

AGENDA ITEM No. 12
NORTH LANARKSHIRE COUNCIL
REPORT

To: ENVIRONMENTAL SERVICES COMMITTEE		Subject: REVENUE MONITORING REPORT 01.04.09 – 17.07.09 (PERIOD 4) ENVIRONMENTAL SERVICES
From: EXECUTIVE DIRECTOR OF ENVIRONMENTAL SERVICES		
Date: 19 AUGUST 2009	Ref: PJ/RC/JM/P4	

1. PURPOSE OF REPORT

- 1.1. This report advises Committee on the overall financial position of Environmental Services for the period 1st April to 17th July 2009. Variances are reported for both year-to-date and projected outturn, with major outturn variances being highlighted and explained.

2. SUMMARY OF FINANCIAL POSITION

- 2.1. At this early stage in the financial year the Service is projecting a year end overspend of £927,207, which is aggregated from a Non-trading overspend of £1,043,959 (See appendix 1) and Trading Account over-recoveries of £116,752. The non-trading overspend is primarily as a result of decreased Planning and Building Standard fee income.
- 2.2. The Catering Trading operation was given £850,000 within the 2009/10 budget to cover food price inflation. Although food prices continue to rise this has been at a lower level than budgeted. As a result there is an underspend of £323,000 projected due to food price inflation. The full implications of this underspend will have to be considered across the Council, therefore, it is not included within the period 4 projection. However, should this underspend remain, there is scope to reduce Environmental Services underspend to £604,207.
- 2.3. Significant management action will be required over the coming months to identify further savings to minimise the overspend position. This current outturn position is an adverse movement of £657,848 from Period 3 mainly due to the reassessment of the Planning and Building Standard fee projection, now based on the first four months data showing signs of stabilising at this lower level. Given the current economic climate this position could worsen therefore, this will continue to be closely monitored throughout the year.
- 2.4. The projected underspend of £227,000 within Directorate and Support at period 4 has now been reallocated across the Service including Trading activities in line with normal accountancy practice. Additional details regarding budget variations are outlined in paragraph 4 below, and the appendices to this report.
- 2.5. An efficiency saving for Public Conveniences (£244k) was approved as part of the 2009/10 budget setting process. However, following Committee approval during the May cycle, consultation will take place on the future method of service delivery, subsequently resulting in a delay in implementing these changes and achieving the approved efficiency saving. Management action is currently being identified to offset this.

- 2.6. The Service has also incurred costs of £449,000 to date as a result of the recently approved Best Value Service Review janitorial and Caretaking Services removal of contractual frost firing security check. These costs were incurred under the 'spend to save' initiative and as such will be funded corporately from resources identified for change management initiatives.
- 2.7. The Trading Accounts are projecting surpluses totalling £1,100,165, which is £116,752 higher than budget. The increased surplus is due to reduced support service overheads as outlined in paragraph 2.4 above.

3. **RISKS AND UNCERTAINTY**

- 3.1. Although risks are inherent in any financial planning and monitoring process, the current economic climate has the potential to impact upon the Council's ability to provide services within its existing budgetary provision.
- 3.2. The Service is currently facing a number of risks. The most significant is the potential for a further severe winter in 2009/10 similar to the previous year. During 2008/09 winter maintenance activity resulted in a £1.1m overspend which required the £600,000 contingency reserve to be fully drawn down. As a result there is no contingency budget and this years full winter spend will have to be managed within existing roads budgets.

4 **MAJOR VARIATIONS FROM BUDGET**

- 4.1 A summary of the major variances projected at year-end within each division is outlined within table 1 below.

<i>Service Division</i>	<i>Outturn Position (£s)</i>	<i>Analysis</i>
Directorate & Support	0	On Target
Land Services	12,057	Underspend – Reduced overheads
Facility support	27,949	Underspend – Reduced overheads
Planning	(1,132,360)	Overspend - Reduced Planning & Building Standards income
Roads & Transportation	34,586	Underspend – Reduced overheads
Protective Services	13,809	Underspend – Reduced overheads
Trading Accounts	116,752	Increased Surplus – Reduced overheads
Totals	927,207	Overspend

Table 1

- 4.2 The Service is experiencing several significant cost pressures due to operational and external economic conditions. These include:-

- 4.2.1 An anticipated decrease in Planning and Building Standards application numbers is expected; a trend evident across the country. As a result, fee income is currently projected to under recover by £1.29m. An analysis of the first four months data illustrates that the trend first evidenced last year has deteriorated significantly. This projection reflects a stabilisation of demand at this lower level. This assessment of the potential reduction in income levels will be continually monitored as the financial year progresses and any movements highlighted in future monitoring reports.

