

To: Environment Highways and Waste (EHW) Policy
Overview and Scrutiny Committee –22 November 2011

By: Bryan Sweetland, Cabinet Member - Environment,
Highways & Waste

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Environment

Subject: Revenue Budget 2012/13 and Medium Term Financial
Plan 2012/13 to 2014/15

Classification: Unrestricted

Summary: This report identifies the latest forecasts for next year's budget and the financial plans for the following years. This includes an analysis of the overall financial outlook for the whole council, appraisal of the existing plans for 2012/13, an update on the budget pressures facing the Environment, Highways and Waste portfolio and recommendations from the Informal Member Group on areas for budget savings.

Recommendation: Members are asked to review and comment on the pressures outlined for the Environment, Highways and Waste portfolio and to identify their priorities for savings in light of the overall financial outlook for the next three years.

1. Introduction

- 1.1 The Autumn Budget Statement is due to be presented to Cabinet on 5th December 2011 and will set out the County Council's proposed budget strategy following the Chancellor of the Exchequer's statement to Parliament on 29th November. The Chancellor's statement will include the latest economic forecasts from the Office for Budget Responsibility (OBR). All the indications are that these forecasts will show the economy has not recovered from recession as quickly as earlier predictions on which the 2011 Budget announced on 23rd March 2011 were based.
- 1.2 The Spending Review 2010 (SR 2010) set out the Government's four year plans to reduce the budget deficit. This showed an anticipated 21.9% reduction in the Formula Grant for local government over the four year period¹. The Local Government Finance settlement for 2011/12 was published on 13th December 2010 and included provisional grant figures for 2012/13 but did not provide any provisional figures for

¹ The overall reduction in resources from the department for Communities and Local Government (CLG) was 19.6% over the four years after taking account of new money for Council Tax Freeze, New Homes Bonus and Transitional Protection.

2013/14 or 2014/15. The 2012/13 provisional grant showed a £26.9m reduction in Formula Grant on 2011/12 (8.5%) for KCC.

- 1.3 Our overall planning assumption for the next medium term financial plan (MTFP) remains that we will need to make a £340m reduction in spend in real terms between 2011/12 to 2014/15.

2. Background

2.1 The MTFP for 2011/12 to 2012/13 was approved by the County Council on 17th February 2011. The approved MTFP for the Environment Highways and Waste portfolio is included as appendix 1. At the time the plan was approved we had £15m set aside for unforeseen “emerging” budget pressures and £28m of savings still to be identified in order to balance the budget for 2012/13 against the anticipated level of resources (CLG grants and Council Tax).

2.2 Monitoring reports during 2011/12 have identified a number of additional budget pressures arising during the year which will have a full year impact in 2012/13 and some changes in the planned savings. The overall position for the County Council is that we are preparing for £25m of additional pressures in 2012/13. This Directorate has not identified any additional pressures in its monitoring reports to date.

2.3 In addition to the changes already identified from in-year budget monitoring we will need to review the indicative pressures included in the plan for 2012/13 in light of the latest activity information and identify any new pressures likely to arise in 2012/13 to 2014/15. The current assumptions for the Environment, Highways and Waste portfolio are set out in table 1 below.

Table 1	2012/13	2013/14	2014/15	Total
	£000s	£000s	£000s	£000s
Existing Approved MTP				
Base	148,971			
Pressures	7,871			7,871
Grants Increases	-490			-490
Savings & Income	-5,548			-5,548
Total Existing MTP	150,804			
New Base Budget Adjustments				
Changes to Pressures	-448			-448
New Forecast Pressures		6280	6360	12640
Changes to Savings	198			
New Proposed Savings		-5001	-4379	-9380
Proposed Budget	150,554	151833	153814	

- 2.4 There have been some changes in the likely grant settlements since the budget and MTFP were agreed by County Council on 17th February which improve the position slightly. In particular the Chancellor announced in October 2011 that a further one-off grant would be available in 2012/13 where councils agree to a continued freeze on Council Tax, and a number of grants which were unclear have now been included in an un-ringfenced Local Service Support Grant. The impact on the Directorate is that the funding for new flood risk responsibilities is no longer ring fenced.
- 2.5 The overall planning assumption in light of these changes is that some savings still need to be identified to balance the 2012/13 budget and that over the following two years substantial savings (estimated £110m) will be needed. In a break from previous convention we are not planning to set individual portfolio cash limit targets for the next three years. Cash limit targets were an appropriate mechanism in times of relative growth but are not an appropriate mechanism to determine spending priorities at a time of budget cuts.
- 2.6 For 2012/13 POSCs are asked to consider what savings would be feasible or acceptable within the Environment, Highways and Waste portfolio in order to close the estimated overall £32m gap across KCC (3.5% of net spend) arising from the combination of additional pressures and the unidentified savings in the existing plan partially offset by the additional grant that will be available. For the medium term POSCs are asked to consider what strategies should be considered for the Environment, Highways and Waste portfolio if overall the council needs to make 15% saving over the next two years.

