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<b>Report To:</b>	<b>Environment &amp; Regeneration Committee</b>	<b>Date:</b>	<b>1 September 2016</b>
<b>Report By:</b>	<b>Chief Financial Officer and Corporate Director Environment, Regeneration and Resources</b>	<b>Report No:</b>	<b>FIN/81/16/AP/MMcC</b>
<b>Contact Officer:</b>	<b>Mary McCabe</b>	<b>Contact No:</b>	<b>01475 712222</b>
<b>Subject:</b>	<b>Environment and Regeneration 2016/17 Revenue Budget – Period 3 to 30 June 2016</b>		

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## 1.0 PURPOSE

1.1 To advise Committee of the 2015/16 out-turn and the 2016/17 Revenue Budget position at period 3 to 30 June 2016.

## 2.0 SUMMARY

2.1 In 2015/16, excluding the carry forward of Earmarked Reserves, there was an underspend of £359,000 within the Environment and Regeneration Committee. This was a reduction in expenditure of £222,000 from the Period 11 position reported to Committee in April 2016.

2.2 The major variances making up this underspend were as follows:

- i. Turnover savings across the Committee of £251,000; £111,000 of which related to early achievement of future savings. These turnover savings were partially offset by additional Roads consultants costs and Refuse Collection Agency costs totalling £68,000.
- ii. An underrecovery of Commercial & Industrial income of £60,000 as a result of a higher than anticipated level of voids.
- iii. An underspend in fuel purchases of £57,000.
- iv. An underspend in Roads Client Street Lighting electrical power, mainly due to energy reduction savings, of £52,000.
- v. A net overrecovery of Building Services income of £58,000.
- vi. An underspend on Catering provisions of £64,000.
- vii. An overspend in Refuse Transfer Station residual waste contract costs of £65,000 due to higher than anticipated tonnages being sent to landfill.
- viii. An underrecovery in Physical Assets income of £84,000, mainly due to reduced rental income.

2.3 The revised 2016/17 budget for Environment and Regeneration is £19,236,000 which excludes Earmarked Reserves.

2.4 The latest projection, excluding Earmarked Reserves, is an underspend of £40,000.

2.5 The major variances projected at Period 3 are:

- i. A projected overspend on the Residual Waste Contract within the Refuse Transfer Station of £75,000 due to an increase in tonnages of waste treated.
- ii. Turnover savings across the Committee of £155,000 due to delays in filling vacant posts.
- iii. An underrecovery in Physical Assets rental income of £90,000 in line with previous years.

2.6 Operational Earmarked Reserves for 2016/17 total £2,962,000 of which £1,332,000 is projected to be spent in the current financial year. As detailed in Appendix 4 expenditure of £57,000 (4.3%) has been incurred to Period 3, which is marginally over the phased expenditure.

### **3.0 RECOMMENDATIONS**

3.1 The Committee note the out-turn for 2015/16 and the current projected underspend for 2016/17 of £40,000 as at 30 June 2016.

3.2 The Committee is asked to approve virement as detailed in Section 8 and Appendix 5.

Alan Puckrin  
Chief Financial Officer

Aubrey Fawcett  
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 2016/17 budget as well as the 2015/16 out-turn and to highlight the main issues contributing to the underspend in 2015/16 and the projected underspend in 2016/17.
- 4.2 The revised 2016/17 budget for Environment and Regeneration, excluding earmarked reserves, is £19,236,000. This is an increase of £240,000 from the approved budget prior to transfers to earmarked reserves. Appendix 1 gives details of this budget movement.

## 5.0 2015/16 OUT-TURN

- 5.1 The main variations from budget and movements from Period 11 Projection in 2015/16 were as follows:

	Revised Budget 2015/16 £000	Out-turn 2015/16 £000	Variance to Budget £000	Percentage Variance to Budget £000	Movement since P11 Projection £000
Regeneration & Planning	5,800	5,821	21	0.36%	9
Property Services	3,472	3,600	128	3.69%	47
Environmental & Commercial Services	13,219	12,756	(463)	(3.50)%	(287)
Corporate Director	146	101	(45)	(30.82)%	9
<b>TOTAL NET EXPENDITURE</b>	<b>22,637</b>	<b>22,278</b>	<b>(359)</b>	<b>(1.59)%</b>	<b>(222)</b>
Earmarked Reserves	(3,021)	(3,021)	0	0.00%	0
<b>TOTAL NET EXPENDITURE EXCLUDING EARMARKED RESERVES</b>	<b>19,616</b>	<b>19,257</b>	<b>(359)</b>	<b>(1.83)%</b>	<b>(222)</b>

