

Committee(s)	Dated:
Port Health and Environmental Services Committee	21/11/2017
Subject: Revenue and Capital Budgets – 2018/19	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 budgets overseen by your Committee. In particular it seeks approval to the latest revenue budget for 2017/18 and provisional revenue budget for 2018/19, 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, including a 2% reduction for efficiency savings.

Business priorities for the forthcoming year include:

Director of the Built Environment

- procurement of a new waste and cleansing contract;
- delivering a reusable drinking water bottle campaign;
- enforcement campaigns in relation to A-boards and other obstructions, smoking related litter, and bagged waste on street during prohibited times.
- Expanding the Clean City Partnership Scheme;

Director of Markets and Consumer Protection

- assessing the impact of Brexit;
- Air Quality developments;
- implementing noise monitoring on building sites;
- continuing to tackle financial fraud;
- increased agile and mobile working;
- investigating alternative methods of service delivery and additional sources of income.

Director of Open Spaces

- completion of the Cemetery and Crematorium Conservation Management Plan review;

- progressing the project to replace four unabated cremators with two larger, fully abated cremators.

Table 1 Summary Revenue Budgets 2017/18 and 2018/19	Original Budget 2017/18 £'000	Latest Budget 2017/18 £'000	Original Budget 2018/19 £'000
Expenditure	(20,694)	(22,305)	(22,393)
Income	12,863	13,767	14,121
Support Services and Capital Charges	(5,730)	(5,681)	(5,895)
Total Net Expenditure	(13,561)	(14,219)	(14,167)

Overall, the 2017/18 latest budget is £14.219m net expenditure, an increase of £658,000 net expenditure compared to the original budget. Main reasons for this increase are:

- Approved carry-forwards of £286,000
- An increase in pay costs due to contribution pay, an increase in the pension contribution rate, and recruitment of apprentices, £597,000
- A reduction in the cost of the City Surveyor's Additional Works Programme during the year due to changes in phasing, £128,000
- Anticipated additional income at the Heathrow Animal Reception Centre, £145,000

The 2018/19 provisional budget is £14.167m net expenditure, an increase of £606,000 net expenditure compared to the original budget for 2017/18. Main reasons for this increase are:

- An increase in pay costs (net of external funding) due to several factors including provisions for pay award, incremental and career grade progression, increase in pension contribution rate, regradings and additional posts, and recruitment of apprentices, £953,000
- A net increase in central and departmental recharge expenditure, £165,000
- Anticipated additional income at the Heathrow Animal Reception Centre, £175,000, London Gateway port £100,000, the Cemetery and Crematorium £165,000, and from waste collection £60,000.

Recommendation(s)

Members are asked to:

- Note the latest 2017/18 revenue budget.

- Review the provisional 2018/19 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.
- Note the Building Repairs and Maintenance asset verification exercise being undertaken by the City Surveyor and agree that any minor changes for 2017/18 latest and 2018/19 original budgets arising from this exercise be delegated to the Chamberlain.
- 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 2017/18 and the proposed revenue budgets for 2018/19. 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 2017/18. 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, expenditure and adverse 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. Business priorities for the Cleansing Service in 2018/19 include:
- Procurement of a new waste and cleansing contract.
 - Delivering a campaign to reduce plastic bottle litter by encouraging the use of reusable drinking water bottles.
 - Delivery of enforcement campaigns in relation to A-boards and other obstructions, smoking related litter, and bagged waste on street during prohibited times.
 - Expanding the Clean City Partnership Scheme through which businesses contract to clean around their own buildings, thereby delivering service efficiencies.
 - Reviewing the effectiveness of the Community Toilet Scheme.
 - Expanding membership of the Clean City Awards Scheme.
 - Reviewing the administration of the London-wide hazardous waste collection service.

