

MEETING:	ENVIRONMENT SCRUTINY COMMITTEE
DATE:	28 JUNE 2010
TITLE OF REPORT:	REVENUE BUDGET MONITORING
REPORT BY:	DIRECTOR OF RESOURCES

Wards Affected

County-wide

Purpose

To advise members on the Environment Committee of the financial revenue outturn position for the Environment budgets for 2009/10 and the agreed budget for 2010/11 highlighting the emerging pressures.

Recommendation

THAT the report be noted

Key Points Summary

- The final outturn position for Environment for 2009/10 is an overspend of £406k.
- The budget for Environment 2010/11 is £24,818k. This is managed within two Directorates, £22,818k within Sustainable Communities and £2,009k within Public Health.

Key Considerations

Revenue Outturn 2009/10

1. In overall terms the final revenue outturn variance for Environment was an overspend of £406k, which represents a variance of 1% against the final budget.
2. A summary of the final revenue outturn variances is set out in the table below with further detail included in Appendix 1.

Summary 2009/10

Environment & Culture

**Final Outturn
Variance Over/
-Underspend
£000**

Highways	744
Managing Agent Contract Services	375
Service Delivery Partnership Team	-37
Environmental Health & Trading Standards	151
Waste Management	-982
Directorate Management & Support	182
<u>Regeneration</u>	
Planning & Transportation	-27
ENVIRONMENT TOTAL	406

Highways

- As previously reported, following the severe winter weather in early 2010, there was an overspend of £976k on the Winter Maintenance budget. This is slightly better than previously predicted following lower than forecast number of gritting runs in February and March. The Winter Maintenance Reserve of £500k helped to meet costs incurred due to such conditions. This was replenished as part of the 2010/11 budget.
- A saving of £85k through staff vacancy management was achieved in Highways mainly due to the recruitment freeze pending the service delivery review.
- Within the overall Highways revenue budget of approximately £12m, there were underspends on budgets which are managed on the Council's behalf by Amey Herefordshire - £70k on Roads Maintenance and £77k on Street Lighting. This reflects the redirection of resources to manage the extreme winter condition in January and the subsequent emergency repair works.

Managing Agent Contract Services

- Savings achieved following the Service Delivery Review reflect the transfer of services on 1st September 2009 and have been pro rata against the guaranteed annual savings of £1m. Whilst the annual operational saving target of £900k was not expected to be achieved in 2009/10 due to delays in contract negotiations, staff savings of £120k were achieved through vacancy management prior to the staff transfer. The £100k savings in overheads that make up the balance of the £1m have also been achieved.

Environmental Health & Trading Standards

- Environmental Health and Trading Standards' outturn for 2009/10 was a net overspend of £151k.
- Markets, Fairs and Street Trading over spent by £92k, this mainly related to the Hereford Butter Market. There was a shortfall in income of £60k following the loss of a major trader in September 2008 of 17 stalls. There were also additional costs in relation to energy costs, refuse collection in relation to the Maylord Service Yard and equipment costs totalling £30k required to maintain the building for current traders. There are 68 stalls in the Butter Market and, at 31st March 2010, 53 were taken.
- Whilst income from the Crematorium & Cemeteries outperformed the income target by £90k, additional energy and building maintenance costs were incurred resulting in a net underspend of £14k.

10. The final outturn for Parking in 2009/10 was net income of £918k. It was previously reported that Parking was expected to overspend by £85k however income received from car park ticket sales in March 2010 exceeded target resulting in a final net overspend of £62k. The main variances to budget were:

2009/10	Variance £000
Shortfall of Car Parking Income	9
Shortfall of De-criminalised Parking Income	105
Staff vacancy savings	-114
Overspend on Rent & Rates of Car Parks	65