3. Latest Developments: National Context

- 3.1 The Government has launched a consultation about re-localising business rates. If the proposals are implemented they would mean that in effect existing Formula Grant allocations would form a set base for the future (adjusted to the overall spending totals within the Spending Review) and any increase (or reduction) in overall resources available to the council would be determined according to changes in the business rate tax base.
- 3.2 Local authorities would also still be able to set the level of council tax and would also receive any resources from changes in the Council Tax base (as now). The effect of these changes mean that any increase in funding can only come from increase in the local business rate base or Council Tax and local authorities would no longer be reliant on Government grants.
- 3.3 At this stage we have no announcements on decisions following the consultation which is due to be implemented from 2013/14. We have factored in our best estimates into the planning assumptions for 2013/14

and 2014/15 but POSC members need to be aware that the overall funding available is likely to be heavily reliant on local factors in future rather than Government decisions on the allocation of grants.

4. Revenue Budget Strategy

- 4.1 The council's overall strategy will be set out in the Autumn Budget Statement setting out how the authority plans to deal with reducing funding and continuing additional spending pressures. POSC is invited to comment on the strategy proposed within the Environment, Highways and Waste portfolio.
- 4.2 The EHW Directorate will continue to focus on three key areas in order to deliver a balanced budget and to realise additional savings to assist in meeting the very significant financial challenge faced by the County Council in the medium term. The three key areas are cost avoidance, efficiencies and service reductions
- 4.3 Very significant savings are being made in 2011/12 from the Directorate's revenue budget strategy and additional savings will be made in the medium term as the full year effect of those savings comes into effect. These savings have resulted from contract relets in Waste and Highways, diversion of waste to less costly outlets, major staffing efficiencies and reductions in some service areas.
- 4.4 Proposals are currently being developed to deliver additional savings within the medium term and outline proposals have been discussed at the Budget Informal Members Group and the Waste Informal Members Group meetings that have been held this year.
- 4.5 The EHW Directorate will ensure that whilst savings are actively being sought, services will be delivered that satisfy both statutory responsibilities and KCC's priorities as set out in delivering bold steps.

5. The Current Budget for the Environment, Highways and Waste Portfolio

- 5.1 POSC members should be reasonably well informed on the current budget through the regular monitoring reports and are asked to refer to these as part of their discussions. The current budget for the Environment, Highways and Waste portfolio under the oversight of this POSC is summarised in table 2 below:

Table 2	Gross Exp £'000	Service Income £'000	Net Exp £'000	Gov't Grants £'000	Net Cost £'000
Portfolio controllable	174,660	25,554	149,116		149,116

5.2 More details on the 2011/12 budget are included in appendix 1. In very brief summary this budget provides for the following outcomes, outputs and/or service improvements:

- Highway Maintenance
- Public Transport
- Road Safety
- Traffic Management
- Waste Disposal
- Environment Management
- Strategic Planning and Transport
- Planning Applications

6. Informal Member Group

6.1 Members of this POSC have had informal member group meetings (IMG) meetings throughout the summer/autumn. IMGs have found these meetings useful to gain a more detailed insight into budgets controlled by the Environment, Highways and Waste portfolio.

6.2 The IMG meetings provided the opportunity to share the budget planning process in some detail with Members as well as discussing areas where the Directorate could potentially make savings in the future. Members were supportive of the direction of travel outlined by officers and provided some helpful ideas, but it was accepted that due process would be required before these could be factored in to the Directorates medium term financial plan.

7. Recommendation

7.1 Members are asked to

- (i) Note the latest forecasts for 2012/13 and the next two years.
- (ii) Comment on the full year impact of additional spending pressures for the Environment, Highways and Waste portfolio outlined in the outline 3 year plan in table 1.
- (iii) Comment on the IMG recommendations and identify priorities for delivering the 3.5% saving requirement for 2012/13 (£32m across KCC) and 15% (£110M) for the following two years.

