

Committee(s)	Dated:
Port Health and Environmental Services Committee	24 November 2015
Subject: Revenue and Capital Budgets – 2016/17	Public
Report of: The Chamberlain Director of the Built Environment Director of Markets and Consumer Protection Director of Open Spaces	For Decision

Summary

This report is the annual submission of the revenue and capital budgets overseen by your Committee. In particular it seeks approval to the latest revenue budget for 2015/16 and provisional revenue budget for 2016/17, 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. The report also gives a brief summary of progress on the implementation of the Service Based Review.

Business priorities for the forthcoming year include:

- supporting the ongoing Service Based Reviews to deliver savings for 2016/17 and beyond;

Director of the Built Environment

- continuing to deliver high quality waste and recycling collections and street cleansing services;
- maximising the quality and amount of waste residents and visitors reuse and recycle, and promoting best practice amongst City businesses via the Clean City Awards Scheme;
- engaging with City businesses through the Clean Streets Partnership;
- running anti-littering campaigns to educate residents, visitors and businesses;
- rolling out and supporting the City's transport policy;

Director of Markets and Consumer Protection

- investigating the potential for growth through rental income at the HARC, and reviewing the Animal Health Service to ensure that income is maximised;
- maximising grant funding for Air Quality projects and utilising the Community Infrastructure Levy to support improvements to Air Quality via future projects

Director of Open Spaces

- re-tendering the cemetery café and florist kiosks to ensure that a true market value is achieved from rents.

Table 1 Summary Revenue Budgets 2015/16 and 2016/17	Original Budget 2015/16 £'000	Latest Budget 2015/16 £'000	Original Budget 2016/17 £'000
Expenditure	20,395	21,033	20,649
Income	(11,664)	(12,137)	(12,571)
Support Services and Capital Charges	5,670	5,621	5,370
Total Net Expenditure	14,401	14,517	13,448

Overall, the 2015/16 latest budget is £14.517m, an increase of £116,000 compared to the original budget. Main reasons for this increase are:

- Approved carry-forwards of £575,000
- Increases in staffing costs for Public Conveniences and Port Health, £180,000
- Anticipated additional income at the Heathrow Animal Reception Centre, (£286,000), and the Cemetery and Crematorium, (£116,000)
- Changes to phasing of the City Surveyor's Additional Works Programme, (£286,000)

The 2016/17 provisional budget is £13.448m, a decrease of (£953,000) compared to the original budget for 2015/16. Main reasons for this reduction are:

- The inclusion of Service Based Review savings totalling (£639,000) for 2016/17.
- A net increase in pay costs due to provisions for pay award, incremental and career grade progression, maternity cover, agency staff and additional posts, £412,000
- Anticipated additional income at the Heathrow Animal Reception Centre, (£245,000), London Gateway port, (£292,000), and the Cemetery and Crematorium, (£272,000)

Recommendation(s)

Members are asked to:

- Note the latest 2015/16 revenue budget.
- Review the provisional 2016/17 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 for changes to the Additional Works Programme and in respect of recharges.

Main Report

Background

1. This report sets out the latest budget for 2015/16 and the proposed revenue budgets for 2016/17. 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 budget has been analysed by service expenditure and compared with the original budget for 2015/16. The budget is further analysed between:
 - Local Risk budgets – these are budgets deemed to be largely within the Chief Officer's control.
 - Place responsibility for budgetary control on departmental Chief Officers for 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 activities provided by one service to another. The control of these costs is exercised at the point where the expenditure or income first arises as local or central risk.
3. The report also compares the current year's budget with the forecast outturn.
4. In the various tables, income and favourable variances are presented in brackets. Only significant variances (generally those greater than £50,000) have been commented on.

Business Planning Priorities

Director of the Built Environment

5. The Cleansing service will be focusing on a range of business priorities during 2016/17 to ensure we continue to direct our resources effectively. Our priorities will be to:
 - Continue to deliver high quality waste and recycling collections and street cleansing services.
 - Use our recycling action plan to maximise the quality and amount of waste residents and visitors reuse and recycle, whilst effectively promoting best practice amongst City businesses using a sustainable, self-funding Clean City Awards Scheme.

