

REPORT TO: Cabinet Member, Technical Services
Overview and Scrutiny Committee
(Regeneration and Environmental)

DATE: 24th February 2010
13th April 2010

SUBJECT: Revenue and Capital Expenditure Monitoring to 31st Dec
2009

WARDS AFFECTED: None directly affected

REPORT OF: Mike McSorley Head of Technical Services
Andy Wallis Planning and Economic Regeneration Director
Lynton Green Acting Finance and IS Director

CONTACT OFFICER: Dave Gant 0151-934-2378
Kevin McBlain 0151-934-4049

EXEMPT/CONFIDENTIAL: No

PURPOSE/SUMMARY:

To provide the Cabinet Member with the quarterly forecast position, based on information as at the 31st Dec 2009, in relation to the Portfolio's 2008/9 Revenue Budget and Capital Programme.

REASON WHY DECISION REQUIRED:

Cabinet Member accountability and in line with the corporate performance management process.

RECOMMENDATION(S):

That the Cabinet Member Technical Services:

- a) Notes the progress on the Technical Services Portfolio's revenue budgets that are subject to risk-based monitoring.
- b) Note the progress made on the schemes within the portfolio's element(s) of the Council's Capital Programme.
- c) Indicates whether any comments about the overall performance of this Portfolio's Revenue Budget and schemes within the Capital Programme should be referred to Cabinet.

That Overview and Scrutiny Committee (Regeneration and Environmental)

- a) Notes the contents of this report and indicates whether any comments about the overall performance of this Portfolio's revenue budget should be referred to cabinet.

KEY DECISION: No.

FORWARD PLAN: Not appropriate.

IMPLEMENTATION DATE: Not appropriate.

ALTERNATIVE OPTIONS:

None.

IMPLICATIONS:

Budget/Policy Framework: The Report shows that there is a current forecast overspend at the end of December of £243,000. However this has been revised to an overspend of £283,000 following a recent re-assessment of Winter Maintenance spending as reported to Cabinet Member on 27 January 2010.

Financial:

CAPITAL EXPENDITURE	2009/10 £	2010/11 £	2011/12 £	2012/13 £
Gross Increase in Capital Expenditure				
Funded by:				
Sefton Capital Resources				
Specific Capital Resources				
REVENUE IMPLICATIONS				
Gross Increase in Revenue Expenditure				
Funded by:				
Sefton funded Resources				
Does the External Funding have an expiry date Y/N				When?
How will the service be funded post expiry?				

Legal: Not appropriate.

Risk Assessment: The main risk concerns the failure to identify budget variances through the monitoring process which will make it difficult for the Council to manage its spending within available resources. The adopted risk-based approach to monitoring together with regular reporting should help manage the risk.

Asset Management: Not appropriate.

CONSULTATION UNDERTAKEN/VIEWS

FD 325 – The Acting Finance and Information Services Director has been consulted and his comments have been incorporated into this Report.

CORPORATE OBJECTIVE MONITORING:

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		✓	
2	Creating Safe Communities		✓	
3	Jobs and Prosperity		✓	
4	Improving Health and Well-Being		✓	
5	Environmental Sustainability		✓	
6	Creating Inclusive Communities		✓	
7	Improving the Quality of Council Services and Strengthening local Democracy	✓		
8	Children and Young People		✓	

LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT

1. Background / Issues for consideration

- 1.1 In accordance with Cabinet's overall approved process for monitoring the Council's budgets, each Portfolio is to receive a quarterly report identifying risk-assessed Revenue and Capital budget areas.
- 1.2 This report forms part of that overall monitoring process by advising the Cabinet Member of the progress against this Portfolio's revenue budget risk areas for the period ending 31st Dec 2009. Where budget pressures have been identified, Service Directors have reviewed their departmental budgets for compensating savings. Departments have also been asked to consider whether or not all budgets can be contained with the resources allocated by the Council for 2009/10.

2. Revenue Budget

- 2.1 Details of this portfolio's budgets that are monitored and reported on the risk-assessed basis are shown in Annex A.
- 2.2 Members should note from Annex A that the summary forecast position at the end of December 2009 was a forecast overspend of £243,000.