11. The car parking income target for the year from ticket sales, parking space rental and advertising income for 2009/10 was £2,262k and £2,253k was achieved. Whilst it was previously reported that this income target was not expected to be met, income received in March 2010 exceeded target by £23k resulting in a shortfall for the year of just £9k.
12. The De-criminalised Parking income target for 2009/10 was £529k; this relates to income from the issue of Penalty Charges Notices (PCN). There was a shortfall of £105k in 2009/10. This was met by the savings from staff vacancies.
13. Charges in relation to Penalty Charge Notices are set statutorily and the charging regime was revised by the Department of Transport in early 2008. The charges for the lower level, more commonly issued PCN, were reduced and the annual income targets have proved difficult to achieve since and have been met by staff savings. There was also a reduction in the number of tickets issued in 2009/10 of 2,200 (12%) compared with the previous year. Of this reduction 700 related to the period of severe weather conditions in January 2010.
14. There is an overspend in 2009/10 relating to the additional rent for Maylord Orchard Car Park following the completion of a rent review in the year, annual rent has now increased by to £147.5k from £100k. There is also an overspend on rates charges on Car Parks of £29k; this reflects the accumulated annual increase in rates against a standstill budget. These pressures will be addressed in 2010/11.

Waste Management

15. The final outturn on the joint Waste Disposal PFI contract for 09/10 was an underspend of £851k.
16. A provision has been made in 2009/10 accounts to reflect the risk that if waste growth/reduction between Herefordshire and Worcestershire vary by more than 1% to the detriment of Herefordshire then an increase of £330k would be incurred by Herefordshire. The current tonnage figure indicates a 0.8% move of overall tonnages in Worcestershire's favour. The final reconciliation for 2009/10 will be done in the coming weeks.
17. The new Waste Collection contract extends recycling services to all residents in the County. Previously only 75% of residents had a recycling collection from their home. The Household Waste Recycling Act requires all waste collection authorities to provide a comprehensive kerbside recycling service by the end of December 2010. The range of recyclables to be collected has also been extended. The aim is for us to

achieve our National Indicator target of 40% by the end of 2010. Recycling outturn for 2009/10 year was 33.92% and our current standing is 35.40%.

18. There was an underspend on the Waste Collection contract of £125k and income from Trade Waste exceeded their income target by £115k, this helped mitigate additional costs incurred in relation to the marketing and publicity costs sustained in relation to the introduction of the new contract in 2009/10.

Planning and Transportation

19. The outturn position for Planning and Transportation was an under spend of £27k.
20. The number of valid planning applications received for the Year to 31st March 2010 was 2,789 compared to 2,625 for the year to 31st March 2009. This represents an increase of approximately 6%. Despite this improvement in numbers of applications, planning fees, income fell short of meeting its budgeted target by £129k.
21. The new Civica system was implemented during the financial year. However the need for existing document scanning continued throughout the year and resulted in an overspend of £65k. A further overspend of £61k was incurred for document storage and retrieval costs.
22. Within Transportation the current downturn in concessionary fare passengers continued throughout the last financial year and resulted in an under spend of £155k for the year.
23. Several bus contracts were renegotiated during the year and a net saving of £29k was achieved on the Transport route subsidies budget. Further renegotiations and potential savings are expected in the next financial year.
24. Staff vacancies in Transportation amounted to £32k and surplus income of £33k on section 38 fees was also achieved.

Revenue Budget 2010/11

25. The total budget for Environment in 2010/11 is £24,818K. This is the controllable budget total before support costs are factored in. In summary:

	Gross Expenditure Budget £000	Income £000	Net Budget £000
<u>Sustainable Communities</u>			
Highways & Transportation	15,080	-5,869	9,211
Planning & Sustainability	19,213	-5,615	13,598
	34,293	-11,484	22,809
<u>Public Health</u>	2,843	-834	2,009
ENVIRONMENT	37,136	-12,318	24,818

A detailed breakdown of the budgets is set out in Appendix 2.

26. The Medium Term Financial Strategy approved by Council sets the broad framework for service revenue budgets for 2010/11 and onwards. Inflation was added to direct

employee pension costs and income target for client and customer receipts were increased by 2%.

