

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member - Environment
Date:	1 March 2011
Title:	Revenue Budget, Performance and Workforce Monitoring 2010/11
Reference:	2661
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 third 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 review has identified further savings from within the department's budget for staffing and operational support, which have been added to the previous contingency sum which was retained in the 2010/11 revised budget to help support the change agenda, including the implementation of the various corporate workstreams in delivering budget reduction in 2011/12 and 2012/13.
- 1.3. The report also provides an update on expenditure against the 2010/11 highways winter maintenance budget, taking account of the adverse weather conditions during December, together with recent information on volume trends within the operation of the waste management contract, including an assessment of variations in expenditure during the third quarter call against the central waste contingency.
- 1.4 Good progress has been made in achieving our key service priorities, including those in the Corporate Improvement Plan and LAA 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 We have completed the programme of work to help our 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) have also been overcome.

- 1.5 The Department has continued to respond to the changes invoked by the Coalition Government and has been setting its sights on how to deliver cost savings whilst safeguarding services as far as possible in the face of unprecedented budget reductions. This includes means to reduce its management and on-costs, increase income and looking at the potential for collaboration and sharing support services across Departments.
- 1.6 Workforce numbers have reduced due to vacancy controls and retirements as the recruitment moratorium continues, 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 third 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 most recent revenue budget monitoring review for the 2010/11 financial year, which was carried out in consultation with the departmental budget holders during 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 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. A number of amendments to the 2010/11 cash limit were included in the recent report on the 2010/11 revised budget which was approved by the Executive Member for Environment at his decision day meeting on 26 January 2011. In

total the 2010/11 revised budget was set at £102.355 million, which was in line with the adjusted cash limit.

- 3.2. Only one further change has subsequently been made to the 2010/11 cash limit, relating 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 £307,000, arising from the operation of the waste management contract during the third quarter of the year. The position is summarised in Appendix 1.

Outcome of Quarter 1 Budget Monitoring Review

- 3.3. 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 31 December 2010.
- 3.4. The main issues arising from the budget monitoring review are discussed in the following paragraphs.

Highways Maintenance

- 3.5. The 2010/11 revised budget for routine highways maintenance is £27.517 million, excluding the budget of £3.353 million for winter maintenance salting and snow clearance, which is excluded from the main cash limit under the special budgeting arrangements that relate to this activity. Total assessed expenditure to the end of December amounted to £16.933 million, being broadly in line with the expected expenditure profile for the first three-quarters of the financial year.
- 3.6. At the end of the third quarter highways revenue reserves totalled £138,000, together with a further £485,000 reserves still available within the capital structural maintenance programme. The Highways and Transport service stream will be making further allocations from the reserve sums in managing additional pressures on the highways programme during the final quarter of the year.
- 3.7. Expenditure on highways winter maintenance salting and snow clearance has been higher during 2010/11 because of the severe winter weather including substantial snowfall during December. Expenditure on winter maintenance activities amounted to some £2.8 million up to the end of December 2010, compared with the overall budget of £3.4 million for the full year. Taking into account known further fixed cost payments to the highways contractor, together with expenditure arising from the replenishment of salt stocks, plus an allowance for average levels of salting activity during the fourth quarter, an overspending on the highways winter maintenance budget of £2.2 million is predicted. However, the eventual outturn could be significantly higher if further periods of severe weather, including additional snowfall, are experienced.

- 3.8. In accordance with the budgeting arrangement for winter maintenance, any excess expenditure during the current financial year would be met from central balances. However, this year's overspending would result in a need to make additional provision for winter maintenance expenditure in future years' base budgets, as the calculation is based on the average level of expenditure on this activity during the preceding four years. In 2012/13, the base budget provision for winter maintenance would be expected to increase by approximately £0.7 million to £4.8 million, as a result of this year's severe winter weather, which would need to be met from within the overall Environment cash limit.
- 3.9. 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.

