

REVENUE BUDGET MONITORING

Report By: DIRECTOR OF RESOURCES

Wards Affected

County-wide

Purpose

1. To advise the Committee of the final revenue outturn position for Environment for 2008/09 and to outline the agreed budget for 2009/10, highlighting the emerging pressures.

Financial Implications

Revenue Outturn 2008/09

2. In overall terms the final revenue outturn variance for Environment was an underspend of £23,000, which represents a variance of 0.06% against the final budget.
3. A summary of the final revenue outturn variances is set out in the table below with further detail included in Appendix 1.

2008/09	Final Outturn Variance Over/ -under spend
<u>Service Area</u>	£000
Highways	1,088
Restoration Fund	<u>-429</u>
Sub-total Highways	659
Environmental Health & Trading Standards	-76
Waste Management	-824
Transportation	-38
Planning	256
Environment Total	<u>-23</u>

Highways

4. The net overspend on Highways was £1.088 million. This was assisted by the non-recurring funding available in 2008/09 with the council's £429k Restoration Fund allocation being applied to meet costs associated with the 2007 floods.
5. Following the floods in September and November 2008 Highways incurred total emergency repair work of £1.285m. The council successfully applied for funding of £726k in relation to this work under the Bellwin scheme. The first £433,000 and 15% of remaining claim amount of any claim must be funded by the council. After applying the specific reserve of £505,000 to meet the costs incurred up to the threshold, there was a net over spend of £54,000 with a further £62,000 overspend due to subsequent flood repairs.
6. There was an over spend on winter maintenance of £836,000. This reflects the additional costs for the year following a reported 'coldest December for 30 years' and on-going 'cold snap' into 2009.
7. The de-trunking of the A465 has seen a £140,000 grant allocated to the council for road maintenance in 2008/09 and this was required in full to fund additional winter maintenance costs.
8. Although parking income was expected to increase in 2008/09 following the introduction of parking fee increases on 1 June 2008, the overall income for the year was £200,000 below target. The assessment is that the economic slow down has affected the level of income. There was a further overspend of £50,000 in relation to electricity charges.
9. There was pressure on the Highways budgets in relation to contract inflation on roads maintenance and street cleansing. Whilst every effort was made to manage these pressures within budget, street cleansing over spent by £92,000.
10. A total saving of £85,000 through staff vacancy management was achieved due to the recruitment freeze pending the service delivery review. This includes savings made on employee and public liability insurance costs.
11. The net overspend was in line with predictions during the year that took account of the implications of severe weather and economic conditions as outlined above. Underspends elsewhere within the directorate were used to further mitigate any impact on the Council's budgets.

Environmental Health & Trading Standards

12. The outturn for Environmental Health and Trading Standards for 2008/09 was an under spend of £76,000.
13. Income from the Crematorium was some £110,000 above target. Earlier only a £50,000 excess had been predicted, but receipts in the last few months exceeded expectation.
14. The loss of rental income at Hereford Market Hall and budget pressures in street trading resulted in markets and fairs overspending by £135,000.

15. The Anti Social Behaviour Team over spent by £84,000 due to temporary staff costs incurred in setting up the team and on-going salary costs. A structural re-alignment across the service helped contain the level of over spend.
16. In addition to the surplus produced by the crematorium, over spends were mitigated through vacancy management within services. Income from air pollution, licensing, trading standards and commercial environmental health also exceeded targets.

Waste Management

17. The net under spend on Waste Management was £824,000. This overall position includes contract inflation increases on the Waste Collection contract of £310,000. This is mitigated by the under spend on waste disposal and increased income of £100,000 for commercial waste.
18. There is additional overspend in relation to consultation costs and project costs in relation to the renewal of the waste collection contract.
19. The final outturn from Worcestershire County Council (WCC) of the waste disposal contract costs meant an under spend of £1.14m on Herefordshire's waste disposal budget for 2008/09 and this is included in the overall outturn. This reflects the credits received for the 'Waste electrical and electronic equipment' (Weee) expenditure, following the agreement of the contract variation, and a revised forecast for tonnages which have reduced.
20. The costs associated with the variation of the Waste Management PFI Contract to meet the Council's Landfill Allowance Trading Scheme Targets will be considerably higher than at present. In addition the Council has to meet the annually increasing costs of Landfill Tax. In line with the medium term financial management strategy, £500,000 has been transferred to the Waste Management reserve to meet future financial pressures.

