

REPORT TO:	Environmental Services Portfolio Holder	9th November 2009
AUTHOR/S:	Executive Director (Operational Services) / Corporate Manager (Health and Environmental Services)	

**FINANCIAL MONITORING REPORT
ENVIRONMENTAL HEALTH PORTFOLIO EXPENDITURE TO
30th SEPTEMBER 2009**

Purpose

1. This report compares the actual revenue expenditure to 30th September for Health & Environmental Services with a pre-determined profiled budget covering the same period. It is requested that the Portfolio Holder delegates responsibility to the Corporate Manager for Health and Environmental Services to ensure that current reported variances continue to be monitored and proactively managed.

Background

2. It is intended that a financial monitoring report will be presented to the portfolio holder for the interim period covering the first six months of the financial year and then quarterly thereafter.
3. The report excludes recharges and other year-end transactions. These recharges were calculated for the original estimates in December before the start of the financial year, then recalculated for the revised estimates and finalised as soon as possible after the year-end.
4. Members will be acutely aware of this Authority's medium term financial position and the requirement to make recurrent savings on the budget. In 2009-10 this requirement amounts to £325,000 on the General Fund across all portfolios. So far to date, £481,000 has been identified as possible savings in this financial year – of which £126,000 has been identified from this portfolio (£105,000 from service accounts reported within this statement). Obviously this amount is over the full year and as this report only concentrates on the first six months, the £105,000 has been profiled as such within this statement.
5. The reported figures are summarised in Appendix A. The budget statement shows a column for profiled expenditure, which includes authorised rollovers and virements. This 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 November, it will be profiled as such in the budget and therefore falls outside the scope of this budget statement.
6. 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.

7. The main purpose of this report is guided towards informing the portfolio holder of what the half-year position is so that problem areas are highlighted at an early stage so that decisions can be steered in a proactive manner.
8. Commentary will follow on specific relevant areas, showing larger than anticipated variances.

Considerations

- **Awarded Watercourses**

9. A one-off saving of £10,000 has been identified this year in conjunction with advertising and specification development, publication and the internal bid preparation submission costs in relation to the tender process for the maintenance contract. The Drainage Manager has been able to perform most of this work himself without the need to externalise therefore saving the £10,000 from the budget that has been put forward against the target of £325,000 in this financial year.

- **Environmental Health General**

10. The majority of the profiled budget variance within this service relates to the costs that were awarded by the courts from a successful health and safety prosecution case.
11. In certain prosecution cases, the courts will award the prosecuting Authority not only with the legal costs of counsel at court, but also make a judgement and award the costs of officer time in bringing a successful prosecution if they are deemed significant. In one particular instance these costs amounted to £3,300.

- **Footway Lighting**

12. The current budget for direct expenditure is directed towards replacing those lights knocked down or causing danger to public health and safety. As such, it could be seen as budgeting for contingencies – something that is being discouraged.
13. It was reported to the Portfolio Holder at May's meeting that some of this budget could be transferred to the list of Precautionary Items which are items of expenditure over which there is some doubt as to whether they would occur, but if they did, the Council would be required to meet them from the £75,000 budget allocated to the General Fund. As a commitment to the savings agenda, it has been decided that £10,000 from this budget be transferred to the list of precautionary items, leaving £3,190 in the annual budget to deal with knockdowns etc... before an allocation from this General Fund allocation is sought.

- **Integrated Waste Management & Street Cleansing Strategy**

14. Through pro-active enforcement, the current financial year has seen a higher than budgeted level of income from successful prosecutions and fixed notice penalties under the general umbrella of envirocrime activities, mostly in conjunction with litter and fly-tipping offences. The current income earned

through enforcement is approximately £2,100 higher than the six-month profiled budget.

15. This £2,100 additional recovered income should be re-invested back into the service by targeting known problem areas with the aim to ensure that the District is not plagued by unsightly envirocrime.

- **Refuse Collection Service**

16. There are two cost headings that are showing distinct budgetary pressures:
 - Fee income; and
 - Trade waste service disposal charges
17. The trade refuse collection service is a valuable commercial resource with the trading surpluses made, being used to offset the costs of operating the domestic collection service. In an attempt to increase the surplus made from these commercial activities, Members approved the recommendation to expand the trade service to incorporate a cardboard recycling service for both existing customers and new customers that would generate both additional income through selling the raw material and diverting tonnages away from landfill thus saving on the imposed landfill tax charge.
18. In the business model, Cambridge City Services cardboard collection service was used as a benchmark for predicting the tonnages that could be collected using our current customer base. With hindsight, using this as a yardstick to measure this Authority's future performance was over optimistic. Although the number of customers is greater in South Cambridgeshire, experience has shown that general consumption of cardboard is lower than within the City and hence lower tonnages collected.
19. The effects of this comparatively low volume of cardboard collected is two fold:
 - A fall in income from the sale of this raw material to the processing plant or agent, compounded further by the fluctuating wholesale price of this raw material which cannot be predicted and cannot therefore be budgeted for; and
 - Lower savings than were predicted from diverting waste from landfill in this financial year.
20. Over the last twelve months the effects of a recession have hit the commercial activities of both the private and the public sectors. It is widely acknowledged that this particular recession has been one of the deepest in recent history, and at the same time, in these difficult times, the Authority has been trying to further develop its trade waste collection service.
21. With the limited resources available, attention has been concentrated in the first instance on increasing the customer base by attracting new custom rather than converting existing customers to the new service. Although this is good in the long term by increasing the Authority's customer base which will generate higher future income levels, in the shorter term it has further impacted on the savings that were predicted from diverting waste from landfill in this financial year.
22. Growth in new customers has been achieved and concentration of effort will now be diverted to existing customers who haven't yet converted to the

recycling service, this will hopefully encourage growth in tonnages leading to greater revenue from the sale of the raw materials and savings from previously land-filled waste.

