

**STROUD DISTRICT COUNCIL**  
**ENVIRONMENT COMMITTEE**

**AGENDA**  
**ITEM NO**

**6 APRIL 2017**

**6**

<b>Report Title</b>	<b>Budget Monitoring Report 2016/17 – Report 3</b>
<b>Purpose of Report</b>	To present to the Committee a forecast of the Outturn position against the revenue budget and Capital programme for 2016/17.
<b>Decision(s)</b>	<p><b>The Committee RESOLVES:</b></p> <p><b>a)</b> to note the outturn forecast for the General Fund Revenue budget and the Capital programme for this Committee.</p> <p><b>b) RECOMMENDS:</b> to Strategy &amp; Resources that the provisional carry forward as set out in paragraph 8 are approved (subject to the outturn position)</p>
<b>Consultation and Feedback</b>	Budget holders have been consulted about the budget issues in their service areas. The feedback has been incorporated in the report to explain differences between budgets and actual income and expenditure.
<b>Financial Implications and Risk Assessment</b>	<p>The outturn forecast for the committee’s budget shows a net overspend of £320k. This will be included in the overall General Fund outturn forecast reported to Strategy and Resources committee in April 2017. The committee’s Capital budgets are likely to spend as per budget apart from capital slippage</p> <p>As highlighted in paragraph 9, there is likely to be a further net overspend on Waste and Recycling budgets. The forecast in this report has not been updated to reflect this position. An update will be provided to members of the committee in due course.</p> <p>David Stanley – Accountancy Manager Tel: 01453 754100 Email: <a href="mailto:david.stanley@stroud.gov.uk">david.stanley@stroud.gov.uk</a></p>
<b>Legal Implications</b>	<p>The report is for information only and does not raise any legal implications at this point</p> <p>Alan Carr, Solicitor Tel: 01453 754357 Email: <a href="mailto:alan.carr@stroud.gov.uk">alan.carr@stroud.gov.uk</a></p>

<b>Report Author</b>	Adele Rudkin, Accountant Tel: 01453 754109 Email: <a href="mailto:adele.rudkin@stroud.gov.uk">adele.rudkin@stroud.gov.uk</a>
<b>Options</b>	None
<b>Performance Management Follow Up</b>	Budgets will continue to be monitored on a regular basis by budget holders supported by Finance. The outturn position will be reported to Strategy and Resources committee in June 2017
<b>Background Papers/ Appendices</b>	None

## Background

1. This report provides the monitoring position statement as at 31 January for the financial year 2016/17. The purpose of this report is to notify members of any known significant variations to budgets for the current financial year, highlight any key issues, and to inform members of any action to be taken if required.
2. **Due to the volume of information contained in the report, it would be helpful where members have questions on matters of detail if they could be referred to the report author or the appropriate service manager before the meeting.**

## Revenue Budget position

3. The original net General Fund Revenue budget for 2016/17 is **£16.103m** as approved by Council at their meeting on 28 January 2016. This has now been revised to **£16.424m**. The latest budget for Environment Committee is £6.771m (Original Budget was £6.219m).
4. The monitoring position for the service at 31 January 2017 shows a projected net overspend **of £320k** against the latest budget, as summarised in Table 1. This overspend is stated net of transfers to reserves and carry forwards. The overall position on the General Fund will be considered by Strategy and Resources committee at their meeting on 13 April 2017.
5. The outturn position is mainly attributable to the major items outlined in Table 1 with an explanation of the significant variances that have arisen. (a significant variation is defined as being +/- £20,000 on each reporting line) in Appendix A provides a more detailed breakdown on the committee's budgets

