
REPORT TO:	Organisation Improvement & Environment Overview & Scrutiny Commission
DATE:	21 January 2008
DEPARTMENT:	Community Services
REPORTING OFFICER:	Acting Head of Environment (<i>Debi Rowe</i>)
SUBJECT:	GENERAL FUND REVENUE BUDGET 2008/09 – ENVIRONMENT BUSINESS UNIT
WARDS AFFECTED:	All
FORWARD PLAN REF:	N/A

1.0 PURPOSE OF REPORT

- 1.1 The purpose of this report is to consider budget details as they relate to services and functions in the Environment Business unit which fall under the terms of reference of the Cabinet Member (Environment).
- 1.2 The Director of Resources has been consulted during the preparation of this report.

2.0 RECOMMENDATIONS

- 2.1 The latest financial position shown in the Revised Estimates for 2007/08, as detailed in Appendix A, is noted.
- 2.2 The Draft General Fund Revenue Estimates for 2008/09 as detailed in Appendix A are recommended to the Cabinet.
- 2.3 That the Cabinet Member (Environment) notes the projections for 2009/10 and 2010/11.
- 2.4 Recommend to Cabinet the growth items listed in Section 7 of this report are included in the 2008/09 budget.

3.0 RECOMMENDED REASON FOR DECISIONS

3.1 To assist in monitoring the current year's financial position and in the setting of the overall Council Draft General Fund Revenue Estimates for 2008/09 and make recommendations to the Cabinet meeting in January 2008.

4.0 ALTERNATIVE OPTION CONSIDERED AND RECOMMENDED FOR REJECTION

4.1 Not to approve the budget estimates and make no recommendations to the Cabinet meeting in January 2008 – rejected as not in accordance with the Council's Medium-Term Financial Strategy, or the legal framework with governs Local Authority accounting.

5.0 THE REPORT

The information contained in this report is as follows:

Main Report – which includes specific information and comments on the main features of the detailed budget from the Director of Community Services.

Appendix A – contains the draft summary budget and details of the variances between the Original Estimate 2007/08 and the Revised Estimate 2007/08 and Original Estimate 2008/09 for this portfolio.

5.1 KEY CHANGES IN THE REVISED ESTIMATE 2007/08 FOR THE ENVIRONMENT BUSINESS UNIT

5.1.1 The key variances between Original Estimate and Revised Estimate 2007/08 are highlighted in page 2 of Appendix A.

5.1.2 The following variances have no overall net effect on the budget.

1. There are savings in salaries (-£23k) due to a delay in the appointment of a Temporary Recycling Support Officer. This position was being funded by reserves. This temporary post is being filled from January 2008.
2. The contract for the Environmental Projects Officer (+£12k) has been extended and is being funded by reserves. This is to ensure work on the Environment Strategy, Car Share Scheme and Schools Energy Project can continue to be fulfilled. (Delays have occurred to some work areas due to the sickness absence of a key member of the Environmental Strategy Team).

3. A change in process has meant that there is reduced income from winter maintenance (+£11k) which is offset by reduced costs (+£11k). This is due to direct charging of hours worked to the winter maintenance budget which had previously being internally managed.
4. There have been increased costs in respect of the low energy light bulb scheme (+£25k) funded through the Environmental Initiatives Fund. The scheme proved to be highly successful with residents.
5. Increased expenditure relating to environmental strategy costs have been offset by additional income (£5k).
6. A subscription to the Encams Cleaner Safer Greener network(+£5) has been funded via reserves.
7. Increased costs relating to the car sharing scheme are being funded from reserves as previously approved
8. A grant for Energy and Waste in Schools project (+£13k) has been transferred from income to reserves.

5.1.3 This leaves the following variances, which explain the +£151k increase in net expenditure from original estimates to revised estimate 2007/08.

