
Report To:	Environment & Regeneration Committee	Date:	31 August 2017
Report By:	Chief Financial Officer and Corporate Director Environment, Regeneration and Resources	Report No:	FIN/65/17/AP/MMcC
Contact Officer:	Mary McCabe	Contact No:	01475 712222
Subject:	Environment and Regeneration 2017/18 Revenue Budget – Period 3 to 30 June 2017		

1.0 PURPOSE

- 1.1 To advise the Committee of the 2016/17 out-turn and the 2017/18 Revenue Budget position at period 3 to 30 June 2017.

2.0 SUMMARY

- 2.1 In 2016/17, excluding the carry forward of Earmarked Reserves, there was an underspend of £272,000 within the Environment and Regeneration Committee. This was an increase in expenditure of £40,000 from the probable outturn position reported to the Committee in June 2017.
- 2.2 The major variances making up this underspend were as follows:
- i. Turnover savings across the Committee of £340,000 due to delays in filling vacant posts.
 - ii. An underrecovery of Commercial & Industrial income of £80,000 as a result of a higher than anticipated level of voids.
 - iii. Overrecovery in Refuse Transfer Station income of £59,000.
 - iv. An underspend on Catering provisions of £50,000, partly due to reduced food waste.
 - v. An underrecovery in Physical Assets income of £84,000, mainly due to reduced rental income, in line with previous years. This was largely addressed as part of the budget process for 2017/18.
 - vi. An underspend in Economic Development of £68,000 due to timing differences between the receipt of ESF employability grant income and relevant expenditure.
 - vii. An underspend on Vehicle Maintenance Fuel purchases of £52,000, due to reduced consumption across the Council.
- 2.3 The revised 2017/18 budget for Environment and Regeneration is £20,201,000 which excludes Earmarked Reserves.
- 2.4 The latest projection, excluding Earmarked Reserves, is an underspend of £110,000.

2.5 The major variances projected at Period 3 are:

- a) Within Waste Disposal, underspends in the residual waste contract of £54,000 and MRF contract of £70,000. These underspends are partially offset by overspends in the composting contract and non-contract waste disposal of £20,000 and £19,000. The underspend in the MRF contract is due to a combination of a reduction in tonnage and a reduction in price per tonne. This budget line is under review and it is likely that a proportion of this underspend will be returned to the inflation contingency.
- b) Turnover savings across the Committee (not offset by other costs or income) of £137,000 due to delays in filling vacant posts.
- c) Underrecoveries in Commercial, Industrial and Planning income of £32,000 and £45,000, respectively.

2.6 Operational Earmarked Reserves for 2016/17 total £2,480,000 of which £2,420,000 is projected to be spent in the current financial year. As detailed in Appendix 4 expenditure of £39,000 (1.6%) has been incurred to Period 3.

3.0 RECOMMENDATION

3.1 The Committee note the out-turn for 2016/17 and the current projected underspend for 2017/18 of £110,000 as at 30 June 2017.

Alan Puckrin
Chief Financial Officer

Scott Allan
Corporate Director
Environment, Regeneration & Resources

4.0 BACKGROUND

- 4.1 The purpose of this report is to advise the Committee of the current position of the 2017/18 budget as well as the 2016/17 out-turn and to highlight the main issues contributing to the underspend in 2016/17 and the projected underspend in 2017/18.
- 4.2 The revised 2017/18 budget for Environment and Regeneration, excluding earmarked reserves, is £20,201,000. There have been no movements from the approved budget, prior to transfers to earmarked reserves, as demonstrated in Appendix 1.

5.0 2016/17 OUT-TURN

- 5.1 The main variations from budget and movements from the probable outturn position reported to the Committee in June for 2016/17 were as follows:

	Revised Budget 2016/17 £000	Out-turn 2016/17 £000	Variance to Budget £000	Percentage Variance to Budget £000	Movement since Probable Outturn £000
Regeneration & Planning	4,662	4,653	(9)	(0.2)%	78
Property Services	2,725	2,866	141	5.2%	(18)
Environmental & Commercial Services	13,090	12,745	(345)	(2.6)%	(19)
Corporate Director	148	89	(59)	(39.9)%	(1)
TOTAL NET EXPENDITURE	20,625	20,353	(272)	(1.3)%	40
Earmarked Reserves	(2,588)	(2,588)	0	0.00%	0
TOTAL NET EXPENDITURE EXCLUDING EARMARKED RESERVES	18,037	17,765	(272)	(1.5)%	40

- 5.2 The actual out-turn, excluding Earmarked Reserves, was £17,765,000 which represents an underspend of £272,000. This is an increase in spend of £40,000 from the probable outturn position reported to Committee in June 2017. The material variances are outlined in 5.3 to 5.6.

