

By: Adam Wilkinson, Managing Director Environment & Regeneration

To: Environment & Regeneration Policy Overview Committee – 20 November 2007

Subject: MEDIUM TERM PLAN 2008-09 TO 2010-11

Classification: Unrestricted

Summary:	To update the Committee on the Autumn Budget Statement report to Cabinet on 17 September 2007 and any later announcements by Government departments. In addition, to provide Members of the Committee with an opportunity to consider suggested service pressures and to develop savings proposals for the Directorate.
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1. Introduction

- 1.1 The Autumn Budget Statement report by the Leader, Cabinet Member for Finance, Chief Executive and Director of Finance to Cabinet on 17 September 2007 set out the national and local context for KCC's medium term plan (MTP) for the period 2008-09 to 2010-11.
- 1.2 This report expands on that report, updates for the latest developments, looks in more detail at specific elements in the directorate medium term plan, and invites Members to make proposals for the services provided by the Environment & Regeneration (E&R) directorate.

2. Background

- 2.1 This paper summarises the current budget position for 2008-09 and is based on submissions to Corporate Finance as part of the Medium Term Plan process. Indicative cash limits for 2008-09 and 2009-10 were approved by County Council in February 2007 in the MTP for 2007-10. These figures are being updated for known changes such as transfers of activities or staff between portfolios, Comprehensive Spending Review 2007 and the forthcoming local government finance settlement, expected in late November or early December. This gives Members a starting point to review the 2008-11 MTP.
- 2.2 The indicative cash limits are consequently under review given we are due to move into a relatively fixed three year settlement for local government funding.

- 2.3 The outcomes of the discussions at this meeting will feed into the continuing MTP process, of which the key dates are:

Provisional grant settlement	late November / early December
Update on provisional settlement	3 December Cabinet (if available)
Chancellor's pre-budget report	mid December (best guess)
Draft budget proposals released	21 January 2008
Corporate Services POC	25 January 2008
Cabinet	6 February 2008
County Council	19 February 2008

Further information on the budget timetable, as appended to the Autumn Budget Statement, is attached at appendix 4 for further information.

To help inform the discussions, there is also a directorate budget monitoring report on this agenda, as there will be in January, and on a regular basis thereafter.

3. Latest Developments: National Context

- 3.1 There are a number of national factors to take into account.
- 3.2 The government's Comprehensive Spending Review 2007 was published on 9 October 2007 and sets out national spending plans for the next three years, 2008-11.
- 3.3 The Chancellor's Pre Budget Report was announced the same day and sets out some further detail.
- 3.4 We are now working on assumptions for 2008-09 onwards which take into account the outcomes from those announcements, whilst awaiting the detail of the local government finance settlement which is still to come. There are no significant changes to our budget assumptions which were set out in the autumn Budget Statement in September. Key assumptions remain:
- No increase in government formula grant
 - Council tax increase limited to a maximum of 5% per annum
 - The option to raise a precept on the business rate

4. E&R Priorities for the Medium Term Plan

- 4.1 The overall direction for directorate is now well established, and enclosed with this report (appendices 1a and 1b) is a first draft paper of the Medium Term Service Priorities which will shape our contribution to Section 3 of the Medium Term Plan.
- 4.2 Members will appreciate, from the information in section 3 of this report, that the financial framework for the medium term will be very tough for all

Directorates and comes at a time when demand for services has never been higher, both because more people need services and because of greater public expectations.

- 4.3 Whilst the Directorate is implementing modernisation changes that will increase efficiency and effectiveness, there does need to be awareness of the need to consider some difficult decisions affecting the directorate in the medium term
- 4.4 Areas of spending priority for which significant additional funding is suggested are as follows:

Pressure £3,597k – Prices. The dominant factors here are price pressures in the directorate's two bigger spending services – Kent Highway Services and Waste Management. In the case of Kent Highway Services inflationary pressures need to be met if levels of spending power and hence services (e.g. maintenance, subsidised bus services) are to be maintained at current levels. In the case of Waste Management price pressures generated by increases in the cost of labour, fuel and transport are built into the contracts

Pressure £2,177k – Landfill Tax Escalator. This is now increasing by £8 per tonne per year rather than £3 per tonne per year. Currently it is £24 per tonne and over the next three years it is national policy to increase this to £48 per tonne in order to make other forms of waste management more financially attractive compared to landfilling. Due to relatively high levels of recycling and composting and the availability of the waste to energy plant at Allington the impact is reduced but there is still an extra, and completely unavoidable, cost increase.

