

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Environmental Services Portfolio Holder 30 June 2011
AUTHOR/S: Executive Director (Operational Services) / Corporate Manager,
Environmental Services

FINANCIAL OUTTURN REPORT ENVIRONMENTAL SERVICES PORTFOLIO EXPENDITURE TO 31 MARCH 2011

Purpose

1. To provide the Portfolio Holder with a year-end position statement that compares the actual revenue and capital expenditure to 31st March 2011 for Environmental Health Services with the working estimates. The working estimates are the revised estimates as approved by Council on 24th February 2011 adjusted for approved virements.
2. One of the main recommendations arising from the Strategic Review of Financial Management was that the individual portfolio holders should receive regular interim reports on the overall budgetary position and a final outturn position at the year-end.

Recommendation

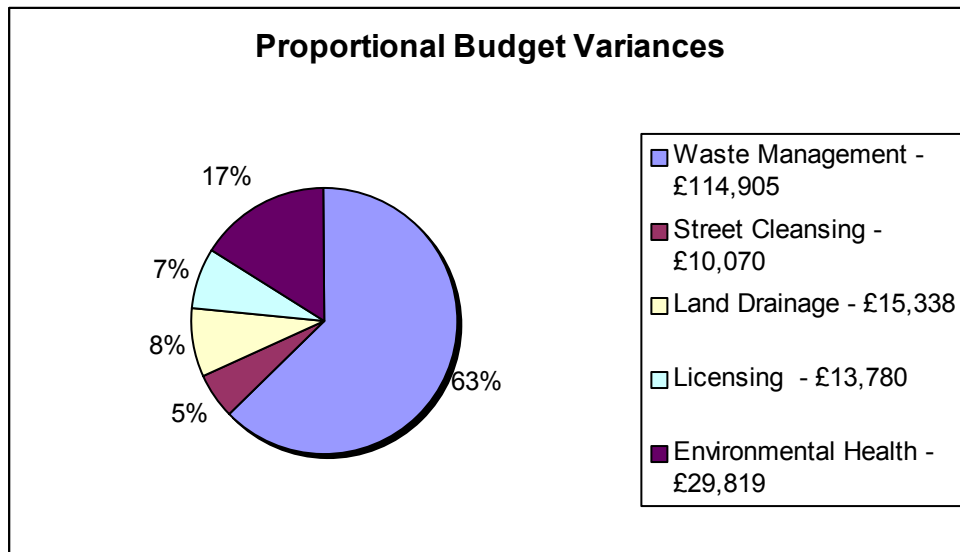
3. The Portfolio Holder is requested to note the contents of the report and that the levels of budget variance (although showing a saving) are in excess of 3% of the overall total net revised revenue expenditure budget that her Portfolio contributes to the Council's Revised General Fund expenditure.

4. Financial Overview - Revenue

	Working Estimate £	Actual Outturn £	Comparison £	%
Direct Expenditure	3,437,430	3,256,380	181,050	5.5
Central, Departmental and Support Services	2,265,050	2,262,174	2,876	0.1
Total (exc. Capital Charges)	5,702,480	5,518,552	183,926	3.3
Capital Charges*	166,380	166,394	(14)	
Total Portfolio Expenditure	5,868,860	5,684,946	183,912	3.1

*Capital charges are notional charges that are not charged to the collection fund

The total savings against the revised estimate (inc capital charges) of £183,912 can be analysed across five sub-sections within the Portfolio with the variance illustrated as a percentage of the whole as shown below.



