HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member - Environment
Date:	7 September 2010
Title:	Revenue Budget, Performance and Workforce Monitoring 2010/11
Reference:	1953
Report From:	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 first quarter of the 2010/11 financial year. It aims to provide assurance that the services are being managed within approved cash limits and that key service performance and workforce targets are being achieved.

1.2. The outcome of the first quarter's revenue budget monitoring review shows a satisfactory position for this early stage in the financial year. Expenditure is currently forecast to be on budget, although this assumes that further savings will be identified during the remainder of the year to fully achieve the allowance for staff turnover and other savings that were built into the 2010/11 budget, and that any cost pressures are absorbed within the respective cash limits for operational budgets.

1.3. 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 manage the highway network, reduce traffic speeds in villages, reduce waste to landfill, proactively manage the growth agenda and promote measures to mitigate and adapt to climate change. In particular, priority has been given to initiatives to help the road network recover from the damage resulting from last winter's cold weather. The delays in the legal procedures to implement the South East Hampshire Bus Rapid Transit (BRT) (Phase 1 Fareham-Gosport) continued to be a major frustration but progress on key stages was maintained and the work programme progressed. A recent upturn in road casualties is being closely monitored.

1.4. Workforce numbers have reduced due to retirements and internal transfers, tighter vacancy controls are in place and turnover and sickness remain at acceptable levels for the various staff groups employed.

2. Contextual information

2.1. The report presents the outcome of the first quarter's service monitoring review for the 2010/11 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 first revenue budget monitoring review for the 2010/11 financial year, which was carried out in consultation with the departmental budget holders during the summer. An update of the 2010/11 cash limit is also provided, taking into account recent budget changes, including adjustments arising from the loss of Government grants and transfers to help fund highways restoration works.

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 2010/11. 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. The original 2010/11 cash limited budget for the Environmental services, which was confirmed by the County Council at its meeting in February, was £114.577 million.

3.2. A number of changes have subsequently been made to the cash limit, reducing the figure by £96,000 to £114.481 million. These adjustments include variations in expenditure being funded from Government grant, the first quarter's call on

the central waste management contingency, and a number of other agreed changes. A summary showing all of the cash limit changes is set out in Appendix 1.

3.3. The cash limit adjustments include an increase of £14,000, being this department's share of the £28,000 unplanned underspending recorded during the closure of the 2009/10 accounts. It is suggested that this sum be added to the department's budget for staffing and operational support, to help towards the funding of any unforeseen pressures that may emerge during the course of the year.

3.4. Further adjustments to the cash limit will be made throughout the year to cover the quarterly allocations from the central waste management contingency, together with any subsequent budget transfer and adjustments that may be required. These will include technical changes to the cash limit reflecting the accounting treatment of the waste management and street lighting private finance initiative (PFI) contracts under the International Financial Reporting Standards (IFRS).

Outcome of Quarter 1 Budget Monitoring Review

3.5. Appendix 2 provides a summary of the 2010/11 revenue budget over the standard divisions of service headings, together with details of assessed expenditure to 30 June 2010.

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

Highways Maintenance

3.7. The overall highways maintenance programme for 2010/11 totals over £74 million. This includes the budget for routine highways maintenance activities funded from revenue, together with the capital programme provision for structural maintenance of roads and bridges and additional resources that have been set aside for highways restoration, following the severe winter weather during the last financial year ('Operation Restore').

3.8. The 2010/11 cash limit for revenue budget funded routine highways maintenance is £31.941 million. Assessed expenditure to 30 June 2010 was £6.871 million, being broadly in line with the estimated spend profile for this programme.

3.9. Approved routine maintenance work allocations to the various departmental and agency district council budget holders currently total £31.776 million, leaving an unallocated revenue reserve sum of £165,000 to cover any operational pressures that might emerge later in the year.

3.10. The revenue budget has been increased to reflect additional Government grants of £170,000 to assist towards the development of surface water management plans, to help tackle surface water flooding when ground rivers

and drains cannot absorb heavy rainfall. However, the implementation of improvement schemes arising from the management plans is likely to be an ongoing pressure on the highways maintenance programme in future years.

