Service** is showing a number of fluctuating variances under different cost headings most of which counter-balance each other in terms of budget over and under-spends. However those that are showing particular budgetary variances are in relation to:
 - Operational staffing costs
 - Fuel costs

17. The recession and the slowdown in the housing market have had a corresponding effect on the predicted growth in the district population. Ultimately, housing developments are not being undertaken at the speed that was envisaged in the MTFs, which has meant that there has been an over estimate of the amount needed in the budget to cover collection round expansion which were being met by overtime, agency and vehicle spot hire. The saving in the first quarter against the profile is £18,000.
18. The above fore mentioned saving is being utilised on spending pressures realised within the profiled budget for fuel costs, which is currently recording a budget overspend of £13,800. This is partly due to an upturn in the price of oil that has resulted in the cost of diesel increasing on average over the last six months by approximately 11%.
19. With the wholesale prices of oil continuing to fluctuate from month to month, accurate profiling of the fuel budget is made very difficult. It's not inconceivable therefore that the profiled budget does not reflect accurately, the annual budget as a whole i.e. budgets profiled in future months could claw back some of this first quarter's overspend if oil prices stabilise or reduce. The fuel budget is continually being monitored month-by-month and will be a feature of future quarterly position statements.
20. **Street Cleansing** service supports and helps sustain the operational function of the refuse collection service by transferring operatives between the two services during times of high staff absence levels either due to sickness, turnover or holiday commitments. This is particularly highlighted this year as vacant posts are left unfilled pending the outcome of potential TUPE transfer in October 2010 with the introduction of the new blue bin service.
21. This redeployment of staff has resulted in £8,300 being allocated to refuse collection that is budgeted for within street cleansing which has contributed to the overall under spend on the profiled budget of £20,000. This has had a slight adverse effect on performance levels relating to the clearance of detritus. It is not anticipated that this performance standard will improve until the service changes are made and also clarity concerning the LPSA Reward Grant is known.
22. The only other real alternative to this staff redeployment would be to inject more money into the agency budgets to allow management to utilise all resources at their disposal in areas such as litter picking. Under current financial constraints this might be hard to justify.
23. The other significant under spend against the profile relate to litter picking along arterial trunk roads. From an annual allocation of £30,000, a third has been profiled in the first quarter. Members are reminded that a supplementary litter-picking service along the A14 and A10 trunk roads was undertaken by private contractors in late March, after the current year's budget had been profiled. The timing of this has therefore negated the requirement for the commissioning of these services between April and June, saving £10,000 against the profiled budget.
24. Evidently, the £30,000 annual budget needs to be re-profiled and managerial decisions will need to be made as to whether one-off in-year

savings can be declared or whether the full budget is to be utilised on larger litter-picks later in the year covering a greater area.

25. Members are reminded that Cambridgeshire County Council have recently announced that they are withdrawing, with immediate effect, the provision of funds available to the county's Local Strategic Partnership (LSP) until they're informed by the coalition Government as to whether the remaining funds from their £9million allocation will be released to them or not.
26. Of the total one million pounds of LSP money managed by SCDC, £35,000 is earmarked for providing regular sweeping of footways and main shopping areas of ten targeted villages in this year. With the likelihood that this £35,000 will not be forthcoming, the Environment Operations Manager will have to reassess his expenditure profile, as approximately 70% of this has already been committed on the short-term lease of a dedicated pathway cleaner. It might therefore be necessary for any savings on the overall service to be used to offset this reduction in external funding.
27. Until clarification has been received from the County Council on the eventual outcome, the shortfall of LSP funding has been ignored from a budget statement perspective.
28. **Kerbside Recycling** services are currently undertaken by Veolia Ltd under a contracted arrangement that terminates in October 2010. From this date, the service of collecting dry recyclables from the kerbside will be delivered by the Authority's internal "contractor" using an additional blue wheeled bin.
29. Large-scale savings have been profiled within the five-year MTF5, built on the envisaged success and development of this new way of delivering the service. These savings are heavily reliant on predictive tonnages collected and the successful outcome of a tendering process for the use of a MRF (Material Recycling Facility) with the Authority entering into a long-term contract with the preferred supplier.
30. As the new service does not start until October, no significant expenditure has been incurred within this quarter's report and hence all stated savings relevant to this financial year are profiled outside of this reporting period.
31. **Licensing under the Licensing Act 2003** has seen fee income rise by £2,800 compared with the corresponding three-month period last year. However to guard against this position the Portfolio Holder is reminded that the majority of fee income (approximately 90%) is due in the final nine months of the financial year when, in the main, all the licensed premises are renewed. Therefore a truer comparison will be drawn when the nine-month position statement is reported along with the Portfolio estimate report in January.
32. **Democratic Representation Training** is presenting an over spend against the profile of £2,382 or 187% of the corresponding budget. Following the District elections in May and the appointment of new Members onto committees that require particular technical and procedural expertise e.g. Planning and Employment, it has been necessary to

respond to the legal requirement to train new Members and indeed update existing Members on the relevant legislative procedures.

33. In retrospect, it would've been more accurate to front-load the profile of the annual budget to reflect the greater need for the training of new members when first elected. However the reported position does demonstrate the pressures placed on this budget with only c. £1,400 left to accommodate Members training requirements for the rest of the financial year.

Considerations – Capital

34. There is nothing to report on in relation to the first quarter's capital expenditure that reports to this Portfolio. The only significant item of capital expenditure within the portfolio budget is the purchase of the wheeled bins to facilitate the new recycling collection service.
35. The budget for these bins stands at £1,509,000 in gross terms, with expenditure profiled for the end of August when delivery of the bins to the Authority's premises are scheduled to be completed.

36. Implications

Financial	As detailed in the report
Legal	None
Staffing	None
Risk Management	None
Equal Opportunities	None
Climate Change	None

Consultations

37. All cost centre managers and staff from the accountancy section have been fully consulted in the production of this report.

Effect on Strategic Aims

38. The report has no effect on the strategic aims.

Conclusions/Summary

39. The budget statement at appendix A is showing a profiled budget saving in the first three months of the financial year of £32,160, which represents a variance of almost 4.1% of the respective adjusted profiled budget for this period.
40. It should be emphasised that this is only a comparison with direct expenditure. No account has been made of office-based staff recharges and overheads, which considering the vacant position of Corporate Manager for Environmental Services over the corresponding period would only likely bolster this budget variance.

41. A caveat should be placed over this variance because it is heavily dependant on correct budget profiling with every effort having been taken in adjusting the profile for any known movements during the year to date. The 4.1% budget variance is higher than the target of within 3% under local performance indicator SE229 but does provide an opportunity for directing resources to priority areas or absorbing unexpected budget pressures such as those imposed by the potential withdrawal of LSP funding.
42. Indeed, assuming the budget profile to be correct, it can be demonstrated that the £35,000 shortfall in LSP funding mentioned in paragraph 26 can be almost totally absorbed by the reported first quarter's savings.
43. It is hoped that with proactive budget monitoring and the use of appropriate virements that the overall Portfolio budget will perform on target to the original budget, adjusted for any identified savings. A more accurate outturn estimate will be reported to the Portfolio Holder as part of the budget estimate report in January 2011.

Background Papers: the following background papers were used in the preparation of this report:

Estimate Book 2010/11

Reports from the Financial Management System

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