

# Environment, Development and Transport Committee

Item No.

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| <b>Report title:</b>   | <b>Finance monitoring</b>  |
| <b>Date of meeting:</b>  | <b>Wednesday 21 June 2017</b>  |
| <b>Responsible Chief Officer:</b>  | <b>Tom McCabe – Executive Director, Community and Environmental Services</b> |
| <b>Strategic impact</b><br>This report provides the Committee with information on the out-turn position for Community and Environmental Services department for 2016-17, with focus on the services that report to this committee. |  |

## Executive summary

Community and Environmental Services provides a wide range of services, managed by the Executive Director. This report reflects the 2016/17 outturn position Community and Environmental Services and specifically the activities that are relevant to this committee, which are:

- Highways and Transport Services
- Environment and Planning
- Economic Development
- Better Broadband and
- Business Development and support

The oversight for Economic Development now falls within the scope of the Business and property committee, but is reported here as part of the overall out-turn position for Community and Environmental Services.

The revenue budget is managed at a departmental level. The 2016-17 net revenue budget for CES was £163.074m and the department achieved a net underspend of £0.144m. The services reporting to this committee delivered a net underspend of £0.326m. Further details are shown in section 2 of the report.

The total capital programme, relating to this committee is £364.384m, including future years allocations, with £137.419m profiled for 2016-17. Details of the capital programme are shown in section 3 of this report.

The balances of ETD reserves as of 1 April 2016 was £29.817m, and balance at 31 March 2017 is £29.226m. Details of the changes to the reserves are detailed in section 4 of the report.

### Recommendations:

**Members are recommended to note:**

- a) The out-turn position for the Environment Development and Transport Committee.**
- b) That the future reporting of the Economic Development Budgets will be to the new Business and Property Committee.**

## 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.

1.2. This report reflects the budgets and out-turn position as at the end of March 2017.

## 2. Evidence

### Revenue budget 2016-17

- 2.1. Community and Environmental Services manage a wide range of services reporting to EDT and Communities Committee. The revenue budget is managed by the Executive Director on a departmental basis.
- 2.2. The 2016-17 net revenue budget for CES was £163.074m and the department achieved a net underspend of £0.144m.
- 2.3. The 2016-17 Net Revenue budget for the services relevant to this committee is £116.105m and this achieved a net underspend of £0.326m.
- 2.4. The table below summarises the out-turn position relevant to this committee as at 31 March 2017:

**Table 1 Net Revenue budget 2016/17**

| Area                                    | 2016/17<br>Budget<br>£'000 | Out-<br>turn<br>£'000 | Variance       |
|---|----------------------------|-----------------------|----------------|
| Business Support and Development        | 2.002                      | 1.979                 | (0.023)        |
| Economic Development                    | 4.713                      | 4.513                 | (0.200)        |
| <b>Environment and Planning</b>         | <b>41.785</b>              | <b>42.355</b>         | <b>0.570</b>   |
| Countryside Management                  | 1.180                      | 1.180                 | 0.000          |
| Travellers                              | (0.028)                    | (0.028)               | 0.000          |
| Residual Waste                          | 22.205                     | 22.775                | 0.570          |
| Recycling Credits                       | 8.464                      | 8.464                 | 0.000          |
| Recycling Centres                       | 6.484                      | 6.484                 | 0.000          |
| Closed Landfill Sites                   | 1.160                      | 1.160                 | 0.000          |
| Energy and Efficiency                   | 0.089                      | 0.089                 | 0.000          |
| Waste Reduction                         | 0.794                      | 0.794                 | 0.000          |
| Historic Environment                    | 0.611                      | 0.611                 | 0.000          |
| Planning Services                       | 0.826                      | 0.826                 | 0.000          |
| <b>Highways and Transport</b>           | <b>61.987</b>              | <b>61.378</b>         | <b>(0.609)</b> |
| Asset management (inc. capital charges) | 26.883                     | 26.883                | 0.000          |
| Highways Trainee Technicians            | 0.186                      | 0.186                 | 0.000          |
| Highways Major Projects                 | 0.340                      | 0.340                 | 0.000          |

