HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member - Environment
Date:	9 March 2010
Title:	Revenue Budget, Performance and Workforce Monitoring 2009/10
Reference:	1350
Report From:	The County Treasurer and Director of Environment

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1. Executive Summary

1.1. This report concerns the management of the Environment services during the third quarter of the 2009/10 financial year. It aims to provide reassurance that the services are being managed within the approved cash limits and that key service performance and workforce targets are being achieved.

1.2. The outcome of the third quarter's revenue budget monitoring review shows a satisfactory position for this stage of the financial year. No variations are expected to arise on the main cash limited service budgets for highways maintenance and public transport, although minor underspendings are forecast on the waste management budget for the disposal of abandoned vehicles and parking services. Expenditure on the waste contract related services is now expected to be significantly lower than the overall budget sum provided, including the central waste contingency.

1.3. On the budget for staffing and operational support, significant further progress has now been made on achieving the target saving from staff turnover and other housekeeping efficiencies that was built into the 2009/10 revised budget.

1.4. Good progress continues to be made in achieving the key service priorities, with a focus on the Corporate Improvement Plan and Local Area Agreement priorities, to reduce traffic speeds in villages, reduce waste to landfill, proactively manage the growth agenda and promote measures to mitigate and adapt to climate change. All these points were acknowledged in the Council's first CAA judgement. The completion of the Private Finance Initiative (PFI) street lighting contract was a welcome milestone but delays

in legal procedures to implement the Bus Rapid Transit (BRT) have been a major frustration. Work in keeping the roads open during the recent cold winter weather has required a major effort and use of additional resources. The Department's response to the situation will be scrutinised to check the opportunities for improvement. The impact on road condition and ability to meet improvement targets will also be re-assessed.

1.5. Overall workforce numbers are stable and reflect increased recruitment and retention success in the current climate. Turnover has reduced again and sickness has reduced or remain at acceptable levels for the various staff groups employed.

2. Contextual information

2.1. The report presents the outcome of the third quarter's budget monitoring review for the 2009/10 financial year, together with related information on departmental performance and workforce trends, in line with the corporate approach towards integrated service planning and monitoring.

2.2. The Environment Department's budget monitoring process reflects a comprehensive approach which includes a series of review meetings between finance section staff and those departmental officers with delegated budget responsibilities. During this process plans for service spending during the year, together with trends in expenditure and income, are reviewed in comparison with the approved budget plan, in order to update the forecast outturn projection for each of the main service headings. The outcome of this process is initially reported to the department's management so that any necessary actions can be considered.

2.3. The report covers the outcome of the third quarter's revenue budget monitoring review for the 2009/10 financial year which was carried out in consultation with the departmental budget holders during January. An update of the 2009/10 cash limit is also provided, taking into account recent budget changes since the revised budget was approved in January.

2.4. Performance information has been collated from an analysis of progress against the activities and measures set out in the department's delivery plans for 2009/10. These are aligned to the aims and objectives set out in the current Environment Department Plan.

2.5. Workforce data is provided quarterly from HR systems, and progress against workforce aims assessed by the department's workforce and organisation development advisory group. The data and commentary is considered by the departmental management team.

3. Finance

Cash Limit Changes

3.1. A number of amendments to the 2009/10 cash limit were included in the 2009/10 revised budget which was approved by the Executive Member for Environment at the decision day meeting on 12 January 2010. In total the 2009/10 revised budget was set at £111.995 million, which was £1.000 million below the available cash limit, reflecting the decision to request the approval of the Cabinet to carry forward resources to the 2010/11 budget towards:

- the cost of implementing the street lighting PFI (£900,000)
- meeting anticipated public transport cost pressures (£100,000).

3.2. Two subsequent changes to the 2009/10 cash limit have now been made, as summarised in Appendix 1. The more significant of these relates to a further adjustment between the central waste management contingency and the waste management cash limit to reflect an estimated reduction in costs, amounting to £752,000, arising from the operation of the waste management contract during the third quarter of the year. This has reduced the overall call on the central waste management contingency so far this year to just £161,000. In addition the department has received a further £50,000 Government grant towards “Bikeability” cycle training.