- Use our newly branded Clean Streets Partnership to ensure we engage with City businesses to encourage them to work with us to keep the Square Mile clean.
- Direct our Street Environment Officers who will continue to run anti-littering campaigns to promote a strong message to educate residents, visitors and businesses and where necessary use enforcement legislation to deal with environmental crime in the Square Mile.
- Roll out and fully support the transport policy, maintaining Fleet Operator Recognition Scheme (FORS) and Construction Logistics and Cycle Safety (CLOCS) accreditation for the City.
- The second phase of the SBR savings agreed for public conveniences will be implemented. This follows the successful completion of the first phase during 2015. Further work will be done on the development and promotion of the smartphone app to improve usage of the attended toilets and to maximise income.

Director of Markets and Consumer Protection

6. Service Based Review: the service based review is proceeding as planned and the savings on staffing budgets will be realised by 1 April. Compulsory redundancies have been minimised and where these have been necessary the post holders have accepted the offers made to them. However, the potential savings from mobile working and the Port Health Accommodation review have not yet materialised.
7. London Gateway: trade at London Gateway has continued to increase, but this has been at the expense of Tilbury. The increase in trade predicted by the operator has yet to happen, so throughput for 2015/16 is down, but due to changes in the fee structure income has increased.
8. HARC: income from the HARC continues to increase and there is potential for further growth through rental income on site, and this is being investigated. Additionally, the Animal Health Service is under review to ensure that income is maximised and unnecessary expenditure is minimised.
9. Environmental Health: the City Environmental Health Team continues to attract grant funding for Air Quality projects and there is potential for considerable income in this area. In addition, the Community Infrastructure Levy will support improvements to Air Quality via future projects.
10. The Port Health & Public Protection Service has contributed towards the cross cutting review on income generation and new work streams continue to be investigated.

Director of Open Spaces

11. Service Based Review: the cemetery and crematorium has increased its SBR savings target for 2015/16 to £106k and has set a £56k target for 2016/17. The

service will meet its required savings by increasing income as there is a risk to the business from any further reductions in staffing at the site.

12. Carry-forwards: a £35k carry-forward from 2014/15 was approved for the installation of heat recovery from mercury abatement. This project is underway and will be achieved by March 2016.
13. Re-tendering of café and florist's kiosks: the Superintendent is working with the City Surveyory to re-tender the cemetery café and florist kiosks to ensure that a true market value is achieved from rents.
14. The Shoot: work has now commenced on this project and should be completed early in the new year. The successful completion of the works will ensure that new lawn burial provision at the cemetery will remain available for the next 15 years.

Latest Revenue Budget for 2015/16

15. Overall there is an increase of £116,000 between the Committee's original and latest budget for 2015/16. Table 2 overleaf summarises the movements between the original and latest budgets comprising this increase. A further analysis of the local and central revenue budgets by service is provided in Appendix 1.

Table 2 Latest Revenue Budgets 2015/16	Local or Central Risk	Original Budget 2015/16 £'000	Latest Budget 2015/16 £'000	Movement Increase/ (Decrease) £'000	Variance Reference (Table 3)
EXPENDITURE					
Employees	L	10,389	10,642	253	1a, 4-7
Employees	C	8	8	0	
Premises Related Expenses	L	1,002	1,195	193	1b, 8
City Surveyor – Premises Related Expenses	L	1,305	1,028	(277)	9
Transport Related Expenses	L	437	428	(8)	
Supplies & Services	L	1,706	2,197	491	1c, 2, 3, 10
Third Party Payments	L	5,474	5,531	57	1d, 11,13
Capital Expenditure	C	71	0	(71)	12
Contingencies	L	3	3	0	
Total Expenditure		20,395	21,033	638	
INCOME					
Government Grants	L	0	(34)	(34)	3
Other Grants, Reimbursements and Contributions	L	(149)	(350)	(201)	3
Customer, Client Receipts	L	(11,445)	(11,713)	(268)	1e, 14-17
Transfer from Reserves	L	(70)	(40)	30	
Total Income		(11,664)	(12,137)	(473)	
TOTAL LOCAL & CENTRAL RISK EXPENDITURE / (INCOME)		8,731	8,896	165	
SUPPORT SERVICES AND CAPITAL CHARGES					
Central Support Services and Capital Charges		4,516	4058	(458)	
Recharges within Fund		707	1,148	441	
Recharges across Funds		447	415	(32)	
Total Support Services and Capital Charges		5,670	5,621	(49)	
TOTAL NET EXPENDITURE/ (INCOME)		14,401	14,517	116	

