

AGENDA MANAGEMENT SHEET

Name of Committee	Environment and Economy Overview and Scrutiny Committee
Date of Committee	2 July 2009
Report Title	Progress Report on the Budget and Savings Plan for the Environment and Economy Directorate
Summary	Update on the progress being made by the Environment and Economy Directorate in delivering its savings targets and balancing its budget.
For further information please contact	Liz Firmstone Financial Services Manager Tel. 01926 412534 lizfirmstone@warwickshire.gov.uk
Would the recommended decision be contrary to the Budget and Policy Framework?	Yes/No
Background Papers	None

CONSULTATION ALREADY UNDERTAKEN:-

Details to be specified

Other Committees	<input checked="" type="checkbox"/> Cabinet – 22 May 2008, 16 October 2008. Environment Overview and Scrutiny Committee - 24 January 2008, 5 June 2008.
Local Member(s) (With brief comments, if appropriate)	<input type="checkbox"/>
Other Elected Members	<input type="checkbox"/>
Cabinet Member (Reports to The Cabinet, to be cleared with appropriate Cabinet Member)	<input checked="" type="checkbox"/> Councillor M Heatley – for information
Chief Executive	<input type="checkbox"/>
Legal	<input checked="" type="checkbox"/> I Marriott – agreed.
Finance	<input type="checkbox"/>

Other Chief Officers	<input type="checkbox"/>
District Councils	<input type="checkbox"/>
Health Authority	<input type="checkbox"/>
Police	<input type="checkbox"/>
Other Bodies/Individuals	<input type="checkbox"/>

FINAL DECISION **YES** *(If 'No' complete Suggested Next Steps)*

SUGGESTED NEXT STEPS :

Details to be specified

Further consideration by this Committee	<input type="checkbox"/>
To Council	<input type="checkbox"/>
To Cabinet	<input type="checkbox"/>
To an O & S Committee	<input type="checkbox"/>
To an Area Committee	<input type="checkbox"/>
Further Consultation	<input type="checkbox"/>

Environment and Economy Overview and Scrutiny Committee - 2 July 2009

Progress Report on the Budget and Savings Plan for the Environment and Economy Directorate

Report of the Strategic Director for Environment and Economy

Recommendation

Environment and Economy Overview and Scrutiny Committee notes the progress made by the Environment and Economy Directorate in delivering its plans to meet its required savings targets.

1. Introduction

- 1.1 At its meeting on 5 June 2008, the Strategic Director of the Environment and Economy Directorate reported to the Environment Overview and Scrutiny Committee the level of savings the Directorate needed to make in order to balance its budget and outlined a three year plan for addressing the problem, broadly describing some of the steps that needed to be taken to meet the savings target.
- 1.2 This report gives an update on the progress that has been made in the past twelve months and outlines the work that is ongoing to ensure the Directorate can deliver its service priorities within the resources available.

2. Background

- 2.1 At the start of 2008/09 the Environment and Economy Directorate was facing a savings target of £3.903 million for the year (including repayment of the £1.1 million 2007/08 overspend), rising to an estimated £5.686 million by the end of 2011/12. The report to the Environment Overview and Scrutiny Committee on 5 June 2008 set out the reasons behind the level of savings required. Broadly, the savings were needed to meet:-
 - (i) Efficiency savings targets
 - (ii) targets brought forward from previous years, which had been met from one-off savings
 - (iii) Other unavoidable budget pressures