**Table 1 – Revenue outturn forecast**

<b>Environment Committee</b>	<b>Para Refs</b>	<b>2016/17 Revised Budget (£'000)</b>	<b>2016/17 Spend to date (£'000)</b>	<b>2016/17 Forecast Outturn (£'000)</b>	<b>2016/17 Outturn Variance (£'000)</b>
Canal	22	86	182	229	143
Strategic Head (Development Services)		127	106	126	(1)
Head of Environmental Health		73	63	74	1
Environmental Health	23	1,328	1,055	1,161	(167)
Statutory Building Control	24	444	174	292	(152)
Planning Strategy/Local Plan	25	332	327	278	(54)
Development Control	26	631	701	771	139
Economic Development		212	160	229	17
Carbon Management		104	114	89	(15)
Waste and Recycling	27	2,770	2,299	3,139	370
Street Cleansing	28	664	588	702	39
<b>Environment TOTAL</b>		<b>6,771</b>	<b>5,770</b>	<b>7,091</b>	<b>320</b>
<b>Transfer to Reserves</b>					<b>183</b>
<b>Carry Forwards (provisional)</b>					<b>101</b>
<b>Underlying Variation</b>					<b>402</b>

## Key report headlines

### Major Variations

6. The report sets out the forecast outturn position on the committee's budgets, with Appendix A providing more detailed explanations on the major variances.
7. As previously reported to members, there are significant variations across Multi-Service budgets (Waste and recycling in particular). Adverse variations on Waste & Recycling are a concern, with the Garden Waste Service operating at a loss this financial year. The nature of the contract with Ubico introduces an element of risk to the budgets as both costs and income will fluctuate during the year.
8. This report updates members on the £394k adverse variation first highlighted in the MTFP report to Strategy and Resources committee in January 2017 (now reported at £370k). As a result, the MTFP allocated £1.15m of further resource across the medium term period, with a £400k provision included in the General Fund revenue budget in 2016/17 and 2017/18.
9. **However, officers were made aware late in February of a further adverse variation on the Ubico contract** which is likely to overspend by £275k this year (as opposed to £100k which is included in the overall £369k variation). To date, officers have not received detailed supporting information from Ubico. Therefore, the variation in this report has not been fully updated. However, income streams from recycling and waste

diversion will be more resilient than forecast due to the positive outcomes of the new Waste and Recycling service. Therefore, an updated forecast will be made available to members of the committee in due course, once detailed information has been provided by Ubico.

10. Environmental Health is forecasting a significant favourable variance of (£167k) incorporating salary savings and additional income.
11. The net variation of £139k on Development Control largely relates to costs incurred in engaging consultants for expert advice on planning applications and costs associated with Planning Appeals.

### **Salary – Overspend**

12. Budget holders and Finance worked together to review the establishment and associated staffing budgets for 2016/17, and budgets were set in accordance with the agreed establishment
13. The current forecast has identified a net overspend within the following services: Canal and Development Control. A corresponding underspend is forecast within the Building Control Service and Environmental Health. Whilst this overspend has been identified within Salaries, there are some significant offsetting income variances which are directly linked to several posts within the services.
14. As reported in the previous financial year, the salaries of the Canal Project Team are not being capitalised. It is anticipated that these will be funded from salary underspends within the General Fund as identified above.

### **Income – Surplus**

15. Additional income streams have been forecast within Development Control, Environmental Health (Land Drainage) any surplus will be transferred to the reserve at year end as projects span several financial years. Supplementary funding in Strategic Planning of Local Plan for the Neighbourhood Planning Grant (Any surplus will be transferred to reserves to provide ongoing support for communities in the future).

### **Income – Shortfall**

16. The Waste and Recycling Service is predicting an under achievement of income against budgets due to a slower take up of subscriptions for the new Garden Waste Service. Whilst the current subscription level continues to steadily increase and is forecast to reach 6,400 by the end of the calendar year, a 'Break-even' point of 8,000 customers was targeted to cover direct service costs.
17. There is a lower than expected JWC (Joint Waste Committee) incentive payment from Gloucestershire County Council (GCC) owing to the new service running for only five months instead of the originally anticipated 8 months; £133K was budgeted for this. A full year's income from this incentive payment has been estimated at £200k; a forecast of £80k (for 5 months) is expected during the current financial year albeit this is wholly

dependant on the success of the council's future collection services - updated commentary awaited from Carlos

### **Areas of Risk and Uncertainty**

**18.** The forecast outturn variance of a net overspend of £320k highlighted in this report is based on known and estimated outcomes.

