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To: Environment, Highways and Waste Policy Overview & Scrutiny Committee – 12 January 2012

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

Classification: Unrestricted

Summary: The purpose of this report is to consult the Committee on the budget proposals for the Environment Highways and Waste Portfolio, with reference to the draft KCC budget launched on 20th December 2011.

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

1. Introduction

- 1.1 The Chancellor of the Exchequer made his Autumn Budget Statement to the House of Commons on 29th November 2011. This coincided with the latest economic forecasts from the Office for Budget Responsibility (OBR) which predicted that recovery from the recession would take longer than previously forecast and economic growth projections for the remainder of 2011 and throughout 2012 would be substantially less than earlier forecasts. The Government's deficit recovery strategy relies on steady and sustainable economic growth in order that tax revenues recover from the effects of recession and remain buoyant in the future. In spite of the lower growth predictions the Chancellor has stuck with the spending plans outlined in the 2010 Spending Review (SR2010).
- 1.2 The provisional Local Government Finance Settlement for 2012/13 was announced on 8th December 2011. This set out provisional grants for 2012/13 from the Department for Communities and Local Government (DCLG). This includes the vast majority of un-ringfenced grants. The grants from DCLG were in line with the provisional figures included in the 2011/12 settlement but no provisional amounts have been announced for the following years.
- 1.3 Following these announcements KCC launched its draft 2012/13 Budget and 2012/15 medium Term Financial Plan (MTFP) for consultation on 20th December. The documents include much more information about the national economic context and grant settlement, as well the Council's proposals. Members are asked to review these documents and bring them to the committee meeting where the proposals affecting the Environment, Highways and Waste portfolio will be considered.

- 1.4 For 2012/13 the draft budget proposes freezing Council Tax at the same level as 2011/12 i.e. £1,047.48 for a band D property and taking up the one-off grant offered by government. Taking up this grant means that £14.4m of additional savings/income will have to be found in 2013/14 to offset the loss of grant. The Council Tax Freeze grant is factored into our calculations on the overall net loss of grant in 2012/13 and 2013/14.
- 1.5 The grant settlements for other Government departments had not been announced in time for the budget launch. Since these are largely ring fenced and its KCC policy to adapt spending in line with grant settlements these will not unduly affect the proposed budget.

2. Revenue Budget Proposals

- 2.1 The draft budget book includes a portfolio summary, an updated A to Z of services and for the first time a detailed variation statement for each line in the A to Z showing all the changes between 2011/12 and 2012/13. The introduction of an A to Z of services rather than a portfolio by portfolio presentation of the budget was largely welcomed last year. The detailed variation statement is further step towards greater transparency of the underlying assumptions behind the proposed budget. We recognise that removing the portfolio by portfolio presentation makes it more difficult for POSCs to scrutinise the proposals for individual portfolios and thus for ease of reference the A to Z entries and variation statements for the Environment Highways and Waste portfolio are included as Appendix 1 to this report.
- 2.2 The MTFP sets out the overall assumptions about the likely resources available over the next 3 years. It also sets out the forecast additional spending demands and the savings/income which would be necessary to achieve a balanced budget each year. The savings have been expressed as target amounts for efficiencies and service reforms under a number of themes. The MTFP has been redesigned to present a clearer overall picture over the three year period rather than portfolio by portfolio.
- 2.3 The MTFP includes a portfolio by portfolio analysis of the main changes within the proposed 2012/13 budget. This is presented in the same format as the previous multi year presentation. Experience has shown that although we produced a 3 year plan by portfolio nearly all of the issues relate to the first year and the detail for years 2 and 3 are largely aspirations and change significantly when the budget for these years comes to be approved at a later date. The one year presentation by portfolio should help POSC members to focus on portfolio priorities for the coming year.
- 2.4 As in 2011/12 the detailed budgets for individual service units and budget managers will be produced after County Council has agreed the draft budget in A to Z format. This detailed manager analysis will include staffing information for individual units.
- 2.5 Copies of the draft Budget Book and MTFP have been distributed to all Members (on the 16th December). You are asked to ensure you bring those to this meeting. For ease of reference, key information can be found on the following pages:

Budget Book, page 9 – Summary Capital Programme
Budget Book, page 16 – EHW Capital Programme
Budget Book, page 189 – A-Z Index
Budget Book, page 21 – Portfolio Revenue Budget Summary
Budget Book, page 25 – A-Z Service Analysis
Budget Book, page 45 – A-Z Variation Statements

MTFP, page 61 – High Level Three Year MTFP Summary
MTFP, page 63 – New Look MTP Summary – One Year
MTFP, page 75 – EHW Portfolio Revenue Budget 2012/13

