

Committee:	Date:
Port Health and Environmental Services	18 Nov 2014
Subject:	Public
Revenue and Capital Budgets 2015/16	
Report of:	For Decision
The Chamberlain Director of the Built Environment Director of Markets and Consumer Protection Director of Open Spaces	
Summary	
<p>This report is the annual submission of the revenue and capital budgets overseen by your Committee. In particular it seeks approval to the provisional revenue budget for 2015/16, for subsequent submission to the Finance Committee. Details of the Committee's draft capital budget are also provided. The budgets have been prepared within the resources allocated to each Director.</p> <p>Business priorities for the forthcoming year include:</p> <ul style="list-style-type: none"> • supporting the ongoing Service Based Reviews to deliver savings for 2015/16 and beyond; • reviewing recycling waste streams, increasing recycling rates and reducing waste disposal costs; • improving signage and publicity for public conveniences to deliver income targets; • maximising the efficiency and effectiveness of the street cleansing and waste collection services; • securing a new materials recovery facility to achieve compliance with new regulations; • partnership working with businesses to reduce littering; • managing changing demand for Port Health services as trade at London Gateway Port increases; • ensuring the income stream at the Heathrow Animal Reception Centre is not adversely affected by proposed changes to animal imports and checks; and • development of additional burial space in order to meet service delivery requirements and protect income in coming years. 	

Summary of Table 1	Latest Approved Budget 2014/15 £'000	Original Budget 2015/16 £'000	Movement £'000
Expenditure	20,894	20,521	(373)
Income	(11,938)	(11,671)	267
Support Services and Capital Charges	5,582	5,523	(59)
Total Net Expenditure	14,538	14,373	(165)

Overall, the 2015/16 provisional revenue budget totals £14.373m, a decrease of (£165,000) compared with the latest approved budget for 2014/15. The main reasons for this decrease are:-

- The removal of the effect of one-off items in the 2014/15 budget (reduction in expenditure (£765,000), reduction in income £344,000);
- The inclusion of Service Based Review savings proposals totalling (£570,000) for 2015/16, subject to the agreement of your Committee;
- Anticipated additional income from the Port Health service, (£106,000); offset by a reduction in income at the Heathrow Animal Reception Centre, £145,000;
- Provision for 2% pay award and for price uplift on main contracts, £285,000; and
- An increase of £525,000 in City Surveyor's repairs and maintenance costs largely as a result of changes in phasing of works.

Recommendation(s)

Members are asked to:

- Review the provisional 2015/16 revenue budget to ensure that it reflects the Committee's objectives and, if so, approve the budget for submission to the Finance Committee;
- Review and approve the draft capital budget;
- Authorise the Chamberlain to revise these budgets to allow for further implications arising from potential budget developments including developments in the Port Health service relating to changing trade, changes to the Additional Works Programme and changes in respect of recharges.
- If specific Service Based Review proposals included within this report are rejected by the Committee, or other Committees request that further proposals are pursued, that the substitution of other suitable proposals for a corresponding amount is delegated to the Town Clerk in

consultation with the Chairman and Deputy Chairman of the relevant Committee. If the substituted saving is not considered to be straightforward in nature, then the Town Clerk shall also consult the Chairman and Deputy Chairmen of the Policy and Resources Committee prior to approving an alternative proposal(s).

Main Report

Background

1. This report sets out the proposed revenue and capital budgets for 2015/16. The revenue budget management arrangements are to:
 - Provide a clear distinction between local risk, central risk and recharge budgets.
 - Place responsibility for budgetary control on departmental Chief Officers.
 - Apply a cash limit policy to Chief Officers' budgets.
2. The proposed budget for 2015/16 has been analysed by the service expenditure and compared with the latest approved budget for the current year.
3. The report also compares the current year's budget with the forecast outturn.