3.3. The Environment services’ budget has been amended to take account of the above changes, giving an adjusted 2009/10 cash limit of £111.183 million. Further changes to the cash limit will be made at the end of the year to reflect the final cost of the waste management contract related services, together with any other adjustments that may be required, such as variations in Government grant funded expenditure and any adjustments between capital and revenue.

Outcome of the Quarter 3 Budget Monitoring Review

3.4. Appendix 2 provides a summary of the adjusted cash limited budget for 2009/10 across the standard service headings, together with details of assessed expenditure to 31 December 2009 and the forecast outturn for the year.

3.5. The main issues arising from the budget monitoring review are discussed in the following paragraphs.

Highways Maintenance

3.6. The 2009/10 revised budget for routine highways maintenance is £26.141 million, excluding the budget of £3.230 million for winter maintenance salting and snow clearance, which is excluded from the main cash limited under the special budgeting arrangements that relate to this activity. Total assessed expenditure to the end of December amounted to £19.352

million, being broadly in line with the expected expenditure profile for the first three-quarters of the financial year.

3.7. At the end of the previous quarter, highways revenue reserves totalled £242,000, together with a further £543,000 reserves still available within the capital structural maintenance programme. Further allocations from within this overall highways maintenance cash limit have now been approved to help manage a number of additional pressures on the maintenance programme. These include allocations of £600,000 for a programme of immediate safety repairs to address defects to roads following the severe winter weather during December and January and £200,000 to cover higher fixed service activity payments to the term highways contractor for drainage cleansing. Further allocations will be made from within the overall 2010/11 highways maintenance programme to provide funding towards rectifying the longer term legacy of damage arising from the severe winter weather. A summary of the latest approved 2009/10 highways maintenance programme is shown in Appendix 3.

3.8. Further changes to the highways maintenance programme may be required in due course. This would include adjustments to re-allocate any further funding from within the capital structural maintenance programme towards weather related repairs, as well as any provisions that may be required resulting from claims that have been submitted by the term highways contractor for additional payments for compensation events and other contract specification issues. Further adjustments between capital and revenue cash limits may be required at year-end to address these claims as the majority of this potential additional expenditure relates to categories of work which would normally be charged to the revenue budget.

3.9. Expenditure on highways winter maintenance salting and snow clearance has been higher during 2009/10 because of the severe winter weather including substantial snowfall in parts of the county during December and January. Expenditure on winter maintenance activities amounted to some £3.4 million up to the end of December 2009, which was already in excess of the overall budget for the year. Since that time significant additional expenditure has been incurred in dealing with the winter emergency condition during the first half of January 2010. An overspending on the highways winter maintenance budget of at least £2 million is currently predicted, although the eventual outturn could be significantly higher if further periods of severe weather, including additional snowfall, are experienced.

Public Transport Support

3.10. The 2009/10 revised budget for public transport support identified lower expenditure of £100,000 as a result of changes in the phasing of area re-tendering compared with the assumption when the original budget was prepared, with the resultant cost increases being mainly deferred to 2010/11. Subject to the approval of the Cabinet, this sum is being carried

forward to the 2010/11 budget to help manage the anticipated future public transport cost pressures next year.

3.11. The current budget monitoring position at the end of the third quarter suggests that overall public transport is expected to be contained within the service cash limit. A sum of £25,000 has been retained within the 2009/10 revised budget as a contingency which should enable any further cost pressures arising from contract variations or other issues during the remainder of 2010/11 to be absorbed.

Waste Management

3.12. The approved 2009/10 original budget for the waste contract related services was £42.764 million, based on estimated commitments at the time it was prepared during November 2008. No allowance was included in the 2009/10 base budget for growth in waste volumes beyond predicted 2008/09 levels, nor for future price increases, changes to landfill tax rates or other contract cost pressures.

3.13. As in previous years, a contingency amount was set aside within the overall County Council budget to cover these inescapable pressures, the sum for 2009/10 being £2.941 million. Periodic allocations are being made from this central contingency throughout the year to increase the waste management cash limit, based on quarterly assessment of cost increases on the contract related services. Allocations from the waste contingency during the first half of the year totalled £913,000 which were included in the calculation of the 2009/10 revised budget of £43.700 million.