- 2.6 Whilst there are a range of adjustments incorporated in the 2012/13 revenue budget build (MTFP, page 75), the following are just three that give a flavour of the movements within the divisions in the directorate.
- 2.7 A key element of Bold Steps for Kent is the delivery of the key priorities set out in the integrated transport policy, Growth Without Gridlock. In order to progress this strategy, £500k has been included in the revenue budget in 2012/13 to fund feasibility studies and other revenue based costs. In addition, funds have also been earmarked in the capital programme.
- 2.8 Highways and Transportation have developed a reputation for delivering cost effective services and this is further evidenced by procurement efficiencies of £956k in Transport services. This has resulted from successful negotiations with major bus operators concerning funding for the Concessionary Fares Scheme.
- 2.9 Waste tonnages are monitored closely, on a monthly basis, to assess not only performance issues but more importantly the financial impact on current and future years budgets. The trend for 2011/12 and the previous two years provide reasonable assurance that savings of £2,211k can be achieved in 2012/13 from these budgets.

3 Capital Budget

- 3.1 The starting point for the capital programme is the existing published capital programme for 2011/14. We have revised the presentation of the capital programme for individual schemes to shift the focus away from planned spending year by year and more towards the totality of spend and how this is financed. This will enable debate to focus on the merit of schemes, their affordability and overall timeliness rather than the detail of re-phasing individual amounts between years.
- 3.2 The proposed programme for the Environment Highways and Waste portfolio for 2012/15 is set out pages 16 to 17 of the Budget Book.

4. Recommendation

- 4.1 Members are asked to note and comment on the revenue and capital budget proposals for the Environment Highways and Waste portfolio.

Background documents:

- Autumn Budget Statement; Cabinet, 5th December 2011
- Draft Budget Book 2012/13 and Medium Term Financial Plan 2012/15 (launched 20th December 2011)
- Previous Budget Monitoring and Planning Reports to the Environment Highways and Waste Policy Overview and Scrutiny Committee

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Section 5 - A to Z Service Analysis (EH&W portfolio)

WHAT IS THE MONEY SPENT ON?

2011/12 Approved	Portfolio	Service	2012/13 Proposed							Affordable Activity
Net Cost £000s			Staffing £000s	Non staffing £000s	Gross Expenditure £000s	Service Income £000s	Net Expenditure £000s	Govt. Grants £000s	Net Cost £000s	
		Environment								
1,966	EH&W	Environmental Management (incl. Coastal Protection)	1,815	3,415	5,230	-1,786	3,444	-1,044	2,400	Flood risk management, carbon reduction, biodiversity planning, heritage conservation & planning, coastal conservation, and sustainability & climate change
		Highways								
		Highways Maintenance								
2,655	EH&W	Adverse Weather	0	3,238	3,238	0	3,238	0	3,238	Includes provision for 73 salting runs, salting approximately 4,000km of the highway per run
2,644	EH&W	Bridges and other structures	189	2,471	2,660	-259	2,401	0	2,401	Maintenance of 2,700 bridges and structures and two road tunnels
12,209	EH&W	General maintenance and emergency response	3,057	11,260	14,317	-486	13,831	0	13,831	Inspection and maintenance of 8,500km of highway and 6,000km of pavements.
3,639	EH&W	Highways drainage	144	3,036	3,180	-82	3,098	0	3,098	Maintenance of 340,000 road drainage gullies
1,972	EH&W	Signs, lines and bollards	0	0	0	0	0	0	0	Separate budget line no longer exists in 2012/13 therefore now included within general maintenance and highway improvements budgets
3,814	EH&W	Streetlight maintenance	330	3,424	3,754	-167	3,587	0	3,587	Maintenance for 120,000 streetlights
		Highways Safety and Management								
0	EH&W	Development Planning	1,745	371	2,116	-1,283	833	0	833	Includes developer agreements & developer plans, local development framework and development control. Budget previously included under Highway Improvements and Sustainable Transport (now Transport Planning)
1,916	EH&W	Highway improvements	292	1,277	1,569	-120	1,449	0	1,449	Support for highway resurfacing and other improvement programmes to reduce congestion, improve air quality and help prevent crashes. Reduction from 2011/12 due to transfer to new budget line Development Planning

