

Report To: Environment & Regeneration Committee **Date:** 27 October 2016

Report By: Chief Financial Officer and Corporate Director Environment, Regeneration and Resources **Report No:** FIN/101/16/AP/MMcC

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Subject: Environment and Regeneration 2016/17 Revenue Budget – Period 5 to 31 August 2016

1.0 PURPOSE

1.1 To advise Committee of the 2016/17 Revenue Budget position at Period 5 to 31 August 2016.

2.0 SUMMARY

2.1 The revised 2016/17 budget for Environment and Regeneration is £19,182,000 which excludes Earmarked Reserves.

2.2 The latest projection, excluding Earmarked Reserves, is an overspend of £184,000, an increase in spend of £224,000 since Period 3 Committee.

2.3 The major variances projected at Period 5 are:

- i. A projected overspend on the Residual Waste Contract within the Refuse Transfer Station of £138,000 due to an increase in tonnages of waste treated.
- ii. Turnover savings across the Committee of £121,000 due to delays in filling vacant posts.
- iii. An underrecovery in Physical Assets rental income of £90,000 in line with previous years' outturn.
- iv. An underrecovery in Planning/Building Standards income of £100,000 due to fewer than budgeted applications being received.

2.4 Operational Earmarked Reserves for 2016/17 total £2,856,000 of which £1,291,000 is projected to be spent in the current financial year. As detailed in Appendix 4 expenditure of £60,000 (4.6%) has been incurred to Period 5, which is £248,000 under phased budget, mainly due to delays within the Repopulating/Promoting Inverclyde and Commonwealth Flotilla reserves. Both areas are due to progress major project spend in the coming months. More detail is provided in the Appendix.

3.0 RECOMMENDATIONS

3.1 The Committee note the current projected overspend for 2016/17 of £184,000 as at 31 August 2016.

3.2 The Committee note that the Head of Environmental and Commercial Services will bring forward a report to the next Committee in respect of the pressure on the Waste Management budget resulting from the increase in tonnages treated.

3.3 The Committee note that the Corporate Director and Heads of Service will review areas where spend can be reduced in order to bring the Committee back on budget.

Alan Puckrin
Chief Financial Officer

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 and to highlight the main issues contributing to the projected overspend.
- 4.2 The revised 2016/17 budget for Environment and Regeneration, excluding earmarked reserves, is £19,182,000. 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 2016/17 CURRENT POSITION

- 5.1 The current projection for 2016/17 is an overspend of £184,000.

5.2 Regeneration & Planning - £30,000 overspend

The current projected out-turn for Regeneration & Planning is an overspend of £30,000, an increase in projected spend of £90,000 since Period 3 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 £114,000 due to turnover savings resulting from delays in filling vacant posts, a reduction in projected spend of £10,000 since Period 3.

(b) Income

There is a projected underrecovery in income of £144,000, due to:

- i. A projected underrecovery in Commercial Industrial rental income of £44,000, due to a higher than budgeted level of voids in line with the 2015/16 outturn.
- ii. A projected underrecovery of Building Standards fee income of £70,000 and Development Control income of £30,000, due to fewer than budgeted applications being received. This projection reflects the variance year on year to date and assumes the remainder of the year will be in line with last year.

5.3 Property Services - £127,000 overspend

The current projected out-turn for Property Services is an overspend of £127,000, a reduction in projected spend of £11,000 since last Committee.

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 £110,000, £15,000 less spend than projected at Period 3, made up as follows:

- i. Cost of 1.5 additional Technical Services employees totalling £77,000; offset by additional fee income.
- ii. Turnover savings target projected to be underachieved by £33,000, a reduction in projected spend of £15,000 since Period 3.

(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 £137,000, as previously reported, due to:

- i. Additional Technical Services capital recharges income – offset by increased employee costs and agency worker costs of £221,000.
- ii. Underrecovery of Physical Asset Rental income of £90,000. This is in line with previous year's outturn.

5.4 **Environmental & Commercial Services - £69,000 overspend**

The current projected out-turn for Environmental & Commercial Services is an overspend of £69,000, an increase in projected spend of £147,000 since last Committee.

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

(a) Employee Costs

There is a projected underspend of £182,000, mainly due to:

- i. Turnover savings within Management of £19,000, £29,000 more spend than previously projected due to a vacant post being filled.
- ii. Underspend in Janitors' employee costs of £40,000 which is offset by reduced recharge income.
- iii. Underspend in Cleaning of £76,000, due to the early achievement of productivity savings. This is a further reduction in spend of £46,000 from last period and is offset by reduced recharge income.
- iv. Turnover savings within Public Conveniences of £21,000 resulting from a vacant post, as previously reported.
- v. Projected turnover savings within Roads Operational of £21,000 due to delays in filling vacant posts.

