

Environment Development and Transport Committee

Item No.

Report title:	Finance monitoring
Date of meeting:	11 November 2016
Responsible Chief Officer:	Tom McCabe – Executive Director, Community and Environmental Services
Strategic impact This report provides the Committee with information on the budget position for the relevant services from the Community and Environmental Services department, for 2016-17.	

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 2016-17 net revenue budget for those services is £150.568m. As at September, Period 6 we are forecasting a balanced budget.

The total future years capital programme relating to this committee is £257.60m, with £157.115m currently profiled for 2016-17. Details of the capital programme are shown in section 3 of this report.

The balances of ETD reserves, as at the 1 April was £29.817m, and forecast balance at 31 March 2017 is £22.432m, the forecast usage over the next 3 years is shown on section 4 of this report.

Recommendations:

Members are recommended to note the forecast out-turn position for the Environment Development and Transport Committee and the current risks to the budget as highlighted in the report.

Members are asked to note the planned use of reserves as set out in section 4 of the report and that if proposals for any further use of reserves in 2016-17 will be highlighted to this committee if the resulting forecast level of reserves falls below the 31 March 2017 balances anticipated at the time the budget was set.

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 monitoring report reflects the budgets and forecast position as at the end of September 2016.

2. Evidence

Revenue budget 2016-17

2.1. The 2016-17 Net Revenue budget for the services relevant to this committee is £150.568m.

2.2. The table below summarises the budgets relevant to this committee as at September 2016:

Table 1 Net Revenue budget 2016/17

Area	2016/17 Budget £'000	Forecast £'000	Variance
Business support and Development	2.005	2.005	
Economic Development	2.003	2.003	
Environment and Planning	41.655	41.655	
Countryside Management	1.158	1.158	
Travellers	(0.029)	(0.029)	
Residual Waste	22.205	22.205	
Recycling Credits	8.464	8.464	
Recycling Centres	6.434	6.434	
Closed Landfill Sites	1.103	1.103	
Energy and Efficiency	0.089	0.089	
Waste Reduction	0.794	0.794	
Historic Environment	0.611	0.611	
Planning Services	0.826	0.826	
Highways and Transport	94.103	94.103	
Asset management (inc. capital charges)	59.057	59.057	
Highways Trainee Technicians	0.185	0.185	
Highways Major Projects	0.340	0.340	
Highways Network	0.809	0.809	
Highways Maintenance	19.405	19.405	
Transport services – inc. Concessionary Fares	14.307	14.307	
Better Broadband	10.802	10.802	
Total EDT	150.568	150.568	

2.3. At this stage of the year we are currently forecasting a balanced budget.

2.4. Asset management is largely £58.676m relating to capital charges, which relate to the notional cost of historic capital spend.

2.5. Transport services includes:

- £11.643m of funding for concessionary fares.
- £2.752m local bus subsidies and ;
- £0.477m Community Transport Funding.

2.6. There is a risk that the amount of waste increases. Each tonne of residual waste above projected tonnages would lead to additional costs of around £107 per tonne, meaning a 1% increase in tonnages would be a pressure of over £200,000. Such an increase could be caused by any combination of factors such as increases in household numbers, change in legislation, economic growth, weather patterns, a collapse in the recycling markets or an unexpected change in unit costs, much of which are out of the control of the County Council. The combined impacts of these effects will continue to be monitored extremely closely and will be reported to the committee when there becomes more certainty over the tonnages in 2016/17.

3. Capital Budget 2016-17

	2016-17	2017-20	Total Programme
	£'000	£'000	£'000
Economic Development	16.737		16.737
Highways	117.446	81.725	199.171
EDT Other	4.515	6.410	10.925
Better Broadband	18.417	12.350	30.767
	157.115	100.485	257.60

3.1. As at the end of September 2016, Period 6, we are forecasting full delivery of the 2016/17 programme.

3.2. The Economic Development capital Programme is related to improvements at Scottow Enterprise Park, where the investment will be subject to approved business cases and investment in the Aviation Academy.

3.3. 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.

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3.4. At its meeting in September, EDT Committee were advised of the potential risk of £6.8m of additional costs associated with the project. More detailed cost forecasting information has now been provided by Balfour Beatty and NPS and a summary of the risk areas are set out below. The team have worked through the information provided and the assessment is that the risk remains at £6.8m.

- 3.5. These risks remain as a forecast at this time based on the planned delivery of the project and the final account being agreed during 2018. There is no risk to the current year programme with any potential additional costs falling in future years.

Summary of key issues are:

Rackheath Rail Bridge - Obtaining Network Rail approvals for both design and working methods has significantly delayed the programme for this bridge and increased design and construction costs. Whilst significant efforts are going in to minimise programme delays, there is potential for an additional cost of up to £2.15m.