5.1.4 Controllable Expenditure

- There has been increased expenditure in employee costs of +£56k. This includes the vacancy provision (+£26k), the omission from the 07/08 budget of street cleansing's contractual overtime (+£19k), increased expenditure in dealing with severe flooding experienced in the summer (+£12k), together with decreased salaries in Environmental Strategy (-£9k) and increased temporary staff covering for sickness in street cleansing (+£8k).
- Expenditure relating to gate fees at a private recycling bulking facility has reduced (-£14k) with the majority of bulking of recyclate being carried out at the Council's Claro Road operation.
- The cost of gum removal operations was omitted from the original budget and has now been added back (+£12k).
- Additional sandbags from the summer flooding cost an additional £9k.
- There has been a reduced cost for purchase of garden waste sacks as the green waste collection continue to roll out through the district (-£3k).
- Transport charges relating to street cleansing have been reduced by -£15k due to an overstatement in the Original Estimate 2007/08.

- Hire of vehicles has increased by +£10k due to an increased demand on resources, this should be a one off occurrence.
- There has been a decrease in the cost of dealing with abandoned vehicles (-£4k).

5.1.5 Income

- As a result of dealing with bulking additional recyclate at the Claro Road operation the sale of materials has increased by -£38k.
- A third party insurance payout for recycling has increased income by -£12k. This is a one off occurrence.
- The termination of a refuse contract for Pateley Bridge with NYCC in March 2007 has reduced income by +£11k. The loss of this contract was unknown when the 2007/08 budgets were set in Oct 2006.
- Income from pest control has decreased by +£8k along with internal income (+£6k) due to an overstatement in the Original Estimate 2007/08.
- There has been a marginal reduction in income from recycling credits (+£5k).

5.1.6 Additional Expenditure

Capital charges have increased by +£89k.

There have been increased charges from Building Management (+£30k) and Environmental Services Support Unit charges (+£10k).

There have been reduced charges from access to services (-£7k) and other support charges (-£2k).

5.2 ENVIRONMENTAL SERVICE UNIT RECHARGEABLE ACCOUNT

5.2.1 The key variances between original estimate and revised estimate 2007/08 are highlighted in page 5 of Appendix A. There has been an increase in the recharges to service of +£30k as explained by the following variances:

5.2.2 Controllable Expenditure

- **A temporary support officer (+£18k) has been funded by reserves (via an internal charge) to support recycling expansion during 2007/08.**

- **The removal of the vacancy provision (+£4k) and increased costs through temporary staff (+£2k) and increments (+£1k) accounts for a further +£7k.**

5.2.3 Additional Expenditure

- **Support charges have increased by £5k due to a reallocation of officer time spent on the service area.**

5.3 CENTRAL TRANSPORT ORGANISATION

5.3.1 **The key variances between original estimate and revised estimate 2007/08 are highlighted in page 8 of Appendix A. There has been a decrease in expenditure of £8k as explained by the following variances:**

5.3.2 Controllable Expenditure

Employee costs have increased by +£3k as a result of the removal of the vacancy provision at revised estimate.

5.3.3 Income

Income from MOT testing has increased by -£8k and continues to perform well alongside the Council's transport maintenance work.

5.3.4 Additional Expenditure

- There has been a reduction in the support charges (-£3k).

5.4 KEY CHANGES IN THE ORIGINAL ESTIMATES 2008/09 FOR THE ENVIRONMENTAL BUSINESS UNIT

5.4.1 **The key variances between Original Estimate 2007/08 and Original Estimate 2008/09 are highlighted in page 3 of Appendix A. Subject to service considerations and market forces fees and charges have been increased by a minimum of 4% in accordance with the guidelines in the medium term Financial Strategy.**

5.4.2 The following variances have no overall net effect on the budget.

1. **Reduced employee costs (-£17k) from the Schools Energy project due to end 08/09. This is offset by reduced income (+£13k) and draw down from reserves (+£4k net).**

2. Income from winter maintenance is reduced (+£11k) but is offset by reduced costs (-£11k) as the hours worked are now directly charged to the winter maintenance budget.
3. Trade waste costs have increased (+£53k) due to landfill taxes but have been offset through increased charges to the business customers.
4. There are reduced costs from the car share scheme (-£1k) offset by an decreased appropriation from reserve as previously agreed.
5. **Central transport costs (-£550) have been transferred from controllable expenditure to additional expenditure.**
6. **There has been an increased salary recharge from refuse to trade waste and recycling (-£10k) offset by increased additional expenditure. This reflects the allocation of officer salaries for the Trade Waste Service.**