Waste Management

- 3.10. The waste contract related services original budget for 2010/11 was £35.507 million, based on estimated commitments at the time it was prepared during November 2009. No allowance was included in the department's 2010/11 base budget for growth in waste volumes beyond predicted 2009/10 levels, nor for future price increases, change to landfill tax rates or other contract cost pressures.
- 3.11. 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, or reduce, the waste management cash limit, based on quarterly assessments of cost variations.
- 3.12. Overall waste volumes during the first nine months of the year have been lower, by 1.6%, 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 1.0% year-on-year, whilst volumes of residual waste from the household waste recycling centres have reduced more significantly, by 3.1%.
- 3.13. The third quarter's assessment of variations in waste contract related costs to be covered from the central waste contingency has been made, resulting in a reduced requirement of £307,000 during the quarter. This mainly reflects the lower waste disposal volumes during this period, together with additional third party income. This sum has been subtracted from the service's cash limit, resulting in an overall reduction of £303,000 in the waste contract budget during the first nine months of the year. Based on current trends, it is anticipated that none of the original contingency sum of £800,000 will be utilised during 2010/11 and there is likely to be a further underspending against the waste contract related services budget at year-end, depending on actual waste volumes during the final quarter.

- 3.14. The 2010/11 budget provision for 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 facilities management, promotions and development, the disposal of abandoned vehicles and LPSA grant funded projects.

Environment Department Staffing and Operational Support

- 3.15. The overall 2010/11 revised budget for departmental staffing and support costs is £26.026 million, which mainly covers the running costs of the Environment department, together with expenditure relating to the remaining agency arrangements with the district councils and other external support.
- 3.16. Following the introduction of vacancy management measures in July, the vacancy savings target of £875,000 included in the make-up of the 2010/11 original budget had been more than achieved by the end of the second quarter and further savings of £654,000 beyond that level were forecast. In addition, savings totalling £899,000 were also available from other revenue budget headings. This enabled a contingency sum of £1,553,000 to be included in the 2010/11 revised budget to help support the change agenda, including the implementation of the various corporate workstreams in delivering budget reductions in 2011/12 and 2012/13.
- 3.17. A further review of all staffing and operational support budgets has now been carried out as part of the third-quarter's budget monitoring exercise and additional savings of £553,000 are projected for the full-year, mainly relating to further savings from staff vacancies, higher capital fee recharges, and additional external income.
- 3.18. Taking into account the additional savings of £553,000 now identified, together with the contingency sum of £1,553,000 previously set aside and already included in the 2010/11 revised budget, an overall sum of £2,106,000 is available to help meet the costs of implementing the change agenda, both this year and next.
- 3.19. The current assessment of redundancy and pension strain costs associated with the current review of senior management staff is that expenditure of approximately £700,000 may be incurred this year. This would result in an underspending of £1,406,000 against this year's cash limit, which would be carried forward to the 2011/12 financial year in line with the Council's revised financial management policy.

4. Performance

- 4.1. Good progress has been made in achieving our key service priorities, including those in the Corporate Improvement Plan and LAA 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. The County Council has completed the programme of work 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) have also been overcome.

4.2. We have continued to respond to the changes invoked by the Coalition Government and have been setting our sights on how to deliver cost savings whilst safeguarding services as far as possible in the face of unprecedented budget reductions. This includes means to reduce our 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:

- The County Council has achieved its stretching LAA Targets to improve the condition of its classified roads.
- Village 30 Hampshire County Council and its Term Highways Contractors, Amey, have won the Road Safety Scheme Award in the 2010 Highways Magazine Excellence Awards for the Village 30 project – a scheme to reduce speed limits and enhance residents' quality of life in Hampshire villages.
- Hampshire County Council has been awarded a Prince Michael International Road Safety Award for its Village 30 initiative – a scheme that has introduced 30 mph speed limits in 112 villages in Hampshire. Judges agreed that the initiative had met all six of the award criteria, namely: innovation; achievement; commitment; was well researched; had the ability to be replicated; and was sustainable
- Winchester High Street . The £2 million scheme to repave Winchester's historic High Street was hailed a major success, with the project completed ahead of Christmas.
- New online one-stop-shop for residents to report road problems was launched.
- Operation Restore. The integrated joint team (Amey/HCC/Tarmac) completed its 250+ scheme designs, over 62 miles were resurfaced or repaired as part of Operation Restore. This does not include work on C and unclassified (U) roads which is being carried out under a separate programme.
- December saw the timely completion of the first phase of new community salt bins. Nearly 1,300 new salt bins are in place and filled for community use during severe weather, with a further 600 on order following additional requests since the onset of the cold weather.
- Minimisation of waste to landfill – Hampshire recognised as best performing County Council for the fifth year running.

