

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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

9 November 2010

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

Purpose

1. This report compares the actual revenue expenditure and considers any capital expenditure to 30th September 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.

Background

3. It is intended that a quarterly financial monitoring report will be presented to the Portfolio Holder. The report excludes staffing and overhead recharges and other year-end transactions. 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 breaks down 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 December, 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 half-year position is so that problem areas are highlighted at an early stage, enabling decisions to be steered in a proactive manner.
8. To concentrate Members attention on the headline variance, focus will be drawn towards services that are showing and have the potential to show large

budget fluctuations both by their nature and size of the budget involved. These are predominantly within the areas of Waste Management and Street Cleansing whose budgets, when combined, form over 50% of the total net budget variance shown.

Considerations - Revenue

9. **Environmental Health General's** annual budget includes a £35,000 balancing figure of one-off savings still to be identified. This arose from last year's exercise to save the £304,000 target.
10. Although this £35,000 has not been profiled within the first six months and therefore isn't included on the overall position statement, it needs to be recognised as a financial pressure that needs to be addressed either by making budget savings from service areas or from the departmental staffing budget which falls outside the scope of this report.
11. **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.
12. The first six-month results are showing that a surplus of £5,000 has already been achieved which if carried forward pro rata for the rest of the year, will generate a surplus of £10,000. 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.
13. **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
 - Income from wheeled bin delivery service
14. 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's been an over estimate of the amount needed in the budget to cover round expansion which is being met by overtime, agency and vehicle spot hire. The saving in the first quarter against the profile is £35,000.
15. Another subsequent effect of the slowdown in the housing market and growth areas is the reduced revenue generated from the fee charged for delivering new bins to new property developments. It is estimated that in a full year, £50,000 will be received from these fees, weighted heavily in the first six months when traditionally the housing market is more buoyant. The six-month actual position is showing reduced income figures of £15,400 against this profile.
16. The remaining net saving (c. £20,000) is being utilised on spending pressures realised within the profiled budget for fuel costs, which is currently recording a budget overspend of £17,000. This is partly due to an upturn in the price of oil

that has resulted in the cost of diesel increasing by over 9% in the intervening period since the budget was set.

17. With the wholesale prices of oil continuing to fluctuate from month to month, accurate profiling of the budget is made very difficult. It's not inconceivable therefore that the profiled budget does not accurately reflect the annual budget as a whole i.e. budgets profiled in future months could claw back some of this six-month overspend if oil prices stabilise. However this is unlikely with the recent uplift in fuel duty. The fuel budget is continually being monitored month-by-month and will be a feature of future quarterly position statements.
18. The **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.
19. This redeployment of staff has resulted in £10,600 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 c. £22,500.
20. 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.
21. Members are reminded that Cambridgeshire County Council have announced that they are withdrawing the provision of funds available to the county's Local Strategic Partnership (LSP) after being informed by the coalition Government that the remaining funds from their £9million allocation will not be released.
22. 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 this £35,000 not being forthcoming, the Environment Operations Manager may 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 will therefore be necessary for any savings on the overall service to be used to offset this reduction in external funding.
23. To prevent distortion of the overall savings on the street cleansing service itself, the position with regard to the LPSA funding shortfall has been ignored on the position statement shown at appendix A.
24. **Kerbside Recycling** services are undertaken by Veolia Ltd over the period of this report, but this contract 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.
25. Large-scale savings have been profiled within the five-year MTFs, built on the envisaged success and development of this new way of delivering the service. These savings are heavily reliant on predictive tonnages collected now that the tendering process for the use of a MRF (Material Recycling

Facility) have been successfully negotiated, with the Authority entering into a long-term contract with Donarbon, the preferred supplier.

26. As the new service does not start until October, no significant operational expenditure has been incurred within this period's report and hence all stated savings relevant to this financial year are profiled outside of this reporting period.
27. The position statement is showing a significant overspend due to unforeseen expenditure incurred in implementing the blue bin service and also the drop in predicted tonnages of recycled material collected that manifests itself in reduced recycling credits. The reduced tonnages could be due to a number of factors; these include:
- (i) Downturn in the weight of paper collected because of the decline in readership as a result of the economic downturn and also the increasing use of electronic readership via websites etc.
 - (ii) The slowdown in the housing market will also have a medium term effect on the downturn in predictive recycling credits from reduced numbers of property developments.
 - (iii) The type of packaging that is used will have an effect on tonnages collected as manufacturers increasingly find alternative cheaper ways of packaging goods that are both sustainable and avoid the heavy freight costs.
28. All of the above have been factored into future tonnage projections when the service moves across to a wheeled bin and it can be confidently predicted that any shortfall in recycling credits in the first six months will be more than compensated by increased tonnages in the second six months.

Considerations – Capital

29. There is nothing to report on in relation to the first six month'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.
30. The budget for these bins stands at £1,509,000 in gross terms. Agreement was reached with the supplier that payment will not be made against this until all bins had been delivered to residents. With delivery not complete until early October, the expenditure falls outside of this reporting period.

31. Implications

Financial	As detailed in the report
Legal	None
Staffing	None
Risk Management	None
Equal Opportunities	None
Equality Impact Assessment	Report is for information and in itself has no equality impact
Climate Change	None

Consultations

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

Effect on Strategic Aims

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

Conclusions

34. The budget statement at appendix A is showing a profiled budget saving in the first six months of £40,972, which represents a variance of almost 2.5% of the respective adjusted profiled budget for this period.
35. 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.
36. 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 2.5% budget variance is within the target of 3% under local performance indicator SE229 and 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 and the £35,000 additional saving that is still to be identified as alluded to in paragraphs 9 and 10.
37. With these known financial pressures totalling £70,000 and the six-month position statement showing a £40,000 under spend, conclusions can be made that inroads have already been made in finding these required one-off savings out of the first six-month budget.
38. 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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