Transportation

21. The main variance within the services related to Public Transport contract commitments for route subsidies which resulted in an overspend of £291,000 and publication costs exceeded budget by £30,000. These pressures were reduced by an underspend of £88,000 on Concessionary travel contracts resulting in a net overspend on Public Transport of £232,000.
22. This was further mitigated by an underspend on Road Safety of £111,000 of which £70,000 was due to use of 2007/08 grant.
23. Overall the overspend on Public Transport was managed within the service and the final position of £38,000 underspend was mainly due to staff vacancies during the year.

Planning

24. The levels of income within planning fell short of budget by £340,000. This was offset by the receipt of a planning delivery grant of £193,000.

25. Additional costs above available budget remained for consultancy, IT and legal fees and resulted in an overall over spend for planning services of £256,000.

Revenue Budget 2009/10

26. The total budget for Environment in 2009/10 is £26,171,000. This is the controllable budget total before support costs are factored in. A breakdown of the budgets is set out in Appendix 2.
27. The Medium Term Financial Management Strategy approved by Council sets the broad framework for service revenue budgets for 2009/10 and onwards. Inflation was added to direct employee headings and utilities. Client and customer income budget targets were increased by 2.5%. However Parking and Planning Fee income was not inflated as the fees are dictated by statutory arrangement and in fact extra budget was allocated to reduce the income targets in 2009/10 to reflect the economic downturn. The adjustments that have also been made to the Environment budget are shown in the following table.

<u>Adjustments identified through Finance Resource Model</u>	Budget Additions £000
Waste Disposal PFI Contract - on-going pressure to meet future contract costs.	500
Share of additional funding to meet the council's liability for job evaluation costs of staff transferred to external organisations, Amey Wye Valley Ltd.	47
Car Parking fee – an additional allocation to support the reduction in Car Park income due to the economic climate.	125
The recession has impacted upon planning income and the current estimate for 2009/10 is for a shortfall of £175k. However, the Director of Regeneration indicates the directorate could suffer a higher shortfall, depending on the severity of the downturn and the current assessment will be reviewed in 2009/10.	175
One-off addition to fund the Local Development Framework.	375
Total	<u>1,222</u>

Directorate Position

28. The 2009/10 financial year presents directorates with a series of financial challenges and also a requirement that they support the council's overall budget position to deliver a balanced budget. The process going forward has seen extensive involvement of the Joint Management Team (JMT), commencing with the Performance Improvement Cycle (PIC) in autumn 2008. The proposals brought forward were subject to a process that saw Directors challenged about spend and saving proposals by the Director of Resources and the Policy and Performance team.

29. A second phase was introduced later, when the scale of the impact of the downturn was evident. This second phase saw Directors work together to further challenge the financial assumptions in directorate proposals and also to bring forward further savings. This was concluded at the end of January 2009 with the outcome reported to the Director of Resources. The detail of expenditure requirements and savings identified for Environment within the Environment & Culture and Regeneration directorates are shown in the table below. Overall, the process has made a net contribution to balancing the budget.

<u>Further items identified by Directors through PIC process</u>	Budget Additions/ -Reductions £000
Waste Collection – implementation of a new contract	500
Waste Disposal PFI Contract – increase in Landfill Tax	500
Review of Strategic Partnership with Amey Wye Valley (Service Delivery Review)	-900
Planning - Savings from introduction of document scanning	-25
Redeployment of staff to fill vacant posts (Planning Services)	-125
Reduction in number of subsidised bus services or reduction in frequency of existing services	-80
Total	<u>-130</u>

30. There has also been an adjustment to the 2009/10 service budgets in relation to ICT budgets. These are now being held centrally and will be allocated to the service at the end of the year.

31. There has also been virements from Social and Economic Regeneration in relation to Community Safety and from Highways in relation to Parking. These have both been added to the Environment Health & Trading Standards service budget in 2009/10.

RECOMMENDATION

THAT the report be noted.

BACKGROUND PAPERS

- None identified

APPENDICES

Appendix 1 – Summary Environment Revenue Outturn Variance Report 2008/09

Appendix 2 – Summary Environment Revenue Budget 2009/10