This is as a result of a number of issues as follows:

- a) There was an unachievable income target of £580,000 built into the base budget for the current financial year following the transfer of services to Capita Symonds. An analysis of income received from a number of sources. (Utility Inspections, Section 74 fees, Café licences, and Scaffolding inspections) has been better than forecast. Utilisation of balances brought forward from previous years and forecast income for the current year has improved this position (£370,000).
- b) Reconsideration of pay costs, taking into account external funding results in a forecast underspend of £40,000. Conversely it has been necessary to revise the anticipated car park income shortfall by £50,000. Usage has still not returned to levels previously experienced and income is anticipated to fall due to recently approved parking promotions. Reductions in fees to support a number of retail campaigns throughout the year assist the Borough's traders but at a "cost" of reduced parking income to the Department.
- c) The Council's budget freeze (which has been in place for two financial years) is now impacting on service delivery. The reduction in planned maintenance is putting significant pressure on reactive budgets, used to keep the highway safe and discharge the Council's statutory duty, which are showing an overspend. This in turn means further reductions in planned maintenance in order to remain within budget. This is not a sustainable approach over a long period of time. Reductions have taken place in grounds maintenance, bridge maintenance, LTP maintenance and other areas to help mitigate this position.
- d) Given the severe weather conditions experienced over the last month it is anticipated that the winter maintenance budget will be overspent by £163,000 by the end of the year. This is different to the forecast figures in the attached M1 statement to the end of December (£123,000) and represents a revised position.

There is little scope for mitigating this overspend given the issues discussed above.

- e) Indications from Car Parking Income returns for the Christmas and New Year show poor figures for the month of January with income at least 30% lower than previous years. The impact of reduced income will initially be to defer the range of improvements to the service as set out in the 5 year Parking Plan approved by Cabinet in November 2008, but current expectations are that these will not proceed in the current year as a budget deficit of c£250,000-£300,000 is now predicted. The Kew Park and Ride service will cease in late February 2010 and the site mothballed but will have limited impact on income in 2009/2010. Other possible options to reduce this deficit are being examined and will be reported to Members in the coming months.

3. Capital Programme

- 3.1 Attached at Annex B is the current Technical Services capital programme. This programme takes account of slippage from 2008/09 and any revised requirements for individual schemes. Actual expenditure of £3.861m (col.4) has been achieved in the first nine months of the year. This is 45% of the total forecast expenditure for the year of £8.620m (cols. 4 and 5). Forecast expenditure for the remainder of the year is £7.59m (col.5).
- 3.2 Major schemes included within the programme include: -
 - 1. Southport Kew Park & Ride £7.76m
 - 2. Thornton Switch Island Link (Council contribution) £5.91m
 - 3. Chapel Street Pedestrianisation £4.26m
 - 4. A5090 Hawthorne Road £1.996m
- 3.3 There are no forecast problems with the Technical Services Capital Programme at the current time. The Cabinet Member receives specific detailed reports on the LTP programme on a regular basis during the course of the year and any issues arising will be flagged up at the earliest opportunity.

4. Recommendations

The Cabinet Member Technical Services

- a) Notes the progress on the Technical Services Portfolio's revenue budgets that are subject to risk-based monitoring.
- b) Note the progress made on the schemes within the portfolio's element(s) of the Council's Capital Programme.
- c) Indicates whether any comments about the overall performance of this Portfolio's Revenue Budget and schemes within the Capital Programme should be referred to Cabinet.

That Overview and Scrutiny Committee (Regeneration and Environmental)

- a) Notes the contents of this report and indicates whether any comments about the overall performance of this Portfolio's revenue budget should be referred to cabinet.