Pressure £1,624k – Waste Performance & Efficiency Grant. This grant from DEFRA ceases in 2007/08 and is replaced by an allocation 'built into' the overall settlement. In order to maintain current levels of service and activity this budget line will need to be maintained.

Pressure £3,650k – Towards 2010 objectives. Most of this (£3,500k) is funding allocated for the Kent Freedom Pass. This assumes that the success of the current pilots is sustained and enables the KFP to be rolled out into further areas.

Pressure £1,783k – Costs associated with service enhancements associated with the existing waste strategy. An example would be the composting arrangements at Blaise Farm.

Pressure £746k – One-off actions taken in 2007/08 in order to balance the budget to cash limit.

Pressure £0k – In developing the MTFP for the period 2008/09 to 2010/11 we are currently assuming that waste growth will be 0%. Whilst this stance is supported by local and national figures for the past two to

three years, which have shown a stabilisation or reduction in waste growth, there is inevitably risk in assuming waste growth will be nil. Although waste minimisation is a key element in the work of the changing attitudes and behaviours team in the waste management unit, KCC cannot control waste growth. However, given the national focus on waste issues it is not currently felt to be unrealistic to assume that waste growth will be minimal. Waste figures are closely monitored and thus any potential problems should be spotted at an early stage.

Bid £5,000k – In recognition of the priority the public places on road and footway maintenance, the need to ensure that key day-to-day operational maintenance services are sustained and improved and it is suggested that an additional £5,000k be made available for revenue maintenance.

4.5 The position can be summarised as follows:

	2008-09 £'000	2009-10 £'000	2010-11 £'000
Existing pressures in published MTP 2007- 2010			
Pay	549	438	
Prices	3,755	3,683	
Legislative	4,091	2,683	
Demand	397	377	
Towards 2010	3,600	3,000	
Service Improvements	2,116	77	
New pressures			
Pay	0	0	447
Prices	-158	-242	3,333
Legislative	-460	-557	2,044
Demand	-397	-377	0 (1)
Towards 2010	50	-50	3,400 (2)
Service Improvements	7,456	814	1,305 (3)

Notes:

- (1) Waste growth set at 0% per annum
- (2) Kent Freedom Pass
- (3) Includes £5,000k KHS maintenance, £800k waste development, £500k for IT enhancements in 2008/09

More detail is set out in appendices 2a and 2b, which sets out the draft MTFP for the Environment, Highways & Waste and Regeneration & Supporting Independence portfolios.

4.6 The Comprehensive Spending Review 2007 confirmed government's expectation of a 3% efficiency saving per annum for each of the next three years for local government budgets. The detail of the efficiency target is still being worked through but broadly, appears as expected to be based on gross budgets (with a few minor exceptions). That means an annual efficiency saving (based on current budgets) of £4.39m per

annum (£13.17m cumulatively) for the portfolios covered by this committee.

4.7 The POC is asked to prioritise the functions and budget that it has oversight of and indicate what types and areas of savings, broadly, might be achievable and acceptable, if there were a savings requirement on the current gross budget of:

- 1%; which equates to £1.46m
- 2%; which equates to £2.92m and
- 3%; which equates to £4.39m

Note: a proportion of the gross spend is accounted for by income.

To assist and remind Members of the current position, the current budgets for the functions they have oversight of are attached as appendix 3 to this report. The appendix is a summary of the relevant pages from the approved annual operating plans

5 Recommendation

5.1 Members are asked to:

- a) note the national and local context within which this MTP will be set.
- b) scrutinise the pressures attached to this report
- c) identify and express their relative priorities for services and to indicate, broadly, areas and types of savings and efficiencies that they consider could realistically be achieved.

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Environment, Highways & Waste - Draft Submission for Section 3 of the Medium Term Plan

1. Overall Objectives of the Portfolios

The overarching aim of making Kent a better place to live, work and visit will continue to be the reference point for all of our activities. We will strive to look after the built and natural environment, maintain and improve transport, reduce congestion, and manage Kent's waste in an effective and efficient manner.

