

**NORTH LANARKSHIRE COUNCIL  
REPORT**

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

**1. PURPOSE OF REPORT**

1.1. This report advises the Environmental Services Committee on the overall financial position of the Cleansing Trading account for the period 1<sup>st</sup> April to 17<sup>th</sup> 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. The Service is currently projecting a year-end surplus of £151,824, which is £28,594 higher than budget. The reason for this increased surplus is the reallocation of the projected underspend of the services' support function. This underspend is deemed to be outwith control of the Cleansing Manager and cannot be spent. Details regarding budget variations are outlined in paragraph four below, and the appendices to this report.

**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. There are currently no significant risks relating to Cleansing Trading Activity which are likely to impact upon the overall financial position of the Service. This position will continue to be reviewed during the remainder of the financial year.

**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.

<b><i>Service Division</i></b>	<b><i>Outturn Position (£s)</i></b>	<b><i>Analysis</i></b>
Cleansing Trading	£151,824	£28,594 increased surplus

*Table 1*

- 4.2 The Cleansing operation is currently experiencing several cost pressures and operational issues. The most significant include:-
- 4.2.1 Based on anticipated volumes and current prices, it is estimated that vehicle fuel costs will be over budget by £197,000. Efforts continue to be made to minimise fuel usage where possible, in particular through the application of a vehicle tracker system.
  - 4.2.2 External hires are currently projected to be £298,000 overspent due to additional hires being used whilst awaiting vehicles being added to the fleet. The overall situation will be reviewed once the transport realignment takes place.
  - 4.2.3 Metered water is anticipated to be £84,000 overspent as a result of the requirement for standpipe licences, drainage charges, and increased usage resulting from the installation of vehicle washes at Auchinlea Landfill Site and Wardpark Depot. In addition, Scottish Water has reassessed the charging mechanism resulting in increased base costs.
  - 4.2.4 General contract inflation of £99,000 has also been absorbed within the current financial year. £76,000 of this relates to transport costs (other than fuel and additional work), for which no inflationary uplift was given.
  - 4.2.5 An under-recovery of income of £70,000 is expected due to lower than anticipated sales of bins, sacks and scrap. Purchases of such items are ad-hoc and therefore difficult to predict, however, the volume of transactions to date is lower than originally expected.
- 4.3 Cleansing management have identified the following efficiencies and savings to ensure the Service remains in a balanced budget position:
- 4.3.1 There is a net underspend in Landfill Tax and Tipping Fees of £386,000 relating to the continued success of the Recycling for Good Programme. The volume of waste processed through recycling centres is increasing with a corresponding reduction in the tonnage of waste which is landfilled.
  - 4.3.2 The Cleansing Trading employee budget incorporates a staff turnover requirement of £200,000, equivalent to 8 FTE staff. As at period 4, the service has identified 27 FTE vacancies with a total value of £487,600, all of which are outwith the natural recruitment process, and can therefore be categorised as being part of the management action taken to ensure that the service remains within existing budgetary provision. This employee underspend is partly offset by costs associated with addressing the remaining red circles within the service (£117,000) and existing staff working their three month notice period. In summary, the net employee underspend is anticipated to be £321,000.

## **5. MANAGEMENT ACTIONS**

- 5.1. Management are continuing 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.
- 5.2. Ensuring that outlets for recycle are continuously reviewed to ensure maximum recycling rates and minimum gate fees are being identified and taken up.

5.3. The following virements require Committee approval:

5.3.1. Employee costs: Turnover savings totalling £200,000 have been transferred to the following areas to address current cost pressures:

- £25,000 to cover donations to the Environmental Key Fund during this year. As a landfill operator, the Council makes quarterly payments to this fund, which is then distributed to assist with local community regeneration.
- £63,968 to cover additional work costs for vehicles. This will be used to fund replacement tyres, maintenance, vehicle damage and vehicle washes.
- £111,032 to fund machine maintenance. To comply with SEPA regulatory and permit provisions there is an ongoing requirement to maintain machinery and plant (compactor, loading shovels, dozers, etc.) within the Auchinlea Landfill Site and take on ad-hoc equipment hires when necessary to maintain site integrity.

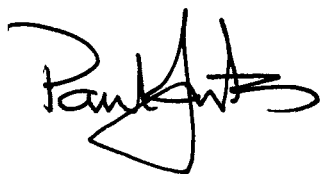
## 6. **FINANCIAL CONCURRENCE**

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 the virements noted in section 5.3 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

CLEANSING TRADING ACCOUNT

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)	PROVISIONAL OUTTURN (7)	PROJECTED OUTTURN VARIANCE (8)		% (9)	ANALYSIS (10)
		£	£	£		£	£	£		%	
1.	EMPLOYEE COSTS	1,956,052	1,711,174	244,878	Underspend	7,118,530	6,797,120	321,410	Underspend	4.5%	Vacancies/Turnover
2.	PROPERTY COSTS	1,556,305	1,180,008	376,297	Underspend	5,319,815	4,645,299	674,516	Underspend	12.7%	Overspends on metered water (£84k) and energy (£18k), offset by underspends on landfill tax (£684k) and tipping fees (£93k).
3.	SUPPLIES & SERVICES	134,863	130,968	3,895	Underspend	438,244	438,253	(9)	Overspend	0.0%	
4.	TRANSPORT & PLANT	903,179	490,407	412,772	Underspend	3,965,105	4,518,511	(553,406)	Overspend	-14.0%	Overspend in external hires (£298k), maintenance (£19k), plant and machinery (£62k) and fuel (£197k), partly offset by underspends on car leasing (£14k).
5.	ADMINISTRATION COSTS	36,327	48,952	(12,625)	Overspend	1,393,769	1,383,319	10,450	Underspend	0.7%	
6.	PAYMENTS TO OTHER BODIES	0	5,604	(5,604)	Overspend	25,000	25,000	0	On Target	0.0%	
7.	REVENUE FINANCING COSTS	0	0	0	On Target	0	0	0	On Target	0.0%	
8.	CAPITAL FINANCING COSTS	0	0	0	On Target	650,846	650,846	0	On Target	0.0%	
8.	OTHER EXPENDITURE	0	0	0	On Target	0	0	0	On Target	0.0%	
9.	TOTAL EXPENDITURE	4,586,726	3,567,114	1,019,612	Under Budget	18,911,309	18,458,348	452,961	Under Budget	2.4%	
10.	INCOME	4,661,023	3,655,713	(1,005,310)	Under-Recovery	19,034,539	18,610,172	(424,367)	Under-Recovery	-2.2%	Under-recovery from client (£391k), sale of bins/sacks both internally and externally (£70k), partly offset by over-recovery in uplift in waste for internal departments (£21k).
11.	SURPLUS/(DEFICIT)	74,297	88,600	14,302	Underspend	123,230	151,824	28,594	Underspend	23.2%	