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Appendix 1 – Existing 2012/13 Medium Term Plan and 2011/12 Revenue Budget

Medium Term Plan 2012/13

Environment, Highways & Waste Portfolio Revenue Budget	
	2012-13 £'000
Base budget	148,971
Total Base Adjustments	0
Revised Base Budget	148,971
<u>UNAVOIDABLE PRESSURES FUNDED IN INDICATIVE CASH LIMITS:</u>	
Prices:	
Highways Transport	615
Highways Gas & Electricity	991
Waste Waste	1,468
Highways Maintenance contracts	955
All Combined highways, waste, transport etc	4,029
Unavoidable Government/Legislative Pressures:	
Waste Landfill Tax escalator (+£8 per tonne)	1,802
Env New flood risk responsibilities (note: current distribution model say this will be higher)	490
Highways Concessionary fares	1,000
Total Unavoidable Government/Legislative Pressures	3,292
Service Strategies & Improvements:	
Highways Traffic Management Centre	50
Highways Additional Highways Capital	500
Total Service Strategies & Improvements	550
Total unavoidable pressures funded in indicative cash limits:	7,871
Total Pressures	7,871

Environment, Highways & Waste Portfolio Revenue Budget

SAVINGS AND INCOME:

Grant Increases:

New flood risk responsibilities	-490
Total Grant Increases	-490

Income Generation:

Comm Serv Increased Contribution from Commercial Services	-2,000
Planning Planning applications	-50
Transport Freedom Pass	-500
Total Income Generation	-2,550

Savings and Mitigations:

Identified in published 2011-13 MTP:

Highways Overhead efficiencies through delayering and streamlining	-469
Highways Highways maintenance	-859
	-1,328

New Efficiency Savings:

All Management reductions	-530
Waste Contract renewals	-445
Waste EK joint waste arrangements	-29
Access & Assessment Agency Staff	-1
	-1,005

De-prioritisation savings:

Waste Review HWRC	-295
Transport Remove support for the least added value socially necessary but uneconomic bus routes	-211
Env Other environment service reductions	-120
Planning Reduce planning capacity	-39
	-665

Total Savings and Mitigations	-2,998
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Total Savings and Income	-6,038
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Budget controlled by this portfolio	150,804
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Portfolio Service Revenue Budget 2011/12

Budget Book Heading	Cash Limit		
	G	I	N
	£'000s	£'000s	£'000s
Environment, Highways & Waste portfolio			
E&E Strategic Management & Directorate Support Budgets	7,373	-388	6,985
<u>Environment:</u>			
- Environment Management	4,180	-2,830	1,350
- Coastal Protection	686		686
	4,866	-2,830	2,036
<u>Highways Services:</u>			
- Adverse Weather	3,159		3,159
- Bridges & Other Structures	2,753	-294	2,459
- General maintenance & emergency response	13,572	-345	13,227
- Highway drainage	3,431	-74	3,357
- Highway improvements	1,690	-100	1,590
- Road Safety	2,827	-1,213	1,614
- Signs, Lines & Bollards	1,819	0	1,819
- Streetlight energy	5,104		5,104
- Streetlight maintenance	3,767	-168	3,599
- Traffic management	5,506	-2,924	2,582
- Tree maintenance, grass cutting & weed control	3,352	-192	3,160
	46,980	-5,310	41,670
<u>Integrated Transport Strategy & Planning:</u>			
- Planning & Transport Policy	774	-15	759
- Planning Applications	1,102	-500	602
	1,876	-515	1,361
<u>Transport Services:</u>			
- Concessionary Fares	16,332	-27	16,305
- Freedom Pass	13,625	-2,230	11,395
- Subsidised Bus Routes	9,259	-1,637	7,622
- Sustainable Transport	2,503	-1,448	1,055
	41,719	-5,342	36,377

Budget Book Heading	Cash Limit		
	G	I	N
	£'000s	£'000s	£'000s
Waste Management			
<i><u>Recycling & Diversion from Landfill:</u></i>			
- Household Waste Recycling Centres	8,416	-1,109	7,307
- Partnership & Behaviour Change	805	-126	679
- Payments to Waste Collection Authorities (DCs)	5,334	-102	5,232
- Recycling Contracts & Composting	10,262	-609	9,653
	24,817	-1,946	22,871
<i><u>Waste Disposal:</u></i>			
- Closed Landfill Sites & Abandoned Vehicles	779	-266	513
- Disposal Contracts	29,476	-430	29,046
- Landfill Tax	6,880		6,880
- Transfer Stations	8,583	-75	8,508
	45,718	-771	44,947
Commercial Services		-7,131	-7,131
Total E, H & W portfolio	173,349	-24,233	149,116
Regeneration & Enterprise portfolio			
Development Staff & Projects	1,311	-1,311	0
Total E&E controllable	174,660	-25,544	149,116