Director of Markets and Consumer Protection

6. The Port Health & Public Protection Division business priorities for 2018/19 include:
- The UK leaving the EU – evaluating the impact on services and making suitable preparations..
 - Air Quality – further developments as part of the Low Emission Neighbourhood such as an Ultra Low Emission Zone.
 - Noise control from building sites – implementing site monitoring and the outcome of the consultation on Saturday morning working.
 - Trading Standards will continue to collaborate with partners to tackle financial fraud in the City and beyond.
 - Projects are currently underway to identify additional sources of income generation.
 - Alternative methods of service delivery – Animal Health and Port Health will present proposals to your Committee based on a consultant's report.
 - Greater agile and mobile working by field officers including commencing a project to replace its and DBE's back-office systems with a single system that supports this aim (subject to your Committee's approval in a separate report).

Director of Open Spaces

7. The Superintendent will be focusing on supporting the sustainable operation of the cemetery within the context of the historic landscape. In particular, he will be progressing the replacement of the cremators, and continuing to develop grave reuse. A customer satisfaction survey is currently being developed and the results of this survey will be reported to your Committee next year.

8. The Cemetery & Crematorium was able to achieve its SBR savings through increased income generation, and will continue this approach to meet the on-going 2% efficiency with no allowance for pay or prices. The Superintendent is taking this approach in order to preserve the quality of service required to support a sustainable future for the Cemetery. However, he continues to be mindful of the need to set prices carefully to allow a range of options and prices for the bereaved.
9. The Superintended has started the process of reviewing the Cemetery & Crematorium Conservation Management Plan, and expects to bring a final version to Committee for approval in the summer of 2018.
10. The project to replace the four unabated cremators with two larger, fully abated cremators will continue through the next financial year. It is anticipated that the new cremators will be installed in 2019/20.

Latest Revenue Budget for 2017/18

11. Overall there is an increase of £658,000 in net expenditure between the Committee's original and latest budget for 2017/18. Table 2 overleaf 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.

Table 2 Latest Revenue Budgets 2017/18	Local or Central Risk	Original Budget 2017/18 £'000	Latest Budget 2017/18 £'000	Movement (Increase)/ Decrease £'000	Variance Reference (Table 3)
EXPENDITURE					
Employees	L	(11,000)	(11,989)	(989)	1a,3,5-7,13
Employees	C	(8)	(8)	0	
Premises Related Expenses	L	(947)	(930)	17	
City Surveyor – Premises Related Expenses	L	(1,088)	(945)	143	8
Transport Related Expenses	L	(475)	(475)	0	
Supplies & Services	L	(1,737)	(2,548)	(811)	1b,4,9-13
Third Party Payments	L	(5,436)	(5,407)	29	14
Contingencies	L	(3)	(3)	0	
Total Expenditure		(20,694)	(22,305)	(1,611)	
INCOME					
Government Grants	L	0	8	8	
Other Grants, Reimbursements and Contributions	L	109	581	472	2,6,9
Customer, Client Receipts	L	12,754	13,178	424	6,11,15
Transfer from Reserves	L	0	0	0	
Total Income		12,863	13,767	904	
TOTAL LOCAL & CENTRAL RISK (EXPENDITURE) / INCOME		(7,831)	(8,538)	(707)	
SUPPORT SERVICES AND CAPITAL CHARGES					
Central Support Services and Capital Charges		(4,184)	(4,315)	(131)	
Recharges within Fund		(1,166)	(1,010)	156	
Recharges across Funds		(380)	(356)	24	
Total Support Services and Capital Charges		(5,730)	(5,681)	49	
TOTAL NET (EXPENDITURE)/ INCOME		(13,561)	(14,219)	(658)	