|                           |                |                |                |
|---------------------------|----------------|----------------|----------------|
| Highways Network          | 0.565          | 0.565          | 0.000          |
| Highways Maintenance      | 19.283         | 18.674         | (0.609)        |
| Transport services – inc. |                |                |                |
| Concessionary Fares       | 14.730         | 14.730         | 0.000          |
| Better Broadband          | 5.618          | 5.554          | (0.064)        |
| <b>Total EDT</b>          | <b>116.105</b> | <b>115.779</b> | <b>(0.326)</b> |

2.5. The key variances are explained below:

| <b>Service Area</b>                            | <b>Variance</b> | <b>Narrative</b>  |
|--|-----------------|---|
| Business support and Development               | (0.023)         | Variance arising from the management of Vacancies   |
| Economic Development – Scottow Enterprise park | (0.200)         | Additional income achieved  |
| Environment and planning – waste               | 0.680           | Additional cost of residual waste contracts   |
| Environment and planning – waste               | (0.110)         | Underspend on support costs   |
| Highways and Transport – Winter maintenance    | (0.300)         | Underspend due to a mild winter   |
| Highways and transport – Traffic Signals       | (0.215)         | Underspend on the cost of running and maintaining the traffic Signal service due to the implementation of new technologies. |
| Highways and transport - Bridges               | (0.094)         | Underspend on bridge maintenance costs  |
| Better Broadband                               | (0.064)         | Underspend on support costs delivering the Better Broadband project   |
| <b>Net Underspend</b>                          | <b>(0.326)</b>  |   |

2.6. We have seen an increase in waste volumes. Each tonne of residual waste leads to additional costs of around £107 per tonne. The over spend relates to a 3% increase in tonnages. Such an increase could be caused by any combination of factors such as increases in household numbers, change in legislation, economic growth, weather patterns, much of which are out of the control of the County Council. We continue to look for ways of reducing the amounts of residual waste produced by working with partners and the collection authorities.

2.7. The highways service have introduced a new communication system to monitor and control the traffic signals. This has enabled delivery of savings in the cost of maintenance and running costs.

2.8. Scottow Enterprise Park continues to grow steadily and we have within 2016/17 generated additional, one off income.

### 3. Capital Budget 2016-17

|                      | 2016-17        | Out-<br>turn   | Variance       |
|----------------------|----------------|----------------|----------------|
|                      | £'000          | £'000          | £'000          |
| Economic Development | 9.687          | 9.687          | 0.000          |
| Highways             | 119.657        | 119.662        | 0.005          |
| EDT Other            | 2.759          | 1.760          | (0.999)        |
| Better Broadband     | 5.316          | 5.316          | 0.000          |
|                      | <b>137.419</b> | <b>136.425</b> | <b>(0.994)</b> |

3.1. 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 overall highways programme has been delivered within budget

3.2. The underspend EDT other services relates to the unallocated loan facility for Norfolk Energy futures. A separate report on the future of NEF is being taken to the Policy and Resources Committee on the 20<sup>th</sup> June.

### 4. Reserves 2016-17

4.1. The Council holds both provisions and reserves.

4.2. 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.

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

4.4. Reserves for special purposes or to fund expenditure that has been delayed, and in many cases relate to external Grants and Contributions - 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.

4.5. 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.

4.6. 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.