(b) Supplies & Services

There is a projected overspend of £290,000, £1,000 less spend than at Period 3, mainly due to:

- i. Overspend in Roads Operational Subcontractors and Materials of £36,000 and £200,000 respectively. These overspends are offset by additional income and are a result of additional capital works. This is £54,000 less spend than previously reported.
- ii. Roads Client rechargeable spend of £45,000; £40,000 more spend than last Committee; which is offset by additional income.

(c) Transportation & Plant

There is an overspend of £83,000, £7,000 less spend than was projected at Period 3, as a result of:

- i. An underspend in purchase of fuel of £36,000, as previously reported.
- ii. An overspend on Roads Operational external hires of £119,000; 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 £156,000, £61,000 more spend than at Period 3, mainly relating to overspends in the Residual Waste and the Composting contracts of £138,000 and £16,000 respectively, resulting from increased tonnages treated.

(e) Income

There is a projected overrecovery of £294,000, made up as follows:

- i. An overrecovery of Roads Operational income of £342,000, in line with increased costs, per above. This is £71,000 less income than previously reported and is in line with the current work programme.
- ii. An overrecovery of Roads Client Rechargeable income of £45,000; offset by additional Supplies & Services spend.
- iii. An underrecovery of Janitors recharge income of £40,000, in line with reduced employee costs, per 5.4(a)(ii).
- iv. An underrecovery of Cleaning income of £76,000, in line with reduced employee costs as outlined in 5.4(a)(iii).

5.5 Corporate Director - £42,000 underspend

The Corporate Director budget is projecting £42,000 under budget partially as a result of recharges to Riverside Inverclyde and partially turnover savings pending appointment of a new Corporate Director. The recharge to Riverside Inverclyde ceased on 19 September 2016.

6.0 EARMARKED RESERVES

6.1 There is a planned contribution of £2,443,000 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 £248,000 below phased spend. This is mainly due to delays within the Repopulating/Promoting Inverclyde and Commonwealth Flotilla reserves and action has been taken to address this and bring spend back on phased budget by the year end.

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 overspend of £184,000.

10.2 The Corporate Director and Heads of Service will review areas where spend can be reduced in order to bring the Committee back on budget.

11.0 LIST OF BACKGROUND PAPERS

11.1 There are no background papers relating to this report.

Environment & Regeneration Budget Movement - 2016/17**PERIOD 5: 1st April 2016 - 31st August 2016**

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	4,697				(1,175)	3,522
Property Services	2,824				(1,025)	1,799
Environmental & Commercial Services	13,716		7	233	(243)	13,713
Corporate Director	148					148
Totals	<u>21,385</u>	<u>0</u>	<u>7</u>	<u>233</u>	<u>(2,443)</u>	<u>19,182</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

233

ENVIRONMENT AND REGENERATION COMMITTEEREVENUE BUDGET MONITORING REPORTPERIOD 5: 1st April 2016 - 31st August 2016

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	17,969	18,000	17,772	(228)	(1.27)%
Property Costs	4,955	4,976	4,988	12	0.24%
Supplies & Services	6,249	6,230	6,520	290	4.66%
Transport Costs	2,294	2,294	2,377	83	3.62%
Administration Costs	515	505	663	158	31.27%
Payments to Other Bodies	9,708	9,920	10,076	156	1.57%
Income	(20,305)	(20,300)	(20,587)	(287)	(1.41)%
TOTAL NET EXPENDITURE	21,385	21,625	21,809	184	0.85%
Transfer to Earmarked Reserves *	0	(2,443)	(2,443)	0	0.00%
TOTAL NET EXPENDITURE EXCLUDING EARMARKED RESERVES	21,385	19,182	19,366	184	0.96%

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	4,697	4,697	4,727	30	0.64%
Property Services	2,824	2,824	2,951	127	4.50%
Environmental & Commercial Services	13,716	13,956	14,025	69	0.49%
Corporate Director	148	148	106	(42)	(28.44)%
TOTAL NET EXPENDITURE	21,385	21,625	21,809	184	0.85%
Transfer to Earmarked Reserves *	0	(2,443)	(2,443)	0	0.00%
TOTAL NET EXPENDITURE EXCLUDING EARMARKED RESERVES	21,385	19,182	19,366	184	0.96%

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

ENVIRONMENT AND REGENERATION COMMITTEE**REVENUE BUDGET MONITORING REPORT****MATERIAL VARIANCES****PERIOD 5: 1st April 2016 - 31st August 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>31-Aug-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>
	REGENERATION & PLANNING							
1,162	Economic Development Admin	Employee Costs	500	200	199	463	(37)	(7.40)%
213	Procurement	Employee Costs	222	89	76	208	(14)	(6.31)%
954	Planning	Employee Costs	939	375	356	893	(46)	(4.90)%
							(97)	
(638)	Commercial & Industrial - Rent	Income	(698)	(291)	(298)	(654)	44	(6.30)%
(342)	Planning - Building Standards Fee Income	Income	(328)	(137)	(93)	(258)	70	(21.34)%
(268)	Planning - Development Control Income	Income	(261)	(109)	(101)	(231)	30	(11.49)%
							144	
	PROPERTY SERVICES							
1,029	Technical Services	Employee Costs	842	337	396	966	124	14.73%
							124	
157	Technical Services - Agency Staff	Administration	0	0	46	143	143	
							143	
(1,200)	Technical Services - Recharges to Capital	Income	(758)	(253)	(268)	(979)	(221)	29.16%
(87)	Physical Assets - Rent	Income	(172)	(72)	(40)	(82)	90	(52.33)%
							(131)	
	ENVIRONMENTAL & COMMERCIAL SERVICES							
1,748	Cleaning	Employee Costs	1,788	715	688	1,712	(76)	(4.25)%
994	Janitors/Lets	Employee Costs	1,082	433	397	1,042	(40)	(3.70)%
76	Public Conveniences	Employee Costs	95	38	31	74	(21)	(22.11)%
767	Roads Operations	Employee Costs	780	312	260	759	(21)	(2.69)%
							(158)	