5.4.3 This leaves the following variances, which explain the +£720k increase in net expenditure from original estimate 2007/08 to original estimate 2008/09

5.4.4 Controllable Expenditure

1. There has been an increase of +£171k in employee costs. This is accounted for through the costs of the new recycling schemes (+£93k), the 2 ½% pay award (+£80k) the removal of one-off growth items for new schemes in 2007/08 (-£21k) and the inclusion of +£19k from the street cleansing costs omitted from the 2007/08 Original Estimates.
2. There are increased costs of +£41k associated with the new kerbside green waste recycling scheme.
3. A Marketing budget which was a one-off item last year to advertise new schemes has been removed (-£16k) in 2008/09.
4. **External bulking charges for recyclate have been reduced by (-£14k) due to the material being bulked at the Council's Claro Road Depot.**
5. **Expenditure on garden waste sacks has been reduced as the green garden collection schemes expand (-£3k).**
6. **Fuel costs have increased (+£30k) partly due to increased fuel prices but also to meet the needs of the new recycling schemes.**
7. **Transport charges relating to street cleansing have been reduced**

by -£15k due to an overstatement in the Original Estimate 2007/08.

8. There has been reduced expenditure relating to the cost of abandoned vehicles (£4k) due to a decline in demand.
9. There has been an increase in the appropriation to the vehicle reserves of (+£307k) and an appropriation included for 2008/09 of Waste Performance Efficiency Grant in 2007/08 from Central Government (+£68k) which was not included.
10. The cost of gum busting operations was omitted from the Original Budget and has now been added back in (+£12k).

5.4.5 Income

1. Income from recycling credits have increased by (-£89k) with (-£75k) of this relating to new schemes.
2. Sales of recyclable materials has increased by (-£38k) due to more recyclate being bulked at the Council's Claro Road Depot.
3. There has been a reduction in income from pest control contracts with businesses which was revised in 2007 (+£12k) and the termination of a NYCC refuse contract at Pateley Bridge (+£11k).

5.4.6 Additional Expenditure

1. Capital charges (+£107k), insurance charges (+£10k) and transport charges (+£35k) have increased mainly as a result of the expansion of recycling.
2. Environment services support services (+£90k) and Business Support Services (+£19k) have increased due to reallocation of officer time spent on these service areas.
3. Charges from Building Management (-£9k) and access to services (-£7k) have reduced.

Other small variances: (£+2k)

5.5 Environmental Services Unit Business Rechargeable Account

5.5.1 The key variances between original estimate 2007/08 and original estimate 2008/09 are highlighted in page 6 Appendix A.

There has been an increase in the recharges to service of (+£98k) as explained by the following variances:

5.5.2 Controllable Expenditure

1. **There is an increase in salaries of (+£17k), due to the 2½ pay award (+£11k) and salary increments (+£6k).**

5.5.3 Additional Expenditure

1. **There are increased support charges (+£84k) and reduced charges from Building Management (-£3k).**

5.6 Central Transport Organisation

5.6.1 The key variances between original estimate 2007/08 and original estimate 2008/09 are highlighted in page 9 of Appendix A.

5.6.2 **There has been an increase in expenditure of (+£43k) as explained by the following variances.**

Controllable Expenditure

1. **There is an increase in salaries of (+£7k) due to the 2½% pay award.**
2. **Increased parts/maintenance costs (+21k) and insurance charges (+£9k) are a consequence of more vehicles plant in the fleet.**

Additional Expenditure

1. **Building management (+£6k) and support charges (+£3k) have increased.**
2. **Capital charges have reduced by (-£3k).**

6.0 EFFICIENCY SAVINGS

6.1 **As part of the cash efficiency target of £29k the following has been identified and incorporated into the 2008/09 base budget:**

- **Reduced cost of gate fees at Hessay – £14,150**
- **Reduced cost of abandoned vehicles – £1,530**
- **Increased income from sale of materials – £13,320**

7.0 GROWTH ITEM

7.1 Expansion of dry recyclables collections to remainder of District (Appendix E)

This growth bid is to provide a final expansion of the current kerbside recycling scheme for a dry recyclables round to cover those areas not

currently covered by the existing scheme. This will cover pockets of non provision, but will not cover areas which cannot be accessed by our current method of collection. The cost estimate for this was included in the MTF5 but requires decision for budget growth. It is based on the cost of a similar expansion that has just been implemented and will commence from September 2008.

