

REVENUE BUDGET MONITORING

Report By: DIRECTOR OF RESOURCES

Purpose

1. To advise the Committee of the financial position for the Environment Programme Area budgets for the period to 31st January 2009. The report lists the variations against budget at this stage in the year.

Financial Implications

2. It is expected that the Environment Revenue budgets for 2008/09 will overspend by £619,000.

Considerations

3. The detailed Budget Monitoring Report to 31st January 2009 is attached at Appendix I for Members' consideration.
4. The total Environment budget for 2008/09 has increased to £25,765,000 from the previous amount reported to previous meeting, which was £25,347,000.
5. This increase of £418,000 is due to:
 - i) A reduction of £28,000 on Highways budget resulting from the re-alignment of Head of Service budgets following the reorganisation of directorates.
 - ii) The Transportation budget has increased by £446,000 from £3,481,000 reported in September 2008 to £3,927,000. This is due to the allocation of the Area Based Grant budget. This budget matches expenditure within Transportation spent on the Rural Access Partnership activity.
6. The summary position is set out in the table below.

2008/09	Annual Budget	Projected Outturn	Over/-Under spend
<u>Service Area</u>	£000	£000	£000
Highways	5,932	7,655	1,723
Restoration Fund		-429	-429
Funding from Bellwin threshold Reserve		-505	-505
Sub-total Highways	5,932	6,721	789

2008/09	Annual Budget	Projected Outturn	Over/Under spend
<u>Service Area</u>	£000	£000	£000
Environmental Health & Trading Standards	2,131	2,131	
Waste Management	11,551	11,126	-425
Directorate Management & Support	358	358	0
Transportation	3,927	3,927	0
Planning	1,866	2,121	255
Environment Total	25,765	26,384	619

Highways

8. The current budget projections include a forecast gross overspend on winter maintenance of £1.065m. The increase of £765,000 since last reported results from estimate of costs for the year following a very cold winter and snow in January.
9. The de-trunking of the A465 has seen £140,000 grant allocated to the council for road maintenance and this will be used to mitigate additional Winter Maintenance costs in 2008/09 resulting in a net overspend of £1.025m.
10. There is also a £500,000 winter maintenance reserve available for one-off funding for exceptional conditions. The Director of Resources will review whether it is appropriate to draw on the Winter Maintenance Reserve as part of the 2008/09 accounts closedown process when the final position is known.
11. The position for the service is assisted by the non-recurring funding available in 2008/09 with the council's £429,000 Restoration Fund allocation being applied to meet costs associated with the 2007 floods.
12. Following the floods in September and November 2008 Highways incurred total emergency repair work costs of £1,238,000. The council is able to apply for funding for this work under the Bellwin scheme, although the first £432,000 and 15% of remaining claim amount has to be funded by the council. A specific reserve of £505,000 was set up to cover this threshold and the forecast assumes that this will contribute to the Council funded element of these costs however there will be a shortfall of £73,000.
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 December indicates a £280,000 shortfall on income target for the year. The assessment is that the economic slow down has affected the level of income.
14. There is pressure on the Highways budgets in relation to contract inflation on Roads Maintenance and Street Cleansing. Whilst every effort is being made to manage these pressures within budget, Street Cleansing is likely to overspend by £90,000.

15. A saving of £150,000 through staff vacancy management will be achieved due to the recruitment freeze pending the service delivery review.
16. Overall there is a projected overspend of £1,723,000 on Highways but after taking into account the known transfers from reserves £505,000 and one off funding £429,000, the net overspend reduces to £789,000.

Environmental Health and Trading Standards

17. There is an expected overspend of £120,000 in relation to Markets & Fairs relating to shortfall on rental income on the Market Hall Hereford and insufficient expenditure budget for the Street Trading.
18. Income from the Crematorium is expected to be in excess of target by £50,000.
19. There is also an expected overspend of £75,000 in relation to the Anti Social Behavior team due to temporary staff costs incurred in setting up the team and on-going salary costs. This is mitigated by through structural re-alignment across the service.
20. These overspends are expected to be managed within the Services through vacancy management and income received above target in relation to Air Pollution, Licensing and Trading Standards
21. The overall assessment is that Environmental Health and Trading Standards will balance to budget.

Waste Management

22. It is projected that Waste Management will underspend by £425,000. This overall position includes contract inflation increases on the Waste Collection contract of £360,000. This will be mitigated by an under-spend on Waste Disposal and forecast increased income of £100,000 for commercial waste.
23. Current estimates from Worcestershire County Council (WCC) of Waste Disposal contract costs project an expected underspend of £800,000 on Herefordshire's Waste Disposal budget for 2008/09. This revised estimate 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 in general have reduced.
24. 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.
25. 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 £300,000. 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.

26. The predicted outturn has also been increased by £110,000 to reflect the allocation of costs in relation to Head of Service and Directorate Management & Support Team.

Directorate Management and Support

27. The additional costs related to the 'Big Conversation' will be funded through one-off vacancy savings within the Environment Support Team.

Planning

28. The latest position for Planning shows an increase in the level of overspend against the results reported for September 2008. This is due to a downturn in planning fee income in the October to December 2008 period. January showed a brief upturn, but future income is likely to be affected by the current economic climate so the position is unlikely to improve. The forecast includes a planning delivery grant payment that was not previously anticipated.
29. Current budget pressures continue to include the monthly costs for scanning of plans that will continue until a new system is implemented. Legal and consultant costs of £90k have already been incurred due to planning appeals. Further appeal costs are expected and are under final negotiations. ICT service level agreement costs of £75,000 remain an unfunded pressure.
30. Planning has identified a need for a new system to manage and record applications, as the current system is no longer supported. The new system is planned to be part of Herefordshire Connects programme.
31. There will be significant expenditure in relation to the Local Development Framework; most of this will be funded by government grants. Growth point Initiative funds for 2009/2010 have been secured at £175,000.
32. A saving of £30,000 through staff vacancies will be achieved.
33. The overall position forecast for Planning is currently projected to be an overspend of £255,000.

Recovery Plans

34. 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.
35. Both the Environment & Culture and Regeneration Directorates face significant budget pressures in 2008-09. Action has been taken to identify savings in order to reduce the forecast overspends. Whilst progress has been made around vacancy management and operational costs and the outcome of the contract variation outlined in paragraph 23 has significantly improved the position, recent adverse weather conditions have put additional pressure on Winter Maintenance budgets which are difficult to manage this late in the financial year. There is some spare

budget capacity within Regeneration to manage the Planning overspend however this flexibility has to be balanced across all services within the Directorate.

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

RECOMMENDATION

THAT the report be noted.