- 5.2 The actual out-turn, excluding Earmarked Reserves was £19,257,000, which represents an underspend of £359,000. This is a reduction in spend of £222,000 from the position reported to Committee on 28th April 2016. The material variances are outlined in paragraphs 5.3 to 5.6:

### 5.3 Committee-wide Variances

Turnover Savings across all Services of £251,000, a further reduction in spend of £1,000 from the Period 11 projection. Of the turnover savings achieved, £111,000 were due to the early achievement of future year savings.

### 5.4 Regeneration and Planning Variances

Underrecovery of Commercial, Industrial income of £60,000 due to a higher than budgeted level of voids. This is a further reduction in income of £20,000 since Period 11.

### 5.5 Property Assets & Facilities Management Variances

An underrecovery in Physical Assets income of £84,000, a further reduction of £23,000 from that reported at the Period 11 Committee.

## 5.6 Environmental & Commercial Services Variances

- a) Within the Refuse Transfer Station, the residual waste contract budget was overspent by £65,000 due to an increase in tonnes being sent to landfill. This outturn represents an increase in costs of £22,000 since Period 11.
- b) Underspend on Catering Provisions of £64,000; a reduction in spend of £50,000 from the projection reported at Period 11.
- c) Within Vehicle Maintenance, an underspend on Fuel purchases of £57,000, a further reduction in spend of £12,000 since Period 11, due to reduced consumption across the Council.
- d) Building Services had a net overrecovery in income of £58,000; an increase in net income of £31,000 from Period 11. This is due to changes to the planned profile of work which resulted in reduced sub-contractor costs.
- e) Within Roads Client there was an underspend in the Street Lighting Electrical Power budget of £52,000, mainly due to energy reduction resulting from lantern conversions. This was an increase in spend of £11,000 from Period 11.

## 6.0 2016/17 CURRENT POSITION

6.1 The current projection for 2016/17 is an underspend of £40,000.

### 6.2 Regeneration & Planning - £60,000 underspend

The current projected out-turn for Regeneration & Planning is an underspend of £60,000. The main issues relating to the current projected underspend for Regeneration & Planning are detailed below and in Appendix 3:

#### (a) Employee Costs

There is a projected underspend of £104,000 due to turnover savings resulting from delays in filling vacant posts.

#### (b) Income

There is a projected underrecovery of Commercial Industrial rental income of £44,000 due to a higher than budgeted level of voids in line with 2015/16.

### 6.3 Property Services - £138,000 overspend

The current projected out-turn for Property Services is an overspend of £138,000.

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 £125,000, made up as follows:

- i. Cost of 1.5 additional Technical Services employees totalling of £77,000; offset by additional fee income.
- ii. Turnover savings target projected to be underachieved by £48,000.

#### (b) Administration Costs

There is a projected overspend of £143,000 due to agency worker costs within Technical

Services; offset by additional fee income.

(c) Income

There is a projected overrecovery in income of £130,000 due to:

- i. Additional Technical Services capital recharge income – offset by increased employee costs and agency worker costs of £220,000.
- ii. Underrecovery of Physical Asset Rental income of £90,000. This is in line with previous years outturn.

6.4 **Environmental & Commercial Services - £78,000 underspend**

The current projected out-turn for Environmental & Commercial Services is an underspend of £78,000.

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 £154,000, mainly due to:

- i. Additional turnover savings within Management of £48,000.
- ii. Underspend in Janitors employee costs of £33,000 which is offset by reduced recharge income.
- iii. Underspend in Cleaning of £30,000, due to early achievement of productivity savings.
- iv. Turnover savings within Public Conveniences of £21,000 resulting from a vacant post.

(b) Supplies & Services

There is a projected overspend of £291,000, mainly due to overspends in Roads Operations Subcontractors and Materials of £41,000 and £249,000 respectively. These overspends are offset by additional income and are a result of additional capital works.