16. The significant movements in the local and central budgets are explained in Table 3 below.

Table 3 Significant Variances between 2015/16 Original Budget and 2015/16 Latest Budget			
Reason for Variance	Movement Original to Latest Budget 2015/16		
	Expenditure £'000	Income £'000	Net Movement £'000
One-off items:			
1) Approved carry-forwards from 2014/15:			
a) Employees	30	0	30
b) Premises	94	0	94
c) Supplies & Services	71	0	71
d) Third Party Payments	80	0	80
e) Customer, Client Receipts	0	300	300
2) Cost of document scanning at Walbrook Wharf to provide flood resilience	50	0	50
3) Consultants' fees and associated costs for Air Quality projects, fully funded by grant and other contribution income	208	(208)	0
4) Allocation for contribution pay funded from the central pot	45		45
5) The deletion of the vacancy allowance for Port Health and Public Protection	30	0	30
6) An increase in employees at the Ports in preparation for the anticipated increase in trade from London Gateway	126	0	126
7) An increase in the cost of agency staff at Public Conveniences	54	0	54
8) A new rates liability for the Border Control Post at London Gateway port	79	0	79
9) Changes to phasing of the City Surveyor's Additional Works Programme	(286)	0	(286)
10) Increased costs (including some one-off costs) across a number of supplies and services due to the increasing trade at London Gateway port including refuse collection, postage/couriers, equipment and IT	83	0	83
11) Provision for the cost of recycling disposal (including contamination) that was not required	(64)		(64)
12) Office space previously occupied by the Meat Inspector's Office has now been vacated, and the associated capital charge transferred to the Markets Committee who are now responsible for the property.	(71)	0	(71)
13) An increase in the cost of street cleansing due mainly to Renew bin emptying	75		75

14) An increase in the cost of waste collection for Open Spaces, fully recharged to that department	52	(52)	0
15) New income for the Clean City Awards membership scheme	0	(43)	(43)
16) An increase in income at the Heathrow Animal Reception Centre, in line with current throughput	0	(286)	(286)
17) An increase in income generated at the Cemetery and Crematorium due to price increases, enabling Service Based Review savings to be delivered ahead of schedule	0	(116)	(116)
Minor variations	(18)	(68)	(86)
Total Movement 2015/16 Original to Latest Budget	638	(473)	165

17. The movement in support services and capital charges between the original and latest budgets shown in Table 2 is primarily attributable to a comprehensive review of the methods of apportionment of central departments.

Proposed Revenue Budget for 2015/16

18. The provisional 2016/17 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 the guidelines agreed by the Policy and Resources and Finance Committees. These include a 1.5% cash limit allowance for pay and price increases, as well as the previously approved Service Based Review savings. The budget has been prepared within the resources allocated to each Director.

19. Overall there is a decrease of (£953,000) between the Committee's 2015/16 and 2016/17 original budgets. Table 4 overleaf summarises the movements comprising this increase. A further analysis of the local and central revenue budgets by service is provided in Appendix 2.