- 4.2.2 Due to the continued implementation of the Recycle for Good Programme, there will be increased gate fees £391,000 to process recyclable waste, however these costs are fully offset by reduced Landfill Tax payments.
- 4.2.3 Planning professional and design fees are anticipated to overspend by £125,000. These fees are required to assist in the processing of planning applications. They provide expertise which does not exist within the Planning Service such as assessing the impact of developments on flood planes and geotechnics.
- 4.2.4 Essential repairs and maintenance within areas such as Cleansing have been undertaken to maintain service specifications. This has resulted in overspends of approximately £65,000.
- 4.2.5 Based on forecast usage patterns, power supply expenditure on street lighting and signals is expected to be overspent by £100,000. This position will be further updated mid-year following confirmation of a new tariff rate as the existing contract expires in September 2009. Management action has already been implemented to offset this burden through a review of private contractors roads maintenance costs.
- 4.2.6 Utility costs are also currently projected to be £44,000 overspent based on previous years charges reflecting the price reduction. This projection will be reviewed as consumption details become available throughout the year.
- 4.2.7 General contract inflation of £110,000 has also been absorbed to ensure spend remains within existing budgetary provision. This has involved management reviewing the allocation of work issued to Amey Roads North Lanarkshire (ARNL) and other contractors. This included redefining priorities such as reducing infrastructure renewals work, which contributes to the Service's statutory performance indicators, in order to ensure sufficient funds remain to undertake essential repairs and cyclical maintenance works.
- 4.2.8 Dog kennelling costs are also projected to be £45,000 overspent as a result of part year changes in the arrangements with the SSPCA. The introduction of the flexible work style pilot has led to £45,000 one off set up costs.
- 4.2.9 There are a number of other significant variances throughout the Service however these are offset by additional income from across the Council (see appendix 2). These areas include expenditure on infrastructure and other projects within Grounds Maintenance and increased service provision against budget for Caretakers and Janitors within Building Cleaning.
- 4.3 Environmental Service's has 1,381 FTE staff with a corresponding employee budget of £42.2m. This budget assumes employee turnover of 2.04% per annum which is equivalent to 28 FTE staff. There are currently 77 vacancies within the Service of which 60 can be considered management action with the remaining 17 occurring through the natural recruitment process. The potential gross saving associated with vacancies for the year is £1.4m, however taking into account the staff turnover threshold and the associated requirement for additional hours, overtime and additional work the forecast underspend in employee costs is £630,000. The active management of vacancies partly offsets other financial burdens facing the Service as described in the paragraphs above. There is currently a workforce planning exercise being undertaken within the Service and the vacancy projections will be further refined and updated during this process. Management will continue to monitor vacancy levels and assess the necessity for new appointments. Sickness absence levels are also being monitored in accordance with the Council's policy.

4.4 Payments to other bodies accounts for £19m of the annual budget (see appendix 3), and is expected to outturn with a minor underspend of £242,000 (1.26%) as detailed below for the current financial year. Within Payments to Other Bodies the key financial and operational issues which are anticipated to occur include:

4.4.1 Savings in public analyst fees, totalling £89,000, have been generated as a result of less environmental samples being required than budgeted for. Payments to Citizens Advice Bureau are currently projected to be £25,000 overspent this financial year due to historical budget issues however there are plans to review the arrangements for this service.

4.4.2 As described in paragraph 4.2.5 management action has been taken to review the requirements for private contractors. This underspend (£180,000) will be used to offset costs pressures within the Roads and Transportation Service.

5. MANAGEMENT ACTIONS

5.1 Further management action is currently being identified to return the Service to a balanced budget position. This will include minimizing areas of “non-essential” expenditure, to ensure that the Service is able to lessen the impact of the significant risks and the additional cost pressures being experienced. At this point in time there is a recognition that significant action will be required but full plans have yet to be finalised. This information will be reported within future budget monitoring reports as the action is identified and implemented.