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

Table 3 Significant Variances between 2017/18 Original Budget and 2017/18 Latest Budget			
Reason for Variance	Movement Original to Latest Budget 2017/18		
	Expenditure £'000	Income £'000	Net Movement £'000
One-off items:			
1) Approved carry-forwards from 2016/17:			
a) Employees	(156)		(156)
b) Supplies & Services	(130)		(130)
2) FSA grants for feed and food sampling		30	30
3) Allocation for contribution pay funded from the central pot	(79)		(79)
4) Purchase of additional IT equipment to build capacity and improve connectivity at the London Gateway port.	(60)		(60)
5) An increase in employee costs due to:			
a) a 3.5% increase in the employer's pension contribution rate	(272)		(272)
b) additional apprentice posts towards the corporate target, funded from the central pot	(246)		(246)
6) Staff costs for work related to environmental health projects including Thames Tideway Tunnel and Bank Station Capacity Upgrade, fully offset by contribution and fee income.	(154)	154	0
7) Additional temporary staff costs mainly for work in preparation for the tender of the waste collection and street cleansing contract	(65)		(65)
8) Changes to phasing of the City Surveyor's Additional Works Programme	128		128
9) Consultants' fees, works and associated costs for Air Quality projects, fully funded by other contribution income.	(412)	412	0
10) An increase in supplies and services costs for the Cemetery and Crematorium mainly in relation to purchase of a new charging bier, a review of the Conservation Management Plan, and an external customer survey.	(79)		(79)
11) An increase in costs for analysis of samples mainly in relation to increased Port Health checks on Brazilian meat imports. Whilst these costs are recoverable, the additional income is mostly offset by a lower than anticipated level of other income at the Ports.	(70)	16	(54)

12) Consultancy costs for reviews of alternative methods of service delivery and site development and optimisation of the Heathrow Animal Reception Centre	(40)		(40)
13) New costs associated with the development of the Programme Portfolio and the Future Cities Strategy within DBE	(62)		(62)
14) A reduction in the cost of street cleansing due mainly to contract penalties for failure to achieve required KPIs, partly offset by an increase in cost due to the effect of the increase in London Living Wage	44		44
15) Increases in income from:			
a) Heathrow Animal Reception Centre, mainly in relation to the Passports for Pets scheme		145	145
b) Waste collection and recycling		42	42
c) Cemetery and Crematorium		45	45
Minor variations	42	60	102
Total Movement Local and Central Risk	(1,611)	904	(707)

13. The increase of £131,000 in support services and capital charge expenditure 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, reflecting in particular the increase in IT costs due to the corporate IT Transformation Programme.

14. The increase of £156,000 in income from recharges within fund is primarily due to the increase in the cost of the Built Environment Directorate (illustrated in Appendix 1a), of which a large proportion is recharged to the Planning and Transportation Committee.

Proposed Revenue Budget for 2018/19

15. The provisional 2018/19 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 2% reduction for efficiency savings. The budget has been prepared within the resources allocated to each Director.

16. Overall there is an increase of £606,000 in net expenditure between the Committee's 2017/18 and 2018/19 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 2018/19	Local or Central Risk	Original Budget 2017/18 £'000	Original Budget 2018/19 £'000	Movement (Increase)/ Decrease £'000	Variance Reference (Table 5)
EXPENDITURE					
Employees	L	(11,000)	(12,116)	(1,116)	2-5
Employees	C	(8)	(8)	0	
Premises Related Expenses	L	(947)	(928)	19	
City Surveyor – Premises Related Expenses	L	(1,088)	(1,084)	4	
Transport Related Expenses	L	(475)	(428)	47	
Supplies & Services	L	(1,737)	(2,188)	(451)	5
Third Party Payments	L	(5,436)	(5,640)	(204)	1, 6-7
Contingencies	L	(3)	(1)	2	
Total Expenditure		(20,694)	(22,393)	(1,699)	
INCOME					
Government Grants	L	0	0	0	
Other Grants, Reimbursements and Contributions	L	109	566	457	4-5
Customer, Client Receipts	L	12,754	13,331	577	1,4,7-9
Transfer from Reserves	L	0	224	224	3,6
Total Income		12,863	14,121	1,258	
TOTAL LOCAL & CENTRAL RISK (EXPENDITURE) / INCOME		(7,831)	(8,272)	(441)	
SUPPORT SERVICES AND CAPITAL CHARGES					
Central Support Services and Capital Charges		(4,184)	(4,458)	(274)	
Recharges within Fund		(1,166)	(1,086)	80	
Recharges across Funds		(380)	(351)	29	
Total Support Services and Capital Charges		(5,730)	(5,895)	(165)	
TOTAL NET (EXPENDITURE)/ INCOME		(13,561)	(14,167)	(606)	