23. In common with other income generated services of this Authority, there are shortfalls in income as a direct result of the recession. With the recession impacting across all sectors, many local businesses are downsizing, generally cost-cutting or folding altogether. This has had an adverse effect on the number and frequency of customers actually being serviced, in-turn leading to lower income. The economic downturn has also led to reduced income from bulky household collections of circa £6,000 and the income from delivering wheeled bins to new properties resulting in a reduction of £10,500 due to the slowdown in the growth agenda and general property market.
24. It's proposed that the current position regarding the trade collection service be reassessed to reflect the current customer base and the predictive tonnages of cardboard collected from both new customers and those that existed at the start of the year along with the corresponding costs of the service. These costs and the generated income will then be reflected in the estimates that will be considered at the January Portfolio Holder meeting along with all the other service budgets.

● **Street Cleansing**

25. In order to sustain the operational function of the refuse collection service, its common practice that during times of high staff absence levels either due to sickness, turnover or holiday commitments that operatives are transferred from street cleansing to refuse collection duties.
26. This financial year is no different with £13,000 in total being allocated to refuse collection that is budgeted for within street cleansing which has contributed to the overall under spend on the profiled salary budget of £27,000. This practice will continue although unlikely to be at the same level in the remainder of the year when holiday commitments during the summer which exacerbate absence levels fall-off.
27. This is seen as good working practice as the only other real alternative to staff redeployment, would be to inject more money into the agency budgets to allow management to utilise all resources at their disposal on priority areas such as litter picking.

● **Kerbside and Bank Recycling**

28. The two main contributory factors to this under spend is the deferral in the reordering levels of kerbside boxes and the re-evaluated planned programme in extending plastic bottle recycling.
29. When profiling the budget for the ordering of kerbside boxes it had been assumed that £15,000 of boxes (out of a budget of £29,000) would be purchased in the first six months. Because of the high levels of stock at the beginning of the year, this hasn't been necessary and therefore can be shown as a saving in the first half of the year. Judgement will have to be taken on whether the whole £29,000 annual budget will be needed to facilitate the delivery of the boxes for the remainder of the year.

30. Members will recall that a service bid of £26,000 was approved for the extension of the plastic bottle recycling so that all village colleges and schools are served by 2010. It had been assumed that this would be apportioned equally over the full twelve months. When this service was re-assessed, it was believed that by not using external contractors and bringing the collection service in-house, an opportunity saving of £18,000 could be identified. This has gone towards the £105,000 savings mentioned in paragraph 4.

- **Licensing Under the Licensing Act 2003**

31. Compared to last year, fee income has risen by £3,000 over the corresponding six-month period. However to guard against this position the Portfolio Holder is reminded that the majority of fee income (approximately 70%) is due in the second half of the financial year when, in the main, all the licensed premises income is renewed.
32. Therefore a truer comparison will be drawn when the nine-month position statement is reported along with the Portfolio estimate report in January.

Implications

Financial	As in the body of the report
Legal	None
Staffing	None
Risk Management	None
Equal Opportunities	None

Consultations

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

Effect on Strategic Aims

34..	Commitment to being a listening council, providing first class services accessible to all.	None
	Commitment to ensuring that South Cambridgeshire continues to be a safe and healthy place for all.	None
	Commitment to making South Cambridgeshire a place in which residents can feel proud to live.	None
	Commitment to assisting provision for local jobs for all.	None
	Commitment to providing a voice for rural life.	None

Conclusions / Summary

35. The budget report at appendix A is showing a profiled budget under spend in the first six months of the financial year of £29,950, which represents a variance of approximately 1.8% of the respective budget for this period.
36. Savings amounting to £38,000 relating to the period April – September (from the annual savings target of £105,000 see paragraph 6) have been incorporated within the budget statement along with reductions in the original proposed inflationary increase of 1.5% where applicable.

- 37 The overall variance is seen as marginal in comparison to a net profiled budget in this period of approximately £1.7 million. Indeed conclusions can be drawn that despite heavy burdens in terms of the recent economic downturn that has led to the current urgent budget saving agenda that the Portfolio budget overall is on-spend target in the first six months.
- 38 There is some doubt as to whether this position is sustainable in the medium term. Much will depend on the outcome of the trade refuse service attracting and retaining new custom and in particular converting those trade customers that currently receive the non-recycling collection service.
- 39 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 the savings already identified. A more accurate outturn estimate will be reported to the Portfolio Holder as part of the budget estimate report in January 2010.

Recommendations

- 40 It is requested that the Portfolio Holder delegates responsibility to the Corporate Manager for Health and Environmental Services to ensure that current reported variances continue to be monitored and proactively managed.

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

Estimate Book 2009/10
Reports from the Financial Management System

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