Background

- Previous financial monitoring reports have concentrated on comparisons of direct portfolio expenditure only i.e. that element of expenditure that excludes overhead recharges that are only calculated and recharged to services annually at the year-end. These comparisons were made against the original estimates on which the council tax base is charged. The timing of this years Portfolio Holder meeting has allowed for the inclusion of the overhead and other departmental recharged costs within the reported figures on the statement at **Appendix A**. This will enable a true comparison with the total budget to be made

Considerations – Financial Position

- A summary position statement with reference to revenue expenditure is provided at Appendix A attached.
- Highlighted below are specific items of variance, with accompanying explanation and links to performance where identified.
- Departmental Staffing and Overhead Recharges** compared with the figures that were approved in February are showing a small saving of £2,876 and therefore it's demonstrated that the recharges from the staffing and overhead accounts are on target with those approved in February.
- Awarded Watercourses** is under spent by c. £15,300 mainly due to two reasons. The feasibility study concerning the flood risk at Covill's Drain was completed at a significantly lower cost than was originally envisaged, saving £5,400. Additionally, a sum of £5,000 was earmarked for specialised contractor works scheduled for March. Unfortunately, due to the tight timescales involved, it was not possible for the contractor to fulfil the obligation and the work therefore had to be postponed. As the work wasn't of an emergency nature, rollover of unspent budget was not sought and

a decision will be made in the new financial year as to whether the work will be re-scheduled in conjunction with available resources.

10. **Footway Lighting** is overspent by £6,660 due to the high level of knockdowns experienced during the inclement weather over the winter. Because of the contingent and to a degree uncontrollable nature of this service budget it was approved that £10,000 should transfer to precautionary items, which will have to be met from Cabinet contingencies if the need arose and the expenditure could not be funded from within the Portfolio. Because it was adjudged that the Portfolio expenditure could sustain the current level of overspend on this service, the appropriate allocation from Cabinet contingency was not required.
11. **Waste Management** encompassing refuse collection and recycling is under spent by c. £114,900, which represents approximately 63% of the total variance as illustrated above.
12. This year has seen a large-scale transition in how the Authority delivers the collection of dry recycling from the kerbside. Rather than continue with using an external contractor, it was approved that the service should be undertaken using the internal contractor (DSO) and operate alongside the existing residual household waste collection service, using an additional wheeled bin.
13. In common with many new initiatives particularly in periods of transition, a number of assumptions are taken in making future finance projections both in the short and medium term. This is particularly prevalent with the new scheme as its success in terms of financial savings is determined largely by the tonnages collected at the kerbside particularly volumes of paper which is sold on to the processing plant.
14. When the revised estimate figures were compiled in December, the new arrangements had only been in operation for three months and it was therefore difficult to formulate a pattern trend for what the likely volumes of material going through the scheme would be i.e. monthly peaks and troughs etc. A prudent view was taken at that time and included within the revised figures.
15. Taking a backward look over the first six months of the new service has seen an uplift of approximately 700 tonnes collected compared with what was estimated in December - 90 tonnes of which is paper. Collectively, this has resulted in increased revenue of £36,000 generated in the first six months over that proposed in the estimate.
16. Of the remaining budget variance, £53,000 is in relation to savings identified on staffing costs specifically salaries, overtime payments and agency costs. This has mainly been achieved by proactive management of absence from work policies, which has resulted in a reduction in days lost through sickness etc., and by the utilisation of all DSO staff resources onto priority areas of refuse collection when the need arises rather than employ agency staff. It should also be noted that there are a number of vacant posts on the DSO establishment that, although budgeted for, have not been recruited to while awaiting a full evaluation of the waste management service along with its future direction.
17. Members' attention should be drawn to the scale of the saving in relation to kerbside recycling. In comparison to the outturn for 2009-10, the Authority has saved £305,000 of revenue expenditure during 2010-11 on this service alone (although the statement shows £462,000, £157,000 of this is tied to capital charges which are notional).

Considerable capital expenditure has been incurred to generate this level of saving, which will be paid back to general fund reserves in future years.