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

Table 5			
Movements between 2017/18 Original Budget and 2018/19 Original Budget			
Reason for Movement	Movement 2017/18 to 2018/19		
	Expenditure £'000	Income £'000	Net Movement £'000
1) An increase in employee costs due to: a) a 3.5% uplift in the employer's pension contribution rate; b) additional apprentice posts towards the corporate target, funded from the central pot; c) provision for pay increases due to pay award, incremental and career grade progression; d) a restructure following a review of staffing at the Heathrow Animal Reception Centre, changes in the apportionment of staff in the Department of the Built Environment, and several regradings to reflect current duties across several services	(272) (197) (216) (204)		(272) (197) (216) (204)
2) Estimated costs for tender of the waste collection and street cleansing contract, fully met by a transfer from the LATs reserve (see note 1 below)	(64)	64	0
3) Staff costs for work related to environmental health projects including Thames Tideway Tunnel and Bank Station Capacity Upgrade, mostly offset by fees and other contribution income.	(143)	107	(36)
4) Staff costs, consultants' fees, works and associated costs for Air Quality projects, fully funded by other contribution income.	(395)	395	0
5) An increase in the cost of street cleansing and waste collection due to contract price uplifts together with the effect of the increase in London Living Wage, partly met by a transfer from the LATs reserve	(169)	160	(9)
6) A reduction in street cleansing contract costs as mechanical sweeping was found to be labour intensive and inefficient therefore the operation was reconfigured, resulting in efficiency savings	44		44
7) Additional costs for waste collection from the City's Open Spaces, fully met by income from that Department.	(60)	60	0
8) Anticipated increase in income, in line with current throughput and as a result of planned price increases a) Heathrow Animal Reception Centre b) Cemetery and Crematorium		175 165	175 165
9) An anticipated increase in Port Health income as a result of increasing trade at London Gateway		100	100
Minor variations	(23)	32	9
Total Movement 2017/18 to 2018/19	(1,699)	1,258	(441)

Note 1 - The LATS Reserve holds the income from the sale of allowances under the former Landfill Allowance Trading Scheme, which has been set aside to meet increases in the costs of waste management. The balance on the Reserve after the planned transfers set out above will be £76,000.

18. The increase of £165,000 in support services and capital recharge expenditure reflects the net impact of changes in the budgets of central departments and their apportionment between committees, as shown in Appendix 3.
19. Budgets have provisionally been included for the 2018/19 Additional Works Programme based on bids considered by the Corporate Asset Sub Committee in June 2017. However, a decision on funding of the programme is not due to be made by the Resource Allocation Sub Committee until December 2017. It may therefore be necessary to adjust budgets to reflect the Resource Allocation Sub Committee's decision.
20. The main reason for the increase in cost of the Additional Works Programme is that the value of work identified in the City Surveyor's 20-year programme for 2018/19 has increased in comparison with the combined value of various programmes in the 2017/18 original budget. This is fully offset by a reduction in the cost of planned and reactive maintenance and facilities management.

Table 6 City Surveyor Local Risk	Original Budget 2017/18 £'000	Original Budget 2018/19 £'000	Movement 2017/18 to 2018/19 £'000
Repairs and Maintenance			
Additional Works Programme			
Public Conveniences	24	78	54
Heathrow Animal Reception Centre	140	198	58
Cemetery and Crematorium	549	532	(17)
Planned and Reactive Works			
Public Conveniences	32	25	(7)
Heathrow Animal Reception Centre	48	35	(13)
Port and Launches	19	15	(4)
Cemetery and Crematorium	225	170	(55)
Total Repairs and Maintenance	1,037	1,053	16
Facilities Management	51	31	(20)
Total City Surveyor	1,088	1,084	(4)

21. A summary of the movement in manpower and related staff costs is shown in Table 7 below. The increase in posts is largely due to the appointment of several apprentices.

