

By: Nick Chard, Cabinet Member and Mike Austerberry, Executive Director

To: Environment, Highways and Waste (EHW) Policy Overview and Scrutiny Committee – 18th January 2011

Subject: Budget 2011/12 and Medium Term Financial Plan 2011-13

Classification: Unrestricted

Summary: The purpose of this report is to consult the Committee on the budget proposals for the EHW Portfolio, with reference to the KCC published budget consultation paper issued on 6th January 2011.

Members are invited to comment on the key issues on the proposed budget changes for the services provided by the EHW Directorate.

1. Introduction

- 1.1 The Autumn Budget Statement report by the Leader, Cabinet Member for Finance, Group Managing Director and Head of Financial Management to Cabinet on 29th November 2010 identified that following the announcement of the Spending Review 2010 it was clear local government would have to make significant savings to compensate for reductions in government grants. As well as announcing spending plans for all government departments, the Spending Review confirmed that the Department of Communities and Local Government (CLG) would receive £3.4bn of grants previously allocated as Area Based Grant (ABG) or specific grants, via the un-ringfenced Formula Grant, but that Formula Grant would be significantly reduced in both cash and real terms over the Spending Review period.
- 1.2 The provisional Local Government Finance settlement was announced on 13th December 2010. This set out provisional grants for 2011/12 and 2012/13 including the impact on individual authorities of the grant transfers and cuts heralded in the Spending Review announcement. Details of the Spending Review 2010 and provisional Local Government Finance settlement are set out in section 2 of the draft Budget 2011/12 and Medium Term Financial Plan 2011-13 (hereafter referred to as the “draft budget book”).
- 1.3 Cabinet on 10th January 2011 considered the impact of the provisional Local Government Finance settlement. The headline is that the grant cuts are more severe than previously estimated and this has increased

the overall revenue savings requirement for the next two years up to £160m. Details of how the combination of Government Grant cuts, unavoidable additional spending pressures and new spending priorities which lead to the £160m requirement are set out in the draft budget book, as are the proposed savings in order to balance the budget.

- 1.4 For 2011/12 the draft budget proposes freezing council tax at the same level as 2010/11 i.e. £1,047.48 for a band D property. Cabinet members have been considering a freeze on council tax throughout the budget planning process and the announcement of Council Tax Freeze grant is factored into our calculations on the overall net loss of grant.
- 1.5 Members are asked to read this report in conjunction with the draft budget book, issued on 6th January 2010.

2. Background

- 2.1 The budget consultation papers include the proposed 2011/12 budgets as an A to Z of services (appendix A of the draft budget book). This revised presentation is an attempt to make the budget more transparent to the general public, however, it does mean we cannot present the budget entirely in portfolio order which makes it more difficult for POSCs to scrutinise the portfolio proposals. For ease of reference the A to Z entries for the EHW portfolio are set out in appendix 1 below.
- 2.2 Appendix B of the draft budget book sets out the medium term priorities by portfolio for 2011/12 and 2012/13. Previously we have set out priorities over a three year horizon but the announcement of a two year provisional settlement for 2011-13 in expectation of a fundamental review of the local government funding formula for 2013/14 renders a three year plan unrealistic. The 2011/12 column of appendix B sets out the main reasons for the changes between the agreed budget for 2010/11 and proposed budget for 2011/12.
- 2.3 Appendix D of the draft budget book sets out the proposed capital investment programme for each portfolio. Overall there have been significant reductions in government grants for capital projects but in spite of this the authority is seeking to maintain its capital investment and has provided additional revenue funding in the Finance portfolio to meet the cost of financing this programme.
- 2.4 Copies of the draft budget book have been distributed to all Members (on the 6th January). You are asked to ensure you bring those to this meeting.
- 2.5 The draft budget book is based on the current organisation of portfolios and directorates. At this stage in the restructuring process it is not appropriate to identify budgets for the new structure. We have

designed the draft budget book in appropriate building blocks which can be used to construct a comparable budget under the new structures after the budget has been finalised without having to go back to County Council for a revised approval to spend.