(c) Transportation & Plant

There is an overspend of £90,000 as a result of:

- i. An underspend in purchase of fuel of £36,000.
- ii. An overspend in Roads Operational external hires of £126,000; based on the current workplan. This overspend is offset by additional income.

(d) Payments to Other Bodies

Within Waste Disposal, there is a projected overspend of £95,000 mainly relating to the Residual Waste Contract and the Composting contract of £75,000 and £15,000 respectively, resulting from increased tonnages treated.

(e) Income

There is a projected overrecovery of £402,000, made up as follows:

- i. An overrecovery of Roads Operational income of £413,000, in line with increased costs, per above.
- ii. An underrecovery of Janitors recharge income of £33,000, in line with reduced employee costs, per 6.4(a)(ii).

## 6.5 **Corporate Director - £40,000 underspend**

The Corporate Director budget is projecting £40,000 under budget as a result of recharges to Riverside Inverclyde.

## 7.0 **EARMARKED RESERVES**

7.1 There is a planned contribution of £2,389,000 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 marginally over the phased budget.

## 8.0 **VIREMENTS**

8.1 Committee is asked to approve virement as outlined in Appendix 5. This virement is reflected throughout the report and is requested to address pressures within the Waste Strategy and Refuse Transfer Station budgets. The virement corrects an underlying underrecovery within Waste Strategy Clothing Bank and Refuse Transfer Station Scrap Metal income from underspends in Waste Strategy Plastic Sacks and Promotions and Publicity. The underspend in Plastic Sacks has come about due to the purchase of more cost effective food waste bags than was originally budgeted for and the underspend in Promotions & Publicity is due to less publicity being required now that the Food Waste scheme is established.

## 9.0 **IMPLICATIONS**

### **Finance**

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

#### Financial Implications:

##### One off Costs

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

##### Annually Recurring Costs/ (Savings)

<b>Cost Centre</b>	<b>Budget Heading</b>	<b>With Effect from</b>	<b>Annual Net Impact £000</b>	<b>Virement From (if Applicable)</b>	<b>Other Comments</b>
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 £40,000.

## **12.0 LIST OF BACKGROUND PAPERS**

12.1 There are no background papers relating to this report.

**Environment & Regeneration Budget Movement - 2015/16****PERIOD 3: 1st April 2016 - 30th June 2016**

Service	Approved Budget		Movements			Revised Budget
	2015/16 £000	Inflation £000	Virement £000	Supplementary Budgets £000	Transferred to EMR £000	2015/16 £000
Regeneration & Planning	4,697				(1,175)	3,522
Property Services	2,824				(1,001)	1,823
Environmental & Commercial Services	13,716		7	233	(213)	13,743
Corporate Director	148					148
Totals	<u>21,385</u>	<u>0</u>	<u>7</u>	<u>233</u>	<u>(2,389)</u>	<u>19,236</u>

**Supplementary Budget Detail**

£000

External ResourcesInternal Resources

Residual Waste Disposal Contract - inflationary increase funded from the Inflation Contingency	137
Waste Strategy MRF Contract - inflationary increase funded from the Inflation Contingency	77
Waste Strategy Composting Contract - inflationary increase funded from the Inflation Contingency	19

Savings/Reductions


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ENVIRONMENT AND REGENERATION COMMITTEEREVENUE BUDGET MONITORING REPORTPERIOD 3: 1st April 2016 - 30th June 2016

Subjective Heading	Approved Budget 2015/16 £000	Revised Budget 2015/16 £000	Projected Out-turn 2015/16 £000	Projected Over/(Under) Spend	Percentage Variance %
Employee Costs	17,969	18,001	17,828	(173)	(0.96)%
Property Costs	4,955	4,976	4,978	2	0.04%
Supplies & Services	6,249	6,229	6,520	291	4.67%
Transport Costs	2,294	2,294	2,384	90	3.92%
Administration Costs	515	506	649	143	28.26%
Payments to Other Bodies	9,708	9,920	10,015	95	0.96%
Income	(20,305)	(20,300)	(20,788)	(488)	(2.40)%
<b>TOTAL NET EXPENDITURE</b>	<b>21,385</b>	<b>21,626</b>	<b>21,586</b>	<b>(40)</b>	<b>(0.19)%</b>
Transfer to Earmarked Reserves *	0	(2,389)	(2,389)	0	0.00%
<b>TOTAL NET EXPENDITURE EXCLUDING EARMARKED RESERVES</b>	<b>21,385</b>	<b>19,237</b>	<b>19,197</b>	<b>(40)</b>	<b>(0.21)%</b>