#### **Waste & Recycling – (Narrative supporting the £370k variation)**

- The Council has a service contract for the processing and sale of its dry recycling materials which currently results in a net cost to the council. The service contract provides for an annual review of gate fees (this will not affect the council during the current financial year) and, a six monthly income review; the review, which will be based on market values at the time will affect the council's income and therefore net costs from January 2017. The council is reliant on a stable, if not, improving market for its materials to ensure it remains within budget. Increasing material volumes resulting from the new service change will have an impact on the council's total net processing costs. The full impact cannot be determined at this stage
- The new waste and recycling service is anticipated to generate an incentive payment from GCC to support the council in achieving reductions in the amount of waste it sends to landfill. Such payments, anticipated to be £200k in a full year are driven by resident's willingness to comply with the new services. It is too early to determine the actual level of these payments but initial feedback from local residents has been positive.
- The new garden waste service is currently not achieving anticipated income levels. Work is underway to increase subscription rates to the levels mentioned in para 6 above. There are a number of properties within the district that the new service cannot currently service due to restricted access arrangements; changes to the vehicle fleet will improve accessibility to a proportion of these properties which will increase the potential customer base.

#### **19. Carry Forwards- Provisional**

- Carry forwards of budgets may be approved if there are valid reasons why the underspend has happened and there is supporting evidence behind the request. Such requests include where we have had external funding for a particular scheme that has a revised schedule into the next financial Year.

**Table 2 – Proposed Carry Forwards**

Committee	Service	Reason	Amount (£'000)
Environment	Land Drainage	<b>(£60k)</b> External funding from GCC and ESIF Funding. <b>(£8.2k)</b> Rural Suds project	68
Environment	Environmental Protection	External funding on joint flood alleviation projects	33
<b>TOTAL Carry Forwards</b>			<b>102</b>

**Capital Programme**

20. The latest revised Capital budget for Environment Committee is £1.5m following the approval of the carry forwards/slippage and profiling changes by Strategy and Resources Committee at their meetings in July 2016 and January 2017.

21. Table 3 below shows the Capital Outturn forecast for 2016/17 with a project outturn variance of **(£27k)**.

**Table 3 – Capital Outturn Forecast**

Environment Capital Schemes	2016/17 Original Budget (£'000)	2016/17 Revised Budget (£'000)	2016/17 Spend to date (£'000)	2016/17 Projected Outturn (£'000)	2016/17 Outturn Variance (£'000)
Canal	773	773	566	773	0
CMP - Ebley Mill Hydro	362	0	0	0	0
CMP - Heat and Power	147	147	6	160	13
CMP - Target 2050 Loans	10	10	<b>(1)</b>	0	<b>(10)</b>
CMP - Invest to Save	30	30	0	0	<b>(30)</b>
MSC - Wheeled Bins	600	600	590	600	0
<b>TOTAL Capital</b>	<b>1,922</b>	<b>1,560</b>	<b>1,162</b>	<b>1,533</b>	<b>(27)</b>

**Table 4 – Revenue budget outturn forecast**

<b>Environment Committee</b>	<b>Para Refs</b>	<b>2016/17 Revised Budget (£'000)</b>	<b>2016/17 Spend to date (£'000)</b>	<b>2016/17 Forecast Outturn (£'000)</b>	<b>2016/17 Outturn Variance (£'000)</b>	<b>Salary Variations (£000)</b>	<b>Expenditure Variations (£000)</b>	<b>Income Variations (£000)</b>
Canal	22	86	182	229	143	143	0	0
Strategic Head (Development Services)		127	106	126	(1)	(1)	0	0
Head of Environmental Health		73	63	74	1	0	1	0
Environmental Health	23	1,328	1,055	1,161	(167)	(57)	3	(113)
Statutory Building Control	24	444	174	292	(152)	(101)	(11)	(40)
Planning Strategy/Local Plan	25	332	327	278	(54)	2	49	(105)
Development Control	26	631	701	771	139	60	194	(115)
Economic Development		212	160	229	17	1	6	11
Carbon Management		104	114	89	(15)	(6)	(9)	0
Waste and Recycling	27	2,770	2,299	3,139	370	0	240	130
Street Cleansing	28	664	588	702	39	0	39	0
<b>Environment TOTAL</b>		<b>6,771</b>	<b>5,770</b>	<b>7,091</b>	<b>320</b>	<b>40</b>	<b>512</b>	<b>(231)</b>
<b>Transfer to Reserves</b>					<b>183</b>			
<b>Carry Forwards (provisional)</b>					<b>101</b>			
<b>Underlying Variation</b>					<b>402</b>			