- Total Environment- National Pilot. The pilot with district authority, government agencies, national parks and the not for profit sector focuses on building capacity in the public sector in a time of scarce resources. The pilot proposition is to develop a local model of public sector delivery of environmental services, focussing on shared outcomes and resources. Meetings to date have demonstrated significant support for this approach. Defra have invited us to contribute as a case study in the forthcoming Natural Environment White Paper due out in the summer.
- Climate change vision and strategy - At a Climate Change Summit on 9 December 2010 all the public sector organisations in Hampshire signed up to make Hampshire more resilient. They agreed to work up proposals for a legal entity holding company, a programme of solar PV installation, domestic retro-fit and microgeneration, and energy efficiency.
- Winter resilience – We have increased our resilience to severe weather through securing increased salt supplies and providing over 1,000 new grit bins in the community. Revisions to salting routes and procedures led to improved satisfaction during the icy weather in December.
- Completion of the demolition of the former Marchwood incinerator marks the beginning of a new positive phase of development in the area.
- BRT Progress – The legal challenge was overcome. Construction works including the new bridge at Newgate Lane are progressing well. Earthworks have been predominantly completed, and foundation works and drainage for the busway itself are ongoing.

5. Workforce

5.1. The notes below set out workforce information and trends from the regular workforce indicators.

- The effect of the recruitment freeze is increasingly starting to be reflected in core employee numbers, which have reduced to 732 (689 FTE). Since the start of the year (April 10) our FTE employed has reduced by 32.
- Numbers employed as school crossing patrols and school escorts are inherently variable and are currently at the higher and lower ends respectively of their typical ranges, now 262 (59.1 FTE) and 564 (215.8 FTE) respectively.
- Core staff turnover (10.5%) continues at a fairly low level. Turnover for school crossing patrols has reduced further to 12.83% whilst turnover for school escorts has increased a little to 15.1%.

- The reported sickness rate for core staff has remained at a low level of 5.2 FTE days per FTE. Sickness rates have increased to 8.3 for school crossing patrols but remain lower than in former years and have continued at similar levels to previous years at 10.4 for school escorts.
- Accident and employment cases continued at the low rates seen previously and do not raise any cause for concern.

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, whilst forecast savings on the budgets for departmental operational staffing and support services have increased by a further £553,000 during the third quarter's review.
- 6.2. Expenditure on highways winter maintenance salting and snow clearance is expected to be at least £2.2 million above the revised budget allocation, as a result of the severe winter weather during December. The excess expenditure will be met from central balances during 2010/11, but will require increased provision to be set aside for winter maintenance in following years' base budgets.
- 6.3. Waste disposal volumes continue to be lower than assumed when the 2010/11 original budget was prepared. This is expected to result in an underspending at year-end against the overall 2010/11 budget provision for waste contract related services.
- 6.4. 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:
 - capacity to maintain winter maintenance programme - NEW;
 - commitment to improving the condition of the highway network;
 - future funding for infrastructure – risk of substantial reduction;
 - resources to deal with transfer of Concessionary Fares responsibilities;
 - South East Hampshire Bus Rapid Transit. Financial risk related to the implementation and spending of funding;
 - Flood and Water Management Act 2010 – Risk of inadequate funding; and
 - meeting service pressures within the new budget – Maintaining management and staff capacity.
- 6.5. Workforce indicators are satisfactory, reasonably stable and reflect a gradual reduction in the workforce as planned. There are no indicators which give 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.

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 Report for Environment for 2011/12	<u>Reference</u> 2514	<u>Date</u> 26 January 2011
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>
Environment Departmental Management Team: 3 February 2011	Environment Department, Queen Elizabeth II Court (West)
a) Revenue Budget 20/10/11 – Quarter 3	
b) Performance Report – Quarter 3	
c) Workforce Report – Quarter 3	

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.