

ENVIRONMENT COMMITTEE

13 DECEMBER 2018

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Report Title	ENVIRONMENT COMMITTEE REVENUE ESTIMATES – REVISED 2018/19 AND ORIGINAL 2019/20
Purpose of Report	To present to the committee the revised estimates for 2018/19 and original estimates for 2019/20
Decision(s)	The Committee RECOMMENDS to Strategy and Resources Committee The revised Environment budget for 2018/19 and original 2019/20 revenue budget are approved.
Consultation and Feedback	Consultation has been undertaken with residents and businesses. Feedback on the outcome of the consultation will be provided to Strategy and Resources committee at the meeting
Financial Implications & Risk Assessment	The revenue and capital budgets for 2019/20, as detailed in this report, will be included in the General Fund Estimates report and incorporated into the Council's MTFP being considered by Strategy and Resources committee in January 2019. David Stanley, Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk
Legal Implications	This report forms part of the budget setting process for 2019/20 which involves the Council calculating capital and revenue estimates for its General Fund. The committee needs to be satisfied the proposed recommendations are appropriate, in reliance on professional financial advice. Nicola Swan Interim Head of Legal & Monitoring Officer Tel: 01453 754369 Email: nicola.swan@stroud.gov.uk
Report Author	Adele Rudkin, Accountant Tel: 01453 754109 Email: adele.rudkin@stroud.gov.uk
Options	The Administration will be considering its budget options at the Strategy & Resources Committee meeting on 17 January 2019. Council will consider the overall budget position for 2019/20 on 24 January 2019.
Background Papers and Appendices	None

Background

1. The Budget Strategy report to Strategy and Resources Committee in October 2018 set out the way in which the Council would approach setting budgets for the forthcoming financial year.
2. Members will be aware from both the 2018/19 budget and MTFP (approved in January 2018) and the Budget Strategy reports, the Council is facing a number of financial challenges in 2019/20 and future years. A budget deficit has been forecast in the latter part of the medium term due to anticipated reductions in the level of government funding, and inflationary and cost pressures across the Council's services. The service committee's revenue budgets have been prepared in accordance with the budget framework set out in the Budget Strategy report.
3. The Medium Term Financial Plan (MTFP) report to Strategy and Resources will set out a projection of General Fund Expenditure over the medium term 2019/20 to 2022/23. This report sets out a more detailed analysis of the changes to the Environment Committee budget for 2018/19 (Revised Estimates) and 2019/20 (Original Estimates).
4. **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

5. The original budget for the Environment Committee was £4.749m. This is then used as the base budget for the 2018/19 revised estimates and 2019/20 original estimates, incorporating changes arising from unavoidable inflationary cost pressures, budget pressures and efficiency savings. These estimates have only changed from the original budget approved in February 2018, as a result of items reported to the committee in budget monitoring reports.
Indicative revenue budgets were included in Appendix A of the September budget monitoring report and were based upon assumptions and known changes at the time. Budgets presented in this report will differ as a result of more detailed work undertaken by budget holders/finance team etc.
6. The original estimate for Environment Committee Budget for 2019/20 is **£5.462m, an increase of £713k** on the base budget. This is largely due to the following significant budget changes:
 - Technical adjustments of **(£153k)** (para 9)
 - Pay inflation **£58k** (para 10)
 - Budget pressures of **£753k** (para 8 and table 5)
 - Budget and efficiency savings of **(£16k)** (para 11 and table 5)
 - Insurance savings of **(£7k)** as a result of a review of the insurance requirements of the Council undertaken in April and May prior to the full retender over the summer
 - Workforce planning savings of **(£25k)** (para 12 and table 5)
7. An updated estimate of the Committee's budget will be presented to Strategy and Resources committee in January 2019. There may be minor changes to the committee in this report around the Multi-Service Contract (para 8 below).

Table 1 – Summary of changes from the 2018/19 Original Budget

Environment Committee	2018/19 Original Estimate (£'000)	2018/19 Revised Estimate (£'000)	2019/20 Original Estimate (£'000)
[a] Original Budget	4,749	4,749	4,749
[b1] In-year virements			(31)
[b2] Technical Adjustments		(42)	(153)
[c] Reversal of Prior-year Budget Proposals			
[d] Pay Inflation 2019/20			58
[e] Price & Income Inflation			135
Base Budget	4,749	4,707	4,757
[f] Previous Policy Decisions			
[g] Budget Pressures			753
[h] Efficiency Savings			(16)
[i] WFP Savings			(25)
[j] Recharge Adjustment *			0
[k] Insurance Adjustment			(7)
Net Service Revenue Expenditure Budget	4,749	4,707	5,462

(Table subject to rounding's)

8. Multi Service Contract (Ubico)

The narrative below and the supporting table include costs associated with the Multi-Service contract which are not the responsibility of Environment Committee (i.e. Building Cleaning, Grounds Maintenance). However, as the vast majority of service delivery falls within the remit of this committee, it would seem appropriate to include all elements of the contract within this report. Table 1, 4 and 5 of this report only contain the multi-service budgets that this committee has responsibility for so do not directly reconcile to the budgets shown in Table 2.