- 2.2 In order to manage delivery of these savings targets in a planned and controlled way, on 22 May 2008, Cabinet approved:-
- (i) A planned overspend on the Directorate's budget in 2008/09 of up to £2 million.
 - (ii) A major review of the vision, purpose and structure of the Environment and Economy Directorate, in order to produce savings plans based on a structured assessment of the services the Directorate should provide in the future.
- 2.3 In order to implement this review, the Director established the Future Service Delivery (FSD) Project in 2008/09. This project is governed by a Project Board, comprising:-
- (i) Councillor Alan Cockburn (Chair and Portfolio Holder for Resources)
 - (ii) Councillor Martin Heatley (Portfolio Holder for Environment Services)
 - (iii) Councillor Chris Saint (Portfolio Holder for Economic Development)
 - (iv) Paul Galland (Strategic Director, Environment and Economy)
 - (v) Dave Clarke (Strategic Director, Resources)
 - (vi) David Carter (Strategic Director, Customers, Workforce and Governance)
 - (vii) Heads of Service of the Environment and Economy Directorate
- 2.4 The work of this project is ongoing and to date has included:-
- (i) A major review of the vision and purpose of the Directorate.
 - (ii) A review of specific service provision, which generated a savings plan based on statutory duties, corporate priorities, policies and standards.
 - (iii) A series of individual service reviews, the results of which have informed changes to the structure of the directorate and ongoing savings plans.
 - (iv) Engagement with portfolio-holders, managers, staff and trade unions, through a detailed communications plan to ensure transparency and understanding of the requirement to make savings.
 - (v) Exploring opportunities for new ways of working.
- 2.5 The remainder of this report explains in more detail the progress that has been made in meeting the savings target for 2008/09, and in planning to meet savings requirements in the 2009/10 and 2010/11.

3. Delivery of Savings Targets 2008/09

- 3.1 The Environment and Economy Directorate started 2008/09 with a savings target of £3.903 million. One of the early pieces of work of the FSD Project was to review all of the services provided by the Directorate against a set of criteria, in order to determine the level of service that should be delivered in future, and to identify key areas for specific service reviews. The criteria that were applied are:-

- (i) Does it specifically contribute to the Corporate Priorities?
- (ii) Does it contribute to the Directorate's Vision and Purpose?
- (iii) Is it a Statutory Duty?
- (iv) Are there alternative providers?
- (v) Size of budget and financial performance
- (vi) Service performance
- (vii) Potential for New Ways of Working

The result of this exercise was to identify savings of £1.922 million towards the Directorate's target for the year. **Appendix A** sets out the individual targets and the actual savings delivered against them during the year.

3.2 In order to close the remaining budget gap for the year, all managers were tasked with finding additional sustainable savings. By the end of 2008/09, the Directorate had secured a total of £4.854 million savings against the original target of £3.903. This was a combination of ongoing savings and one-off savings and income, e.g. clawback income from Warwick Parkway station.

3.3 However, set against these savings, we have also incurred exceptional one-off costs in the following areas:-

- (i) Street lighting energy costs - increases in energy costs in summer 2008 when contracts were being renewed at the height of the oil prices resulted in unbudgeted costs for EED amounting to £748k (these have been treated as a corporate pressure in 2009/10).
- (ii) Winter maintenance - the extreme adverse weather conditions in February 2009 resulted in unbudgeted costs for salt, vehicles and contract costs of £342k (we had to do far more salt runs than the average season and the allocated budget provided for).
- (iii) Redundancy costs - (for posts where redeployment was not possible) – These costs were a consequence of the Directorate's Future Service Delivery project to restructure and refocus the Directorate and re-balance its budget, costing £326k.
- (iv) Skills Delivery - The under recovery of income relating to Skills Delivery, which was not fully identified until the end of the financial year, is £892k. This is the subject of a service review to determine the best way forward.

As a result of these items, the overall outturn position for the Directorate in 2008/09 was an overspend of £1.357 million.

3.4 The exceptional costs incurred in relation to street lighting energy and winter maintenance were entirely beyond the Directorate's control, and as part of the corporate outturn report, Members have been requested to approve one-off funding from corporate reserves to meet these.

4. Savings Targets for Future Years

- 4.1 As part of its medium-term financial planning, the Environment and Economy Directorate monitors continuously its savings requirement for the next three years. This is a constantly moving target, as budget pressures and availability of funding are constantly being adjusted. However, *current* estimates of future years' savings requirements are shown in Table 1 below:-

