

Committee(s)	Dated:
Port Health and Environmental Services Committee	22 November 2016
Subject: Revenue Budgets – 2017/18	Public
Report of: The Chamberlain Director of the Built Environment Director of Markets and Consumer Protection Director of Open Spaces	For Decision
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Summary

This report is the annual submission of the revenue budgets overseen by your Committee. In particular it seeks approval to the latest revenue budget for 2016/17 and provisional revenue budget for 2017/18, for subsequent submission to the Finance Committee. The budgets have been prepared within the resources allocated to each Director.

Business priorities for the forthcoming year include:

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;

Director of Markets and Consumer Protection

- investigating the potential for growth through rental income and other services at the Heathrow Animal Reception Centre, 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

- supporting the ongoing Service Based Reviews to deliver savings for 2017/18 and beyond;
- revising the Cemetery & Crematorium Conservation Management Plan;
- completing the planting and landscaping works at the Shoot.

Table 1 Summary Revenue Budgets 2016/17 and 2017/18	Original Budget 2016/17 £'000	Latest Budget 2016/17 £'000	Original Budget 2017/18 £'000
Expenditure	20,520	21,034	20,694
Income	(12,438)	(13,040)	(12,863)
Support Services and Capital Charges	5,526	5,521	5,730
Total Net Expenditure	13,608	13,515	13,561

Overall, the 2016/17 latest budget is £13.515m, a decrease of (£93,000) compared to the original budget. Main reasons for this decrease are:

- Approved carry-forwards of £310,000
- A reduction in the cost of street cleansing primarily due to contract penalties for performance failure, (£229,000)
- New costs related to the Future Cities strategy, £190,000
- Changes to phasing of the City Surveyor's Additional Works Programme, (£339,000)

The 2017/18 provisional budget is £13.561m, a decrease of (£47,000) compared to the original budget for 2016/17. Main reasons for this reduction are:

- A net increase in pay costs due to provisions for pay award, incremental and career grade progression, additional posts and deletion of other vacant posts, £297,000
- A net increase in central and departmental recharges, £204,000
- Changes to phasing of the City Surveyor's Additional Works Programme, (£207,000)
- Anticipated additional income at the Heathrow Animal Reception Centre (£202,000), London Gateway port (£70,000), and from waste collection and recycling (£79,000).

Recommendation(s)

Members are asked to:

- Note the latest 2016/17 revenue budget.
- Review the provisional 2017/18 revenue budget to ensure that it reflects the Committee's objectives and, if so, approve the budget for submission to the Finance Committee.
- Authorise the Chamberlain to revise these budgets for changes to the Additional Works Programme, Building Repairs and Maintenance contract and in respect of recharges.

Main Report

Background

1. This report sets out the latest budget for 2016/17 and the proposed revenue budgets for 2017/18. 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 2016/17. 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 2017/18 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 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.

Director of Markets and Consumer Protection

6. London Gateway: trade at London Gateway has continued to increase (up by 40% for Apr-Sep 2016 compared to the same period in 2015), although this has been at the expense of Tilbury (down by 50%). The increase in trade predicted by the operator has not materialised as quickly as anticipated, but with new business announced from January 2017 further increases are still expected.
7. 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 as well as the possibility for other income streams. Additionally, the Animal Health Service is under review to ensure that income is maximised and unnecessary expenditure is minimised.
8. Environmental Health: a new dedicated Air Quality Team within City Environmental Health 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.

Director of Open Spaces

9. Service Based Review: the cemetery and crematorium achieved its SBR savings target for 2016/17 of £66k and is on target to achieve its £51k target for 2017/18. 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.
10. Revising the Cemetery & Crematorium Conservation Management Plan: The Cemetery Conservation Management plan was completed in 2004 and agreed by your Committee in 2005. The plan was updated in 2010 and will be reviewed in 2017 to measure the cemetery's success in achieving its short, medium and long term objectives over the last 10 years.
11. Completing the planting and landscaping works at the Shoot: The Shoot project was completed in January and received sign-off by LB Newham in August. Some of the landscaping has now been carried out and 2017/18 will see the completion of the soft landscaping and the further settlement of the site.
12. Continuing to progress works on the new fully abated cremators ready for an options appraisal in 2018/19: Work is underway to cost the replacement of four of the cremators at the modern crematorium with two larger, fully abated cremators.

This work will consider purchase against leasing costs and will be the subject of a Gateway report in early 2017.

Latest Revenue Budget for 2016/17

13. Overall there is a decrease of (£93,000) between the Committee's original and latest budget for 2016/17. Table 2 below summarises the movements between the original and latest budgets comprising this decrease. A further analysis of the local and central revenue budgets by service is provided in Appendix 1.

