

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member - Environment
Date:	29 June 2010
Title:	Revenue Budget, Performance and Workforce Monitoring 2009/10 – Year End Review
Reference:	1672
Report From:	The County Treasurer and Director of Environment

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1. Executive Summary

- 1.1 The purpose of this paper is to report the final outturn on the Environment services' revenue budget during 2009/10 and to review progress in relation to the achievement of key service performance and workforce targets.
- 1.2 Overall revenue cash limited expenditure during 2009/10 totalled £95 million, being a net underspending of £28,000 (0.03%) against the adjusted 2009/10 revised budget. The outturn is in line with the forecast included in the most recent monitoring report in March.
- 1.3 Expenditure during the year on highways winter maintenance salting and snow clearance operations was £6.1 million. This expenditure, which does not form part of the cash limit for the purpose of reporting the final outturn position, was £2.9 million above the budget.
- 1.4 Total expenditure on the waste contract related services was £31.3 million. This outturn was £4.1 million below the overall budget provision for this service which included the central waste management contingency of £2.9 million which was originally set aside in the 2009/10 budget to cover anticipated cost increases on the waste management contract.
- 1.5 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 cold winter weather required a major effort and the use of additional resources. The impact on road condition has led to the development of two recovery operations.

- 1.6 Overall workforce numbers have increased slightly and reflect increased recruitment and retention success in the current climate. Turnover has remained at a reduced level and sickness remains at a comparatively low level for the various staff groups employed.

2. Contextual information

- 2.1 The report presents the outcome on the Environment services' revenue budget 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. An update of the 2009/10 cash limit is also provided, taking account of recent changes since the revised budget was approved in January, together with a number of technical year-end adjustments.
- 2.2 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.
- 2.3 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 The 2009/10 revised revenue budget, which was approved by the Executive Member in January, totalled £108.655 million. This figure excludes the budget of £3.230 million for highways winter maintenance, which is treated as being outside of the cash limit for the purpose of reporting the final outturn expenditure.
- 3.2 A number of changes have been made to the 2009/10 cash limit, including adjustments for lower waste management contract related expenditure, variations for expenditure to be funded from Government grants and reductions in expenditure to be met from reserve accounts. A technical adjustment has also been included to reflect the accounting treatment of the waste management contract under the International Financial Reporting Standards (IFRS). Overall, the final 2009/10 cash limit has reduced to

£95.060 million (excluding winter maintenance). Details of the various cash limit adjustments are set out in Appendix 1.

Revenue Outturn 2009/10

- 3.3 Total cash limited expenditure during 2009/10 was £95.032 million, being an underspending of £28,000 (0.03%) compared to the adjusted cash limit, as summarised in Appendix 2. The main variations within this total are as follows:
- Highways maintenance (+£108,000) – additional expenditure was incurred on routine highways maintenance, including weather related emergency repairs to pot holes, together with higher than anticipated project costs relating to the development of the street lighting private finance initiative;
 - Road Safety Education (-£14,000) – variations include higher income from sales of road safety education materials;
 - Traffic Surveys (-£25,000) – a fall in the number of surveys undertaken, as a result of the economic slowdown and reduced integrated transport capital programme, together with higher income from sales of data;
 - Public Transport (-£16,000) – variation mainly relates to lower costs than anticipated for the temporary car share set up to cover the closure of St. Cross Road, Winchester from January to March 2010;
 - Waste Management Non-Contract Services (-£28,000) – lower expenditure on the disposal of abandoned vehicles; and
 - Staffing and Operational Support (-£60,000) – higher than anticipated savings from staff turnover and vacancies.
- 3.4 The County Council's policy is to require services to carry forward into the following year 100% of net overspendings and 50% of net unplanned underspendings. The Cabinet decides what use should be made of the other 50% of the underspending. On this basis, £14,000 would be carried forward and added to the Environment services cash limit for 2010/11.