3.11. Appendix 3 provides a summary of the latest approved 2010/11 highways maintenance programme, covering both the revenue budget for routine maintenance activities and the capital programme allocation for structural highways maintenance. As mentioned above, the 2010/11 capital maintenance budget includes funding of £10.5 million for 'Operation Restore', to help repair the structure of the highways following the severe winter weather during 2009/10, which is in addition to the sum of £2 million previously made available for this purpose during the last financial year.

Road Safety Education

3.12. The 2010/11 revenue budget for road safety education is £616,000, including £250,000 Government ring-fenced grant towards "Bikeability" cycle training, announced during March, which is an increase of £50,000 over the funding made available during 2009/10. The overall sum now available for cycle training in 2010/11 is £288,600 including grants carried forward from 2009/10. This sum will allow a further 7,215 children to benefit from this training during the current financial year.

3.13. As previously agreed at the Executive Member's decision day on 21 July 2010, adjustments totalling £388,000 have now been made to the budgets for Village 30 enforcement and advertising, and the Safer Roads Partnership, to reflect the loss of Road Safety revenue grant, made as part of the recent reductions in grant support announced by the Government.

Public Transport

3.14. The 2010/11 cash limit for expenditure on public transport support is £6.698 million. The main element of the public transport budget is the sum of £6.694 million for expenditure on bus subsidies, which includes funding for services by district councils and from developer contributions.

3.15. In preparing the 2010/11 budget, a sum of £100,000 was carried forward from the 2009/10 public transport budget. It was planned to use this sum to help manage anticipated pressures on this service during 2010/11, including higher costs arising from the phasing of contract retendering, re-pricing and commercial services de-registrations. The 2010/11 budget report in January also drew attention to the need to continue to apply existing policies, including the rolling programme of area reviews, for the containment of expenditure within available budget limits where appropriate.

3.16. Overall, passenger transport expenditure is currently expected to be contained within the service cash limit. The current level of assessed commitments against the bus subsidies budget is currently within the budgeted sum, leaving approximately £100,000 still available to meet further cost pressures arising from contract variations and other issues during the

remainder of 2010/11. However, on an ongoing full year basis, there is no longer an uncommitted sum within the bus subsidies budget, indicating that this area is likely to come under increasing pressure in 2011/12.

3.17. The financial position on the public transport services will be regularly reviewed during the remainder of the year, including consideration of whether there are opportunities to carry forward resources to next year in support of the 2011/12 budget.

Waste Management

3.18. The waste contract related services original budget for 2010/11 was £43.850 million, based on estimated commitments at the time it was prepared during November 2009. In accordance with the established corporate practice for funding waste contract related expenditure, no allowance was included in the 2010/11 base budget for growth in waste volumes beyond predicted 2009/10 levels, nor for future price increases, changes to landfill tax rates or other contract cost pressures. As in previous years, a contingency amount has been set aside within the overall County Council budget to cover these inescapable pressures, the sum for 2010/11 being £800,000. Periodic allocations will be made throughout the year to increase the waste management cash limit, based on quarterly assessments of cost increases.

3.19. Overall waste volumes during the first three months of the year have been lower, by 0.4%, compared to the corresponding period of 2009/10 and the allowance for growth of 1.2% included in the make-up of the central waste contingency. Within this figure, volumes from household waste collections have reduced slightly by 0.1% year-on-year, whilst volumes of residual waste from the household waste recycling centres have reduced more significantly, by 1.3%.

3.20. The first quarter's call on the central waste contingency has been assessed at £187,000, reflecting variations in the cost of the waste contract during this period, including contract price changes and increases to the rate of landfill tax. This sum has now been added to the service's cash limit. It is currently too early in the year to predict any clear trends in waste volumes, or the likely final outturn position, however the currently available monitoring information suggests that the contingency sum of £800,000 should be sufficient to cover increases in waste contract related expenditure during 2010/11.

3.21. The total 2010/11 budget provision for the non-contract waste management services is £1.109 million. It is currently anticipated that overall expenditure will be contained within the cash limit for this part of the waste management budget, which covers the main non-contract related activities such as facility management, promotions and development, the disposal of abandoned vehicles and LPSA funded projects.

Environment Department Staffing and Operational Support

3.22. The overall 2010/11 budget for departmental staffing and operational support is £26.045 million**,** mainly covering the running costs of the Environment department, together with the remaining agency arrangements with the district councils and other external support.