- 4.7. 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).
- 4.8. 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.
- 4.9. The balance of reserves as at 1 April 2016 was £29.817m, including £6.995m in respect of the Street Lighting PFI and £9.423m in relation to a statutory reserve for the provision for future maintenance of Closed Landfill sites.
- 4.10. The table below shows balance of reserves as at 31 March 2017. The department are now reviewing the reserve balances and the planned usage over the next three year and this will be reported to the next Committee:

| Table 3 – EDT Reserves 2016-17           | Current Year opening balance 01 April 2016 | Forecast balance 31 March 2017 (as previously reported to committee) | Actual balance 31 March 2017 |
|--|--|--|------------------------------|
| <b>Business Support and development</b>  | (0.091)                                    | (0.091)  | (0.085)                      |
| <b>Economic Development</b>              | <b>(2.863)</b>                             | <b>(1.271)</b>   | <b>(2.588)</b>               |
| Skills Team                              | (0.960)                                    | (0.150)  | (0.728)                      |
| Innovations                              | (0.415)                                    | (0.415)  | (0.415)                      |
| Development Programme Commissioning      | (0.572)                                    | (0.437)  | (0.441)                      |
| Development Programme Economic Programme | (0.741)                                    | (0.230)  | (0.569)                      |
| Infrastructure & Economic Growth         | (0.126)                                    | (0.039)  | (0.103)                      |
| Scottow Enterprise Park                  | (0.049)                                    | 0.000  | (0.157)                      |
| Economic Development                     |  |  | (0.175)                      |
| <b>Environment and waste</b>             | <b>(10.740)</b>                            | <b>(10.412)</b>  | <b>(12.268)</b>              |
| Abandoned vehicles                       | (0.006)                                    | (0.006)  | (0.006)                      |
| Waste management fund                    | (0.708)                                    | (0.669)  | (0.669)                      |
| Closed landfill Sites                    | (9.423)                                    | (9.310)  | (11.072)                     |
| Energy & Efficiency                      | (0.005)                                    | 0.000  | (0.005)                      |
| Historic Environment                     | (0.420)                                    | (0.323)  | (0.400)                      |
| Planning services                        | (0.047)                                    | (0.031)  | (0.047)                      |
| Vehicle R&R fund                         | (0.131)                                    | (0.073)  | (0.062)                      |
| <b>Highways &amp; Transport</b>          | <b>(15.666)</b>                            | <b>(10.298)</b>  | <b>(14.224)</b>              |
| Parking Receipts                         | (0.462)                                    | (0.362)  | (0.345)                      |
| Commuted Sums                            | (3.252)                                    | (2.788)  | (3.182)                      |
| Winter maintenance reserve               | (0.355)                                    | (0.355)  | (0.355)                      |
| Highways Maintenance                     | (0.194)                                    | (0.134)  | (0.184)                      |
| A47 - reserve                            | (1.000)                                    | (0.750)  | (0.750)                      |
| Street Lighting PFI - Sinking Fund       | (6.995)                                    | (2.711)  | (5.321)                      |

|                         |                 |                 |                 |
|-------------------------|-----------------|-----------------|-----------------|
| Highways Network        | (0.408)         | (0.408)         | (0.494)         |
| Transport Services      | (3.000)         | (2.790)         | (3.602)         |
| <b>Better Broadband</b> | <b>(0.457)</b>  | <b>(0.516)</b>  | <b>(0.061)</b>  |
| <b>Total</b>            | <b>(29.817)</b> | <b>(22.763)</b> | <b>(29.226)</b> |

The balance of reserves as at the 31 March 2017 was higher than previously forecast, the main reasons are:

|                                  |   |
|----------------------------------|---|
| Street lighting PFI sinking Fund | The balance on the reserve is higher than previously forecast due to the profile of the delivery of the LED replacement programme. There remains a commitment to fund the continued roll out of LED replacements. |
| Economic Development             | Timing issue of funding projects, funding carried forward to meet commitments.  |
| Closed landfill Provision        | Additional provision required following the completion of the capping works at the Edgefield site.  |
| Highways - Commuted Sums         | Higher balance reflects additional amounts received from developers for future maintenance liabilities.   |
| Transport Services               | Higher balance relates to grant funding held to be rolled forward to meet future commitments.   |

## 5. Financial Implications

5.1. There are no decisions arising from this report. The financial position for EDT services is set out within the paper and appendices.

## 6. Issues, risks and innovation

6.1. 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:

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