

Environment Development and Transport Committee

Item No.

Report title:	Finance Monitoring
Date of meeting:	20 May 2016
Responsible Chief Officer:	Tom McCabe – Executive Director Community and Environmental Services
Strategic impact This report provides the Committee with information on the Out-turn position for the relevant services from the Community and Environmental Services department, for 2015-16. It provides information on variances from the original budget (revenue and capital).	

Executive summary

This report reflects the forecast outturn position for the services from the Community and Environmental Services that are relevant to this committee, which are:

- Highways and Transport Services
- Environment and Planning
- Economic Development, and
- Business Development and support

The 2015-16 net revenue budget for those services is £107.484m. At the end of the financial year the net underspend for those services is £0.364m, before any recommended transfers to reserves. Details of the variances are included in section 2 of the report.

The Highways capital programme is £76.938m for 2015-16. Other Services capital programme £0.147m.

The balances of ETD reserves, as at the 1 April were £29.148m, and the balance at 31 March 2016 is £28.956m, prior to the recommended transfer as set out below.

Recommendations:

1. **Members are recommended to note the out-turn position for the Environment Development and Transport Committee.**
2. **Approve the recommendation from the Executive Director of CES that the £0.360m of the net underspend be carried forward in reserves as a Winter Maintenance contingency funding.**

1. Proposal

- 1.1. Members have a key role in overseeing the financial position for the services under the direction of this committee, including reviewing the revenue and capital position and reserves held by the service. Although budgets are set and monitored on an annual basis it is important that the ongoing position is understood and the previous year's position, current and future plans and performance are considered.

2. Evidence

2.1. Revenue budget 2015-16

The 2015-16 Net Revenue budget for the services relevant to this committee is £107.484m. At the end of the year those services have produced a net underspend of £0.364m, before any recommended transfers to reserves.

Details of the key over and underspends are detailed below:

Service Area	Variance	Previously reported Variance	Movement	Narrative
Waste Services	(£0.439m)	(£0.149m)	(£0.290m)	Underspend on recycling credits, which helps offset the pressure on Residual waste. Underspend on HWRC's
Planning Services	£0.026m	0.000	£0.026m	
Economic Development	(£0.090m)	(£0.090m)	£0.000m	Underspend on Project budgets
Highways & transport	(£0.401m)	(£0.056m)	(£0.345m)	Savings on highways maintenance, including winter, offset by costs of park and ride and bus station
Business Support	£0.540m	£0.250m	£0.290m	Shortfall on delivery of CCM007 income generation target and departmental savings/income targets.
	(£0.364m)	(£0.045m)	(£0.319m)	

Recycling credit payments by the County Council to the City, Borough and District Councils for the kerbside recycling, food waste and green waste they collect were below the level that was projected at the start of the year as less material was collected than expected. Whilst this generated an underspend in 2015/16 the City, Borough and District Councils are currently working to promote existing kerbside recycling and food waste collection schemes further to householders to increase participation levels and recycling performance.

The recycling centre service was delivered within budget despite a predicted overspend part way through the year. Savings were made through the service

level agreement contract with NEWS for 19 recycling centres focussed on operational changes and a performance bonus was not paid in relation to Mile Cross. Cost pressures were caused during the year by the drop in income from the recycle market which was partially offset by an increase in the income from reuse and bric-a-brac sales.

Costs for the residual waste service remained a significant pressure for the County Council as was the case in 2014/15. The overspend for 2015/16 was £0.905m, based on residual waste tonnages of around 209,000 tonnes. The experience in 2014/15 showed that some effects beyond the County Council's direct control can have a major effect on increasing or decreasing the costs of the waste service, such as weather patterns and the effects of economic growth and housing development. The combined impact of such effects, including the changing impact of services provided by the City, Borough and District councils will continue to be monitored extremely closely and this could lead to significant changes to the projections for the cost of waste services which will be reported to Committee throughout the year.

Park and Ride – There was a delay in implementing the new fares at Park and Ride sites due to the new contract being implemented part way through the year, which will deliver a cost neutral service in the future.

CMM007 – Income Generation – shortfall £0.250m: The saving for income generation (external hire replacement, fire testing, highways clearance, grants from Europe) was originally proposed by the Fire service. It is now apparent a number of the original proposals have been overtaken by parallel schemes being pursued within the new Corporate Property Team.