Business Planning Priorities

Director of the Built Environment

4. The revised Waste Framework Directive regulations come into force on 1 January 2015 requiring all collectors of waste, including local authorities, to collect paper, plastic, metal and glass separately. Officers are currently reviewing our waste collection services to ensure compliance. Officers will also be seeking to drive up recycling rates towards our Waste Strategy target of 50% by 2020, simultaneously reducing disposal costs as incineration of waste is currently twice as costly as disposal through recycling.
5. Officers will conclude a review of the pan-London Hazardous Waste service. It will be necessary to establish how many of the 32 London boroughs wish to continue with the service, and complete the negotiations for the extension of the contract. The full cost of providing this service will continue to be recharged to participating local authorities.
6. Charging facilities have now been introduced at four public conveniences. Officers will be working to further publicise these facilities, promote them via a dedicated smartphone app and improve signage to maximise usage and income.

7. It will be necessary to review street cleansing operations and waste collection services to ensure effectiveness and efficiency is being fully delivered within the contract following the implementation of changes to achieve any agreed savings .
8. Officers will be seeking to secure a new Materials Recovery Facility to process our recyclable waste in order to deliver compliance with new regulations. As part of this process Officers will be examining waste streams to minimise contamination and exploring whether further materials can be added to those currently collected.
9. The recent successful anti-littering campaigns will be continued, including related enforcement campaigns. In particular, Officers will be working to secure further partnership agreements with businesses to clean around their buildings and encourage smoking cessation.

Director of Markets and Consumer Protection

10. Implementation of decisions taken as a result of the Service Based Reviews will be an important priority for the next two or three years, so that savings are made with minimal impact on service delivery and that they are handled sensitively as far as the staff, and any reductions in staff numbers, are concerned.
11. The Port Health service continues to react to developing trade at London Gateway Port, which is forecast to increase substantially over the next year, but which may lead to a loss of trade at other ports. Continuous review of the service is required to ensure that resources are adequate and effectively deployed.
12. The Department of Environment, Food and Rural Affairs has proposed some changes to how animals can be imported into the country, and the way in which checks should be carried out. Negotiations are currently underway to ensure that the income stream to the Animal Reception Centre is protected.

Director of Open Spaces

13. Planning consent for 'the Shoot' burial space project has been agreed and a project board is now working with City Procurement to develop a tender document to take the project forward to the delivery phase. Land forming work at the site is scheduled to commence in April 2015.

Proposed Revenue Budget for 2015/16

14. The proposed revenue budget for 2015/16 is shown in Table1 below analysed between:
 - Local Risk budgets – these are budgets deemed to be largely within the Chief Officer's control.

- Central Risk budgets – these are budgets comprising specific items where a Chief Officer manages the underlying service, but where the eventual financial outturn can be strongly influenced by external factors outside of his/her control or are budgets of a corporate nature (e.g. interest on balances and rent incomes from investment properties).
 - Support Services and Capital Charges – these cover budgets for services provided by one activity to another. The control of these costs is exercised at the point where the expenditure or income first arises as local or central risk.
15. The provisional 2015/16 budgets being presented to your Committee, and under the control of the Directors of the Built Environment, Markets and Consumer Protection, and Open Spaces, have been prepared in accordance with guidelines agreed by the Policy & Resources and Finance Committees. These include:
- A 2% uplift for inflation;
 - Adjustments for the Service Based Review resource envelope agreed for 2015/16; and
 - The proper control of transfers of non-staffing to staffing budgets.
16. The budget has been prepared within the resources allocated to each Director. This includes the Service Based Review (SBR) savings proposals for 2015/16 as set out in more detail in the separate reports on your agenda today, except for those savings for the Cemetery and Crematorium which are outlined in paragraph 17 below and will be brought to your Committee in more detail in January 2015 as part of a business planning report along with the cemetery fees and charges report.
17. The Cemetery and Crematorium Service is tasked with achieving a SBR saving of (£213,000) by 2017/18 and has committed to achieving (£66,000) in 2015/16, with the balance spread across the two remaining years. This will be achieved by increases in fees and charges across cremation and burial services.
18. If your Committee rejects any of the specific SBR proposals included within this report, or other Committees request that further proposals are pursued, it is proposed that the substitution of other suitable proposals for a corresponding amount should be delegated to the Town Clerk in consultation with the Chairman and Deputy Chairman of the relevant Committee. If the substituted saving is not considered to be straightforward in nature, then the Town Clerk shall also consult the Chairman and Deputy Chairmen of the Policy and Resources Committee prior to approving an alternative proposal(s).
19. In particular, the Public Convenience Strategy report also on your agenda today proposes some changes to the SBR savings for public conveniences. The budgets set out in this report include the savings as originally put forward, and will need to be amended if you agree to the changes proposed today.
20. Your Committee will also be aware that the Port Health service in particular continues to operate in a changing trade environment. The operator of