3.23. Planned savings of £633,000 from management reviews and other efficiency savings from support service areas were identified in constructing the 2010/11 original budget to offset a number of service pressures, including staff salary increments and additional provision towards the development of sub regional transport proposals. These planned savings were reflected in the detailed cost centre budget allocations to budget holders at the beginning of the year and the outcome of the first quarter's budget monitoring review suggests that these savings are being achieved in accordance with the budget plan.

3.24. As in previous years, monitoring will be undertaken of the achievement of the normal annual allowance built into the staffing and support services budget for savings that are expected to arise during the course of the year from staff turnover, vacancies and other minor housekeeping efficiencies. For 2010/11 this turnover savings allowance has been set at £875,000, or just over 3% of the overall staffing and operational support budget.

3.25. The first quarter's budget monitoring review has already identified actual and projected savings of £186,000, or 21% of the total requirement for the year. As in previous years, the achievement of these savings will be tracked throughout the year in the budget monitoring reports to ensure that the savings assumptions reflected in the budget are being achieved.

3.26. Meanwhile, in response to the Government's recent emergency budget and likely future budget reductions to be announced in the autumn spending review, measures are already being put in place to help deliver future cost savings for the County Council and safeguard services. These include restricting staff recruitment in all but very limited exceptional cases, not commissioning work from external consultants and restricting attendance at conferences.

3.27. The impact of these measures on the current year's budget for staffing and operational support will be evaluated in due course and any additional underspendings arising will need to be considered in the context of preparing the budget strategy for the 2011/12 to 2013/14 period.

4. Performance

4.1. 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 manage the highway network, reduce traffic speeds in villages, reduce waste to landfill, proactively manage the growth agenda and promote

measures to mitigate and adapt to climate change. In particular, priority has been given to initiatives to help the road network recover from the damage resulting from last winter's cold weather. The delays in the legal procedures to implement the BRT (Phase 1) continued to be a major frustration but progress on key stages was maintained and the work programme progressed. A recent upturn in road casualties is being closely monitored.

4.2. Increasingly, attention has been paid to responding to the requirements of the new Government. Important changes are arising from the in-year reductions in capital funding, and the abolition of the regional planning framework and its associated targets. Senior managers are therefore investigating how to deliver cost savings for the County Council whilst safeguarding services as far as possible in the face of unprecedented budget reductions. This includes means to reduce management and on-costs, increase income and looking at the potential for collaboration and sharing support services across departments.

4.3. Key recent achievements include:

(i) Operation Restore. The integrated joint team (Amey/County Council/ Tarmac) is fully operational and is ahead of schedule. The team has completed nearly half of the 250+ scheme designs and of those nearly a fifth of the total programme has been completed on the ground. The good weather has been capitalised on and progress will accelerate further as additional gangs are redeployed as other programmes finish, so the programme should be completed ahead of the target finish date of the end of November.

(ii) The £250 million South Coast Street Lighting PFI programme was officially launched in Winchester by the Under Secretary of State for Transport on 30 June 2010 and showcased the 15% energy savings. Implementation is progressing on target to complete the year 1 replacement programme. The project won the Best Local Government Project Team 2010 in the Public Private Finance Awards held in London.

(iii) South Winchester Park and Ride opened on schedule and on budget on 19 April 2010, 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.

(iv) Improved partnership working and planning saved Hampshire's road travelling public hundreds of days disruption from roadworks. Over the 12 months to June 2010 Hampshire County Council used its Highway Management powers to prevent over 300 days additional disruption on the county's roads.

(v) The County Council's performance on landfill diversion has improved as a result of initiatives for household waste recycling centre material, including better segregation of wood from the residual waste stream.

(vi) Bus passenger trips in Hampshire in 2009/10 were reported as 29.9 million. This was a modest fall of 1.8% on the previous year's record figures which is encouraging in view of the weather disruption over the winter and the general economic situation.

(vii) As part of its drive to improve bus services and make a difference for passengers, the independent watchdog Passenger Focus carried out a survey of over 1,350 passengers in Hampshire and 90% expressed satisfaction with their bus journeys.

(viii) Draft Town Access Plans were completed and approved for joint consultation with the District Councils in Eastleigh and Winchester.

(ix) Hampshire's School Crossing Patrol of the Year was announced at an awards event held at Winchester's Discovery Centre and aptly timed to take place during Child Safety Week (21–27 June). This complemented its 'stop means stop' campaign.