5.3 Committee-wide Variances

There was an overachievement of turnover savings across all Services of £340,000 mainly due to delays in filling vacant posts.

5.4 Regeneration and Planning Variances

- a) Within Commercial & Industrial an underrecovery of income of £80,000 due to a higher than budgeted level of voids. In October 2016, this Committee approved the use of existing earmarked reserves to improve the Council's commercial portfolio and increase the likelihood of leasing the properties.
- b) Within Economic Development, an underspend of £68,000 due to timing differences between the receipt of ESF employability grant income and relevant expenditure.

5.5 Property Assets & Facilities Management Variances

There was an underrecovery in Physical Assets income of £84,000. This underlying budgeting issue has been addressed through the budget process for 2017/18.

5.6 Environmental & Commercial Services Variances

- a) Within Catering an underspend on provisions of £50,000; partly due to a reduction in food waste.
- b) Within Vehicle Maintenance, an underspend on Fuel purchases of £52,000, due to reduced consumption across the Council.
- c) Within Vehicle Maintenance, an overrecovery of non-routine maintenance income of £113,000 partially offset by additional materials and sub-contractors costs of £66,000.
- d) Within the Refuse Transfer Station budget an overrecovery of recharge income of £59,000.

6.0 2017/18 CURRENT POSITION

6.1 The current projection for 2017/18 is an underspend of £110,000 (0.55%).

6.2 Regeneration & Planning - £37,000 overspend

The current projected out-turn for Regeneration & Planning is an overspend of £37,000. The main issues relating to the current projected overspend for Regeneration & Planning are detailed below and in Appendix 3:

(a) Employee Costs

There is a projected underspend of £58,000 due to turnover savings resulting from delays in filling vacant posts.

(b) Income

There is a projected underrecovery of £77,000, due to:

- i. An underrecovery in Commercial & Industrial rental income of £32,000 due to a higher than budgeted level of voids. This is in line with previous years. In October 2016, the Committee approved the use of existing earmarked reserves to improve the Council's commercial portfolio and increase the likelihood of leasing the properties.
- ii. A projected underrecovery of Planning Development Control income of £45,000.

6.3 Property Services - £40,000 overspend

The current projected out-turn for Property Services is an overspend of £40,000.

The main issues contributing to the current projected overspend for Property Services are detailed below and in Appendix 3:

(a) Employee Costs

There is a projected overspend of £33,000 due to the turnover savings target being underachieved.

(b) Administration Costs

There is a projected overspend of £256,000 mainly due to agency worker costs within Technical Services; offset by additional fee income.

(c) Income

There is a projected overrecovery in income of £268,000 mainly due to additional Technical Services capital recharges income – offset by increased agency worker costs of £253,000.

6.4 **Environmental & Commercial Services - £187,000 underspend**

The current projected out-turn for Environmental & Commercial Services is an underspend of £187,000.

The main issues contributing to the current projected underspend for Environmental & Commercial Services are detailed below and in Appendix 3:

(a) **Employee Costs**

There is a projected underspend of £272,000, mainly due to:

- i. Additional turnover savings within Management of £30,000.
- ii. Underspend in Janitors employee costs of £24,000 which is offset by reduced recharge income.
- iii. Underspend in Cleaning of £80,000, due to the early achievement of productivity savings, due to be achieved in 2018/19. This underspend is offset by reduced income.
- iv. Turnover savings within Public Conveniences of £20,000 resulting from a vacant post.
- v. Turnover savings within Building Services of £26,000. This saving is offset by a reduction in recharge income.
- vi. Turnover savings within Roads Operations of £33,000.
- vii. Turnover savings within Vehicle Maintenance of £41,000. This underspend is partially offset by increased subcontractor costs due to works being carried out externally.