ENVIRONMENT AND REGENERATION COMMITTEEREVENUE BUDGET MONITORING REPORTMATERIAL VARIANCESPERIOD 5: 1st April 2016 - 31st August 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>31-Aug-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>
238	Building Services - Direct Purchases	Supplies and Services	164	68	79	194	30	18.29%
191	Building Services - Subcontractors	Supplies and Services	220	92	42	190	(30)	(13.64)%
281	Roads Operational Account - Subcontractors	Supplies and Services	235	98	112	271	36	15.32%
1,802	Roads Operational Account - Materials	Supplies and Services	1,525	635	698	1,725	200	13.11%
							236	
453	Vehicle Maintenance - Fuel Purchases	Transport & Plant	498	207	203	462	(36)	(7.23)%
402	Roads Operational Account - External Hires	Transport & Plant	305	127	131	424	119	39.02%
							83	
2,523	Refuse Transfer - Waste Disposal	PTOB	2,595	949	1,027	2,733	138	5.32%
							138	
(755)	Roads Operational Account - Revenue	Income	(770)	(321)	(250)	(741)	29	(3.77)%
(3,147)	Roads Operational Account - Capital	Income	(2,705)	(1,127)	(1,028)	(3,076)	(371)	13.72%
(1,098)	Janitors - Recharges	Income	(1,180)	(492)	(324)	(1,140)	40	(3.39)%
(1,820)	Cleaning - Recharges	Income	(1,928)	(804)	(62)	(1,852)	76	(3.94)%
							(226)	
91	CORPORATE DIRECTOR Corporate Director	Employee Costs	141	35	35	99	(42)	(29.79)%
							(42)	
Total Material Variances							214	

EARMARKED RESERVES POSITION STATEMENT

Appendix 4

COMMITTEE: Environment & Regeneration

<u>Project</u>	<u>Total Funding 2016/17</u>	<u>Phased Budget To Period 5 2016/17</u>	<u>Actual To Period 5 2016/17</u>	<u>Projected Spend 2016/17</u>	<u>Amount to be Earmarked for 2017/18 & 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	14	0	0	0	14	Funding was originally for legal fees relating to discussions with Scottish Water on ownership of the Eastern Line of Falls. However, this is unlikely now to be required. It was agreed at the Environment & Regeneration Committee 1 September 2016 that £30k of this budget be reallocated towards the demolition of the former Babylon Nightclub. £14k remaining budget will be used for any remaining legal fees and title checks.
Greenock Town Centre Parking Strategy	9	0	0	9	0	Spend expected in November for Gourock Parking revisions.
Repopulating/Promoting Inverclyde	385	195	57	265	120	This relates to a number of different workstreams. £150k of works for Kilmacolm self build project were planned to have been completed by P5 however site start has been delayed 4 months. Contractors will now start on site on 11 October 2016. It is expected that spend will realign after that. £45k for Grand Prix boats included in actual to P5.
Employability Initiatives	411	0	0	200	211	Phased initiative. Tender back and outcome went to committee on the 20th September with recommendation on award.
Commonwealth Flotilla Event	123	73	0	113	10	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. Additional £50k funding from car park acquisition CFCR. Contract now awarded, with work commencing end of September. Completion expected end of October 2016.

EARMARKED RESERVES POSITION STATEMENT

Appendix 4

COMMITTEE: Environment & Regeneration

<u>Project</u>	<u>Total Funding 2016/17</u>	<u>Phased Budget To Period 5 2016/17</u>	<u>Actual To Period 5 2016/17</u>	<u>Projected Spend 2016/17</u>	<u>Amount to be Earmarked for 2017/18 & Beyond</u>	<u>Lead Officer Update</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	
Roads Defects and Drainage works	468	40	3	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	Required to meet anticipated share of Project Management Office Costs for 2015/17. Shortfall expected in 2016/17.
Town and Village Centre Environmental Improvements	500	0	0	50	450	Project is progressing as planned, just not incurred much in the way of fees yet.
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. Tender back and outcome will go to committee on the 20th September with recommendation on award.
Total Category C to E	2,856	308	60	1,291	1,565	