
Report To:	Environment & Regeneration Committee	Date:	26 October 2017
Report By:	Chief Financial Officer and Corporate Director Environment, Regeneration and Resources	Report No:	FIN/81/17/AP/MMcC
Contact Officer:	Mary McCabe	Contact No:	01475 712222
Subject:	Environment and Regeneration 2017/18 Revenue Budget – Period 5 to 31 August 2017		

1.0 PURPOSE

1.1 To advise the Committee of the 2017/18 Revenue Budget position at 31 August 2017.

2.0 SUMMARY

2.1 The revised 2017/18 budget for Environment and Regeneration is £20,219,000 which excludes Earmarked Reserves.

2.2 The latest projection, excluding Earmarked Reserves, is an underspend of £32,000, an increase in projected spend of £78,000 since last Committee.

2.3 The major variances projected at Period 5 are:

- a) Within Waste Disposal, projected underspends in the residual waste contract of £65,000 and the MRF contract of £72,000. These projections are based on current prices and tonnages and will continue to be monitored closely. These projected underspends are after budget of £69,000 has been returned to inflation contingency as a result of decreases in the contract rates within the two contracts.
- b) Turnover savings across the Committee (not offset by other costs or income) of £110,000 due to delays in filling vacant posts.
- c) Under recoveries in Commercial, Industrial; Planning Development Control and Planning Building Standards income of £32,000, £45,000 and £40,000 respectively.

2.4 Operational Earmarked Reserves for 2017/18 total £2,480,000 of which £2,295,000 is projected to be spent in the current financial year. As detailed in Appendix 4 expenditure of £127,000 (5.5% of projected spend, 48% slippage from anticipated spend at Period 5) has been incurred to Period 5. The bulk of the Earmarked Reserves are phased to spend in the latter part of the year and officers expect expenditure to increase significantly in the coming months to achieve the projected spend. A thorough review of Earmarked Reserves will be carried out however, and any changes to projected spend as a result will be reported back to the next Committee.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee note the current projected underspend for 2017/18 of £32,000 as at 31 August 2017.
- 3.2 It is recommended Committee note that action is being taken to reduce the level of expenditure slippage in Earmarked Reserves.

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 Committee of the current position of the 2017/18 budget and to highlight the main issues contributing to the projected underspend.

4.2 The revised 2017/18 budget for Environment and Regeneration, excluding earmarked reserves, is £20,219,000. This is an increase of £18,000 from the approved budget, prior to transfers to earmarked reserves. Appendix 1 gives details of this budget movement.

5.0 2017/18 CURRENT POSITION

5.1 The current projection for 2017/18 is an underspend of £32,000 (0.16%).

5.2 Regeneration & Planning - £79,000 overspend

The current projected out-turn for Regeneration & Planning is an overspend of £79,000, an increase in spend of £42,000 since last Committee.

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 £56,000 due to turnover savings resulting from delays in filling vacant posts.

(b) Income

There is a projected under recovery of £117,000, £40,000 less income than at Period 3 Committee, due to:

- i. An under recovery 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 these properties.
- ii. A projected under recovery of Planning Development Control income of £45,000, as previously reported, and an under recovery of Planning Building Standards income of £40,000; due to a lower than budgeted level of applications being received.

5.3 Property Services - £31,000 overspend

The current projected out-turn for Property Services is an overspend of £31,000, a reduction in projected expenditure of £9,000 since Period 3.

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 £16,000 due to the turnover savings target being underachieved. This is a reduction in projected spend of £17,000 from last Committee.

(b) Administration Costs

There is a projected overspend of £263,000 mainly due to agency worker costs within Technical Services; offset by additional fee income.

(c) Income

There is a projected over recovery in income of £259,000 mainly due to additional Technical Services capital recharges income – offset by increased agency worker costs.

5.4 **Environmental & Commercial Services - £142,000 underspend**

The current projected out-turn for Environmental & Commercial Services is an underspend of £142,000, an increase in projected expenditure of £45,000 since Period 3.