Members will be fully aware of the cost pressures on the Multi-Service contract, given the level of overspend reported in the budget monitoring reports in 2017/18 and 2018/19. It is also worth noting that the gross expenditure and income budgets associated with the Multi-Service contract were not amended at service level. Whilst additional funding was agreed by Council in January 2017 (£1.15m over 4 years), this was held as a contingency budget centrally so as not to disturb the financial reporting process through the service committees.

The January 2018 MTFP was prepared in the absence of detailed contract cost information from Ubico for 2018/19. The view taken at the time was to maintain the gross contract cost at around £5.4m over the medium term through a review of service costs and identification of contract efficiencies (as agreed in the Action Plan) resulting in little change to the Council's budgets. Clearly this has not been achieved.

Provision was made in the 2017/18 outturn report to Strategy and Resources committee in May 2018 to set aside £0.600m in an earmarked reserve to mitigate anticipated cost pressures likely in the MTFP.

For 2019/20, service budgets will be amended to reflect the gross expenditure and income budgets required to support service delivery, with any central contingency allocated directly to the service.

The 2019/20 gross expenditure budget for the Multi-Service contract has been included in the revenue estimates at £5.873m – an increase of £1.240m over the amount of expenditure previously budgeted for, with non-contract budgets increasing by £0.171m largely as a result of reallocations. At the same time, an additional £0.749m of service income from recycling credits, incentive payment and other recycling income has been budgeted for. This reduces the net increase to £0.579m. Table 2a shows the impact on the Council's budgets, with Table 2b showing the changes to the contract sum (and subsequent outturn) since 2016/17 for context.

Discussion has taken place with Ubico much earlier this year on the contract sum, with a robust dialogue around the Council's expectations. It should be noted that the current draft 2019/20 contract sum from Ubico has yet to be formally agreed and it is the final amount may be subject to change owing to validation work being undertaken by the finance team. This report has assumed the draft contract amount of £5.873m (this includes an additional round of £95k to support the increased demand on recycling and the contract). An update will be provided in the report to Strategy and Resources committee and Council in January 2019.

Whilst an element of budgeted increase in expenditure can be seen as multi-year inflationary catch-up or growth due to additional recycling rounds, this still represents a significant additional use of the Council's limited revenue resources.

There remains risk around income from recycling credits, incentive payment and income from the sale of recycle. As such, members may need to review the level of service provision in future years should the financial position become unsustainable.

Table 2a – Multi Service Contract change from 2018/19

Multi Service Contract	2018/19 Original (£'000)	2019/20 Original (£'000)	Budget Change (£'000)
Ubico contract			
Refuse Waste (inc Dog Waste)	1,135	1,293	158
Food Waste	374	851	477
Recycling	1,513	1,837	324
Garden Waste	234	426	191
Bulky collections	88	87	(1)
Street Cleansing	586	634	48
Building Cleaning	344	290	(54)
Grounds Maintenance	360	456	96
Gross UBICO Contract Cost	4,634	5,873	1,240
Waste & Recycling costs	148	109	(38)
Recylate Waste Disposal costs	320	739	419
Garden Waste administration costs	58	48	(10)
Other non-contract costs	13	13	0
Central contingency	200	0	(200)
OTHER - Multi Service Costs	739	910	171
JWP Incentive Payment	(133)	(350)	(217)
Recycling Credits	(549)	(650)	(101)
Recyclate Waste Disposal Income	(90)	(544)	(454)
Other waste income	(60)	0	60
Garden Waste subscriptions	(451)	(451)	0
Bulky Waste Collections	(43)	(80)	(37)
INCOME - Multi Service Income	(1,326)	(2,075)	(749)
NET BUDGET - Multi Service Cost	4,046	4,708	662
NET BUDGET - GF only	3,790	4,369	579

Table 2b – Contract Sum and Outturn position

	2016/17 Contract Sum ** (£'000)	2017/18 Contract Sum (£'000)	2017/18 Outturn (£'000)	2018/19 Contract Sum (£'000)	2018/19 Forecast Outturn P7 (£'000)	2019/20 Contract Sum (£'000)
Multi Service Contract (Ubico)						
Refuse Waste (inc Dog Waste)	1,229	1,152	1,254	1,234	1,256	1,293
Food Waste	525	813	838	920	808	851
Recycling	1,523	1,637	1,623	1,591	1,773	1,837
Garden Waste	286	323	329	369	458	426
Bulky collections	0	88	83	91	91	87
Street Cleansing	640	669	601	615	621	634
Building Cleaning	320	323	322	328	299	290
Grounds Maintenance	449	446	423	492	444	456
Gross UBICO Contract Cost	4,971	5,452	5,473	5,639	5,751	5,873