27. The strategy also made assumptions in relation to council tax increases and levels of formula grant funding over the next three years, the impact of these assumptions translated into specific savings targets for Directorates.
28. Following the general election the new coalition government has strongly indicated the scale of future reductions in public sector funding and the savings targets are certain to increase following the upcoming budget announcement. The strategy for managing this is currently being considered by the Director of Resources.
29. The current savings target for 2010/11 for Environment is shown in the table below along with other adjustments identified in the strategy and these are reflected in the figures included in Appendix 2.

Adjustments identified through Medium Term Financial Strategy	Budget Additions/ - Savings £000
Closed Landfill & Contaminated Land – management of land decontamination	85
Contract inflation in relation to Amey Herefordshire Managing Agent Contract	75
Contract inflation in relation to FOCSA Waste Collection contract	85
Planning Development Control fees – an additional allocation to support the reduction in income due to the economic climate.	180
Contribution to the 3 year budget plan - 5% savings	-1,124
Net Saving	<u>-699</u>

30. Further details of the allocation and achievement of the annual savings will be brought to Scrutiny Committee later in the year.
31. Following an announcement by the Chief Executive in February 2010, a revised structure is being implemented in 2010/11 which gives recognition to the needs to reduce senior management costs, drive greater integration and reduce duplication/inefficiencies within the structure so that resources can be focused on delivering excellent services that meet customers' needs. Appendix 2 is presented in line with this new structure.
32. The 2010/11 budget has been reduced by £196k to reflect the savings made through this reduction in senior management. Further savings in relation to the implementation of a new Performance Management System has also identified £66k of staff savings in 2010/11.
33. The 2010/11 budget has also been reduced by £18.9k in relation to the revenue contributions to Capital Projects.

34. A pressure of £196k has been identified on the Parking budgets. The Parking net income budget for 2010/11 is £1,463k. This incorporates 2% inflation on income allocated as part of the annual budget process, whereby it is expected that services inflate their fees and charges as a minimum by inflation, and an annual savings target of £74k. There is an addition of £15k in relation to the disaggregation of the Environment Health Administration team following the organisational restructure.
35. The 2010/11 Parking budget has been reviewed by the manager of Community Protection & Parking and savings of £63k have been identified in relation to staffing, increased income from a price increase in Concessionary Parking Tickets and other minor adjustments to expenditure. The pressures identified earlier in the outturn section, in relation to Rent and Rates, of £85k together with the cost of borrowing, in 2010/11, to fund the pilot scheme for Pay on Foot in Maylord Orchards Car Park of £5k have also been addressed. This leaves a pressure on parking budgets of £196k which includes the shortfall of income from PCN income and the achievement of the annual savings targets. This will be closely monitored throughout the year in discussion with the Director of Resources.
36. There is also a pressure on the Markets, Fairs and Street Trading budget of £89k in 2010/11. The Markets, Fairs and Street Trading net income budget for 2010/11, controllable by the Sustainable Communities Directorate is £265k. This incorporate 2% inflation on income allocated through the annual budget process and annual savings target of £16k. There is an addition of £17k in relation to the disaggregation of the Environment Health Administration team following the organisational restructure.
37. This budget has been reviewed by the manager of the Markets, Fairs and Street Trading team however income from Hereford Market Hall is not expected to meet the 2010/11 income target by £73k and the savings target of £16k remains unidentified. There is currently a capital project looking at the designs for the refurbishment of the Hereford Butter Market, this would improve income by providing improved accommodation and longer term prospects for traders. If feasible a spend to save bid may be pursued. The budget will be closely monitored during the year and further work to review Directorate budgets are planned by the Director of Sustainable Communities and his management team to identify mitigation of this pressure in 2010/11 and future years and will be reported back this committee at a later date.

Financial Implications

38. These are contained in the body of the report.

Risk Management

39. The risks are set out in the body of the report in terms of the potential cuts in funding and pressures and the report notes the actions planned to address these.

Appendices

Appendix 1 – Summary Environment Revenue Budget 2009/10

Appendix 2 – Summary Environment Revenue Budget 2010/11

Background Papers

- None identified.