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 £296,000, £24,000 less spend than at Period 3, mainly due to:

- i. Additional turnover savings within Management of £32,000, a further reduction in spend of £2,000 since last Committee.
- ii. Underspend in Janitors and Letting Officers employee costs of £45,000 which is offset by reduced recharge income. This is £21,000 less spend than last reported.
- iii. Underspend in Cleaning of £80,000, as a result of the early achievement of productivity savings, due to be achieved in 2018/19. This underspend is offset by reduced income.
- iv. Turnover savings within Roads Operations of £23,000, £10,000 more spend than previously reported.
- v. Turnover savings within Vehicle Maintenance of £33,000, partially offset by increased subcontractor costs due to works being carried out externally. This is an increase in spend of £8,000 since Period 5, due to recruitment earlier than anticipated.
- vi. Turnover savings within Refuse Collection of £38,000, not previously reported. This is partially offset by an overspend in agency costs per 5.4(d) below.
- vii. Additional turnover savings across the Service of £45,000 due to delays in filling vacant posts.

(b) Supplies & Services

There is a projected underspend of £259,000, a reduction in projected spend of £319,000 since the last report, mainly resulting from:

- i. A projected overspend of £30,000 in Vehicle Maintenance subcontractor costs, as previously reported, which is offset by reduced employee costs, per 5.4(a)(v) above.
- ii. A projected overspend in Vehicle Maintenance materials costs of £20,000, offset by increased non routine maintenance income.
- iii. Projected underspends in Roads Operations subcontractors and materials of £85,000 and £240,000 respectively, not previously reported. These underspends are in line with the current work programme and are offset by reduced income and increased external hires. The projected bottom line for the Roads Operations budget at Period 5 is a net under recovery of £19,000.

(c) Transportation & Plant

There is a projected overspend of £59,000, a net increase in spend of £51,000 since Period 3, due to:

- i. An overspend in Roads Operations external hires of £90,000, as explained in 5.4(b)(iii) above.

- ii. An underspend in Vehicle Maintenance fuel purchases spend of £30,000. This underspend is offset by an underrecovery of recharge income.
- iii. Underspends within the client services on fuel recharges of £26,000, in line with (ii) above.

(d) Administration Costs

There is a projected overspend of £40,000, mainly due to Refuse Collection agency costs of £30,000, not previously reported.

(e) Payments to Other Bodies

Within Waste Disposal, there is a projected underspend of £93,000, a further reduction in spend of £13,000 since last Committee. This underspend is mainly due to projected underspends in the residual waste and MRF contracts of £65,000 and £72,000 respectively; partially offset by projected overspends in the composting contract and non-contract waste disposal of £29,000 and £17,000. These projections are based on current prices and tonnages and will continue to be monitored closely. This net underspend is after budget of £69,000 has been returned to inflation contingency as a result of decreases in the contract rates within the residual and MRF contracts.

(f) Income

There is a projected under recovery of £392,000, a reduction in income of £310,000 since last Committee, mainly due to:

- i. An under recovery of Building Services income of £26,000, partially offset by reduced employee costs, as previously reported.
- ii. An under recovery of Janitors recharge income of £45,000, in line with reduced employee costs, per 5.4(a)(ii).
- iii. An under recovery in Cleaning income of £80,000 offset by reduced employee costs, per 5.4(a)(iii) above, as previously reported.
- iv. An under recovery of Roads Operations income of £265,000, in line with reduced expenditure, as detailed in 5.4(b)(iii).
- v. Within Vehicle Maintenance, an over recovery of non-routine maintenance income of £20,000 and an under recovery of fuel recharge income of £30,000 in line with variances in expenditure.
- vi. An over recovery of Refuse Transfer Station scrap metal income of £23,000 due to higher rates for recyclable material.

5.5 Corporate Director - £nil Variance

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

6.0 EARMARKED RESERVES

- 6.1 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 52% of phased budget with 48% slippage. The bulk of the Earmarked Reserves are phased to spend in the latter part of the year and officers expect expenditure to increase significantly in the coming months to achieve the projected spend. A thorough review of Earmarked Reserves will be carried out however, and any changes to projected spend as a result will be reported back to the next Committee.

7.0 VIREMENTS

7.1 There are no virement requests in this report.

8.0 IMPLICATIONS

Finance

8.1 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

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

Human Resources

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

Equalities

8.4 There are no equality issues arising from this report.

Repopulation

8.5 There are no repopulation issues within this report.

9.0 CONSULTATIONS

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

10.0 CONCLUSIONS

10.1 The Committee is currently reporting an underspend of £32,000.

11.0 LIST OF BACKGROUND PAPERS

11.1 There are no background papers relating to this report.

Environment & Regeneration Budget Movement - 2017/18**PERIOD 5: 1st April 2017 - 31st August 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			8	(298)	3,867
Property Services	3,250		(17)	6	(678)	2,561
Environmental & Commercial Services	13,843	(37)		58	(221)	13,643
Corporate Director	148			0		148
Totals	<u>21,398</u>	<u>(37)</u>	<u>(17)</u>	<u>72</u>	<u>(1,197)</u>	<u>20,219</u>