3.14. Overall waste disposal volumes during the first nine months of the year have been lower, by 1.5%, compared with the corresponding period of 2008/09 and the allowance for growth of 1.4% included in the make-up of the central waste contingency. Within this figure, volumes from household waste collections have reduced 2.6% year-on-year, although this reduction has been partially offset by increases of 1.9% in the volumes of residual waste from the household waste recycling centres.

3.15. The third quarter's contingency adjustment shows a reduction of £752,000, reflecting variations in the cost of the waste contract during this period and this sum has now been subtracted from the service's cash limit. This significant cost reduction during the third quarter reflects the ongoing impact of lower waste volumes together with lower inflation on contract re-pricing. So far during 2009/10 only £161,000 of the central waste contingency has been utilised and it now seems likely that there will be no call on the central contingency for the financial year as a whole and an overall end-of-year cash limit reduction in the order of £1 million may arise on the waste contract related budgets.

3.16. The 2009/10 revised budget provision for the non-contract waste management services is £1.134 million, covering the main non-contract related activities such as facilities management, promotions and

development and the disposal of abandoned vehicles. A small underspending of £10,000 is being forecast on the latter heading.

Parking Services

3.17. Additional income of £2,000 is being projected on the revenue budget for parking services, reflecting higher rental income from a County Council owned site in Waterlooville.

Staffing and Operational Support

3.18. The overall 2009/10 revised budget for departmental staffing and operation support is £26.690 million, mainly covering the running costs of the Environment department, together with the remaining agency arrangements with the district councils and other external support.

3.19. As in previous years, the construction of the 2009/10 budget includes a significant allowance for incidental net savings that are expected to arise during the course of the year from staff turnover and the normal delay in filling posts, the overall target for the year which was included in the construction of the 2009/10 revised budget being £762,000.

3.20. The achievement of these savings is tracked during the course of the year as part of the programme of regular budget monitoring reviews. The latest position shows that although vacancy and turnover levels during 2009/10 have been below that in some previous years and that the corresponding savings in staff salary costs have been lower, it is anticipated that the turnover allowance will be fully achieved by the end of the financial year. As a result, the outturn on the budget for staffing and operational support is currently expected to be in line with the cash limit for the 2009/10 revised budget.

4. Performance

4.1. There has been significant progress in the delivery of transport infrastructure, speed reduction, sustainability and quality of place, including:

(i) The department has played a key role in responding to the recent spells of cold weather by working with partners and contractors to keep the priority road network open. Some 14,000 tonnes of salt were used in a £3 million operation, calling on the resources of 330 extra staff.

(ii) The contract for the biggest street lighting project in the country was signed in December by Hampshire County Council, West Sussex County Council and Southampton City Council in a unique partnership. Work to replace and maintain 250,000 streetlights across Hampshire, West Sussex and Southampton in a £225 million 25-year private finance initiative (PFI) will be carried out by Tay

Valley Lighting Limited, using its subsidiary contractor Southern Electric Contracting (SEC).

(iii) Construction works commenced on the repaving of Winchester High Street and the South Winchester Park and Ride is on schedule for opening in April 2010.

(iv) Works for Phase 1 improvements at M27 Junction 5 commenced in October 2009. These will bring congestion and safety benefits. Phase 2 works (£3.13 million) have been approved.

(v) Hampshire was confirmed as the top County Council for diverting waste from landfill for the fourth year running, with performance still exceeding other councils by a large margin.

(vi) A shared methodology has been developed and agreed by all District and Borough partners for the comprehensive risk-based assessment on climate change. The delivery of this piece of work is now underway across all partners, and is the key part of meeting level 2 of NI 188.

(vii) As part of its work on the Improvement and Efficiency South East (IESE) the County Council completed the switch to a regional 4-supplier framework in January 2010 that will realise highways and transport services costs savings for the Council and its partner local authorities.

(viii) Hampshire County Council was awarded more than £250,000 to lead a pilot project to combat the effects of climate change on a 10 kilometer stretch of the Solent coastline.

(ix) A review of the contracts to transport 11,500 children to school has identified opportunities to set up a new county-wide transport procurement framework, to maintain a consistent quality of service and value for money for all these travel routes. A first phase of this implementation is due for completion by the end of 2010.

(x) Hampshire County Council is launching a county-wide road safety campaign - highlighting how alcohol and drugs adversely affect driving ability. Across Hampshire, the County Council is using taxis with the slogan “You drink, I’ll drive” to encourage drivers to behave responsibly.