An additional sum of £10k per annum to improve recycling collections at Christmas and Easter has also been included.

It is proposed that this expansion is funded by the Waste Performance Grant (2008/09).

Costs:

	2008/09	2009/10	2010/11	2011/12
Capital cost	£55,000	0	0	0
Revenue costs	£51,985	£73,400	£73,400	£73,400

7.2 Project development work to implement Alternate Weekly Collection system

This growth bid is to provide dedicated resources to carryout pre-implementation development work for alternate weekly collections of waste and recycling.

The proposed was outlined in the consultant's study (Jacobs Babtie) and reported to Cabinet in October 2007 as part of the overall cost to implement a wheeled bin collection service across the District.

It is proposed that a sum of £90k is provided as a one off sum in 2008/09 funded from the Environmental Initiatives Fund (EIF).

8.0 USE OF RESERVES

8.1 The use of Business Unit Reserves in the current and future years have been reported to Council in September. Such expenditure is subject to Business Unit rules regarding the level of authority required, and is therefore not being reviewed in this budget report.

8.2 Copies of the Reserve Review forms for the earmarked reserves that relate to Environment are included at Appendix B. These reserves have been reviewed as part of the budget process and the balances considered appropriate.

9.0 FINANCIAL RISK MANAGEMENT

9.1 A key aspect of the Council's approach to budgeting is a risk management assessment, which is carried out throughout the budget process.

- 9.2 In the case of expenditure, there is little risk to most of the General Fund Estimates and the budget can be fairly accurately predicted, for example employee costs and most running costs.
- 9.3 The Council is very dependent on income from sales, fees and charges. In Environment the market for trade waste and pest control services is very competitive. The income is carefully and prudently assessed for budget purposes by relevant managers on the basis of contracted or confidently expected income. Regular monitoring meetings are held and any remedial action taken as necessary.
- 9.4 A key element of the risk assessment process is the review of all budgets, especially those reflecting material risk, by the Director of Resources and the Head of Financial Management in conjunction with Directors, which takes part routinely as part of the Budget preparation process.

10.0 **PROJECTIONS FOR 2009/10 AND 2010/11**

- 10.1 We are now required, under the Government's new Prudential Code and also for the Comprehensive Performance Assessment, to produce projections for the next three years. These projections are only a broad indication of likely net expenditure levels and have been compiled in accordance with the guidance and parameters set.

11.0 **SCRUTINY**

- 11.1 The Environment 2008/09 Budget will be scrutinised by the Organisation, Improvement & Environment Overview & Scrutiny Commission on 21 January 2008.

12.0 **CONCLUSION**

- 12.1 Estimates are in accordance with the Council's medium term financial strategy to assist in the setting of the overall Council Draft General Fund Revenue Estimates for 2008/2009.

Background Papers:

1. *Estimate working papers held within the Department of Resources*
2. *Working papers held within the Department of Community Services*

OFFICER CONTACT: Please contact Debi Rowe, Acting Head of Environment, if you require any further information on the contents of this report. The officer can be contacted at the Department of Community Services, Springfield House, Kings Road, Harrogate, HG1 5NX, by telephone on 01423-556845 or by e-mail – debi.rowe@harrogate.gov.uk

		Implications are		
		Positive	Neutral	Negative
A	Economy			
B	Environment			
C	Social Equity			
i)	General			
ii)	Customer Care/People with Disabilities			
iii)	Health Implications			
D	Crime and Disorder			

If all comments lie within the shaded areas, the proposal is sustainable