## ENVIRONMENT COMMITTEE

### 22. Canal - £143k overspend

(Dave Marshall xtn 4646, [dave.marshall@stroud.gov.uk](mailto:dave.marshall@stroud.gov.uk))

Additional expenditure on the Canal project relates to salaries of the Canal Project Team. A decision was taken in 2015 not to capitalise the salaries as the project will be drawing to a close. This cost will be funded by salary savings across the General Fund. Currently the project is finalising restoration of the Cotswold Canals between Stonehouse and Brimscombe. Work is now complete at Cheapside, whilst remaining work at Bowbridge is led by Gloucestershire County Council. This leaves our focus on work at Wallbridge and lesser tasks such as towpath work and signage.

### 23. Environmental Health – (£167k) underspend

(Jon Beckett xtn 4443, [jon.beckett@stroud.gov.uk](mailto:jon.beckett@stroud.gov.uk))

There are a number of variations that make up this underspend.

A (£60k) saving is forecast on salaries. There have been a number of in year vacancies which have now been filled or in the process of being recruited to. There is also a saving around the Principal Environmental Protection Officer post. This variation will continue into 17/18 to allow for career progression within the service.

A projected underspend of (£67k) within Land drainage is forecast. This is due to an ongoing rolling programme of flood alleviation projects that will span several financial years. This funding is external and is requested to be carried forward to 2017/18.

An income surplus of (£40k) has also been identified across different areas of the service. This is predominately made up of external contributions to finance ongoing joint flood alleviation projects in conjunction with Gloucestershire County Council. Work on outstanding projects under development but not yet tendered in the Nailsworth Valley. (£33k) is proposed to be carried forward to 2017/18.

### 24. Statutory Building Control – (£152k) underspend

(Paul Bowley xtn 4250, [paul.bowley@stroud.gov.uk](mailto:paul.bowley@stroud.gov.uk))

Gloucestershire Building Control Partnership is a shared service with Gloucester City Council and hosted by Stroud. The service is provided under the auspices of the Building Act 1984, an element of the service is in competition with the private sector. The shared service was established on the 1<sup>st</sup> July 2015 and has resulted in an increase in income of (£40k) due to receiving applications from both Stroud and Gloucester areas.



There are in year salary savings of (£99k) as a result of 3 vacancies (Building Control Technician, Principal Building Control Surveyor and a Senior Business Support Officer). Both posts will be reviewed as part of the Shared Service Board meeting in April 2017. Any surplus arising from the partnership will be allocated to reserves to support the ongoing service.

The remaining (£13k) is a result of small underspends within the service.

## **25. Strategic Planning of Local Plan – (£54k) underspend**

(Mark Russell xtn 4305, [mark.russell@stroud.gov.uk](mailto:mark.russell@stroud.gov.uk))

A (£32k) underspend is forecast regarding the funding for the Neighbourhood Development Plan. The NDP gives local community groups the power to produce planning policies to guide the determination of planning applications within their area, and/or the power to grant planning permission for specific schemes i.e. a new community shop, sport pavilions, affordable housing, allotments etc.

The Council has a duty to guide and assist communities through the neighbourhood planning process. The Council is also responsible for publicising and submitting neighbourhood plans and proposals through an independent examination and referendum as well as taking decisions at key stages.

Up until March 2016, Central Government provided up to £30k in grant money to cover the costs imposed by the duties described above. The Council was entitled to apply to receive specific sums leading up to the £30k at different stages of the process. However, from March 2016 onwards, the amount of funding the Council is able to claim was reduced to £20k and the Council only becomes eligible for that sum at the end of the process, i.e once a referendum date has been set. Whilst the amount of funding the Council gets to support neighbourhood planning is capped, our duty to support communities is not. Any unspent funding will be transferred to reserves to cover the future costs of providing ongoing support for communities.