Movement Details

£000

External ResourcesInflation

Roads Electrical Power allocation from Inflation Contingency	32
Residual Waste contract - return to Inflation Contingency	(17)
MRF contract - return to Inflation Contingency	(52)
	<u>(37)</u>

Virements

To P&R Committee - Legal & Property employee costs correction	(17)
	<u>(17)</u>

Supplementary Budgets

Apprenticeship Levy	72
	<u>72</u>
	<u>18</u>

ENVIRONMENT AND REGENERATION COMMITTEE**REVENUE BUDGET MONITORING REPORT****PERIOD 5: 1st April 2017 - 31st August 2017**

Subjective Heading	Approved Budget 2017/18 £000	Revised Budget 2017/18 £000	Projected Out-turn 2017/18 £000	Projected Over/(Under) Spend	Percentage Variance %
Employee Costs	17,932	17,939	17,603	(336)	(1.87)%
Property Costs	5,137	5,161	5,186	25	0.48%
Supplies & Services	6,096	6,152	5,906	(246)	(4.00)%
Transport Costs	2,356	2,356	2,415	59	2.50%
Administration Costs	538	538	841	303	56.35%
Payments to Other Bodies	9,131	9,462	9,369	(93)	(0.98)%
Other Expenditure	495	95	101	6	6.21%
Income	(20,287)	(20,287)	(20,037)	250	(1.23)%
TOTAL NET EXPENDITURE	21,398	21,416	21,384	(32)	(0.15)%
Transfer to Earmarked Reserves *	0	(1,197)	(1,197)	0	0.00%
TOTAL NET EXPENDITURE EXCLUDING EARMARKED RESERVES	21,398	20,219	20,187	(32)	(0.16)%

Objective Heading	Approved Budget 2017/18 £000	Revised Budget 2017/18 £000	Projected Out-turn 2017/18 £000	Projected Over/(Under) Spend	Percentage Variance %
Regeneration & Planning	4,157	4,165	4,244	79	1.90%
Property Services	3,250	3,239	3,270	31	0.96%
Environmental & Commercial Services	13,843	13,864	13,722	(142)	(1.02)%
Corporate Director	148	148	148	0	0.00%
TOTAL NET EXPENDITURE	21,398	21,416	21,384	(32)	(0.15)%
Transfer to Earmarked Reserves *	0	(1,197)	(1,197)	0	0.00%
TOTAL NET EXPENDITURE EXCLUDING EARMARKED RESERVES	21,398	20,219	20,187	(32)	(0.16)%

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

ENVIRONMENT AND REGENERATION COMMITTEE**REVENUE BUDGET MONITORING REPORT****MATERIAL VARIANCES****PERIOD 5: 1st April 2017 - 31st August 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>31-Aug-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	346	296	825	(46)	(5.28)%
							(46)	
(219)	Planning - Development Control Income	Income	(266)	(111)	(54)	(221)	45	(16.92)%
(250)	Planning - Building Standards Income	Income	(290)	(139)	(97)	(250)	40	
(618)	Commercial & Industrial Rental Income	Income	(694)	(339)	(294)	(662)	32	(4.61)%
							117	
	PROPERTY SERVICES							
954	Technical Services	Employee Costs	827	324	357	869	42	5.08%
75	Office Accommodation	Employee Costs	120	53	38	93	(27)	(22.50)%
							15	
178	Technical Services - Agency Staff	Administration	0	0	87	260	260	
							260	
(988)	Technical Services - Recharges to Capital	Income	(758)	(253)	(143)	(1,018)	(260)	34.30%
							(260)	
	ENVIRONMENTAL & COMMERCIAL SERVICES							
710	Roads Operations Unit	Employee Costs	790	313	247	767	(23)	(2.91)%
2,601	Management	Employee Costs	2,584	1,027	993	2,552	(32)	(1.24)%
582	Vehicle Maintenance	Employee Costs	629	250	235	596	(33)	(5.25)%
1,309	Refuse Collection	Employee Costs	1,361	541	527	1,323	(38)	(2.79)%
991	Janitors	Employee Costs	1,104	439	397	1,059	(45)	(4.08)%
1,686	Cleaning	Employee Costs	1,716	682	479	1,636	(80)	(4.66)%
							(251)	
130	Vehicle Maintenance - Subcontractors	Supplies and Services	96	40	43	126	30	31.25%
209	Vehicle Maintenance - Materials	Supplies and Services	176	73	91	196	20	11.36%
273	Roads Operations Unit - Subcontractors	Supplies and Services	235	68	69	150	(85)	(36.17)%
1,547	Roads Operations Unit - Materials	Supplies and Services	1,525	316	523	1,285	(240)	(15.74)%
							(275)	