(x) The Waterside Community Rail Partnership is underway and has commissioned a professional study to assess the feasibility of reopening passenger rail services to Hythe.

(xi) Transitionary arrangements and consultations are now well in hand for the County Council's new responsibilities in administering the concessionary fares system for Hampshire.

(xii) Three Highways officers earned recognition awards by the Joint Authorities Group (JAG) through playing a leading role in the national work such as the development and production of the Department for Transport (DfT) Code of Practice for highways reinstatement. A fourth Highways officer has become President of the Institution of Highway Engineers for 2010/11.

5. Workforce

5.1. The paragraphs below set out workforce information and trends for core staff, school crossing patrols, school escorts and the department as a whole.

Core (central) Staff

5.2. Core numbers employed have reduced by around 20 since last quarter, to 706 full time equivalents (ftes), due to staff transfers to the Property, Business and Regulatory Services and Information Technology department and a number of retirements in April. Turnover increased a little to 11% per annum (pa) but is still low.

5.3. Core staff-reported sickness is similar to recent quarters at 5.4 fte days lost per fte – consistently one of the lowest rates in the County Council.

5.4. Tighter vacancy controls were introduced in the quarter and recruitment activity has slowed considerably.

School Crossing Patrols

5.5. School crossing patrols numbers are similar to recent quarters at 263 employees. Leavers are reduced (14% turnover pa) and recruitment more successful in the current climate. The downward trend in sickness absence has been maintained with current performance at 6.1 fte days lost per annum per fte.

5.6. School escorts (part of the Environment Department workforce, but within Children's Services budget) number the same (593 staff) as last quarter. Turnover (13.3% pa) and sickness (9.6 fte days per fte) are within the normal range, although increased slightly on last quarter.

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. A number of adjustments have been made to the Environment services' cash limit, reducing the overall budget by £96,000 to £114.481 million. Further adjustments will need to be made throughout the remainder of the year for additional quarterly allocations from the central waste management contingency and other transfers.

6.2. Approved routine highways maintenance work allocations currently total £31.776 million, leaving an unallocated revenue reserve sum of £165,000 to cover any operational pressures that may emerge later in the year. Assessed highways maintenance expenditure during the first quarter of the year is broadly in line with the estimated spend profile.

6.3. Additional Government ring-fenced grant has been provided within the road safety education budget for cycle training. An overall sum of £288,600 is available this year, including grants carried forward from 2009/10, which would enable a further 7,215 children to benefit from this training.

6.4. On public transport, a sum of approximately £100,000 is available to meet further cost pressures during the remainder of 2010/11. Expenditure is currently expected to be contained within the cash limit and there may be opportunities later in the year to carry forward resources in support of the 2011/12 budget.

6.5. Waste management volumes show continuing reductions year-on-year, based on the figures during quarter 1. However, it is too early to predict any longer term trends in waste volumes or the final outturn position, although current information suggests that the waste contingency sum of £800,000 is likely to be sufficient to cover any increases in waste contract related expenditure during the year.

6.6. The 2010/11 budget for staffing and operational support included planned savings of £633,000 which are on track to be achieved in accordance with the approved budget. In addition, projected savings of £186,000 have so far been identified against the turnover allowance of £875,000 within the staffing and operational support budget, or just over 21% of the total requirement for the year. Measures are being introduced to generate further savings whilst safeguarding services.

6.7. Performance against the department's aims and objectives is broadly on track. Key risk issues have been identified and are being addressed as appropriate to their priority and risk level. These risks include:

(i) ensuring progress can be maintained on restoring the winter damage to the road network;

(ii) overcoming the funding shortfalls and improving the business processes for the transport capital programme;

(iii) ensuring a smooth transfer of the Concessionary Fares responsibilities without incurring additional cost burdens;

(iv) progressing the BRT scheme as quickly as possible to minimise the financial implications of the construction not being completed before April 2011; and

(v) meeting service pressures and securing the best outcomes within the new challenging budget requirements for 2011/12 and beyond.

6.8. 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.

Rpt/1953/BI

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 2009/10, 2010/11 and 2011/12	Reference 489	Date 20 January 2009
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 Departmental Management Team: 2 June 2010 a) Revenue Budget 20/10/11 – Quarter 1 b) Performance Report – Quarter 1 c) Workforce Report – Quarter 1	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.