Technical Services Portfolio to Revenue Budget Risk Areas to 31 Dec 2009
A

ANNEX

(1) Line Reference	(2) Description	(3) Full Year Budget	(4) Budget To Period	(5) Actual To Period	(6) Variance	(7) Forecast Outturn	(8) Forecast Outturn Variance	(9) Previous Month Variance
	Technical Services	£	£	£	£	£	£	£
	Pay Costs	3,926,050	2,944,538	2,892,822	-51,765	3,886,050	-40,000	-40,000
	Highways Maintenance	5,725,150	4,293,863	2,410,516	1,883,345	5,725,150	0	0
	Street Lighting Energy Costs	1,189,350	892,013	639,349	-252,662	1,189,350	0	0
	Ground Maintenance	819,500	614,625	436,801	-177,821	819,500	0	0
	Winter Maintenance	367,000	275,250	55,204	-220,046	490,000	123,000	0
	Residual Income Budgets	-582,000	-436,500		436,500	0	582,000	582,000
	British Legion Attendant Costs	1,087,450	815,588	640,687	-174,901	1,087,450	0	0
	Car Parking Fees and Charges on/off St	-3,768,250	-2,826,188	-2,688,134	158,054	-3,518,250	250,000	250,000
	T & A Car Park Income	-311,800	-233,850	-241,275	-7,425	-311,800		
	Non achievement of Corporate Savings 2009/10						48,200	48,200
	Remedial Action							
	Review of Highway Maintenance Budgets						-350,000	-350,000
	Network Management Income	227,500	170,625	-254,914	-101,789	-597,700	-370,000	-370,200

Proportion of Budget Reported On		Gross	Income
Total of Key Area Budgets		13,074,500	-4,662,050
Total Non-Controllable Departmental Budget (Included in TSD)		35,146,800	-18,116,100
% Of Total Budget Reported Upon		37.19%	25.73%

Comments on Key Areas (Including remedial action: -

As part of the 2007/08 accounts and 2008/09 budgets monitoring it was identified that the Department had income budgets, which could not be achieved. The 2009/10 budgets allowed for significant growth to address this but finalising the budgets to take into account of the MSR has identified a residual expected shortfall of income against budget of approximately £582K. As the Department has transferred its main income generating services to Capita Symonds it will not be possible to generate further income to offset the expected shortfall.

Comments on Key Areas (Including remedial action: -

The Highways maintenance budgets are being reviewed and as a result of the spending freeze it is likely that these budgets may be underspent as shown. However, this will have a detrimental effect on the condition of the Highway and the potential impact will be analysed more fully and reported to Cabinet Member Technical Services.

Inflation has been allowed to cover the contractual increase due in grounds maintenance contract but does not take into account additional areas which have been added to the contract as part of the housing stock transfer for example. These additional demands are putting pressure on the grounds maintenance budget. Capita are carrying out a detailed review of these additional requirements. If this work is not carried out, however, there will be an adverse visual impact on areas of the Borough.

The Street Lighting energy costs at the time of budgeting, even allowing for the £132k growth, are £180k over budget. This will be mitigated through reduced energy costs during the latter part of the year but the Councils budget for energy costs overall are being realigned and it not expected that this budget will overspend at the year-end.

The experiences of the 2008/09 fully demonstrated the susceptibility of parking income to external factors. Improved weather over the Spring/Summer period 2009/10 and the impact of the April 2009 increase in charges, saw income generation improve, but has still not returned to previous levels. Furthermore, reductions in car parking charges as part of promotions to support a number of retail campaigns in the Borough has reduced income levels. Cabinet have approved further such promotions for the forthcoming Christmas period. Indications from income returns for the Christmas and New Year period do not indicate any substantial increases, and during the very poor weather conditions in January parking income was at least 30% lower than previous years. The impact of reduced income will initially be to defer the range of improvements to the service as set in the 5 year Parking Plan approved by Cabinet in November 2008, but current expectations are that these will not proceed in the current year as a budget deficit of c£300+k is now predicted. The Kew Park and Ride service will cease in late February 2010 and the site mothballed but will have limited impact on income in 2009/2010. Other possible options to reduce this deficit are being examined and will be reported to Members in the coming months.

The very cold winter has resulted in considerable damage to the highway manifesting itself through increased potholing, which will put reactive maintenance budgets under pressure in the current year. This will be exacerbated by the spending freeze, which reduced the level of maintenance activity carried out last year. Gritting the highways, both carriageways and footways is a statutory duty, hence expenditure has to be

incurred as required. However, a full review of the service is planned over the coming months so that prior to next winter, the effectiveness of the service has been fully assessed to take into account of the latest conditions and needs.