Review of Land costs. Land agents acting on behalf of Landowners have assessed the land values and have submitted, currently, unsubstantiated claims above that anticipated and allowed for in the original project budget. The team are currently working through these and challenging where appropriate. A specific challenge relating to development land use and its associated valuation has also been received. Land acquisition cost risk up to £2.78m.

Detailed site surveys following full access to all land associated with the project resulted in the need for an amended earthworks profile to balance excavation and fill. This has resulted in a redesign process, and reworking of the overall delivery logistics. Additional cost estimated up to £1.2m.

Unseasonal rainfall through June 2016, above what was allowed for in the contract. Whilst still to be finally agreed, this has been further assessed and could result in additional cost of £0.33m.

Public and Private Utilities – Additional surveys, design, works and risk management associated with existing utilities, in addition to the costs of the utility company works. Additional cost up to £0.60m.

Changes to the design of the project, in part to deal with formal approval processes due to the Development Consent Order, but also linked to necessary redesign at Rackheath bridge. Additional costs associated with change estimated at £0.38m.

Landscaping being provided direct by GYB Services, rather than via the main works contract. Anticipated **saving** of up to £0.64m.

- 3.6. The whole team remain focussed on delivering the project as quickly as possible, to reduce overall costs and to minimise the above risks. With any project of this size and complexity there are a number of risks that could impact on the cost of delivery. We are now entering the “winter season”, which could have an impact on the programme and therefore it is likely to be Spring 2017 before we are able to update the risks and a better view of the final out-turn position. The project team will continue actively monitoring and managing all risks and will update members if there are any changes.

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 - 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 the 1 April 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 planned use of reserves for 2016/17 and the forecast balances for 2017/18 and 2018/19.

Table 3 – EDT Reserves 2016-17	Current Year opening balance 01 April 2016	Forecast balance 31 March 2017	Forecast Net Change 2016/17	Forecast Balance 31 march 2018	Forecast Balance 31 march 2019
Business Support and development	(0.091)	(0.091)	0.000	(0.091)	(0.091)
Economic Development	(2.863)	(1.251)	1.612	(0.758)	(0.535)
Skills Team	(0.960)	(0.150)	0.810	0.000	0.000
Innovations	(0.415)	(0.415)	0.000	(0.415)	(0.415)
Development Programme Commissioning	(0.572)	(0.417)	0.155	(0.221)	(0.066)
Development Programme Economic Programme	(0.741)	(0.230)	0.511	(0.122)	(0.054)
Infrastructure & Economic Growth	(0.126)	(0.039)	0.087	0.000	0.000
Scottow Enterprise Park	(0.049)	0.000	0.049	0.000	0.000

Environment and waste	(10.740)	(9.977)	0.763	(9.901)	(9.823)
Abandoned vehicles	(0.006)	(0.006)	0.000	(0.006)	(0.006)
Waste management fund	(0.708)	(0.393)	0.315	(0.393)	(0.393)
Closed landfill Sites	(9.423)	(9.010)	0.413	(8.945)	(8.878)
Energy & Efficiency	(0.005)	0.000	0.005	0.000	00.000
Historic Environment	(0.420)	(0.415)	0.005	(0.415)	(0.415)
Planning services	(0.047)	(0.033)	00.014	(0.033)	(0.033)
Vehicle R&R fund	(0.131)	(0.120)	0.011	(0.109)	(0.098)
Highways & Transport	(15.666)	(10.589)	5.077	(10.071)	(9.603)
Parking Receipts	(0.462)	(0.362)	0.100	(0.262)	(0.162)
Commuted Sums	(3.252)	(2.829)	0.423	(2.656)	(2.473)
Winter maintenance reserve	(0.355)	(0.355)	0.000	(0.355)	(0.355)
Highways Maintenance	(0.194)	(0.134)	0.060	(0.134)	(0.134)
A47 - reserve	(1.000)	(1.000)	0.000	(1.000)	(1.000)
Street Lighting PFI - Sinking Fund	(6.995)	(2.711)	4.284	(2.526)	(2.341)
Highways Network	(0.408)	(0.408)	0.000	(0.408)	(0.408)
Transport Services	(3.000)	(2.790)	0.210	(2.730)	(2.730)
Better Broadband	(0.457)	(0.520)	(0.063)	(0.520)	(0.520)
Total EDT	(29.817)	(22.432)	7.385	(21.345)	(20.576)

The forecast use of reserves are based on planned use of reserves as identified as part of the budget setting process and to support project expenditure carried forward. The £4.284m forecast movement on the street lighting sinking fund is reflects the planned investment in LED street lights and the planned annual contribution to PFI contract cost.

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

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