Table 1: Environment and Economy Directorate Savings Requirement 2009/10 to 2011/12	2009/10 £000	2010/11 £'000	2011/12 £000
Original Budget	65,950 ¹	62,891	61,969
Approved Savings	-2,646 ²		
Approved Budget ³	63,304	62,891	61,969
Allocations to Services	-63,136	-62,891	-61,969
Unallocated budget	168	0	0
Forecast overspend 2008/09 to be repaid	-1,666	0	0
Estimated unavoidable budget pressures 2009/10	-1,000	?	?
Additional savings to be found	-2,498	-1,536	-2,454 ⁴
One-off funding requested from Cabinet for exceptional costs in 2008/09 ⁵	1,090	0	0
Savings to be found if one-off funding is approved	-1,408	-1,536	-2,454

- 4.2 The savings targets for 2010/11 and 2011/12 assume that requirements in previous years are found in full. The majority of the savings needed in 2009/10 are likely to be one-off only, in order to meet repayment of the 2008/09 overspend and primarily one-off budget pressures emerging in the current financial year.

- 4.3 The estimated budget pressures in 2009/10 relate to:-

¹ Includes revenue and Area Based Grant allocations approved in 2009/10 budget resolution.

² Includes savings approved in 2009/10 budget resolution and subsequent corporate budget adjustments. The approved savings include those agreed by the FSD Board for 2009/10 and savings to meet the 2009/10 efficiency target.

³ Original and approved budgets for 2010/11 and 2011/12 is indicative only.

⁴ Estimate based on 4% efficiency saving target.

⁵ Street lighting energy and winter maintenance costs 2008/09

- (i) Shortfall in planned developer income due to the economic downturn (est. £320k)
 - (ii) Known retirement and redundancy costs arising from the FSD project (£50k)
 - (iii) Smallholdings condition surveys (est. £30k)
 - (iv) Ongoing cost of annual planning consultations arising from change in legislation (est. £80k)
 - (v) Deficit in Skills Delivery Group – will be dependent on course of action agreed as a result of the service review but currently estimated at £520k
- 4.4 The Environment and Economy Directorate is part-way through a restructuring process. This restructuring is required to deliver savings and cuts that are already approved, but the opportunity will be taken to deliver additional savings to assist with this. It is too early for these to be fully quantified at this stage, but they will contribute to sustainable savings in future years.
- 4.5 The Directorate is about to embark on its 2010/11 budget process. This will address both the need to balance the budget for the next financial year, and consider the medium-term financial pressures and how to deal with them.
- 4.6 Management of the County Council's overall budget constraints, including both efficiency savings targets and additional pressures, are now being built into the corporate budget-setting process and the County Council's Medium Term Financial Plan. In future, it is anticipated that the corporate budget planning and monitoring mechanisms will make provision for Directorates to address any underlying difficulties in balancing their budgets in the medium term.

PAUL GALLAND
Strategic Director for Environment and Economy
Shire Hall
Warwick

9 June 2009

Economic Development Overview and Scrutiny Committee - 30 June 2009

Progress Report on the Budget and Savings Plan for the Environment and Economy Directorate

Environment and Economy Directorate – Future Service Delivery Savings 2008/09

Group	Division	Description of Saving	Original FSD Target 2008/09 £	Savings Realised 2008/09 £	2008/09 Excess / (Shortfall) £	Reasons
Warwickshire Observatory	The Observatory	Reduce Quality of Life report budget	4,000	4,000	0	Output delivered at reduced cost.
Warwickshire Observatory	The Observatory	Remove vacant posts from the establishment.	13,000	13,282	282	Saving delivered.
Warwickshire Observatory	The Observatory	Reduce supplies and services budget	19,000	19,000	0	Saving delivered.
Warwickshire Observatory	The Observatory	Reduce travel budget	1,000	0	1,000	Saving not delivered, but has been compensated for by recovering more income than budgeted.
Neighbourhood Initiatives	Skills, Tourism & Economy	Capitalise salary costs on Pride in Camp Hill project	10,000	10,000	0	Savings delivered.
Neighbourhood Initiatives	Skills, Tourism & Economy	Budget reductions in Neighbourhood Initiatives	20,715	28,950	8,235	Full-year saving delivered against part-year target.