5.2 The following virements require Committee approval:

5.2.1 Employee Costs: Additional turnover savings of £110,000 have been included relating to the Planning Service. This has been transferred to the income budget for Planning and Building Standards fees income budget.

5.2.2 Additional work: There have been income and expenditure budgets adjustments incorporated within the Building Cleaning (£154,000), Countryside and Landscape (£90,000) and Grounds Maintenance (829,000) to reflect current service provision across the Council.

6. FINANCIAL CONCURRENCE

6.1 Prepared in accordance with the Scheme of Financial Delegation, the financial information contained within this report has been agreed with the Head of Financial Services.

7. RECOMMENDATIONS

7.1 It is recommended that the contents of this report be noted.

7.2 Committee is asked to approve virements noted in section 5.2 above.



Paul Jukes

EXECUTIVE DIRECTOR OF ENVIRONMENTAL SERVICES

Local Government Access to Information Act: for further information about this report, please contact Robert Colquhoun, Business Service Manager – Finance and Technology Solutions, No. 0141-304-1921

NORTH LANARKSHIRE COUNCIL

Appendix 1

ENVIRONMENTAL SERVICES SUMMARY

FINANCIAL MONITORING REPORT - SUBJECTIVE ANALYSIS

1st APRIL 2009 - 17th JULY 2009 (PERIOD 4)

ENVIRONMENTAL SERVICES COMMITTEE

LINE NO. (1)	DESCRIPTION (2)	BUDGET TO DATE (3)	ACTUAL TO DATE (4)	YEAR TO DATE VARIANCES (5)		ANNUAL BUDGET (6)	PROJECTED OUTTURN (7)	PROJECTED OUTTURN VARIANCE (8)		% (9)	ANALYSIS (10)
		£	£	£		£	£	£		%	
1.	DIRECTORATE & SUPPORT	(315,976)	(412,821)	96,845	Underspend	0	0	0	On Target	0.0%	
2.	LAND SERVICES	12,275,863	12,193,799	82,063	Underspend	53,738,023	53,725,965	12,058	Underspend	0.0%	Reduction in support services overhead
3.	FACILITY SUPPORT	(109,644)	(268,842)	159,198	Underspend	821,509	793,560	27,949	Underspend	3.4%	Reduction in support services overhead
4.	PLANNING	742,295	1,078,030	(335,735)	Overspend	6,409,946	7,542,306	(1,132,360)	Overspend	-17.7%	Under recovery in Planning & Building Standard Fees
5.	TRANSPORTATION	4,557,332	4,550,522	6,811	Underspend	34,409,450	34,374,864	34,586	Underspend	0.1%	Reduction in support services overhead
6.	PROTECTIVE SERVICES	1,927,750	1,890,855	36,895	Underspend	7,507,707	7,493,898	13,809	Underspend	0.2%	Reduction in support services overhead
7.	NET EXPENDITURE	19,077,620	19,031,542	46,078	Underspend	102,886,635	103,930,593	(1,043,958)	Overspend	-1.0%	

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ENVIRONMENTAL SERVICES COMMITTEE