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Table 2 Latest Revenue Budgets 2016/17	Local or Central Risk	Original Budget 2016/17 £'000	Latest Budget 2016/17 £'000	Movement Increase/ (Decrease) £'000	Variance Reference (Table 3)
EXPENDITURE					
Employees	L	10,703	10,968	265	1a, 4, 6, 7,11
Employees	C	8	8	0	
Premises Related Expenses	L	898	902	4	
City Surveyor – Premises Related Expenses	L	1,301	902	(399)	8
Transport Related Expenses	L	427	503	76	1b
Supplies & Services	L	1,719	2,446	727	1c, 3, 12
Supplies & Services	C	0	40	40	2
Third Party Payments	L	5,461	5,262	(199)	1d, 10
Contingencies	L	3	3	0	
Total Expenditure		20,520	21,034	514	
INCOME					
Government Grants	L	0	(35)	(35)	5
Other Grants, Reimbursements and Contributions	L	(124)	(656)	(532)	3, 4
Customer, Client Receipts	L	(12,214)	(12,249)	(35)	9
Transfer from Reserves	L	(100)	(100)	0	
Total Income		(12,438)	(13,040)	(602)	
TOTAL LOCAL & CENTRAL RISK EXPENDITURE / (INCOME)					
		8,082	7,994	(88)	
SUPPORT SERVICES AND CAPITAL CHARGES					
Central Support Services and Capital Charges		3,929	4,056	127	
Recharges within Fund		1,186	1,095	(91)	
Recharges across Funds		411	370	(41)	
Total Support Services and Capital Charges		5,526	5,521	(5)	
TOTAL NET EXPENDITURE/ (INCOME)					
		13,608	13,515	(93)	

15. The significant movements are explained in Table 3 below.

Table 3 Significant Variances between 2016/17 Original Budget and 2016/17 Latest Budget			
Reason for Variance	Movement Original to Latest Budget 2016/17		
	Expenditure £'000	Income £'000	Net Movement £'000
One-off items:			
1) Approved carry-forwards from 2015/16:			
a) Employees	132		132
b) Vehicles	75		75
c) Supplies & Services	68		68
d) Third Party Payments	35		35
2) Provision for consultancy re HARC trading review	40		40
3) Consultants' fees and associated costs for Air Quality projects, fully funded by grant and other contribution income	492	(492)	0
4) Staff costs for work related to the Thames Tideway Tunnel, fully offset by other contribution income	45	(45)	0
5) FSA grants for feed and food sampling		(35)	(35)
6) Allocation for contribution pay funded from the central pot	58		58
7) A reduction in employee costs due to the deletion of the vacant Assistant Director (Street Scene & Strategy) post	(43)		(43)
8) Changes to phasing of the City Surveyor's Additional Works Programme	(339)		(339)
9) An increase in income from waste collection and recycling		(30)	(30)
10) An reduction in the cost of street cleansing due mainly to contract penalties for failure to achieve required KPIs together with provision for price uplifts that was not required	(229)		(229)
11) New costs associated with the Accommodation and Ways of Working pilot project within DBE	53		53
12) New costs related to the development and implementation of the Future Cities strategy by DBE	190		190
Minor variations	(63)	0	(63)
Total Movement Local and Central Risk	514	(602)	(88)

16. The reduction of (£5,000) in support services and capital charges between the original and latest budgets shown in Table 2 reflects the net impact of changes in the budgets of central departments and their apportionment between committees, as shown in Appendix 3.

Proposed Revenue Budget for 2017/18

17. The provisional 2017/18 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% 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.

18. Overall there is a decrease of (£47,000) between the Committee's 2016/17 and 2017/18 original budgets. Table 4 overleaf summarises the movements comprising this decrease. A further analysis of the local and central revenue budgets by service is provided in Appendix 2.

Table 4 Provisional Revenue Budgets 2017/18	Local or Central Risk	Original Budget 2016/17 £'000	Original Budget 2017/18 £'000	Movement Increase/ (Decrease) £'000	Variance Reference (Table 5)
EXPENDITURE					
Employees	L	10,703	11,000	297	1a, 3-6
Employees	C	8	8	0	
Premises Related Expenses	L	898	947	49	1b, 7
City Surveyor – Premises Related Expenses	L	1,301	1,088	(213)	9
Transport Related Expenses	L	427	475	48	
Supplies & Services	L	1,719	1,737	18	6
Third Party Payments	L	5,461	5,436	(25)	8
Contingencies	L	3	3	0	
Total Expenditure		20,520	20,694	174	
INCOME					
Government Grants	L	0	0	0	
Other Grants, Reimbursements and Contributions	L	(124)	(109)	15	
Customer, Client Receipts	L	(12,214)	(12,754)	(540)	1b, 10-13
Transfer from Reserves	L	(100)	0	100	2
Total Income		(12,438)	(12,863)	(425)	
TOTAL LOCAL & CENTRAL RISK EXPENDITURE / (INCOME)					
		8,082	7,831	(251)	
SUPPORT SERVICES AND CAPITAL CHARGES					
Central Support Services and Capital Charges		3,929	4,184	255	
Recharges within Fund		1,186	1,166	(20)	
Recharges across Funds		411	380	(31)	
Total Support Services and Capital Charges		5,526	5,730	204	
TOTAL NET EXPENDITURE/ (INCOME)					
		13,608	13,561	(47)	