ENVIRONMENT AND REGENERATION COMMITTEE**REVENUE BUDGET MONITORING REPORT****MATERIAL VARIANCES****PERIOD 5: 1st April 2017 - 31st August 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>31-Aug-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>
360	Roads Operations Unit - External Hires	Transport & Plant	305	88	107	395	90	29.51%
445	Vehicle Maintenance - Fuel Purchases	Transport & Plant	508	211	200	478	(30)	(5.91)%
							60	
48	Refuse Collection - Agency Staff	Administration	20	8	23	50	30	150.00%
							30	
2,748	Refuse Transfer Station - Residual waste contract	PTOB	2,810	972	867	2,745	(65)	(2.31)%
186	Waste Strategy - Payments to Greenlight	PTOB	234	98	51	162	(72)	(30.77)%
126	Waste Strategy - Composting	PTOB	105	69	78	134	29	27.62%
							(108)	
(84)	BSU - Recharges Internal Clients	Income	(145)	(36)	(7)	(119)	26	(17.93)%
(1,107)	Janitors - Internal income	Income	(1,222)	(485)	(428)	(1,177)	45	(3.68)%
(1,630)	Cleaning - Internal income	Income	(1,685)	(669)	0	(1,605)	80	(4.75)%
(777)	Roads Operations Unit - Recharges at Dayworks	Income	(770)	(174)	(192)	(856)	(86)	11.17%
(2,826)	Roads Operations Unit - Recharges Schedule of Rates	Income	(2,705)	(611)	(566)	(2,354)	351	(12.98)%
(17)	Refuse Transfer Station - Scrap Metal Income	Income	(11)	(4)	(11)	(34)	(23)	209.09%
(443)	Vehicle Maintenance - Fuel Recharges	Income	(505)	(210)	(185)	(475)	30	(5.94)%
(247)	Vehicle Maintenance - Non-routine material income	Income	(154)	(17)	(69)	(174)	(20)	12.99%
							403	
Total Material Variances							(55)	

EARMARKED RESERVES POSITION STATEMENT

COMMITTEE: Environment & Regeneration

<u>Project</u>	<u>Total Funding</u>	<u>Phased Budget To Period 5</u>	<u>Actual To Period 5</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	483	23	0	483	0	To support local individuals in providing employment opportunities within the employability pipeline. £160k additional reserve transferred from the pre Release Initiatives EMR.
Power Boat Grand Prix	50	50	50	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	To stage the Commonwealth Flotilla event and fund legacy infrastructure. Remaining EMR balance to be paid to RI as final payment for retentions and consulting fee.
Roads Defects and Drainage works	202	27	6	202	0	Additional funding to be used to treat backlog of pot holes and problematic drainage locations. Works will be completed in 2017/18.

EARMARKED RESERVES POSITION STATEMENT

COMMITTEE: Environment & Regeneration

<u>Project</u>	<u>Total Funding</u>	<u>Phased Budget To Period 5</u>	<u>Actual To Period 5</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>	
Town and Village Centre Environmental Improvements	488	0	0	488	0	0 Delivery of a range of environmental improvements in town and village centres across Inverclyde in consultation with Local Communities.
Economic Development Initiatives	267	17	62	250	17	17 To supplement the Councils employability pipeline which delivers advice and training to take clients towards the job market.
Tourism & Events	117	0	9	9	108	108 Delivery of marketing grants to local businesses along with supplementing the events programme within Inverclyde. £113k of the amount earmarked for 2018/19 & beyond has been earmarked for the 2017/18 powerboat grand prix.
Pre Release Initiatives	0	0	0	0	0	0 EMR transferred to Employability Initiatives.
Demolition of Former Babylon Nightclub	30	0	0	0	30	30 Allocated to assist with future development of site.
CEF Energy Audit	90	0	0	90	0	0 Funding for specialist Energy Audits and subsequent energy efficiency projects identified as part of audits.
Total Category C to E	2,480	242	127	2,295	185	