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2011/12 Approved	Portfolio	Service	2012/13 Proposed							Net Cost £000s	Affordable Activity
Net Cost £000s			Staffing £000s	Non staffing £000s	Gross Expenditure £000s	Service Income £000s	Net Expenditure £000s	Govt. Grants £000s			
1,641	EH&W	Road safety	683	3,008	3,691	-2,720	971	0	971	Reduce road casualties through educational campaigns and engineering measures and provide funding to support the Kent and Medway Safety Camera Partnership	
4,955	EH&W	Streetlight energy	0	5,845	5,845	0	5,845	0	5,845	Payment for electricity to light 120,000 streetlights	
2,709	EH&W	Traffic management	2,021	3,519	5,540	-2,653	2,887	0	2,887	Running cost and maintenance for 15,000 traffic lights and providing congestion reduction measures	
3,720	EH&W	Tree maintenance, grass cutting and weed control	21	3,339	3,360	-170	3,190	0	3,190	Maintenance of 11million sq metres of grass areas and 500,000 trees	
Planning and Transport Strategy											
846	EH&W	Planning & Transport Policy	616	619	1,235	-15	1,220	0	1,220	Developing key strategic transport improvements such as new Lower Thames Crossing, solutions to Operation Stack and enhancements to the rail network. Strategic influencing and producing the Minerals & Waste Development Framework and the Local Transport Plan	
618	EH&W	Planning Applications	886	216	1,102	-550	552	0	552	Receiving and processing over 530 planning applications and submissions each year	
Transport Services											
16,304	EH&W	Concessionary Fares	0	16,307	16,307	-27	16,280	0	16,280	17 million free bus journeys for elderly people	
10,844	EH&W	Freedom Pass	0	13,648	13,648	-2,459	11,189	0	11,189	Over 26,400 passes issued to young people aged 11 to 16 for free bus travel	
8,174	EH&W	Subsidised Bus Routes	251	9,773	10,024	-2,370	7,654	0	7,654	Support for over 200 otherwise uneconomic bus routes	
1,159	EH&W	Transport Planning	292	164	456	-15	441	-203	238	Improve public transport and access to key services. Reduction from 2011/12 due to new budget line Development Planning under Highway Services above	

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2011/12 Approved	Portfolio	Service	2012/13 Proposed							Affordable Activity
Net Cost £000s			Staffing £000s	Non staffing £000s	Gross Expenditure £000s	Service Income £000s	Net Expenditure £000s	Govt. Grants £000s	Net Cost £000s	
		Waste Management								
		<i>Recycling and diversion from landfill</i>								
7,672	EH&W	Household Waste recycling centres	0	8,235	8,235	-1,109	7,126	0	7,126	Operation of 19 sites providing recycling facilities for 4 million visitors per year
766	EH&W	Partnership & waste co-ordination	0	715	715	-126	589	0	589	Collaborative working and public campaigns to reduce overall waste and increase recycling
5,500	EH&W	Payments to Waste Collection Authorities (District Councils)	0	5,333	5,333	-102	5,231	0	5,231	Payments to support recycling initiatives that reduce the amount of waste that would otherwise have to be disposed of (through more costly routes, e.g. landfill)
9,674	EH&W	Recycling Contracts and Composting	0	10,976	10,976	-614	10,362	0	10,362	Processing around 332,000 tonnes (45%) of domestic waste produced in Kent
		<i>Waste Disposal</i>								
467	EH&W	Closed Landfill Sites & Abandoned Vehicles	0	749	749	-266	483	0	483	
28,695	EH&W	Disposal Contracts	0	28,853	28,853	-430	28,423	0	28,423	Treatment and/or disposal of 398,000 tonnes (55%) of domestic waste produced in Kent through waste to energy recovery (300,000 tonnes) or landfill (98,000 tonnes)
8,119	EH&W	Haulage & Transfer Stations	0	8,686	8,686	-75	8,611	0	8,611	Operation of 6 facilities to provide local disposal points for the efficient delivery of District Council collection services and outlets for some commercial waste.
7,040	EH&W	Landfill Tax	0	7,543	7,543	0	7,543	0	7,543	Unavoidable tax on waste disposed of via landfill
149,718		Total Direct Services to the Public	12,342	156,020	168,362	-17,884	150,478	-1,247	149,231	

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WHAT IS THE MONEY SPENT ON?

2011/12 Approved	Portfolio	Service	2012/13 Proposed							
Net Cost £000s			Staffing £000s	Non staffing £000s	Gross Expenditure £000s	Service Income £000s	Net Expenditure £000s	Govt. Grants £000s	Net Cost £000s	Affordable Activity
		<u>Financing Items</u>								
-7,261	EH&W	Commercial Services (net contribution)	0	0	0	-7,761	-7,761	0	-7,761	Contribution from Commercial Services towards KCC overheads
-7,261		Total Financing Items	0	0	0	-7,761	-7,761	0	-7,761	
		<u>Management, Support Services and Overheads</u>								
6,514	EH&W	Directorate Management & Support Enterprise and Environment (E&E)	3,718	4,298	8,016	-407	7,609	0	7,609	
6,514		Total Management, Support Services and Overheads	3,718	4,298	8,016	-407	7,609	0	7,609	Overheads no longer sit with the Directorates so 2012/13 costs are not directly comparable with 2011/12. They have been stripped out, slimmed down and transferred to the centre.
148,971		TOTAL	16,060	160,318	176,378	-26,052	150,326	-1,247	149,079	