LINE NO. (1)	DESCRIPTION (2)	BUDGET TO DATE (3)	ACTUAL TO DATE (4)	YEAR TO DATE VARIANCES (5)		ANNUAL BUDGET (6)	PROJECTED OUTTURN (7)	PROJECTED OUTTURN VARIANCE (8)		% (9)	ANALYSIS (10)
		£	£	£		£	£	£		%	
1	EMPLOYEE COSTS	12,448,967	12,007,921	441,046	Underspend	42,283,195	41,648,320	634,875	Underspend	1.5%	Turnover savings / Delays in implementing restructure due to management action. Also increased service demands and overtime related to additional work which are offset by increased income
2	PROPERTY COSTS	773,510	826,837	(53,327)	Overspend	2,823,445	3,265,728	(442,283)	Overspend	-15.7%	Additional Regeneration and Infrastructure project costs offset by increased income
3	SUPPLIES & SERVICES	10,703,536	10,725,946	(22,410)	Overspend	43,210,721	43,629,687	(418,966)	Overspend	-1.0%	Additional payment to contractor for projects
4	TRANSPORT & PLANT	853,446	809,769	43,677	Underspend	4,440,140	4,386,142	53,998	Underspend	1.2%	Reduced travel expenses due to delays implementing restructure and savings on internal hire arrangements
5	ADMINISTRATION COSTS	1,372,869	1,479,556	(106,687)	Overspend	12,415,736	12,747,341	(331,605)	Overspend	-2.7%	Professional Fees & Landscape design fees which are offset by increased income
6	PAYMENTS TO OTHER BODIES (See Overleaf Appendix 3)	2,893,413	2,897,166	(3,753)	Overspend	19,267,986	19,025,703	242,283	Underspend	1.3%	Public analysis fees partially offset by increased Pest control fees and payments to Citizens Advice Bureau
7	CAPITAL FINANCING COSTS	130,334	122,378	7,956	Underspend	13,225,307	13,225,307	0	On Target	0.0%	
8	REVENUE FINANCING COSTS	0	0	0	On Target	27,355	27,355	0	On Target	0.0%	
9	OTHER EXPENDITURE	7,585	20,009	(12,424)	Overspend	5,717,407	5,779,449	(62,042)	Overspend	-1.1%	Increase dog kennelling costs £45k
10	TOTAL EXPENDITURE	29,183,660	28,889,581	294,079	Underspend	143,411,292	143,735,031	(323,739)	Overspend	-0.2%	
11	INCOME	10,106,040	9,858,039	248,001	Underspend	40,524,657	39,804,438	720,219	Underspend	1.8%	Increased income from service provision and infrastructure repairs/regeneration projects. Partially offset by an under-recovery in Planning fee income.
12	NET EXPENDITURE	19,077,620	19,031,542	46,078	Underspend	102,886,635	103,930,593	(1,043,958)	Overspend	-1.0%	

NORTH LANARKSHIRE COUNCIL

Appendix 3

ENVIRONMENTAL SERVICES SUMMARY

FINANCIAL MONITORING REPORT - PAYMENTS TO OTHER BODIES

1st APRIL 2009 - 17th JULY 2009 (PERIOD 4)

ENVIRONMENTAL SERVICES COMMITTEE

LINE NO. (1)	DESCRIPTION (2)	BUDGET TO DATE (3)	ACTUAL TO DATE (4)	YEAR TO DATE VARIANCES (5)		ANNUAL BUDGET (6)	PROJECTED OUTTURN (7)	JECTED OUTTURN VARIANCE (8)		% (9)	ANALYSIS (10)
		£	£	£		£	£	£		%	
1	PUBLIC ANALYST FEES	89,384	89,384	0	On Target	491,306	402,276	89,030	Underspend	18.1%	Public Analyst Fees - less samples required Payments to Citizens Advice Bureau Management action to reduce private contractors payments to partially offset Street Lighting £100k and other o/s £80k
2	CONTAMINATED LAND	7,686	7,686	0	On Target	121,272	121,272	0	On Target	0.0%	
3	VOLUNTARY ORGANISATIONS	362,912	375,827	(12,915)	Overspend	725,823	751,756	(25,933)	Overspend	-3.6%	
4	DONATIONS & SUBSCRIPTIONS	2,180	0	2,180	Underspend	7,084	7,084	0	On Target	0.0%	
5	AMEY ALLOCATION	1,771,645	1,771,645	0	On Target	13,291,862	13,291,862	0	On Target	0.0%	
6	PAYMENTS TO CONTRACTORS - ROADS	531,284	531,284	0	On Target	3,962,877	3,782,273	180,604	Underspend	4.6%	
7	SUB CONTRACTORS PAYMENTS	11,764	11,763	1	Underspend	109,897	109,897	0	On Target	0.0%	
8	TESTING FEES	4,202	4,542	(340)	Overspend	33,308	33,648	(340)	Overspend	-1.0%	
9	TOWN CENTE INIATIVES	5,346	0	5,346	Underspend	69,428	69,428	0	On Target	0.0%	
10	PAYMENTS TO OTHER BODIES	78,715	76,740	1,975	Underspend	320,093	321,171	(1,078)	Overspend	-0.3%	
11	MEDICAL FEES	28,295	28,295	0	On Target	135,036	135,036	0	On Target	0.0%	
12	TOTAL EXPENDITURE	2,893,413	2,897,166	(3,753)	Overspend	19,267,986	19,025,703	242,283	Underspend	1.3%	