An additional underspend of (£22k) has been identified within Planning Strategy, this is an year salary saving which will be used to part fund the new Community Infrastructure Levy (CIL) Technician post appointed in February 2017.

## **26. Development Control – £139k overspend**

(Geraldine LeCointe xtn 4233, [geraldine.lecointe@stroud.gov.uk](mailto:geraldine.lecointe@stroud.gov.uk))

There a number of reasons for the net variation on this budget which are outlined below.

Application Fees are forecasting a surplus of (£114k). This figure has reduced slightly from the previous forecast due to the number of applications received dropping in comparison to this time last year. Analysis of the data suggests the trend reducing in Q2 (possibly because of economic uncertainty around Brexit), but then back on target for Q3. Anticipating income year on year is a perennial problem, as this is beyond the control of the service, but for the last two years, income surplus has paid for the salary overspend and the service will still exceed the budget for income again this year. Government propose to raise planning fees by 20% in July 2017, with the possibility of up to a further 20%, which should reduce the salary income gap in 2017/18.

A predicted Salary overspend of £68k – This variance is currently made up of two Case Management Assistant roles and casual staff. They are employed directly to manage the additional application fee workload, this overspend is offset against the income surplus above. The service also includes a number of statutory functions, such as dealing with tree and listed building applications, which do not generate any fee income.

A £75k overspend on consultants fees is predicted, required for essential expert advice which is not available in-house. This is has reduced significantly from last year due in part to the recruitment of our own Biodiversity Officer. The remaining (£10k) is made up of small over and under spends across the service.

Planning Appeal costs are anticipated to be £120k over budget. It is common for complex applications which do not accord with the local plan to go to appeal. Such appeals need to be defended robustly, which is expensive because of legal costs and specialist input. If appeal cases are not properly defended, this leaves the Council open to an award of costs, which will have to borne by the Council.

A proportion of the additional costs relating to planning appeals could be funded from the Planning Appeal reserve which will need to be considered by Strategy and Resources committee.

## **27. Waste & Recycling – £370k overspend**

(Carlos Novoth xtn 4406, [carlos.novoth@stroud.gov.uk](mailto:carlos.novoth@stroud.gov.uk))

The variation on the Waste and Recycling services is attributable to the following:

### **Refuse Collection - £322k overspend**

A number of unanticipated additional costs have arisen from the time the original budget was approved by Council. Planned changes to the waste services were delayed up to four months: This was not factored into the original budget and has resulted in the increase in costs for the collection of refuse.

- The purchase and delivery of refuse sacks during the period July 16 to November 16 generally and more specifically for those residents unable to accommodate wheeled bin totaling **£58k**.
- Re-distribution of **£124k** of overheads across the multi service contract.
- **£140k** for additional staff and vehicles.

### **Recycling and Environmental Initiatives - £161k- overspend**

The new garden waste service, introduced in February 2016, has shown a shortfall in the council's long term targeted income by **£200k**. The original level of income anticipated was indicative around the new service being fully established, in year 3 (customer base of 12,500). The service currently has a customer base of 6,350 residents, which is encouraging for its first year. A predicted increase to 8,000 Customers is foreseen for 2017/18. Longer term service costs will be dependant on the eventual growth if the service and re-organisation of operation to deal with its geographical spread. Additional costs of **£71k** have been incurred due to the location of the service in Cheltenham and rental of space to store Garden Waste bins at the start of the contract.

An income shortfall of **£47k** due to contributions for the food waste recycling.

The delay of the implementation of the new scheme has meant that a decrease in costs has arisen associated with food waste collection of **(£157k)**.

### **Multi-Bank Recycling Sites – (£113k) underspend**

The successful introduction of the council's relatively new chargeable bulky waste collection service is expected to show an additional income of **(£37k)**. Re-distribution of overheads across the service has led to a savings of **(£75k)** and a **(£16k)** over achievement of income through the sale of recyclates through the 'Printwaste' contract. There is also **£16k** overspend due to increase in demand for green recycling boxes since the implementation of the new service.