Objective Heading	Approved Budget 2015/16 £000	Revised Budget 2015/16 £000	Projected Out-turn 2015/16 £000	Projected Over/(Under) Spend	Percentage Variance %
Regeneration & Planning	4,697	4,698	4,638	(60)	(1.28)%
Property Services	2,824	2,824	2,962	138	4.89%
Environmental & Commercial Services	13,716	13,956	13,878	(78)	(0.56)%
Corporate Director	148	148	108	(40)	(27.09)%
<b>TOTAL NET EXPENDITURE</b>	<b>21,385</b>	<b>21,626</b>	<b>21,586</b>	<b>(40)</b>	<b>(0.18)%</b>
Transfer to Earmarked Reserves *	0	(2,389)	(2,389)	0	0.00%
<b>TOTAL NET EXPENDITURE EXCLUDING EARMARKED RESERVES</b>	<b>21,385</b>	<b>19,237</b>	<b>19,197</b>	<b>(40)</b>	<b>(0.21)%</b>

\* Per Appendix 3: New funding transferred to earmarked reserves during 2016/17

## ENVIRONMENT AND REGENERATION COMMITTEE

## REVENUE BUDGET MONITORING REPORT

## MATERIAL VARIANCES

PERIOD 3: 1st April 2016 - 30th June 2016

<u>Out Turn</u> <u>2015/16</u> <u>£000</u>	<u>Budget</u> <u>Heading</u>	<u>Subjective Head</u>	<u>Budget</u> <u>2016/17</u> <u>£000</u>	<u>Proportion</u> <u>of Budget</u> <u>£000</u>	<u>Actual to</u> <u>30-Jun-16</u> <u>£000</u>	<u>Projection</u> <u>2016/17</u> <u>£000</u>	<u>(Under)/Over</u> <u>Budget</u> <u>£000</u>	<u>Percentage</u> <u>Variance</u> <u>%</u>
2,329	<b>REGENERATION &amp; PLANNING</b> Regeneration & Planning Employee Costs	Employee Costs	1,683	422	505	1,579	(104)	(6.18)%
(638)	Commercial & Industrial - Rent	Income	(698)	(172)	(177)	(654)	44	(6.30)%
1,029	<b>PROPERTY SERVICES</b> Technical Services	Employee Costs	842	208	258	967	125	14.85%
157	Technical Services - Agency Staff	Administration	0	0	27	143	143	
(1,200)	Technical Services - Recharges to Capital	Income	(758)	(190)	(88)	(978)	(220)	29.02%
(87)	Physical Assets - Rent	Income	(172)	(43)	(36)	(82)	90	(52.33)%
1,748	<b>ENVIRONMENTAL &amp; COMMERCIAL SERVICES</b> Cleaning	Employee Costs	1,788	441	430	1,758	(30)	(1.68)%
994	Janitors/Lets	Employee Costs	1,082	267	242	1,049	(33)	(3.05)%
76	Public Conveniences	Employee Costs	95	23	20	74	(21)	(22.11)%
2770	Environmental Management	Employee Costs	2,685	715	700	2,637	(48)	(1.79)%
281	Roads Operational Account - Subcontractors	Supplies and Services	235	59	58	276	41	17.45%
1,802	Roads Operational Account - Materials	Supplies and Services	1,525	381	387	1,774	249	16.33%
453	Vehicle Maintenance - Fuel Purchases	Transport & Plant	498	124	87	462	(36)	(7.23)%
402	Roads Operational Account - External Hires	Transport & Plant	305	76	67	431	126	41.31%
2,523	Refuse Transfer - Waste Disposal	PTOB	2,595	459	467	2,670	75	2.89%
(755)	Roads Operational Account - Revenue	Income	(770)	(192)	(174)	(741)	29	(3.77)%
(3,147)	Roads Operational Account - Capital	Income	(2,705)	(676)	(555)	(3,147)	(442)	16.34%
(1,098)	Janitors - Recharges	Income	(1,180)	(295)	(244)	(1,147)	33	(2.80)%
91	<b>CORPORATE DIRECTOR</b> Corporate Director	Employee Costs	141	35	35	101	(40)	(28.37)%
<b>Total Material Variances</b>							<b>(19)</b>	