** This is the full year equivalent contract sum. Ubico service started 01 July 2016 with a pro-rata contract sum of £3.782m and an Outturn of £4.048m

9. Technical adjustments/In year virements

In year virements include centralisation of service software budgets to ICT (across all committees) and alignment of budgets to agreed establishment structures. Technical adjustments include the 2018/19 1% salary inflationary catch up, re-structuring changes to budgets across the committees following the workforce plan review and MSC allocation of correct budget.

10. Inflation

d) Pay Inflation

The 2019/20 salary budgets have been increased by an initial 2% in line with budget strategy.

e) Price inflation

Gas and electricity supplies have seen a significant inflationary increase due to the renewal of both contracts from the beginning of October. Software budgets have been increased by CPI in line with budget strategy.

11. Budget Pressures & Efficiencies

Table 5 provides a detailed overview of the budget pressures and efficiencies for 2018/19 and 2019/20, which have been incorporated into the General Fund budget.

Budget Pressures include MSC additional budget of **£708k** (as per Table 5) and additional planning resource of **£45k**.

An efficiency saving of **(£16k)** within Market town Projects has been realised after re-allocation of budgets to General fund Housing.

12. Workforce Plan

Workforce plan phase 2 reviews that have been completed and implemented for Regeneration for this Committee. The table below outlines the net post reductions across these services. Please note that the reductions within Regeneration will impact over several committees.

Number of net post reductions

Phase 2 WFP	Net post reductions
Regeneration	-3

At the time of writing this report, Phase 3 of the Workforce plan have commenced. Planned service reviews which effect this Committee include Planning and Environmental Health. There may be may some future impact on the Environment Committee budgets when these have completed.

13. CAPITAL

Table 3 below outlines the capital schemes that the committee is responsible for. The budget monitoring report to Strategy and Resources committee in October

2018 made some minor amendments to the committee's capital schemes and these are reflected in the table below.

These changes have been reflected in the table below, but at this stage, not further changes have been incorporated into the Capital Programme. Council will consider the Capital Programme and the Capital Strategy at their meeting in January 2019.

Table 3 – Capital schemes 2018/19 and 2019/20

	2018/19 Original Estimate (£'000)	2018/19 Revised Estimate (£'000)	2019/20 Revised Estimate (£'000)
Environment Capital Schemes			
Canal - Phase 1A	-	-	-
Canal Regeneration (Saul to Stonehouse)	553		
Canal - Phase 1B (Development)		1,474	732
Canal - Phase 1B (Delivery)			
MSC - Vehicles	250	619	684
Wallbridge	190	100	-
Stroud District Cycling & Walking	100	100	100
Market Town Centres	100	100	50
Subtotal Environment	1,193	2,393	1,566

Note:

Canal Phase 1B (Development) scheme is shown as 'gross', with the funding is broken down as follows:

	2018/19 Revised Estimate (£'000)	2019/20 Revised Estimate (£'000)	TOTAL (£'000)
Canal - Phase 1B (Development) - Funding			
Project costs	1,474	732	2,205
Heritage Lottery Fund (Grant)			(843)
Stroud District Council			(378)
Other partners (Canal and Rivers Trust, GCC)			(237)
Volunteer time			(445)
Fundraising (Cotswold Canals Trust)			(303)
Total Funding			(2,205)

14. Canal Phase 1A

Whilst Phase 1A of the Canal Restoration Project has been completed with Heritage Lottery Fund (HLF) sign-off, there remains a small number of issues to resolve, largely around validation of contractor final accounts for the work completed at Wallbridge and remedial work at Dudbridge Lower Lock. Whilst some of these costs can be contained within existing resources (i.e. s106 payment), there may be a need to allocate additional council resources. This will need to be considered by Strategy and Resources in January 2019.