Gritting of the highway, both carriageways and footways is a statutory duty, hence expenditure has to be incurred as required. Despite a mild start to the "Gritting Season" the savings of this period have been more than offset by the cold weather throughout December and further gritting requirements at the start of 2010. Monitoring is currently being undertaken to assess the likely impact on budget and it is anticipated that a report to members will be brought towards the end of a January.

Corporate Savings (£48,200) contribute further pressure to the budget and is believed that these will not be achieved in 2009/10. These savings will therefore be considered within light of the overall budgetary pressures on the Department. Every effort will be made to mitigate the effect of the above pressures but this may mean that this can only be achieved with significant reductions in service provision. For this reason options to deal with the budget pressures will be presented in future budget-monitoring reports.

METROPOLITAN BOROUGH OF SEFTON

ANNEX B

CAPITAL PROGRAMME 2009/10 - 2012/13

TECHNICAL SERVICES

1	2	3	4	5	6	7
REF.	PROJECT	EXPEND TO 31.3.200 9	EXPEND IN 2009/10 TO 31.12.09	EXPEND IN 2009/10 FORECAST T	FUTURE EXPEND	TOTAL COST
NO.	DESCRIPTION	£'000	£'000	£'000	£'000	£'000
	<u>New Construction</u>					
1	Thornton Switch Island Link Scheme (Council Contribution)	114.11	693.80	428.09	4,676.00	5,912.00
2	Asset Management Development	0.00	0.00	0.00	69.10	69.10
	<u>Carriageways / Priority Maintenance</u>					
3	A5090 Hawthorne Rd	1,446.83	193.12	13.51	342.12	1,995.58
4	Old & Completing Schemes	0.00	20.19	0.00	0.00	20.19
	<u>Carriageway Resurfacing</u>					
5	Islington, Crosby	0.00	106.85	2.15	0.00	109.00
6	Park Lane, Netherton	0.00	26.24	4.26	0.00	30.50

7	Kirkstone Rd South, Litherland	0.00	66.48	4.02	0.00	70.50
8	Marine Drive, Southport	0.00	42.11	11.59	0.00	53.70
9	Sterrix Lane - Litherland	0.00	72.82	1.88	0.00	74.70
10	Kendal Drive - Maghull	0.00	55.62	1.78	0.00	57.40
11	Fairways - Crosby	0.00	14.76	0.44	0.00	15.20
12	Mayfair Avenue - Crosby	0.00	32.70	1.00	0.00	33.70
13	Bulwer Street - Bootle	0.00	47.20	1.40	0.00	48.60
14	Banastre Road - Southport	0.00	23.70	43.40	0.00	67.10
15	Applbey Drive - Netherton	0.00	17.63	1.27	0.00	18.90
16	Greenheys Drive - Netherton	0.00	22.49	0.71	0.00	23.20
17	Harrowby Road - Seaforth	0.00	23.16	1.04	0.00	24.20
1	2	3	4	5	6	7

EXPEND EXPEND IN 2009/10
FORECAS

REF.	PROJECT	TO	IO	T	FUTURE	TOTAL
NO.	DESCRIPTION	31.3.2009	31.12.09	BALANCE	EXPEND	COST
		£'000	£'000	£'000	£'000	£'000
18	Woodlands Road - Seaforth	0.00	22.60	0.00	0.00	22.60
19	St Georges Grove - Netherton	0.00	11.45	0.25	0.00	11.70

20	Altcar Lane - Formby 09/10 Schemes	0.00	56.65	7.55	0.00	64.20
21	Thackery Gardens - Litherland	0.00	0.18	39.02	0.00	39.20
22	Prescot Road - Melling	0.00	38.82	0.18	0.00	39.00
23	Parkfield Avenue - Aintree	0.00	29.48	4.92	0.00	34.40
24	Raymond Avenue - Aintree	0.00	21.80	0.70	0.00	22.50
25	Abbeystead Avenue - Aintree	0.00	25.44	4.46	0.00	29.90
26	Gately Drive - Maghull	0.00	5.76	4.14	0.00	9.90
27	Yew Tree Green - Melling	0.00	5.26	4.44	0.00	9.70
28	Gregsons Avenue - Formby	0.00	0.15	10.65	0.00	10.80
29	Ecclesall Avenue - Litherland	0.00	0.15	30.15	0.00	30.30
30	Northway - Maghull	0.00	0.18	14.12	0.00	14.30
31	Ridgeway Drive - Lydiate	0.00	0.18	19.12	0.00	19.30
32	Matlock Avenue - Southport	0.00	0.15	12.45	0.00	12.60
33	Third Avenue - Crosby	0.00	0.15	8.65	0.00	8.80
34	Shellfield Rd, Southport	29.74	50.26	0.74	0.00	80.74
	UTC Maintenance					
35	Manchester Rd / Queens Rd Junction	0.00	5.00	45.00	0.00	50.00