(xi) Four new year bus contracts were awarded in Fareham/Gosport, Andover and Basingstoke areas. Re-modeled services have maintained access with less than inflation cost rises.

(xii) Consultation held on Local Transport Plan 3. There were over 80 responses from statutory consultees, businesses and the public.

4.2. Good progress continues to be made on the Council's Local Area Agreement priorities, with confidence remaining high towards achieving all targets, bar those for road maintenance which will be reviewed in light of the recent weather-related damage.

5. Workforce

5.1. The main headlines show that workforce numbers are stable and reflect increased recruitment and retention success in the current climate; turnover and sickness have reduced or remain at acceptable levels for the various staff groups employed.

Core (central) Staff

5.2. Core numbers employed have increased slightly within the budgeted target, as fewer posts are vacant and turnover is down to 8.9%, the lowest for a decade.

5.3. Core staff reported sickness is similar to recent quarters at 5.0 fte days lost per fte – one of the consistently lowest rates in the County Council.

5.4. The improvement in the recruitment position has been maintained with no unsuccessful first advertisements in the quarter.

School Crossing Patrols

5.5. For school crossing patrols, numbers of leavers have reduced in recent months and overall fte employed remains stable (although fewer people). Following an earlier rise, sickness absence in this staff group has been monitored and managed more closely recently, and has dropped again this quarter.

School Escorts

5.6. Turnover is down somewhat on the previous year, and fte employed remains stable (although fewer people). Sickness absence is similar to last quarter, lower than a year ago.

Accidents and Employee Casework

5.7. There have been no changes or concerns in numbers of accidents or employee casework for any staff groups.

6. Conclusion

6.1. The overall revenue budget position continues to be satisfactory on the department's cash limited budget (i.e. excluding highways winter maintenance). No significant variations are anticipated on the main

operational budgets for highways maintenance and public transport, whilst small underspendings are forecast on the non-contract waste management and parking services. Waste disposal volumes continue to be lower than assumed when the 2009/10 original budget was prepared which, together with lower contract re-pricing resulting from reduced inflation, is expected to result in an overall end-of-year reduction in the order of £1 million on the budget for the waste contract related services.

6.2. Expenditure on highways winter maintenance salting and snow clearance is expected to be at least £2 million above the revised budget allocation, as a result of the severe winter weather during December and January. This forecast is based on an assumption that normal levels of salting activity take place during the reminder of the year and that no severe weather, including further snowfall, is experienced.

6.3. Performance against the department's aims and objectives is broadly on track, although the severe winter weather is expected to have an impact on meeting the target for road condition. Key risk issues have been identified and are being addressed as appropriate to their priority and risk level.

6.4. Workforce indicators are satisfactory, being stable or improving, and do not give any cause for concern.

7. Recommendations

7.1. That the actions being taken to manage expenditure be approved.

7.2. That the latest performance and workforce monitoring position be noted.

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CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

Hampshire safer and more secure for all:	yes
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	yes
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	yes
Corporate Improvement plan link number (if appropriate):	

Other Significant Links

Links to previous Member decisions:		
Title Revenue Budget 2010/11, 2011/12 and 2012/13	Reference 1131	Date 12 January 2010
Direct links to specific legislation or Government Directives		
Title		Date

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document	Location
Environment Department Management Team: 4 February 2010 - a) Revenue Budget 2009/10 – Quarter 3 b) Performance Report – Quarter 3 c) Workforce Report – Quarter 3	Environment Department, Queen Elizabeth II Court (West)

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

1.1. Assessment of the Race Relations (Assessment) Act has been considered in this monitoring report. No adverse impact has been identified in terms of race, creed or gender.

2. Impact on Crime and Disorder:

2.1. As this is a general report covering the monitoring of the budget, performance and workforce for the department, it cannot set out detailed crime and disorder implications. However, crime and disorder implications of specific departmental issues would be reflected in individual service plans and project reports where appropriate.

3. Climate Change:

a) How does what is being proposed impact on our carbon footprint / energy consumption?

b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

As this is a general report covering the monitoring of the budget, performance and workforce for the department, it cannot set out detailed climate change implications. However, climate change implications of specific departmental issues would be reflected in individual service plans and project reports where appropriate.