20. A summary of the agreed Service Based Review savings for both 2015/16 and 2016/17 is provided at Appendix 4.

Table 4 Provisional Revenue Budgets 2016/17	Local or Central Risk	Original Budget 2015/16 £'000	Original Budget 2016/17 £'000	Movement Increase/ (Decrease) £'000	Variance Reference (Table 5)
EXPENDITURE					
Employees	L	10,389	10,801	412	1-7, 11
Employees	C	8	8	0	
Premises Related Expenses	L	1,002	898	(104)	8-9
City Surveyor – Premises Related Expenses	L	1,305	1,297	(8)	
Transport Related Expenses	L	437	427	(10)	
Supplies & Services	L	1,706	1,754	48	1, 6-7, 11
Third Party Payments	L	5,474	5,461	(13)	6, 12
Capital Expenditure	C	71	0	(71)	10
Contingencies	L	3	3	0	
Total Expenditure		20,395	20,649	254	
INCOME					
Government Grants	L	0	0	0	
Other Grants, Reimbursements and Contributions	L	(149)	(164)	(15)	
Customer, Client Receipts	L	(11,445)	(12,307)	(862)	6-7, 12-16
Transfer from Reserves	L	(70)	(100)	(30)	
Total Income		(11,664)	(12,571)	(907)	
TOTAL LOCAL & CENTRAL RISK EXPENDITURE / (INCOME)		8,731	8,078	(653)	
SUPPORT SERVICES AND CAPITAL CHARGES					
Central Support Services and Capital Charges		4,516	3,887	(629)	
Recharges within Fund		707	1,072	365	
Recharges across Funds		447	411	(36)	
Total Support Services and Capital Charges		5,670	5,370	(300)	
TOTAL NET EXPENDITURE/ (INCOME)		14,401	13,448	(953)	

21. The significant movements in the local and central budgets are explained in Table 5 below.

Table 5			
Movements between 2015/16 Original Budget and 2016/17 Original Budget			
Reason for Movement	Movement 2015/16 to 2016/17		
	Expenditure £'000	Income £'000	Net Movement £'000
1) Provision for pay award and price uplifts has been included in the 2016/17 budget (assumed at 1.5%).	309	(175)	134
2) An increase in National Insurance as part of the Government's changes to State Pension arrangements: from April 2016 the City Corporation and employees will pay the standard rate of NI contributions rather than the 'contracted out' rate, and employers the City will no longer receive the rebate that was payable on a proportion of earnings.	159		159
3) The deletion of the vacancy allowance for Port Health and Public Protection	30		30
4) An increase in employees at the Ports in preparation for the anticipated increase in trade from London Gateway	173		173
5) Provision for pay increases due to incremental and career grade progression, together with maternity cover	298		298
6) Public Convenience savings in accordance with the Service Based Review, offset by an increase in the cost of agency staff and a shortfall in income against the target for Royal Exchange	(119)	35	(84)
7) The Pest Control service will cease from 1 April 2016 in accordance with the Service Based Review	(146)	93	(53)
8) A new rates liability for the Border Control Post at London Gateway port	81		81
9) The 'rent' payable for the Heathrow Animal Reception Centre to the Crossrail fund in relation to the freehold purchase of the property is no longer required due to the Crossrail commitment being fulfilled	(200)		(200)
10) Office space previously occupied by the Meat Inspector's Office has now been vacated, and the associated capital charges transferred to Markets Committee who now manage the property	(71)		(71)
11) The Meat Inspector's Office has been merged with City Environmental Health, with a number of posts deleted and non-staffing savings delivered in accordance with the Service Based Review.	(255)		(255)
12) An increase in the cost of waste collection for Open Spaces, fully recharged to that department	52	(52)	0
13) New income for the Clean City Awards		(25)	(25)

membership scheme			
14) An anticipated increase in income at the Heathrow Animal Reception Centre, in line with current throughput		(245)	(245)
15) An anticipated increase in Port Health income as a result of increasing trade at London Gateway		(292)	(292)
16) An anticipated increase in income generated at the Cemetery and Crematorium as a result of planned price increases		(272)	(272)
Minor variations	(57)	26	(31)
Total Movement 2015/16 to 2016/17	254	(907)	(653)

22. The reduction of (£300,000) in 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 3.

23. Budgets have provisionally been included for the 2016/17 Additional Works Programme based on bids considered by the Corporate Asset Sub Committee in June 2015. However, a decision on funding of the programme is not due to be made by the Resource Allocation Sub Committee until December 2015. It may therefore be necessary to adjust budgets to reflect the Resource Allocation Sub Committee's decision.

24. The main reason for the decrease in the Additional Works Programme is that the value of work identified in the City Surveyor's 20 year programme for 2016/17 has reduced in comparison with the combined value of various programmes in 2015/16.