De Trunking

36	A59 Damfield Lane to Northway	0.00	128.83	0.00	0.00	128.83
37	A565 Crosby Rd Sth/Princess Way/Cambridge Rd	0.00	463.96	0.00	0.00	463.96
38	A59 Switch Island / Kenyons Lane / The Alt	0.00	0.00	125.00	0.00	125.00
39	A570 Boundary to Kew	0.00	5.20	93.80	0.00	99.00
1	2	3	4	5	6	7

EXPEND EXPEND IN 2009/10
FORECAS

REF. NO.	PROJECT DESCRIPTION	TO	IO	T	FUTURE	TOTAL
		31.3.2009	31.12.09	BALANCE	EXPEND	COST
		£'000	£'000	£'000	£'000	£'000
40	Capita Fees / Client Service Costs	0.00	0.00	134.53	0.00	134.53
	Street Lighting					
41	Marine Terrace, Waterloo	0.00	0.00	46.00	0.00	46.00
42	Aylward Place, Bootle	0.00	29.28	11.72	0.00	41.00
	Drainage					
43	Scarisbrick New Rd Southport	0.00	28.62	31.38	0.00	60.00
44	A565 Liverpool Rd	0.00	157.73	60.27	0.00	218.00
45	Wango Lane	0.00	40.58	43.12	0.00	83.70
46	Capita Fees / Client Service Costs	0.00	0.00	55.00	0.00	55.00
Total Carriageways / Priority Maintenance		1,476.57	1,892.93	895.81	342.12	4,607.43

Bridges and Structures

Bridge Strengthening						
47	Principal Bridge Inspections	0.00	22.03	10.97	33.00	66.00
48	Assessment - Retaining Walls	0.00	0.00	1.00	0.00	1.00
49	Parapet Strengthening	0.00	0.00	30.00	75.00	105.00
50	Network Rail Structures	0.00	0.00	6.00	0.00	6.00
51	Poverty Lane	42.18	110.04	-0.02	1.20	153.40
52	St. Lukes Rd Bridge Strengthening	87.55	5.73	624.27	472.89	1,190.44
53	Millers Bridge	0.00	24.00	0.00	0.00	24.00
54	Old and Completing Schemes	580.50	2.36	3.73	0.00	586.59
55	Capita Fees / Client Service Costs	0.00	0.00	34.48	33.00	67.48
Total Bridges and Structures		710.23	164.16	710.43	615.09	2,199.91

Integrated Transport Programme

56	Current Schemes	15,205.58	891.90	2,050.41	3,742.24	21,890.13
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1 2 3 4 5 6 7

EXPEND **EXPEND IN 2009/10**
TO **IO** **FORECAST** **T**

REF. **PROJECT** **TO** **IO** **T** **FUTURE** **TOTAL**

NO.	DESCRIPTION	31.3.2009		31.12.09 BALANCE EXPEND		COST
		£'000	£'000	£'000	£'000	£'000
	<u>Other Schemes</u>					
57	Southport Cycle Town	186.57	218.70	417.73	0.00	823.00
58	Southport Cycle Town - Coastal Rd to Ainsdale	0.00	0.00	250.00	0.00	250.00
59	Old and Completing Schemes	0.00	0.00	6.66	0.00	6.66
	Total Other Technical Services Schemes	186.57	218.70	674.39	0.00	1,079.66
	<u>Provision for New Starts - Subject to Report</u>					
60	Block Allocations	0.00	0.00	0.00	1,760.31	1,760.31
	TOTAL TECHNICAL SERVICES SCHEMES	17,693.06	3,861.49	4,759.13	11,204.86	37,518.54