Group	Division	Description of Saving	Original FSD Target 2008/09 £	Savings Realised 2008/09 £	2008/09 Excess / (Shortfall) £	Reasons
Neighbourhood Initiatives	Skills, Tourism & Economy	Staffing reductions	5,280	5,280	0	Savings delivered.
Regeneration Strategy & Europe	Skills, Tourism & Economy	Staffing reductions	23,766	23,766	0	Saving delivered.
Regeneration Strategy & Europe	Skills, Tourism & Economy	Budget cuts in Regeneration Strategy and Europe	6,886	6,886	0	Saving delivered.
Regeneration Strategy & Europe	Skills, Tourism & Economy	Identify new funding streams	7,500	12,686	5,186	Savings target exceeded.
Regeneration Projects	Skills, Tourism & Economy	Staffing reductions	36,050	36,050	0	Saving delivered.
Regeneration Projects	Skills, Tourism & Economy	Rephase spend on Business Improvement Districts	20,000	20,000	0	Saving delivered.
Regeneration Projects	Skills, Tourism & Economy	Phase out Regeneration Projects feasibility budget	15,000	15,000	0	Saving delivered.
Regeneration Projects	Skills, Tourism & Economy	Budget reductions in Regeneration Projects	7,000	7,000	0	Saving delivered.
Regeneration Projects	Skills, Tourism & Economy	Reduce subsidy for EPIC	100,000	70,925	(29,075)	Shortfall in saving due to downturn in the economy.
Economic Development	Skills, Tourism & Economy	Staffing reductions	75,190	75,190	0	Saving delivered.
Education Business Partnership	Skills, Tourism & Economy	Steps to make EBP self-financing	14,250	14,250	0	Saving delivered.

Group	Division	Description of Saving	Original FSD Target 2008/09 £	Savings Realised 2008/09 £	2008/09 Excess / (Shortfall) £	Reasons
Sustainability	Environment & Waste	Managing the Council's own waste	12,280	12,280	0	Saving delivered.
Sustainability	Environment & Waste	Termination of secondment arrangement	19,675	17,930	(1,745)	Small shortfall in saving due to part-year effect. Will be recovered in 2009/10.
Sustainability	Environment & Waste	Use of grant funding from CYPF for salary costs and Green Travel marketing material	38,500	38,500	0	Saving delivered.
Sustainability	Environment & Waste	Use of grant funding for School Travel Plan	5,000	5,000	0	Saving delivered.
Sustainability	Environment & Waste	Non production of WCC Green Travel Plan	17,500	17,500	0	Saving delivered.

Sustainability	Environment & Waste	Waste minimisation - cotton nappies - cease service	7,000	7,000	0	Saving delivered.
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Sustainability	Environment & Waste	Savings in Sustainability Unit	5,000	5,000	0	Saving delivered.
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Communications and Information	Environment & Waste	Proposal for a virtual reception in Barrack Street	3,000	0	(3,000)	Saving will now be delivered in 2009/10 due to timing of closure of Barrack Street reception.
Communications and Information	Environment & Waste	Termination of TSO contract and reduce expenditure on books/periodicals	2,000	7,500	5,500	Savings target exceeded.
Communications and Information	Environment & Waste	Reduce staffing in Communications & Information, and in Media & Customer Relations	23,000	16,804	(6,196)	Small shortfall in saving due to timing of staff retirement. Will be delivered in full in 2009/10.

Group	Division	Description of Saving	Original FSD Target 2008/09 £	Savings Realised 2008/09 £	2008/09 Excess / (Shortfall) £	Reasons
Development Group	Environment & Waste	Development Regulations staffing arrangements	31,000	40,178	9,178	Saving target exceeded.
Development Group	Environment & Waste	Development Regulations S38 travel costs	15,000	20,378	5,378	Saving target exceeded.
Planning Policy	Environment & Waste	Savings on Planning Policy salary costs	5,000	6,586	1,586	Saving target exceeded.
Planning Policy	Environment & Waste	Savings on budget bid to replace PDG to carry out statutory duties (e.g. Waste and Minerals Plans)	24,552	24,616	64	Saving target exceeded.
Waste Management	Environment & Waste	New income streams in Waste Management	38,000	38,000	0	Saving delivered.
Waste Management	Environment & Waste	Renegotiate waste contracts	106,000	106,000	0	Saving delivered.
Waste Management	Environment & Waste	Use savings from slow-down of increases in waste tonnages	(44,000)	53,000	97,000	Saving target exceeded.
ICT Services	Environment & Waste	Remove ICT Services project budget	57,000	57,406	406	Saving target exceeded.
County Highways	County Highways	County Highways staffing reductions	63,000	63,000	0	Saving delivered.
County Highways	County Highways	Reduce number of Carillion Area Response Teams	44,250	52,000	7,750	Saving target exceeded.
County Highways	County Highways	Capitalise road patching activity	250,000	250,000	0	Saving delivered.
County Highways	County Highways	Reduce road marking renewals	33,500	33,500	0	Saving delivered.

