



Report to Cabinet

Subject Direct Services Budgets 2006/07

Date 30th October 2006

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1. Purpose of the Report

- 1) To advise members of budget errors from the Direct Services budgets for 2006/07.
- 2) To advise members of the cost of providing agency labour to cover holidays and sickness.
- 3) To advise members of additional income being received which helps to offset some of the above costs.

2. Background

Members will recall that the first quarterly budget monitoring report, presented to the July Cabinet, included a note on waste management accounts. It stated that I would produce a report to explain the variations in budgetary provision regarding the cost of providing agency labour to cover holidays and sickness.

As the Council prepared to install the new financial management system for 2006, the Department's "in house" developed project costing and billing system had to be abandoned from October 2005. This was the date when all weekly paid staff were transferred to monthly paid.

A new payroll system was introduced in early 2006, the Agresso system and a new stores monitoring system was installed from April 2006. A new project costing and billing system for the Department is currently being tested.

In constructing this year's budgets, the figures for salaries were netted down, as was the likely income to be received. Actually these should all have been grossed up. The net additional expenditure is approximately £45,000.

In particular, with regard to salary estimates, the budget was built up using basic pay only following the transfer of staff to monthly pay. Previously contractual overtime was included in the core payroll estimates. In error, contractual overtime

was not included for the fleet management, landscapes, waste management and toilet cleaning sections. Contractual overtime is a set monthly payment (including overheads this equates to £123,100 per annum) that is made to all “ex manual” employees who continue to work 39 hours, 2 hours more than the basic working week. Payment is made at enhanced rates.

The agency labour requirement is a further £30,000 short of what is required after making allowance for the adjustment of this budget by £25,000 in quarter one when it became apparent that insufficient provision had been made. Agency labour on waste management in 2005/06 cost the Council £144,000 and my revised figure for 2006/07 is currently £118,000. The two reasons why this budget has increased over the past two years is firstly, the number of employees now engaged on waste services and high levels of sickness in this section.

When the chargeable garden waste scheme was introduced, it was concluded that the department’s “pool” of spare labour which had been in place for some time to reduce the need for casual agency labour as cover for absences could be eliminated and that no allowance needed to be made accordingly for additional departmental expenditure on wages. This was partly based on the judgement that was made at that time that the removal of the separate kerbside paper collection would result in one of these crews becoming available for other activities. The garden waste scheme was accordingly staffed from this pool.

This has turned out to be a mistake. In fact, the garden waste scheme and the kerbside glass collection scheme have become so popular that this “spare” crew has never actually become available. Over time, therefore, with the labour pool now being fully engaged on garden waste collection duties, the use of agency labour for absence cover began to increase again, although since this had not been anticipated it had not been allowed for in the budgets. On reflection, it would have been better for the labour pool to have been retained and for the garden waste scheme to have been staffed separately from the outset, but since this was not done, the establishments and therefore the budgets for 2004/05 and subsequent years did not reflect the additional labour costs being incurred.

Agency labour is used to cover employees on sickness and annual leave particularly in waste management. The Personnel and Resources Committee is due to consider a revised sickness absence management scheme at its meeting on 30 October 2006. Over the past 12 months, waste management officers have issued 11 stage one sickness warning letters, 4 stage two warning letters and three employees have been dismissed for poor attendance at work. The strict monitoring of this scheme is essential to keep agency labour costs at a minimum.

3. Proposal

Over the past few months, officers of the Department have been working on improving income generation and identifying potential savings from other department budgets to limit the effect of the original budget errors. Increased Recycling tonnages coupled with an agreed amount of recycling credit for garden waste tonnages collected in 2006/07 have generated over £88,000 of additional income.

Further savings have been identified to the value of £22,000 and these will be vired to the Waste Management Agency labour cost centre to offset some of the additional requirement.

The financial appraisal requests the required funding to rectify the overall situation.

The Deputy Chief Executive, Head of Finance and the Head of Direct Services have agreed new arrangements and procedures to ensure the above problems are not repeated in future years.

4. Financial Issues

The amendments required are:-

Additional costs (Including contractual overtime and offset by additional income)	£45,000
Agency Provision	£55,000
Less agency provision already agreed at First quarterly monitoring cabinet in July	-£25,000
Less identified savings in other departmental budget heads	- £22,000
Total Amount required (shortfall)	<u>£53,000</u> =====

All the above adjustments have been taken into consideration in the following quarterly budget monitoring report and performance digest and virement report.

5. Recommendation

That Cabinet approve the alterations to the Direct Services budgets as outlined in this report, an overall cost of £53,000, which has been included in the budget monitoring report, and performance digest and virement report.

6. Wards Affected

N/A