London Gateway Port have indicated that their trade could as much as treble over the next year, although this is likely to include trade transferring from other ports, and is not guaranteed. An increase in trade of this magnitude would require additional staffing resources. The service is under continuous review to ensure that it can react to such changes, and its budgets presented here therefore remain uncertain. As previously agreed by your Committee, the Products of Animal Origin Reserve will be used if required to cover any short-term increase in cost or shortfall in income.

TABLE 1**PORT HEALTH AND ENVIRONMENTAL SERVICES COMMITTEE SUMMARY – ALL FUNDS**

Analysis of Service Expenditure	Local or Central Risk	Actual 2013/14 £'000	Latest Approved Budget 2014/15 £'000	Original Budget 2015/16 £'000	Movement 2014/15 to 2015/16 £'000	Variance Reference (Table 2)
EXPENDITURE						
Employees	L	10,451	10,615	10,562	(53)	1(a),2,6,11
Employees	C	35	8	8	0	
Premises Related Expenses (see note i)	L	1,119	1,063	1,052	(11)	11
City Surveyor – Premises Expenses	L	541	880	1,405	525	15
Transport Related Expenses	L	542	537	437	(100)	1(b)
Supplies & Services (see note ii)	L	2,097	2,215	1,662	(553)	1(c),3-5,8
Third Party Payments	L	5,393	5,512	5,329	(183)	6-9
Transfer to Reserve	L	5	0	0	0	
Contingencies	L	0	1	3	2	
Capital Charges	C	0	63	63	0	
Total Expenditure		19,607	20,894	20,521	(373)	
INCOME						
Government Grants	L	(272)	(185)	0	185	3, 5
Other Grants, Reimbursements and Contributions	L	(210)	(314)	(155)	159	3
Customer, Client Receipts	L	(11,435)	(11,422)	(11,446)	(24)	6, 9-11
Transfer from Reserves	L	0	(17)	(70)	(53)	7
Total Income		(11,917)	(11,938)	(11,671)	267	
TOTAL EXPENDITURE/ (INCOME) BEFORE SUPPORT SERVICES AND CAPITAL CHARGES		8,231	8,956	8,850	(106)	
SUPPORT SERVICES AND CAPITAL CHARGES						
Central Support Services & Capital Charges		4,753	4,517	4,492	(25)	Para 23
Recharges within Fund		566	624	594	(30)	
Recharges Across Funds		427	441	437	(4)	
Total Support Services and Capital Charges		5,746	5,582	5,523	(59)	
TOTAL NET EXPENDITURE/(INCOME)		14,012	14,538	14,373	(165)	

Notes – Examples of types of service expenditure:-

- (i) Premises Related Expenses – includes repairs and maintenance, energy costs, rates, water services, cleansing and domestic supplies
- (ii) Supplies and Services – includes equipment, furniture, materials, clothing, printing & stationery, professional fees, subscriptions.

21. In the tables, income and favourable variances are presented in brackets. A further analysis of the local and central revenue budgets by service is provided in Appendix 1.
22. Overall there is a decrease of (£165,000) between the 2014/15 latest approved budget and the 2015/16 original budget. The significant variances (generally those greater than £50,000) in the local and central budgets have been commented on in Table 2 below.