Group	Division	Description of Saving	Original FSD Target 2008/09 £	Savings Realised 2008/09 £	2008/09 Excess / (Shortfall) £	Reasons
County Highways	County Highways	Generate income by charging to capital for tipping reusable construction materials at Leicester Lane depot	32,000	32,000	0	Saving delivered.
Network Management	Transport Planning	Income from fixed penalty notices to utilities	20,000	0	(20,000)	Delay nationally in implementation of new systems. Will be delivered in 2009/10.
Transport Planning	Transport Planning	Traffic signal maintenance - commuted sums	80,952	80,952	0	Saving delivered - £65,660 through use of commuted sums and one-off cost savings of £15,292 which will have to be replaced with ongoing savings in 2009/10.
Transport Planning	Transport Planning	Staffing savings in Transport Planning	75,000	75,000	0	Saving delivered.
Transport Planning	Transport Planning	Transport Studies budget	170,000	170,000	0	Saving delivered but through surpluses on Civil Parking Enforcement.
Transport Planning	Transport Planning	Project Support Team (Traffic Projects) savings	30,000	30,000	0	Saving delivered.
Transport Planning	Transport Planning	Strategic Projects (Traffic Projects) savings	0	0	0	Saving delivered.
Road Safety	Transport Planning	Recharge appropriate level of School Crossing Patrol overheads	16,000	16,000	0	Saving delivered.
Transport Operations	Other Transport & Highways	Review of publicity and marketing in Transport Operations	23,000	23,000	0	Saving delivered.

Group	Division	Description of Saving	Original FSD Target 2008/09 £	Savings Realised 2008/09 £	2008/09 Excess / (Shortfall) £	Reasons
Transport Operations	Other Transport & Highways	Ongoing Review of Passenger Transport Network Subsidy	67,856	67,856	0	Saving delivered.
County Fleet Maintenance	Other Transport & Highways	Increase CFM's charges to internal customers	30,000	19,000	(11,000)	The original savings target was subsequently reduced by Leadership Team to a more realistic level of £11,000. This revised target was exceeded by £8,000.
Design Services	Other Transport & Highways	Design Services increase in surplus	95,000	95,000	0	Increase in income was delivered but had to be offset by additional costs due to change in accounting treatment for debtors.
Smallholdings	Rural & Management Services	Capitalise salary costs on Smallholdings	30,000	36,115	6,115	Saving delivered.
Smallholdings	Rural & Management Services	Increase in Smallholdings income	30,000	(46,198)	(76,198)	Increased income targets were offset by having to write off bad debts from previous years. It is anticipated that this target will be achieved in 2009/10.
Smallholdings	Rural & Management Services	Reduce revenue expenditure on smallholdings maintenance	40,000	20,000	(20,000)	Remaining target saving will be delivered in 2009/10.
Countryside Services	Rural & Management Services	Health in the Countryside	12,000	13,205	1,205	Saving delivered.

Group	Division	Description of Saving	Original FSD Target 2008/09 £	Savings Realised 2008/09 £	2008/09 Excess / (Shortfall) £	Reasons
Countryside Services	Rural & Management Services	Warwickshire Tree Scheme	11,000	0	(11,000)	Saving not progressed. Will now be delivered in 2009/10.
Finance and Office Services	Finance & Office Services	Reduce staffing in Finance and Office Services	24,000	24,000	0	Saving delivered.
TOTAL APPROVED FSD SAVINGS			1,921,702	1,890,373		