Table 7 Manpower Statement	Original Budget 2017/18		Original Budget 2018/19	
Service	Manpower Full-time Equivalent	Estimated Cost £'000	Manpower Full-time Equivalent	Estimated Cost £'000
Public Conveniences	3.0	(129)	3.3	(140)
Public Conveniences – Agency Staff	-	(366)	-	(375)
Waste Collection	9.5	(547)	9.2	(562)
Street Cleansing	6.9	(423)	6.5	(414)
Waste Disposal	5.6	(327)	5.1	(298)
Transport Organisation	0.0	(4)	1.0	(53)
Cleansing Services Management	4.0	(303)	4.4	(412)
Built Environment Directorate	6.3	(611)	6.5	(710)
Coroner	1.0	(26)	1.4	(43)
City Environmental Health	24.8	(1,642)	30.1	(1,975)
Animal Health Services	37.2	(1,694)	38.8	(1,865)
Trading Standards	5.0	(298)	5.0	(341)
Port and Launches	45.6	(2,454)	44.3	(2,558)
Cemetery and Crematorium	63.0	(2,184)	68.1	(2,378)
Total Port Health and Environmental Services	211.9	(11,008)	223.7	(12,124)

Potential Further Budget Developments

22. There a number of potential developments which may impact on your Committee's budgets, but which have not been incorporated into the figures presented in this report. The key issues are set out in the following paragraphs.
23. A three-fold increase in reportable deaths and two-fold increase in post mortems and inquests since 2014 has led to a commensurate increase in workload for the Coroner's office. Some additional resource has been added in the short term by recruitment of an apprentice, but a permanent additional officer post will also be required. The Director of Markets and Consumer Protection does not have sufficient local risk resources to meet the cost of this post, and will be seeking additional funds, which will be the subject of a separate report.
24. Your Committee recently approved the latest edition of the Code of Practice for Deconstruction and Construction Sites, including a new schedule of monitoring contribution charges, which was subsequently approved by the Planning and Transportation Committee. The report identified that additional staff will be required to carry out the resulting new work, but at this stage both the level of resource required and likely income are uncertain, although expected to be cost neutral overall.
25. The potential sub-let of the Port Health office at Tilbury, which is surplus to current operational requirements and is the subject of a separate report on your agenda, could generate a net saving of up to £46,000 per annum. The exact

financial impact is subject to the conclusion of the outstanding rent review and of the rental income achieved, as well as the terms and date of commencement of any sub-lease, and as a result cannot yet be determined with any degree of certainty.

26. The Heathrow Animal Reception Centre is investigating new sources of income and alternative methods of service delivery. There is also the potential for redevelopment of the site or relocation, and should any of these projects come to fruition, further reports will be made to your Committee.
27. Members should note that the basis on which repairs and maintenance budgets have been prepared for the latest estimates for 2017/18 include a part year charge from the former repairs and maintenance contractor (MITIE) and 9 months from the new contractor (Skanska), whereas the original 2018/19 budgets are based on the tendered return of the new contractor.
28. Under the terms of the Building Repairs and Maintenance contract, Skanska are undertaking an asset verification exercise which is expected to be completed in February 2018, and the outcome of the review is likely to result in variations to the figures that have been submitted for both the 2017/18 latest and 2018/19 original budgets.
29. Committees are requested to acknowledge this potential change and allow the Chamberlain (in consultation with the City Surveyor) to make the necessary budget adjustments within overall approval, following the asset verification.
30. The provisional nature of the 2018/19 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 2017/18

31. The forecast outturn for the current year is £14.207m net expenditure, a small underspend of £12,000 compared with the latest budget.

Draft Capital Budget

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

Table 8 - Draft Capital Budget						
Service Managed	Project	Exp. Pre 01/04/17 £'000	2017/18 £'000	2018/19 £'000	Later Years £'000	Total £'000
	Authority to start work granted					
Walbrook Wharf	Salt Store Fit-out	0	(313)			(313)
		0	(313)	0	0	(313)

33. Relocation of the Salt Storage facility from West Smithfield to Walbrook Wharf is due to be carried out in the current financial year in order to facilitate redevelopment of the site for the Museum of London and will be funded from City's Cash.

34. The latest Capital and Supplementary Revenue Project budgets will be presented to the Court of Common Council for formal approval in March 2018.

Appendices

- Appendix 1 – 2017/18 Latest Local and Central Risk Revenue Budget: Analysis by Service
- Appendix 2 – 2018/19 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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