(b) **Supplies & Services**

There is a projected overspend of £55,000 mainly resulting from a projected overspend of £30,000 in Vehicle Maintenance subcontractor costs, which is offset by reduced employee costs, per 6.4(a)(vii) above.

(c) **Payments to Other Bodies**

Within Waste Disposal, there is a projected underspend of £80,000 mainly relating to projected underspends in the residual waste and MRF contracts of £54,000 and £70,000 respectively; partially offset by projected overspends in the composting contract and non-contract waste disposal of £20,000 and £19,000. These projections are based on current prices and tonnages and will continue to be monitored closely. It is likely that a proportion of the MRF contract underspend will be returned to the inflation contingency. It should be noted that a small change in the number of tonnes, particularly in the residual waste contract, can lead to relatively large movements in projection.

(d) **Income**

There is a projected underrecovery of £82,000, mainly due to:

- i. An underrecovery of Building Services income of £26,000, in line with reduced employee costs, per 6.4(a)(v).
- ii. An underrecovery of Janitors recharge income of £32,000, in line with reduced employee costs, per 6.4(a)(ii).
- iii. An underrecovery in Cleaning income of £80,000 offset by reduced employee costs, per 6.4(a)(iii) above.
- iv. Various minor variances, none of which are material, which add up to an overrecovery of £56,000.

6.5 **Corporate Director - £nil Variance**

The Corporate Director budget is currently projecting to out-turn on budget.

7.0 **EARMARKED RESERVES**

7.1 There is a planned contribution of £1,197,000 to Earmarked Reserves in the current financial year. Appendix 4 gives an update on the operational Earmarked Reserves, ie excluding strategic funding models such as RI funding, AMP and Vehicle Replacement Programme. Spend to date on these operational Earmarked Reserves is under the phased budget but is expected to catch up over the coming months.

8.0 **VIREMENTS**

8.1 There are no virement requests in this report.

9.0 **IMPLICATIONS**

Finance

9.1 All finance implications are discussed in detail within the report above.

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
N/A					

Legal

9.2 There are no specific legal implications arising from this report.

Human Resources

9.3 There are no specific human resources implications arising from this report.

Equalities

9.4 There are no equality issues arising from this report.

Repopulation

9.5 There are no repopulation issues within this report.

10.0 CONSULTATIONS

10.1 The report has been jointly prepared by the Corporate Director Environment, Regeneration & Resources and the Chief Financial Officer.

11.0 CONCLUSIONS

11.1 The Committee is currently reporting an underspend of £110,000.

12.0 LIST OF BACKGROUND PAPERS

12.1 There are no background papers relating to this report.

Environment & Regeneration Budget Movement - 2017/18**PERIOD 3: 1st April 2017 - 30th June 2017**

Service	Approved Budget	Movements			Revised Budget	
	2016/17 £000	Inflation £000	Virement £000	Supplementary Budgets £000	Transferred to EMR £000	2016/17 £000
Regeneration & Planning	4,157				(298)	3,859
Property Services	3,250				(678)	2,572
Environmental & Commercial Services	13,843				(221)	13,622
Corporate Director	148					148
Totals	<u>21,398</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,197)</u>	<u>20,201</u>

Supplementary Budget Detail

£000

External ResourcesInternal ResourcesSavings/Reductions0

ENVIRONMENT AND REGENERATION COMMITTEE**REVENUE BUDGET MONITORING REPORT****PERIOD 3: 1st April 2017 - 30th June 2017**

Subjective Heading	Approved Budget 2016/17 £000	Revised Budget 2016/17 £000	Projected Out-turn 2016/17 £000	Projected Over/(Under) Spend	Percentage Variance %
Employee Costs	17,932	17,909	17,612	(297)	(1.66)%
Property Costs	5,137	5,137	5,170	33	0.64%
Supplies & Services	6,096	6,119	6,187	68	1.11%
Transport Costs	2,356	2,356	2,364	8	0.34%
Administration Costs	538	538	799	261	48.54%
Payments to Other Bodies	9,131	9,531	9,451	(80)	(0.84)%
Other Expenditure	495	95	101	6	6.21%
Income	(20,287)	(20,287)	(20,396)	(109)	0.54%
TOTAL NET EXPENDITURE	21,398	21,398	21,288	(110)	(0.51)%
Transfer to Earmarked Reserves *	0	(1,197)	(1,197)	0	0.00%
TOTAL NET EXPENDITURE EXCLUDING EARMARKED RESERVES	21,398	20,201	20,091	(110)	(0.54)%