15. Canal Phase 1B (Stroudwater Connected) – Development

Phase 1B (Stroudwater Connected) of the Canal Restoration Project is now shown as Development and Delivery phases, reflecting the nature of the Round 1 funding from the HLF. The Development phase will continue until December 2019 when a Round 2 bid is made to the HLF. Should this be successful, funding for the Development Phase will be released. Details of each phase were contained within the report to Strategy and Resources in May 2018 <https://www.stroud.gov.uk/media/682318/item-7-stroudwater-navigation-connected-regeneration-cultural-and-natural-heritage-for-everyone.pdf>

16. MSC Vehicles

An updated vehicle replacement programme has been agreed between the Council and Ubico and will be kept under annual review. Additional vehicles have been purchased during the current financial year to reduce costs over the longer term. The vehicle replacement programme highlights an ongoing need to allocate capital resources to replace and enhance the Multi-Service contract fleet on a rolling basis. If key vehicles are not replaced this will lead to significant additional lease/short-term hire costs over and above the contract costs outlined in paragraph 8 of this report.

17. Wallbridge

The Capital programme has been updated to reflect the available resources (£90k from Stroud District Council, £10k from Stroud Town Council)

18. Market Town Centres

Agenda Item 9 of this committee provides members with an update on the Market Town Centres capital scheme.

Further detail on the capital schemes was contained in the Capital Projects Monitoring report in May 2018 <https://www.stroud.gov.uk/media/682438/item-8-capital-project-monitoring.pdf>

Table 4 – Detailed service estimates

ENVIRONMENT	2018/19 Original Estimate (£'000)	2018/19 Revised Estimate (£'000)	2019/20 Original Estimate (£'000)
Canal Partnership	7	7	6
Subtotal Canal	7	7	6
Director (Development Services)	116	117	119
Head of Health and Wellbeing	70	71	72
Environmental Health Team	149	149	126
Contaminated Land	32	32	28
Dog Warden Service	78	78	79
Environmental Protection	153	154	156
Food Safety	150	151	154
Health and Safety	86	87	89
Land Drainage	38	39	39
Public Health	43	43	44
Pest Control	6	7	5
Port Health	2	2	2
Planning Liaison	14	14	14
Subtotal Environmental Health	751	757	736
Planning and Building Control Admin	258	261	266
Building Control	(186)	(202)	(244)
Securing Dangerous Structures	9	10	10
Building Regulation Enforcement / Advice	36	58	60
Subtotal Statutory Building Control	117	126	92
Planning Strategy	306	311	309
Subtotal Planning Strategy/Local Plan	306	311	309
Development Control	(267)	(261)	(241)
Trees	42	43	43
Conservation	59	59	60
Planning Appeal Costs	69	70	71
Enforcement	106	107	109
Footpath Diversion	(2)	(2)	(2)
Subtotal Development Control	7	15	41

ENVIRONMENT	2018/19 Original Estimate (£'000)	2018/19 Revised Estimate (£'000)	2019/20 Original Estimate (£'000)
Street Naming	(4)	(4)	(6)
Land & Property Custodian	0	(28)	(36)
Subtotal Land Charges & Street Naming	(4)	(31)	(42)
Economic Development	54	35	35
Market Town Projects	24	16	0
Regeneration	82	65	56
Subtotal Economic Development	161	116	91
Energy Efficiency	71	71	71
Subtotal Carbon Management	71	71	71
MSC: Refuse Collection	1,116	1,116	1,320
MSC: Food Waste	341	341	511
MSC: Recycling	1,181	1,181	1,433
MSC: Bulky Waste	45	45	7
MSC: Garden Waste	(153)	(153)	29
MSC: Street Cleansing	599	607	647
Subtotal Waste and Recycling: MSC	3,128	3,136	3,947
Waste and Recycling: Other	19	11	20
ENVIRONMENT Total	4,749	4,707	5,462

Table 5 – Budget Pressures and Efficiencies

TYPE	SERVICE	REASON FOR EFFICIENCY/PRESSURE	2018/19 000's	2019/20 000's
BP	Waste & Recycling	MSC Contract Budget pressure		708
BP	Development Control	Senior Planning Officer STR5 additional post		45
Subtotal - Pressures				753
ES	Market Town Projects	Removal of excess budget as service no longer running		-16
ES	Various	Work Force Plan Review savings- Regeneration		-25
Subtotal - Efficiencies				-41
Total Environment Pressures and Efficiencies				712

Note on Multi-Service Contract budget changes:

Table 2 of this report shows a net change in the MSC budgets of £0.579m, with Table 5 above showing a net change of £0.708m

In effect, the difference of £0.129m is due to non-Environment committee budget changes:

- HRA-funded services (Building Cleaning, Grounds Maintenance)
- Reduction in Contingency (as per Council January 2017)
- Grounds Maintenance/Building Cleaning (CS&L/S&R)
- Subscription Rooms budget removed (service not being provided)
- Rounding's being the remaining difference

As per Table 2a	579
Add back: HRA changes	84
Add back: Non-ENV	(40)
Add back: Contingency (net change)	100
Add back: Subscription Rooms	(17)
ENV Committee changes	706