Reason for Variance	Movement 2014/15 to 2015/16		
	Expenditure £'000	Income £'000	Net Total £'000
The removal of the effect of one-off items included in the 2014/15 budget:			
1) Carry-forwards from 2013/14:			
a) Employees	(84)	0	(84)
b) Transport	(70)	0	(70)
c) Supplies & Services	(77)	0	(77)
2) One-off costs for extended opening hours trial at staffed public conveniences	(120)	0	(120)
3) Consultants' fees and associated costs for Air Quality projects, fully funded by grant and other contribution income.	(282)	282	0
4) One-off set-up costs for Port Health services in relation to the new London Gateway Port.	(70)	0	(70)
5) Purchase and installation of Big Belly Solar Compactor bins, fully funded by grant income.	(62)	62	0
6) Provision for pay award across all services and price uplifts in the main service contracts has been included in the 2015/16 budget (assumed at 2%).	285	0	285
7) A reduction in costs for provision of Automatic Public Conveniences (APCs) to meet required Service Based Review savings (see also paragraph 19).	(120)	0	(120)

TABLE 2 continued
SIGNIFICANT VARIANCES BETWEEN 2014/15 LATEST APPROVED BUDGET AND
2015/16 ORIGINAL BUDGET

Reason for Variance	Movement 2014/15 to 2015/16		
	Expenditure £'000	Income £'000	Net Total £'000
8) Cleansing services – proposed Service Based Review savings comprising: a) cessation of the chewing gum removal service (£74,000) b) additional Fixed Penalty Notice income (£20,000) c) other efficiencies (£224,000).	(318)	0	(318)
9) Waste Disposal – an increase in provision for recycling cost. The budget for this cost was reduced from £50,000 to £30,000 as part of the SBR savings included in item 9) above, but was identified as a high risk item. Changes in the market since that proposal was put forward have increased the forecast cost of recycling (gate and contamination fees) to £72,000.	52	0	52
10) Income at Heathrow Animal Reception Centre is currently exceptionally high and as a result the forecast for 2014/15 has been increased from (£2.5m) in the original budget to (£2.675m) in the latest approved budget. It is unlikely that this will be sustained, particularly in light of the proposed changes to animal imports and checks (paragraph 11) and to reflect this the original budget for 2015/16 has been set at a small increase over the 2014/15 original budget (but therefore lower than the 2014/15 latest approved budget).	0	145	145
11) Savings across Port Health & Public Protection services in accordance with Service Based Review proposals.	(66)	0	(66)
12) An anticipated increase in income from Port Health services. This is a cautious estimate, reflecting that whilst trade at London Gateway Port is forecast to increase significantly, some of that trade may transfer from other ports, and that any increase in trade above the level budgeted is also likely to require an increase in staffing levels at additional cost which would substantially offset any extra income.	0	(106)	(106)

TABLE 2 continued SIGNIFICANT VARIANCES BETWEEN 2014/15 LATEST APPROVED BUDGET AND 2015/16 ORIGINAL BUDGET			
Reason for Variance	Movement 2014/15 to 2015/16		
	Expenditure £'000	Income £'000	Net Total £'000
13) As agreed by your Committee in September 2012, start-up costs for London Gateway and the shortfall in Port Health income are to be met from the Products of Animal Origin Reserve if necessary. It is currently anticipated that (£17,000) will be required in 2014/15, and a further (£70,000) in 2015/16.	0	(53)	(53)
14) An anticipated increase in income generated at the Cemetery and Crematorium in accordance with planned price increases and Service Based Review proposals.	0	(105)	(105)
15) The increase in the budget for the City Surveyor's premises costs reflects changes in the composition and phasing of the repairs and maintenance programme. See also Table 3 overleaf.	525	0	525
Minor variations	44	42	86
Total Movement 2014/15 to 2015/16	(373)	267	(106)

23. A reduction of (£25,000) in central support services and capital recharges reflects the net impact of changes in the budgets of central departments and their apportionment between committees, as shown in Appendix 2.

24. Budgets have provisionally been included for the 2015/16 Additional Works Programme based on bids considered by the Corporate Asset Sub Committee in June 2014. However, a decision on funding of the programme is not due to be made by the Resource Allocation Sub Committee until December 2014. It may therefore be necessary to adjust budgets to reflect the Resource Allocation Sub Committee's decision.
25. The main reason for the increase in the Additional Works Programme is that the value of work identified in the City Surveyor's 20 year programme for 2015/16 has increased in comparison with the combined value of various programmes in 2014/15.