2. Medium Term Service Priorities

Many of these will remain as set out in the current Medium Term Plan:

- Maintaining essential quality of life services
- Managing real-terms costs pressures that affect our services
- Further developing and improving the Kent Highway Services Alliance
- Implementing road schemes
- Reducing KCC's environmental impact
- Progressing Kent's LAA, 'The Kent Agreement'
- Progressing LPSA2 targets
- Progressing Towards 2010 Objectives

New priorities will emerge from the current work on an overall Kent Regeneration Strategy.

3. Risk Assessment

As with the medium term priorities, many of these remain as in the current plan:

- Health & Safety
- Budget overspend (e.g. extreme weather, waste growth)
- Managing a large capital programme

Regeneration & Supporting Independence - Draft Submission for Section 3 of the Medium Term Plan

1. Overall Objectives of the Portfolios

The focus for the portfolio will remain creating a strong economy, attracting inward investment, delivering sustainable growth in North Kent and Ashford and regenerating our towns with a particular focus on the coastal towns.

2. Medium Term Service Priorities

Many of these will remain as set out in the current Medium Term Plan:

- Active engagement with partners
- Developing Kent's potential as a tourist destination
- Co-ordinating action in the growth areas
- Developing and implementing high-level strategies
- Arguing Kent's case
- Delivering on LAA and PSA2 targets
- Progressing Towards 2010 objectives

New priorities will emerge from the current work on an overall Kent Regeneration Strategy.

3. Risk Assessment

As with the medium term priorities, many of these remain as in the current plan:

- Delivering complex programmes involving many partners
- Maximising income, especially in the growth areas
- Ensuring Central Government have realistic expectations and aspirations in the growth areas and that the necessary funding for infrastructure is forthcoming from them

Draft of MTP for the Environment, Highways & Waste Portfolio

Environment, Highways & Waste Portfolio - DRAFT Revenue Budget				
		2008-09	2009-10	2010-11
		£000s	£000s	£000s
Pay & Reward	(Including Pension Uplift in 2008/09)			
All Groups		423	333	340
Prices	Waste Management	1,907	1,591	1,373
	KHS - Buses (including 2007/08 correction)	450	268	295
	KHS - Highways Maintenance (2009/10 & 2010/11 reflect £5m injection)	1,208	1,549	1,632
	Other Groups	25	25	25
		3,590	3,433	3,325
Government/Legislative Pressures:				
WMG	Landfill Tax Escalator - Growth Adjustment (+£8 per tonne)	2,177	2,126	2,044
WMG	Waste Performance & Efficiency Grant from Government (Only announced up to 2007/08)	1,624	0	0
		3,801	2,126	2,044
Demand/Demographic Led:				
WMG	Waste Growth +0% on 2007/08 onwards	0	0	0
		0	0	0
Delivery of Towards 2010 Targets:				
KHS	Free transport for all 11 to 16 year olds (2007/08 is pilot for introduction)	3,500	3,000	3,400
KHS	Congestion Reducing initiatives	150	0	0
		3,650	3,000	3,400
Local Public Service Agreement:				
		335	49	-384
Service Strategies and Improvements:				
KHS	Works Contract Savings recycled into Highway Maintenance	500	0	0
KHS	Highways Maintenance Injection	5,000	0	0
WMG	Lease at Dartford Heath site	13	0	0
WMG	Blaise Farm (Green Waste) Contract	434	0	0
WMG	Waste To Energy Plant (Allington) - Gate Fees	297	0	0
WMG	Pepperhill Site Development (Gate Fee)	839	0	0
WMG	Materials Recycling & Processing Facility - East Kent	0	1,053	656
WMG	Waste Transfer Station at Ashford	0	0	769
WMG	One-off Reduction from 06/07 minimisation and composting	200	0	0
ENV	Shorne CP - Facilities Running Costs Adjustment	-10	0	30
ENV	Other Environmental Developments	131	250	-100
ENV	Biodiversity Extra Post	34	0	0
ENV	Heritage Extra Post	35	0	0
ENV	Fly tipping Action on the Highway	10	0	0
ENV	Country Park Base Operations Uplift	30	0	0
Resources	One-off Actions in 2007/08 - Base Correction Required	587	0	0
Resources	Maintenance of replacement for Midas System		25	0
Resources	MOSAIC Licences	21	0	0
Resources	EDRMS - Document Management	70	0	0
Resources	Kent View Development	80	0	0
Resources	OS Mapping	40	0	0
Resources	Annual Funding Required to meet ex Direct Labour Organisation Pension Fund Liabilities	0	175	0
Dir-wide	IT Transformation for E&R	500	-350	-50
Dir-wide	Reserve in 2008/09 to support 2009/10 (on one-off basis)	262	-262	0
		9,073	891	1,305