Table 6 City Surveyor Local Risk	Original Budget 2015/16 £'000	Original Budget 2016/17 £'000	Movement 2015/16 to 2016/17 £'000
Repairs and Maintenance			
Additional Works Programme			
Public Conveniences	57	36	(21)
Street Cleansing	4	0	(4)
Heathrow Animal Reception Centre	235	193	(42)
Cemetery and Crematorium	659	691	32
Planned and Reactive Works			
Public Conveniences	30	48	18
Heathrow Animal Reception Centre	122	55	(67)
Port and Launches	28	18	(10)
Meat Inspector's Office	3	0	(3)
Cemetery and Crematorium	122	208	86
Total Repairs and Maintenance	1,260	1,249	(11)
Facilities Management	45	48	3
Total City Surveyor	1,305	1,297	(8)

25. A summary of the movement in manpower and related staff costs is shown in Table 7 below.

Table 7 Manpower Statement	Original Budget 2015/16		Original Budget 2016/17	
	Manpower Full-time Equivalent	Estimated Cost £'000	Manpower Full-time Equivalent	Estimated Cost £'000
Service				
Public Conveniences	5.0	225	4.0	174
Public Conveniences – Agency Staff	-	304	-	360
Waste Collection	9.5	525	10.0	571
Street Cleansing	6.9	401	6.9	414
Waste Disposal	5.6	298	5.6	310
Transport Organisation	1.0	52	1.0	55
Cleansing Services Management	4.4	317	4.4	337
Built Environment Directorate	5.2	538	5.2	563
Coroner	1.0	27	1.0	26
City Environmental Health	25.7	1,487	24.8	1,614
Pest Control	3.5	122	0.0	0
Meat Inspector's Office	3.3	247	0.0	0
Animal Health Services	33.8	1,542	35.2	1,669
Trading Standards	3.4	253	4.0	274
Port and Launches	37.4	2,027	42.9	2,264
Cemetery and Crematorium	64.0	2,032	64.0	2,178
Total Port Health and Environmental Services	209.4	10,397	209.0	10,809

Potential Further Budget Developments

26. The provisional nature of the 2016/17 revenue budget recognises that further revisions may be required, particularly in relation to:

- Decisions on funding of the Additional Works Programme by the Resource Allocation Sub Committee; and
- Central and departmental recharges

Forecast Outturn 2015/16

27. The forecast outturn for the current year is £14.517m, in line with the latest budget.

Draft Capital Budget

28. The latest estimated costs for the Committee's draft capital and supplementary revenue project budgets are summarised in Table 8 overleaf.

Table 8 – City Fund Draft Capital Budget				
Service Managed	Project	Exp. Pre 01/04/15 £'000	2015/16 £'000	Total £'000
Cemetery and Crematorium	<u>The Shoot Burial Space</u>			
	Pre-implementation	25	40	65
	Implementation phase	0	546	546
Cleansing	Garchey vehicle replacement	23	72	95
		48	658	706

29. Pre-implementation costs comprise feasibility and option appraisal expenditure which has been approved in accordance with the project procedure, prior to authority to start work.

30. The implementation phase of The Shoot burial space project is due to take place in the final quarter of 2015/16. The latest estimated cost of £546,000 is to be funded from the Maintenance of Graves Reserve and is subject to authority to start work.

31. The Garchey vehicle replacement is a pre-owned Low Emission Zone compliant vehicle with purpose built Garchey (tank) system for collecting waste from the residential blocks at the Barbican Estate and has been funded from local risk.

32. The latest Capital and Supplementary Revenue Project budgets will be presented to the Court of Common Council for formal approval in March 2016.

Appendices

- Appendix 1 – 2015/16 Latest Local and Central Risk Revenue Budget: Analysis by Service
- Appendix 2 – 2016/17 Original Local and Central Risk Revenue Budget: Analysis by Service
- Appendix 3 – Support Service and Capital Charges from/to Port Health and Environmental Services Committee
- Appendix 4 – Service Based Review Implementation Progress Update

Jenny Pitcairn

Chamberlain's Department

T: 020 7332 1389

E: jenny.pitcairn@cityoflondon.gov.uk

Simon Owen

Chamberlain's Department

T: 020 7332 1358

E: simon.owen@cityoflondon.gov.uk