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

Table 5 Movements between 2016/17 Original Budget and 2017/18 Original Budget			
Reason for Movement	Movement 2016/17 to 2017/18		
	Expenditure £'000	Income £'000	Net Movement £'000
1) Provision for pay award and price uplifts has been included in the 2017/18 budget (assumed at 1%). a) Employees b) Other	108 45	(86)	108 (41)
2) A one-off transfer from reserves in 2016/17 that is not required in 2017/18.		100	100
3) An increase in employees at the Ports due to the increase in trade from London Gateway	141		141
4) Provision for pay increases due to incremental and career grade progression	112		112
5) A reduction in employee costs due to deletion of posts previously held vacant, partly offset by an additional post within the DBE Directorate	(85)		(85)
6) An increase in employee and equipment costs due to the creation of a dedicated Air Quality team	30		30
7) An increase in premises costs for increased office space at London Gateway port	25		25
8) A reduction in provision for recycling costs reflecting anticipated market prices	(35)		(35)
9) Changes to phasing of the City Surveyor's Additional Works Programme.	(207)		(207)
10) An increase in income from waste collection and recycling, reflecting current throughput		(79)	(79)
11) An anticipated increase in income at the Heathrow Animal Reception Centre, in line with current throughput and as a result of planned price increases		(202)	(202)
12) An anticipated increase in Port Health income as a result of increasing trade at London Gateway		(70)	(70)
13) Delivery of Service Based Review savings at the Cemetery and Crematorium		(51)	(51)
Minor variations	40	(37)	3
Total Movement 2016/17 to 2017/18	174	(425)	(251)

20. The increase of £204,000 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.

21. Budgets have provisionally been included for the 2017/18 Additional Works Programme based on bids considered by the Corporate Asset Sub Committee in June 2016. However, a decision on funding of the programme is not due to be made by the Resource Allocation Sub Committee until December 2016. It may

therefore be necessary to adjust budgets to reflect the Resource Allocation Sub Committee's decision.

22. The corporate Building Repairs and Maintenance contract is currently being re-tendered and the new contract will commence on 1 July 2017. Original estimates for 2017/18 are based on the latest available asset price from the current contractor. Any changes to these budgets arising from the new contract will be reported to your Committee in due course.

23. 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 2017/18 has reduced in comparison with the combined value of various programmes in the 2016/17 original budget.

Table 6 City Surveyor Local Risk	Original Budget 2016/17 £'000	Original Budget 2017/18 £'000	Movement 2016/17 to 2017/18 £'000
Repairs and Maintenance			
Additional Works Programme			
Public Conveniences	36	24	(12)
Heathrow Animal Reception Centre	193	140	(53)
Cemetery and Crematorium	691	549	(142)
Planned and Reactive Works			
Public Conveniences	48	32	(16)
Heathrow Animal Reception Centre	55	48	(7)
Port and Launches	18	19	1
Cemetery and Crematorium	208	225	17
Total Repairs and Maintenance	1,249	1,037	(212)
Facilities Management	52	51	(1)
Total City Surveyor	1,301	1,088	(213)

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

Table 7 Manpower Statement	Original Budget 2016/17		Original Budget 2017/18	
	Manpower Full-time Equivalent	Estimated Cost £'000	Manpower Full-time Equivalent	Estimated Cost £'000
Public Conveniences	4.0	174	3.0	129
Public Conveniences – Agency Staff	-	360	-	366
Waste Collection	10.0	571	9.5	547
Street Cleansing	6.9	414	6.9	423
Waste Disposal	5.6	310	5.6	327
Transport Organisation	1.0	55	0.0	4
Cleansing Services Management	4.4	337	4.0	303
Built Environment Directorate	5.2	563	6.3	611
Coroner	1.0	26	1.0	26
City Environmental Health	24.8	1,614	24.8	1,642
Animal Health Services	35.2	1,669	37.2	1,694
Trading Standards	4.0	274	5.0	298
Port and Launches	42.9	2,264	45.6	2,454
Cemetery and Crematorium	63.0	2,080	63.0	2,184
Total Port Health and Environmental Services	208.0	10,711	211.9	11,008

Potential Further Budget Developments

25. The provisional nature of the 2017/18 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;
- Tender of the new corporate Building Repairs and Maintenance contract; and
- Central and departmental recharges

Forecast Outturn 2016/17

26. The forecast outturn for the current year is £12.753m, an underspend of £762,000 compared with the latest budget. The main reasons for this forecast underspend are:

- Staff vacancies, lower than anticipated costs of agency staff, and staff not in the pension scheme
- Additional income at the Heathrow Animal Reception Centre, London Gateway port, and the Cemetery and Crematorium.

Appendices

- Appendix 1 – 2016/17 Latest Local and Central Risk Revenue Budget: Analysis by Service
- Appendix 2 – 2017/18 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

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