Objective Heading	Approved Budget 2016/17 £000	Revised Budget 2016/17 £000	Projected Out-turn 2016/17 £000	Projected Over/(Under) Spend	Percentage Variance %
Regeneration & Planning	4,157	4,157	4,194	37	0.89%
Property Services	3,250	3,250	3,290	40	1.23%
Environmental & Commercial Services	13,843	13,843	13,656	(187)	(1.35)%
Corporate Director	148	148	148	0	0.00%
TOTAL NET EXPENDITURE	21,398	21,398	21,288	(110)	(0.51)%
Transfer to Earmarked Reserves *	0	(1,197)	(1,197)	0	0.00%
TOTAL NET EXPENDITURE EXCLUDING EARMARKED RESERVES	21,398	20,201	20,091	(110)	(0.54)%

* Per Appendix 3: New funding transferred to earmarked reserves during 2017/18

ENVIRONMENT AND REGENERATION COMMITTEE**REVENUE BUDGET MONITORING REPORT****MATERIAL VARIANCES****PERIOD 3: 1st April 2017 - 30th June 2017**

<u>Out Turn</u> <u>2016/17</u> <u>£000</u>	<u>Budget</u> <u>Heading</u>	<u>Subjective Head</u>	<u>Budget</u> <u>2017/18</u> <u>£000</u>	<u>Proportion</u> <u>of Budget</u> <u>£000</u>	<u>Actual to</u> <u>30-Jun-17</u> <u>£000</u>	<u>Projection</u> <u>2017/18</u> <u>£000</u>	<u>(Under)/Over</u> <u>Budget</u> <u>£000</u>	<u>Percentage</u> <u>Variance</u> <u>%</u>
	REGENERATION & PLANNING							
786	Economic Development	Employee Costs	871	201	204	829	(42)	(4.82)%
896	Planning	Employee Costs	978	260	224	962	(16)	(1.64)%
							(58)	
(250)	Planning - Development Control Income	Income	(266)	(66)	(33)	(221)	45	(16.92)%
(618)	Commercial & Industrial Rental Income	Income	(694)	(169)	(167)	(662)	32	(4.61)%
							77	
	PROPERTY SERVICES							
954	Technical Services	Employee Costs	824	201	217	888	64	7.77%
75	Office Accommodation	Employee Costs	124	30	16	93	(31)	(25.00)%
							33	
178	Technical Services - Agency Staff	Administration	0	0	54	253	253	
							253	
(988)	Technical Services - Recharges to Capital	Income	(758)	(190)	(143)	(1,011)	(253)	33.38%
							(253)	
	ENVIRONMENTAL & COMMERCIAL SERVICES							
710	Roads Operations	Employee Costs	787	231	150	754	(33)	(4.19)%
2,601	Management	Employee Costs	2,574	628	619	2,544	(30)	(1.17)%
856	BSU	Employee Costs	879	214	202	853	(26)	(2.96)%
582	Vehicle Maintenance	Employee Costs	627	153	153	586	(41)	(6.54)%
991	Janitors	Employee Costs	1,125	274	251	1,101	(24)	(2.13)%
72	Public Conveniences	Employee Costs	96	23	24	76	(20)	(20.83)%
1,686	Cleaning	Employee Costs	1,708	416	389	1,628	(80)	(4.68)%
							(254)	

ENVIRONMENT AND REGENERATION COMMITTEEREVENUE BUDGET MONITORING REPORTMATERIAL VARIANCESPERIOD 3: 1st April 2017 - 30th June 2017