## **28. Street Cleansing – £39k overspend**

(Carlos Novoth xtn 4406 [carlos.novoth@stroud.gov.uk](mailto:carlos.novoth@stroud.gov.uk))

This overspend directly relates to the new Street Cleansing Contract with Ubico. Whilst the council has signed off Ubico's budgeted proposal, there has been a minor redistribution of costs across services. This has resulted with the Street Cleansing service (Environment Committee) showing an overspend; whilst the Grounds Maintenance Service (Community Services & Licensing Committee) is showing a projected underspend this year.

Environment Committee	Para Refs	2016/17 Original Budget (£'000)	2016/17 Revised Budget (£'000)	2016/17 Spend to date (£'000)	2016/17 Forecast Outturn (£'000)	2016/17 Outturn Variance (£'000)
<b>Canal Partnership</b>	22	85	86	182	229	143
<b>Strategic Head (Development Services)</b>		127	127	106	126	(1)
<b>Head of Environmental Health</b>		73	73	63	74	1
Environmental Health Team		224	231	180	210	(21)
Contaminated Land		40	38	27	27	(11)
Dog Warden Service		120	134	82	139	5
Environmental Protection		245	235	187	202	(33)
Food Safety		203	208	163	202	(7)
Health and Safety		121	116	86	102	(14)
Land Drainage		72	180	137	111	(68)
Public Health		89	64	71	55	(9)
Pest Control		109	90	93	86	(5)
Port Health		15	16	12	12	(3)
Planning Liaison		19	16	17	16	(0)
<b>Environmental Health</b>	23	<b>1,257</b>	<b>1,328</b>	<b>1,055</b>	<b>1,161</b>	<b>(167)</b>
Planning and Building Control Admin		313	318	235	286	(32)
Building Control		(19)	(7)	(190)	(117)	(110)
Securing Dangerous Structures		20	20	20	18	(2)
Building Regulation Enforcement / Advice		106	110	110	101	(8)
Street Naming		2	3	(0)	3	0
<b>Building Control</b>	24	<b>422</b>	<b>444</b>	<b>174</b>	<b>292</b>	<b>(152)</b>
Planning Strategy		336	332	327	310	(22)
Preparation of Core Strategy		0	0	0	(32)	(32)
<b>Planning Strategy/Local Plan</b>	25	<b>336</b>	<b>332</b>	<b>327</b>	<b>278</b>	<b>(54)</b>
Development Control		295	304	313	332	29
Trees		49	49	42	49	0
Conservation		75	72	72	81	9
Appeals		0	0	0	0	0
Planning Appeal Costs		81	81	188	201	120
Enforcement		128	127	85	109	(18)
Footpath Diversion		(1)	(1)	1	(1)	0
<b>Development Control</b>	26	<b>628</b>	<b>631</b>	<b>701</b>	<b>771</b>	<b>139</b>

<b>Environment Committee</b>	<b>Para Refs</b>	<b>2016/17 Original Budget (£'000)</b>	<b>2016/17 Revised Budget (£'000)</b>	<b>2016/17 Spend to date (£'000)</b>	<b>2016/17 Forecast Outturn (£'000)</b>	<b>2016/17 Outturn Variance (£'000)</b>
Economic Development		54	54	17	58	4
Market Town Projects		24	24	22	32	8
Regeneration		131	134	121	140	6
<b>Economic Development</b>		<b>210</b>	<b>212</b>	<b>160</b>	<b>229</b>	<b>17</b>
<b>Carbon Management</b>		<b>121</b>	<b>104</b>	<b>114</b>	<b>89</b>	<b>(15)</b>
Refuse Collection		1,293	1,311	1,419	1,633	322
Multi-Bank Recycling Sites		807	1,257	928	1,144	(113)
Recycling and Environmental Initiatives		201	201	(48)	362	161
<b>Waste and Recycling</b>	<b>27</b>	<b>2,301</b>	<b>2,770</b>	<b>2,299</b>	<b>3,139</b>	<b>370</b>
<b>Street Cleansing</b>	<b>28</b>	<b>661</b>	<b>664</b>	<b>588</b>	<b>702</b>	<b>39</b>
<b>Environment Total</b>		<b>6,219</b>	<b>6,771</b>	<b>5,770</b>	<b>7,091</b>	<b>320</b>

**'Transfer of BC Shared income to Reserve £152K'**