18. The **Street Cleansing** services under spend at approximately £10,000 is only 1.3% of the working budget and is a by-product of the redeployment of staff resources to the refuse collection service as stated in paragraph 16. The only alternative to this practice and to ensure equilibrium with the budget would be to employ additional agency staff, which as long as an acceptable performance level is reached, would be hard to justify under current financial constraints.
19. **Environmental Protection's** budget variance of approximately £5,700 is supported by a request to rollover £5,500 into the 2011-12 financial year. This will be utilised on independent third party reviews on certain documents submitted in accordance with planning conditions. Due to delays both on site and with planning processes not all work required for completion, has been undertaken within the 2010-11 financial year.
20. The income generated through the processing of various **Licensing** applications has shown an uplift of over £15,000 between 2010 and 2011. Licensing income suffers from an element of unpredictability and whereas some of this increase was predicted, a large proportion was not, which has lent itself to the reported budget variance of £13,780 shown in the graphic above.
21. **Miscellaneous Services** encompass a broad range of areas that are individually recognised but collectively reported on mainly due to the small size of the individual budgets involved. The reported outturn budget variance is high at c. £16,000 or 41% of the working budget. The variance is mainly attributable to two factors.
22. The consultants who have previously been commissioned to undertake our environmental promotions surveys have redirected their focus of business away from the public sector and hence are no longer in the market for providing this service. This has resulted in the £10,000 budget committed on work in conjunction with NI182, which measures the experiences of businesses who have dealt with regulatory services and the general customer satisfaction surveys, being unspent.
23. The DCLG has suspended the requirement to submit underlying data returns on NI187, which tackles fuel poverty and records the percentage of people receiving income based benefits living in homes with low energy efficiency ratings. This has resulted in £4,200 being saved from this year's budget that would've been spent on outside agents compiling the raw data.

24. **CAPITAL EXPENDITURE OUTTURN**

Financial Overview – Capital Expenditure

	Working Estimate £	Actual Outturn £	Comparison £	%
Capital Expenditure	1,516,180	1,503,955	12,225	0.8

Considerations – Financial Position

A summary position statement with reference to capital expenditure is provided at **Appendix B** attached.

25. Almost all of the budget variance (£12,200) has been identified from the Housing Renewal Grant Scheme. This scheme is divided into two elements, the renovation of private properties that have fallen into major disrepair and the award of grants to facilitate the installation of solar panels in keeping with the Council's aim of promoting renewable energy and low carbon living.
26. By the nature of these grants, they are demand led and it is always difficult to budget for something that is somewhat of an unknown. Take-up of these grant schemes have not been quite as high as predicted.

Options

27. As stated above this report is for information only and therefore no decisions need to be made at this stage.

Implications

28. The Council needs to ensure that it spends within its budgets, because of the impact on the level of balances and the implication for the Medium Term Financial Strategy. It also needs to be able to demonstrate that it is setting realistic targets and is then achieving these.

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

Consultations

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

Consultation With Children and Young People

30. None.

Effect on Strategic Aims

31. The effect of any under or overspending on the achievement of strategic aims, service priorities and performance indicators and the linking of budgets with service performance is an outstanding issue which needs to be addressed.

Conclusions/Summary

32. The performance indicator (PI) in relation to budget variances draws comparisons between outturn and **original** estimate on which the council tax is charged and is set at 3%. The actual variance set against this PI is 8.4% but does not allow for the declared savings already identified and reported on at January's Portfolio meeting. The budget statement at Appendix A is showing that the variance with working budget is £183,912 or 3.1%.

33. A combination of practical resource management along with a conservative approach in the budget setting process, particularly in relation to waste collection and recycling as reported above, has led to this level of variance. The positives to take from this are that the savings that have already been identified within the strategic waste and recycling review have escalated and further significant savings, outside of those already declared, are likely to accrue in the 2011-12 financial year which will be reported on as the year progresses.
34. Ultimately, the final outturn position as represented in this report will mean that, subject to the approval of any proposed rollovers, approximately £183,900 of revenue expenditure allocated to the Environmental Health Portfolio will be returned to the Authority's General Fund Reserves in respect of the 2010-11 budget and £12,200 to the Authority's balance on capital receipts to fund future capital expenditure.

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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