<u>Out Turn</u> <u>2016/17</u> <u>£000</u>	<u>Budget</u> <u>Heading</u>	<u>Subjective Head</u>	<u>Budget</u> <u>2017/18</u> <u>£000</u>	<u>Proportion</u> <u>of Budget</u> <u>£000</u>	<u>Actual to</u> <u>30-Jun-17</u> <u>£000</u>	<u>Projection</u> <u>2017/18</u> <u>£000</u>	<u>(Under)/Over</u> <u>Budget</u> <u>£000</u>	<u>Percentage</u> <u>Variance</u> <u>%</u>
130	Vehicle Maintenance - Subcontractors	Supplies and Services	96	23	33	126	30	31.25%
							30	
2,748	Refuse Transfer Station - Residual waste contract	PTOB	2,810	685	648	2,756	(54)	(1.92)%
57	Refuse Transfer Station - Non contract waste disposal	PTOB	48	12	23	67	19	39.58%
186	Waste Strategy - Payments to Greenlight	PTOB	234	57	28	164	(70)	(29.91)%
126	Waste Strategy - Composting	PTOB	105	26	31	125	20	19.05%
							(85)	
(84)	BSU - Recharges Internal Clients	Income	(145)	(36)	(7)	(119)	26	(17.93)%
(1,107)	Janitors - Internal income	Income	(1,222)	(298)	(269)	(1,190)	32	(2.62)%
(1,630)	Cleaning - Internal income	Income	(1,685)	(411)	0	(1,605)	80	(4.75)%
							138	
Total Material Variances							(119)	

EARMARKED RESERVES POSITION STATEMENT

COMMITTEE: Environment & Regeneration

<u>Project</u>	<u>Total Funding</u>	<u>Phased Budget To Period 3</u>	<u>Actual To Period 3</u>	<u>Projected Spend</u>	<u>Amount to be Earmarked for 2018/19 & Beyond</u>	<u>Lead Officer Update</u>
	<u>2017/18</u>	<u>2017/18</u>	<u>2017/18</u>	<u>2017/18</u>		
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	
Youth Employment	570	120	0	570	0	To deliver 6 mature modern apprentices with additional employability support for care leavers/ clients with autism. Recruitment started.
Repopulating/Promoting Inverclyde	137	5	0	137	0	To address falling population levels.
Employability Initiatives	323	23	0	323	0	To support local individuals in providing employment opportunities within the employability pipeline.
Power Boat Grand Prix	50	25	26	50	0	Delivery of Power Boat grand Prix in Greenock on the weekend of 24th/25th June.
TS Queen Mary	30	0	0	0	30	Loan facility for TS Queen Mary for fit out costs.
Commonwealth Flotilla Event	16	0	0	16	0	Pontoon now located in East India Dock.
Roads Defects and Drainage works	202	1	1	202	0	Additional funding to be used to treat backlog of pot holes and problematic drainage locations. Works will be completed in 2017/18.
Town and Village Centre Environmental Improvements	488	0	0	488	0	Projects are on target for delivery through Riverside Inverclyde.
Economic Development Initiatives	267	17	12	267	0	To supplement the Council's employability pipeline which delivers advice and training to take clients towards the job market.
Tourism & Events	117	0	0	117	0	Delivery of marketing grants to local businesses along with supplementing the events programme within Inverclyde.

EARMARKED RESERVES POSITION STATEMENT

COMMITTEE: Environment & Regeneration

<u>Project</u>	<u>Total Funding</u>	<u>Phased Budget To Period 3</u>	<u>Actual To Period 3</u>	<u>Projected Spend</u>	<u>Amount to be Earmarked for 2018/19 & Beyond</u>	<u>Lead Officer Update</u>
	<u>2017/18</u>	<u>2017/18</u>	<u>2017/18</u>	<u>2017/18</u>		
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	
Pre Release Initiatives	160	0	0	160	0	Provide training and employment opportunities to a number of Inverclyde residents who are currently within the Greenock prison. The balance of funding will be transferred within the general Employability contract with full spend anticipated this financial year.
Demolition of Former Babylon Nightclub	30	0	0	0	30	Spend subject to suitable agreement with third party owners.
CEF Energy Audit	90	0	0	90	0	Full spend anticipated this financial year.
Total Category C to E	2,480	191	39	2,420	60	