EARMARKED RESERVES POSITION STATEMENT

Appendix 4

COMMITTEE: Environment & Regeneration

<u>Project</u>	<u>Total Funding 2016/17</u>	<u>Phased Budget To Period 3 2016/17</u>	<u>Actual To Period 3 2016/17</u>	<u>Projected Spend 2016/17</u>	<u>Amount to be Earmarked for 2017/18 &amp; Beyond</u>	<u>Lead Officer Update</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	
Youth Employment	70	0	0	70	0	Funding will be used to enhance core revenue budget in support of the Modern Apprenticeship scheme and Graduate support.
Flooding Strategy	44	0	0	0	44	Funding for legal fees related to discussions with Scottish Water on ownership of Eastern Line of Falls.
Greenock Town Centre Parking Strategy	9	0	0	9	0	Spend expected in September for Gourock Parking revisions.
Repopulating/Promoting Inverclyde	385	11	12	220	165	All workstreams proceeding well.
Employability Initiatives	411	0	0	200	211	Phased initiative.
Greenock Municipal Buildings Tourism Initiative	126	0	0	126	0	Agreed at Environment and Regeneration Committee on 29/10/15 that Funding be used for refurbishment of the District Court. Historic Scotland have awarded grant of £65k. Design work in progress.
Commonwealth Flotilla Event	73	0	0	73	0	Spend will be directed to creating a legacy from the sailing event undertaken to celebrate the Commonwealth Games. The legacy involves the relocation of pontoons used during the event to East India Harbour. Currently out for tender.
Roads Defects and Drainage works	468	40	45	268	200	Funding is for improved drainage maintenance and to reduce pothole backlog. Works are continuing with the majority of the work being carried out from August onwards. It is anticipated that £268k of works will be completed in 16/17 with the remaining funding being carried forward to 17/18
City Deal	26	0	0	26	0	Our anticipated share of Project Management Office Costs for 2015/17.

EARMARKED RESERVES POSITION STATEMENT

Appendix 4

COMMITTEE: Environment & Regeneration

<u>Project</u>	<u>Total Funding 2016/17</u>	<u>Phased Budget To Period 3 2016/17</u>	<u>Actual To Period 3 2016/17</u>	<u>Projected Spend 2016/17</u>	<u>Amount to be Earmarked for 2017/18 &amp; Beyond</u>	<u>Lead Officer Update</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	
Town and Village Centre Environmental Improvements	500	0	0	50	450	All projects are going to plan with the exception of the housing options guide work may run late due to staff illness but we will continue to monitor this.
Economic Development Initiatives	500	0	0	200	300	Money to be spent on Marketing, Modern Apprenticeships and graduates.
Tourism & Events	150	0	0	50	100	Funding for tourism grants which have yet to be decided.
Pre Release Initiatives	200	0	0	40	160	Engagement meeting has taken place with Scottish Prison Service and the final details of the scheme have been agreed.
<b>Total Category C to E</b>	<b>2,962</b>	<b>51</b>	<b>57</b>	<b>1,332</b>	<b>1,630</b>	

**ENVIRONMENT AND REGENERATION COMMITTEE****VIREMENT REQUESTS****PERIOD 3: 1st April 2016 - 30th June 2016**

<b>Budget Heading</b>	<b>Increase Budget</b>	<b>(Decrease) Budget</b>
	<b>£</b>	<b>£</b>
Waste Strategy - Plastic Sacks		(20,000)
Waste Strategy - Promotions & Publicity		(10,000)
Waste Strategy - Clothing Bank Income	10,000	
Refuse Transfer Station - Scrap Metal Income	20,000	
<b>Total</b>	<b>30,000</b>	<b>(30,000)</b>

**Note**

This virement corrects an underlying underrecovery within Clothing Bank and Scrap Metal income from underspends in Plastic Sacks and Promotions & Publicity. The underspend in Plastic Sacks has come about due to the purchase of more cost effective food waste bags than was originally budgeted for and the underspend in Promotions and Publicity is due to less publicity being required now that the Food Waste scheme is established.