It is the responsibility of Chief Officers to control income and expenditure within their area in accordance with the approved budget and to monitor performance, for CES this is reported to two committees. The Executive Director would recommend to committee that the net underspend in relation to the services for this committee should be carried forward in reserves to as a contingency to manage the uncertainty around Winter maintenance.

Capital Budget 2015-16

The approved Highways Capital programme is £76.938m for 2015-16. The programme has overspent by £0.096m, 0.12%. Details of the Highways Capital programme are included in appendix B.

The highways programme is actively managed throughout the year to aim for full delivery within the allocated budget. Schemes are planned at the start of the year but may be delayed for a variety of reasons e.g. planning consent or public consultation. When it is identified that a scheme may be delayed then other schemes will be planned and progressed to ensure delivery of the programme and the original schemes will be included at a later date. Over /(under)spends and slippage will be carried forward and delivered in future years.

The other services 2015-16 Capital programme is £0.147m, The 2015-16 programme has reduced due to a re profiling of funding from NEF to later years.

Changes to Government's Feed in Tariff (FiTs) scheme meant that a number of proposed schemes were no longer financially viable, or would not be installed within the timeframe of changes to the tariff scheme, and were therefore not progressed. However a programme has been established, based around larger

commercial renewable energy schemes, working with private sector developers. Business cases are currently being prepared for these projects. However, NEF is also seeing through to conclusion some projects that have spilled over from the 2015-16 financial year.

Of the projects that were earmarked for 2015-16, solar photo voltaic cells were installed at King's Lynn Recycling Centre during December 2015 and a medium wind project is currently being progressed, with installation programmed by the end of July 2016. A restructuring of NEF is also being developed to enable it to be more commercially focused. As a consequence a renewed business plan is in development. The outcomes of this exercise will be reported in due course.

Details of the programme are included in appendix C.

Reserves 2015-16

The Council holds both provisions and reserves.

Provisions are made for liabilities or losses that are likely or certain to be incurred, but where it is uncertain as to the amounts or the dates which they will arise. The Council complies with the definition of provisions contained within CIPFA's Accounting Code of Practice.

Reserves (or Earmarked Reserves) are held in one of three main categories:

- Reserves for special purposes or to fund expenditure that has been delayed - reserves can be held for a specific purpose, for example where money is set aside to replace equipment or undertake repairs on a rolling cycle, which can help smooth the impact of funding.
- Local Management of Schools (LMS) reserves that are held on behalf of schools – the LMS reserve is only for schools and reflects balances held by individual schools. The balances are not available to support other County Council expenditure.
- General Balances – reserves that are not earmarked for a specific purpose. The General Balances reserve is held to enable the County Council to manage unplanned or unforeseen events. The Executive Director of Finance is required to form a judgement on the level of the reserve and to advise Policy and Resources Committee accordingly.

The reserves falling under this Committee would fall into the first category. Additionally they also may related to income that we have received from specific grants where we have yet to incur the expenditure, or the grant was planned to be used over a period of time (where the grant is not related to a specific financial year).

The department holds a number of specific earmarked reserves which are held for a range of purposes e.g. commuted sums held for future Highways maintenance costs or ICT funds held to cover the cost of replacement ICT systems. We will continue to review the reserve balances to ensure that their original objectives are still valid and would identify any reserves that could be considered available for re-allocation.

The balance of reserves as at the 1 April was £29.148m, including £7.298m in

respect of the Street Lighting PFI and £9.132m in relation to a statutory reserve for the provision for future maintenance of Closed Landfill sites.

The balance of reserves as at the 31 March 2016 is £28.956m, prior to the recommended transfer to reserves for the Winter maintenance funding.

Full details of all of the balances and planned usage over the next 3 years are shown in Appendix D.

3. Financial Implications

- 3.1. The financial position for the Services is set out within the paper and appendices.

4. Issues, risks and innovation

- 4.1. This report provides financial performance information on a wide range of services responsible to the committee.

Officer Contact

If you have any questions about matters contained in this paper, please get in touch with:

Officer name : Andrew Skiggs

Tel No. : 01603 223144

Email address : andrew.skiggs@norfolk.gov.uk



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