Highways Winter Maintenance

- 3.5 The special budgeting arrangements that apply to highways winter maintenance require any underspendings or overspendings against the revised budget provision to be absorbed within the County Council's central balances. The 2009/10 winter maintenance budget of £3.230 million was set at a level equivalent to the average expenditure on this activity during the preceding four years.
- 3.6 During 2009/10 expenditure on highways winter maintenance amounted to £6.133 million, which was £2.903 million higher than the revised budget

position, reflecting the general severity of the winter weather. In total, an additional £3.1 million was incurred in responding to the two main periods of snowfall during December and January, which included snow clearance activities and also round the clock salting by the highways contractor. Overall, salting operations took place on a total of 55 days during the winter period, although this was no more than the average frequency during the previous four years.

- 3.7 The highways winter maintenance budget requirement is expected to increase by approximately £640,000 as a result of the higher expenditure during 2009/10 which, in accordance with the base budget preparation rules, would need to be met by transferring an equivalent sum from highways structural maintenance when the budget for 2011/12 is prepared.

Waste Management Contract Related Services

- 3.8 The approved 2009/10 original budget for the waste contract related services was based on estimated commitments at the time it was prepared during November 2008. No allowance was included in the 2009/10 budget for growth in waste volumes beyond predicted 2008/09 levels, nor for future price increases, changes to landfill tax rates or other contract pressures.
- 3.9 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 have been made from this central contingency throughout the year to adjust the waste management cash limit, based on a quarterly assessment of cost increases on the contract related services. Allocations from the waste contingency during the first three quarters of the year totalled just £161,000, which was significantly lower than in previous years, due to the ongoing impact of lower waste volumes, together with reduced inflation arising from contract re-pricing.
- 3.10 The final outturn figures for 2009/10 confirm this trend and show that waste volumes reduced by 1.6%, compared to 2008/09 and the allowance for growth of 1.4% included in the make-up of the central waste contingency. Within this overall variation, waste volumes from household collections fell by 2.0% year-on-year and the volumes of residual waste from the household waste recycling centres reduced by 0.5%.
- 3.11 The fourth quarter's contingency adjustment showed a further cost reduction of £1.351 million on the operation of the waste contract during this period, reflecting the above reductions in waste volumes, together with other variations including additional income from processing commercial waste and lower third part landfill. This resulted in a final 2009/10 cash limit reduction of £1.190 million for these services. Overall there was no call at all during 2009/10 on the £2.941 million central waste contingency which, taken together with the cash limit reduction of £1.190 million, has resulted in a total saving of £4.131 million compared with the original County Council budget provision for these services.

2010/11 Revenue Budget Monitoring

- 3.12 It is proposed that the process and timetable for integrated revenue budget monitoring for 2010/11, including related performance and workforce updates, will follow a similar pattern and frequency to 2009/10. The first monitoring report will consider the position at the end of the first quarter of the year, with a detailed review of budgets being undertaken by finance section staff and those departmental officers with delegated budget responsibilities during late June and early July.
- 3.13 The outcome of this process will be initially reported to departmental management during July, so that any necessary actions can be considered, with a follow-up report being prepared for the Executive Member Decision Day meeting in early September.
- 3.14 The only significant issue to have so far emerged for 2010/11 is in relation to the continued funding of the passenger transport information service (Traveline). Temporary funding has been identified from within the 2010/11 revenue budget, including the use of contingencies and additional housekeeping savings, to enable the provision of this service to continue in the short term, pending its future consideration as part of the 2011/12 – 2013/14 budget strategy.

