

REVENUE BUDGET MONITORING

Report By: DIRECTOR OF RESOURCES

Purpose

1. To advise members of the financial position for the budgets covered by Environment and Regeneration Programme Area budgets for the period to 30th September 2008.

Financial Implications

2. The budgets reported include services within the Environment Directorate and Regeneration Directorate. Current indications are that the combined position for 2008/09 will be an overspend of £488,000.

Considerations

3. The detailed Budget Monitoring Report to 30th September 2008 is attached at Appendix I for Members' consideration.
4. The total budget for 2008/09 has increased to £25,347,000 from the amount previously reported. This increase of £296,000 is due to:
 - i) Additional budget relating to Job Evaluation costs for staff transferred to Amey Wye Valley Ltd in September 2003. This budget was previously held centrally.
 - ii) £34,000 addition to Planning as part of the realignment following restructure.
5. The summary position is set out in the table below.

2008/09	Budget	Projected Outturn	Overspend
<u>Service Area</u>	£000	£000	£000
Directorate Management & Support	358	358	0
Planning	1,866	2,028	162
Highways	5,960	6,605	645
Restoration Fund	0	(429)	(429)
Transportation	3,481	3,481	0
Environmental Health & Trading Standards	2,131	2,131	0
Waste Management	11,551	11,661	110
Environment Total	25,347	25,835	488

Directorate Management and Support

6. The additional costs related to the 'Big Conversation' will be funded through one-off vacancy savings.

Planning

7. The latest position for Planning shows a reduction in the level of overspend against the previous month. This is due to an upturn in planning fee income in September, however future income is likely to be affected by the current economic climate so the position could change. The forecast includes a planning delivery grant payment that was not previously anticipated.
8. Current budget pressures include the monthly costs for scanning of plans that will continue until a new system is implemented. Legal and consultant costs of £63k have already been incurred due to planning appeals. Further appeal costs have been identified and the final costs are subject to review. ICT service level agreement costs of £75k remain an unfunded pressure.
9. Planning has identified a need for a new system to manage and record applications, as the current system will not be supported after October 2008. The system is planned to be part of Herefordshire Connects programme. The costs and funding of the overall Connects programme are currently under review.
10. There will be significant expenditure in relation to the Local Development Framework; most of this will be funded by government grants however final approval is still to be received.
11. The overall position forecast for Planning is currently projected to be an overspend of £162k.

Highways

12. The current budget projections show an overspend on winter maintenance of £300k if the county has a likely predicted winter. There is a £500k winter maintenance reserve available for one-off funding but this is for exceptional conditions. The current projection does not include drawing on this non-recurring source of funding.
13. Car parking fee income was expected to increase in 2008/09 following the introduction of parking fee increases on 1 June 2008. Despite the increase in charges, the overall income received to the end of September indicates a £280k reduction on the previous year. The assessment is that the economic slow down has affected the level of income.
14. The de-trunking of the A465 has seen a £125k grant allocated to the Council for road maintenance. The Director's assessment is that this will be required in 2008/09 so cannot make a contribution to closing the projected overspend.
15. There is pressure on the Highways budgets in relation to contract inflation on Road Maintenance and Street Cleansing. Whilst every effort is being made to manage these pressures within budget, Street Cleansing is likely to overspend by £90k and Emergency maintenance by £25k.
16. A saving of £50k through staff vacancy management will be achieved. Overall there is a projected £645k overspend on Highways.

Environmental Health and Trading Standards

17. The overall assessment is that Environmental Health and Trading Standards will balance to budget although Markets and Fairs face continuing pressure.

Waste Management

18. It is projected that Waste Management will be over budget by £110k with contract inflation on the Waste Collection contract an estimated pressure of £310k. This will be mitigated by the underspend on Waste Disposal and forecast increased income of £100k for commercial waste.
19. Current estimates from Worcestershire County Council (WCC) of Waste Disposal contract costs project an expected underspend of £100k on Herefordshire's Waste Disposal budget for 2008/09 and this is included in the overall projection.
20. WCC have indicated that waste disposal costs could significantly reduce following recent contract variations in relation to the Waste Electronic and Electrical Equipment expenditure. This is not included in the forecast as we await further information from WCC.
21. The cost associated with waste disposal and the Integrated Waste Management PFI Contract will be considerably higher than at present. Contract costs continue to grow, along with Landfill Tax, which means that the costs associated with Waste Disposal are far exceeding standard inflation levels. In previous years any in-year underspend on the contract has been transferred to reserves to meet future waste management pressures. In addition the new Waste Collection Contract is likely to be considerably more expensive than the existing contract. The new Contract is due to commence in October 2009 which means the full impact of the increased Contract costs will not be felt until the 2010/2011 financial year.
22. There are risks that if waste growth/reduction between Herefordshire and Worcestershire varies by more than 1% to the detriment of Herefordshire then Herefordshire will need to increase its contract payments by £300k. Currently Worcestershire's waste tonnages are decreasing at a faster rate than Herefordshire's and there are risks that the trigger point may be hit. However, at this stage this is not addressed as a likely outcome.

Recovery Plans

23. Following the initial budget outturn projections for 2008/09 that indicated a £1.671m overspend the Chief Executive gave clear instructions that Directorates are to deliver balanced budgets. As a result all directorates have put together budget recovery plans with the support of Financial Services. The plans are based on the latest projected outturn and include actions to deliver a balanced 2008/09 budget. The plans will form part of directorates routine budget monitoring and will be updated as the year progresses so that actions can be changed if required.
24. Both the Environment and Regeneration Directorates face significant budget pressures in 2008-09. Action is being taken to identify savings in order to reduce the forecast overspends. Progress has been made around vacancy management and operational costs. The outcome of the contract variation outlined in paragraph 20 could significantly improve the position. There is some spare budget capacity within Regeneration however this flexibility has to be balanced across all services within the Directorate.
25. A further allocation of central government funding for the 2007 floods was announced on 17 July 2008 that distributed the £30.6m Restoration Fund. A total of 62 local authorities

received an allocation with Herefordshire's funding being £429k. The Government did not issue guidance on how the Restoration Fund should be spent. It has taken this approach because it feels that local authorities are best placed to decide what is best for their areas.

26. The allocation is a one-off source of funding and is to be allocated to the Environment & Culture Directorate to offset budget pressures in this financial year.

RECOMMENDATION

THAT the report be noted.