TABLE 3 – CITY SURVEYOR LOCAL RISK	Latest Approved Budget 2014/15 £'000	Original Budget 2015/16 £'000	Movement 2014/15 to 2015/16 £'000
Repairs and Maintenance			
Additional Works Programme			
Public Conveniences	28	57	29
Heathrow Animal Reception Centre	20	235	215
Street Cleansing	1	4	3
Cemetery and Crematorium	475	659	184
Meat Inspector's Office	12	0	(12)
Planned and Reactive Works			
Public Conveniences	30	46	16
Heathrow Animal Reception Centre	122	192	70
Port and Launches	28	42	14
Cemetery and Crematorium	116	122	6
Meat Inspector's Office	3	3	0
Total Repairs and Maintenance	835	1,360	525
Facilities Management	45	45	0
Total City Surveyor	880	1,405	525

26. Analysis of the movement in manpower and related staff costs are shown in Table 4 overleaf.

TABLE 4 MANPOWER STATEMENT	Latest Approved Budget 2014/15		Original Budget 2015/16	
	Manpower Full-time Equivalent	Estimated Cost £'000	Manpower Full-time Equivalent	Estimated Cost £'000
Public Conveniences	6.0	225	5.0	225
Public Conveniences - Agency Staff	-	591	-	471
Waste Collection	9.9	486	9.5	525
Street Cleansing	7.3	386	6.9	401
Waste Disposal	5.8	299	5.6	298
Transport Organisation	1.0	50	1.0	52
Cleansing Services Management	4.6	333	4.4	317
Built Environment Directorate	5.2	526	5.2	544
Coroner	1.0	21	1.0	27
City Environmental Health	26.1	1,487	25.7	1,487
Pest Control	4.0	137	3.5	122
Meat Inspector's Office	3.3	245	3.3	247
Animal Health Services	34.3	1,500	33.8	1,542
Trading Standards	3.8	257	3.4	253
Port & Launches	35.2	2,052	37.4	2,027
Cemetery and Crematorium	64.0	2,028	64.0	2,032
TOTAL PORT HEALTH AND ENVIRONMENTAL SERVICES	211.5	10,623	209.7	10,570

Potential Further Budget Developments

27. The provisional nature of the 2015/16 revenue budget recognises that further revisions may be required, including in relation to:
- Possible budget adjustments relating to Service Based Reviews;
 - The ongoing changes in the Port Health service in reaction to changes in trade;
 - Decisions on funding of the Additional Work Programme by the Resource Allocation Sub Committee; and
 - Central and department recharges.

Revenue Budget 2014/15

28. The forecast outturn for the current year is currently in line with the latest approved budget of £14.538m. However, the continued uncertainty in relation

to the income from London Gateway Port in particular, as set out in paragraph 20, also applies to 2014/15.

Draft Capital Budget

29. The latest estimated costs for the Committee's draft capital and supplementary revenue project budgets are summarised in the Table below.

TABLE 5 – City Fund Draft Capital Budget						
Service Managed	Project	Exp. Pre 01/04/14 £'000	2014/15 £'000	2014/15 £'000	2015/16 £'000	Total £'000
Pre-implementation Cemetery	The Shoot Burial Space	25	9	0	0	34
TOTAL PORT HEALTH AND ENVIRONMENTAL SERVICES		25	9	0	0	34

30. Pre-implementation costs comprise option appraisal and design expenditure which has been approved in accordance with the project procedure, prior to authority to start work.
31. The implementation phase of The Shoot burial space project is anticipated to commence in 2015/16, subject to approval.
32. The latest Capital and Supplementary Revenue Project budgets will be presented to the Court of Common Council for formal approval in March 2015.

Appendices

- Appendix 1 – Local and Central Risk Revenue Budget: Analysis By Service
- Appendix 2 – Support Service and Capital Charges from/to Port Health and Environmental Services Committee

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