4. Performance

- 4.1 There has been good progress in the delivery of highways, transport, waste and environment services, including:
- The spells of cold, snowy weather in December 2009/January 2010, the worst in 30 years, put great pressures on the resources of the highways service but these were met well. Some 14,000 tonnes of salt were used in a £3million operation, calling on the resources of 330 extra staff;
 - Two Programmes have been devised to recover from the winter road damage of last winter. Operation Restore is a £12.5m initiative to repair the immediate damage. Operation Resilience is a further multi million pound programme to invest in improving road condition over the next seven years;
 - Among all SE authorities Hampshire's overall road condition was rated second in the National Highways and Transport Network Satisfaction Survey;
 - 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 the area in a £225 million 25-year private finance initiative (PFI) has commenced with Southern Electric Contracting (SEC);

- The new South Coast Street Lighting team won Best Local Government Project Team at the 'Public Private Finance Awards 2010';
- As part of the Council's work on the Improvement and Efficiency South East (IESE) we completed the switch to a regional 4-supplier framework in January 2010 to realise highways and transport services costs savings for us and our partner local authorities;
- Implementation of the 122 Village 30 schemes was completed and traffic speeds were observed to fall;
- The number of road casualties in Hampshire during 2009 were the lowest on record. Falls in the levels of slight casualties and fatalities were most welcome although a rise in serious casualties reminds us of the continuing challenges;
- South Winchester Park & Ride opened on schedule and on budget on 19th April, following a successful construction phase. New low emission buses have been introduced as part of a new contract. The new car park features Hampshire's first public electric car charging points;
- The Wheels to Work scheme improving mobility for young adults has been extended to cover a wider rural area in Hampshire;
- DCLG funding of £0.75m was secured for improved bus services and related infrastructure in preparation for the Whitehill / Bordon Eco town;
- Our work with Quality Bus Partnerships has encouraged significant service improvements to the modernised Queen Alexandra Hospital from Waterlooville and Havant and a new direct evening minibus service to Gosport. The Waterside Community Rail Partnership was also launched to investigate the reopening of passenger rail services to Hythe;
- A recycling review was completed with all local authorities in Hampshire resulting in agreements on what kerbside materials should be recycled, and a partnership commitment to further improve capture and quality;
- Reductions in waste volumes, service improvements and contract changes all contributed to waste costs being £4m lower than originally budgeted. This enabled £3m to be redirected to other priority Council areas;
- HCC 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;
- A shared methodology was agreed by all District and Borough partners for the comprehensive risk based assessment on climate change with good progress being made on meeting our LAA commitments level 2 of NI 188;

- Good progress has been made with the setting up of the South Downs National Park Authority including further negotiations on the potential delegation of planning responsibilities; and
 - The Schools Landscape Programme's Big Landscape EXperiment initiative won a national award from the Landscape Institute for their work to influence behavioural change in young people and raise awareness about sustainable solutions in school grounds.
- 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 have increased slightly and reflect increased recruitment and retention success in the current climate; turnover has remained at a reduced level and sickness remains at a comparatively low level 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 was 9.1%, down from 12.7% a year ago.
- 5.3 Core staff reported sickness is similar to recent quarters at 5.5 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 offers declined and only one unsuccessful first advertisement in the quarter.

School Crossing Patrols

- 5.5 For school crossing patrols, numbers of leavers continues at a reduced level and overall fte employed has increased slightly, reflecting increased recruitment success. 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 The number of leavers continues at a reduced level and fte employed has increased slightly. 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 2009/10 revenue outturn shows a satisfactory position and is in line with the anticipated outturn for the year. A small underspending of £28,000 has been recorded on the cash limited budgets.
- 6.2 As previously predicted, there was a significant overspending of £2.9 million on highways winter maintenance due to the severity of the winter weather. However, expenditure on the waste management contract related services was £4.1 million below the overall budget provision for the year.
- 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 National Indicator 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. Recommendation

- 7.1 That the year-end review of revenue budget, performance and workforce monitoring be noted.

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:		
<u>Title</u> Revenue Budget, Performance and Workforce Monitoring 2009/10	<u>Reference</u> 1350	<u>Date</u> 9 March 2010
Direct links to specific legislation or Government Directives		
<u>Title</u>	<u>Date</u>	

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.)

<u>Document</u>	<u>Location</u>
None	

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.