3. Revenue Budget

- 3.1 The overall direction for the EHW directorate is now well established, and the current Medium Term Service Priorities are included in Appendix B of the draft budget book.
- 3.2 We are setting this budget in a period of the greatest fiscal challenge that public services have faced for a very long time. The Government has identified the need to tackle the national deficit and local government has a significant role to play. In setting out this proposed budget for the EHW portfolio we have taken a policy-led approach and in particular the vision and priorities set out in Bold Steps for Kent.
- 3.3 Areas of spending priority across this medium term plan for which significant additional funding is required are to meet the price pressures on waste, highways and transport contracts, the legislative pressure of the landfill tax escalator and the expected shortfall in funding for concessionary fares (responsibility of which transfers to the County Council from April 2011). There are financing costs of the investment in highways capital maintenance and also additional pressure on the Freedom Pass which continues to gain in popularity.
- 3.4 The position on budget increases can be summarised as follows:

Table 1 - summary of value of base budget adjustments and budget pressures

	2011/12	2012/13
	£'000	£'000
Base adjustments: Internal	-2,731	0
External	15,404	0
Budget increased for:		
Prices	4,660	4,029
Legislative	3,732	3,292
Demand	1,270	0
Service Improvements	396	550
Total pressures and base adjustments	22,731	7,871

- 3.5 Provisional cash limits for each Portfolio have been set. To balance to these cash limits, given the pressures outlined above, we will need to deliver savings, efficiencies and new income streams. The two-year financial plan in appendix B of the budget book and shown in appendix 2 below for ease of reference, details the proposed savings required in

2011/12 and 2012/13. The major items for 2011/12 are explained in the following paragraphs.

3.6 Savings and Income generation

- 3.6.1 The total of the proposed savings and income generation required in order to meet the indicative cash limit for 2011/12 is £11.9m.
- 3.6.2 The majority of these savings will come from efficiencies (£6.9m) and new income streams (£0.8m).
- 3.6.3 The biggest element of the new income will be from increasing the cost of the Freedom Pass from £50 to £100. The cost to children in receipt of a free school meal will remain at £50 and it will become free to looked after children. The Freedom Pass will still remain exceptionally good value.
- 3.6.4 The efficiencies will be a combination of management reductions, streamlining and reduced assessment, and improvements in our procurement and contracting in highways and waste.
- 3.6.5 Because of the level of savings required, efficiencies and new income are not sufficient and some service reductions will also be required (£4.1m).
- 3.6.6 The largest of these reductions will correspond with the government reductions in ABG for highways and transportation. This will result in a reduction of £1.7m from road safety (mainly safety camera partnership) and sustainable transport initiatives.
- 3.6.7 The transport offer will be reduced slightly, with the removal of support to those socially necessary but uneconomic bus routes that provide the least added value (£0.6m) and also the removal of the 9:00 - 9:30 discretion on concessionary fares (£0.6m).
- 3.6.8 3rd party recycling credits currently passed on to national bodies will be removed and the household waste recycling opening hours will be reviewed.
- 3.6.9 There will also be savings across the environment and planning services, the most significant of which will be reductions in the level of public rights of way maintenance and countryside access services.
- 3.6.10 In line with the zero pay award for KCC officers for 2011/12, it is proposed that no inflation is added to highways fees and charges for the new financial year. This continues the freeze in highways fees and charges in 2010/11 and will be a small help to business at this difficult economic time.

3.6.11 The proposed net position is therefore as follows:

Table 2; Total proposed base budget for EHW Services

	2011/12	2012/13
	£'000	£'000
Base budget	151,261	162,091
Total Pressures and base adjustments (from Table 1)	22,731	7,871
Savings	-11,073	-3,169
Income Generation	-828	-1,090
Revised base budget	162,091	165,703

4 Capital Budget

- 4.1 The starting point for the capital programme is the existing published capital programme for 2010/13. This is adjusted for re-phasing of schemes from 2010/11, changes to the total cost or funding of schemes, and new schemes.
- 4.2 The only significant change to the capital programme is the 28% reduction in government funding for the combined highways maintenance and integrated transport programmes. We have tried to protect frontline road surface as far as possible from this reduction and the split between maintenance and integrated transport programmes is shown in the detailed capital budget shown in appendix D of the budget book and in appendix 3 below for ease of reference.

6. Recommendation

- 6.1 Members are asked to note and comment on the revenue and capital budget proposals.

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