Draft of MTP for the Regeneration & Supporting Independence Portfolio

Regeneration & Supporting Independence Portfolio - Draft Revenue Budget				
		2008-09	2009-10	2010-11
		£000s	£000s	£000s
Pay& Reward:	(Including Pension Uplift in 2008/09)			
All		126	105	107
Prices:	All	7	8	8
Government/Legislative Pressures:				
S&P	Minerals & Waste LDFs Development	-170	0	0
		-170	0	0
Delivery of Towards 2010 Targets:				
S&P	Feasibility Study on Lower Thames Crossing	0	-50	0
		0	-50	0
Local Public Service Agreement:				
	Allocation of Revenue element of PRG	79	11	-90
Service Strategies and Improvements:				
R&E	Produced In Kent (PINK)	120	0	0
R&E	Kent Empty Property Initiative	130	0	0
R&E	Staff Support to Non Food Crops Programme	40	0	0
R&E	Kent Partnership Economic Task Force	50	0	0
ALL	In-Year Management Plan (One-off Actions Correction)	159	0	0
		499	0	0

Existing 2007/08 revenue budgets

These are the revenue budgets as they appear in the current divisional operating plans

	Full-time employees	Employee Costs	Running Costs	Contracts & projects	Gross Expenditure	External Income	Internal Income	Controllable Expenditure
Change & Development								
Change & Development	9	280	5	0	285	0	0	285
Regeneration & Economy								
Coastal Action Zone	10	514	21	369	903	0	0	903
Development Investment	8	394	16	25	435	25	120	290
Growth Areas	17	812	21	894	1,727	675	0	1,052
Economy & Skills	12	670	13	1,229	1,912	738	0	1,174
Rural regeneration	16	686	7	378	1,070	292	0	778
Tourism	9	341	14	645	1,000	250	0	750
Management	0	22	0	0	22	0	0	22
Strategy & Planning								
Planning and Development	13	623	14	437	1,074	57	0	1,017
Planning Applications	26	945	222	0	1,167	80	388	699
Transport Strategy	6	250	6	203	459	0	0	459
Environment & Waste								
Environment	124	4,069	150	3,039	7,258	3,805	0	3,452
Divisional Development	16	536	26	107	669	126	0	544
Waste Management	37	1,490	950	57,627	60,067	2,749	0	57,318
Kent Highway Services								
Total Staff	371	11,625	0	0	11,625	0	0	11,625
Overheads		0	7,614	0	7,614	5,698	70	1,846
Works		0	0	31,022	31,022	0	0	31,022
Public Transport		0	290	9,126	9,416	2,910	0	6,506
Resources								
Performance Team	11	558	7	0	565	0	0	565
Finance Team	23	811	5	0	816	111	0	705
AIT Team	19	670	201	0	871	197	0	674
E&R Directors plus Support	11	997	35	0	1,032	0	0	1,032
Directorate Overheads		513	662	0	1,175	104	55	1,016

(Note - 2007/08 business plan was constructed before structures and operational groupings had been determined)

Budget timetable

What	Who	When
Autumn Budget Statement	Cabinet	17 September
Opportunity for Cabinet Scrutiny to consider Autumn Budget Statement	Cabinet Scrutiny Committee	27 September
Public consultation on budget	Cabinet Member for finance, finance officers, MORI, district council representatives	22 & 29 September
Respond to formal consultation on formula grant changes	Budget IMG, Cabinet	10 October
Comprehensive Spending Review 2007 announced by government then analysis and interpretation for impact on KCC 2008-11	Cabinet	15 October <i>(timing not yet announced by government)</i>
Review of budget proposals and overall pressures, impacting upon the relevant directorates	Policy Overview Committees	7 – 20 November
Provisional Settlement – announcement by government and then analysis and interpretation for impact for KCC 2008-11	Financial Strategy Group – briefing for all members	Late November / early December <i>(timing not yet announced by government)</i>
Update on Provisional Settlement and review of corporate budget strategy (if announced - see above entry)	Cabinet	3 December
Chancellor of Exchequer Pre-Budget Report	Financial Strategy Group	December <i>(timing not yet announced by government)</i>
Budget proposals published and press conference	Cabinet	21 January
Review of budget proposals and overall pressures, impacting upon the relevant directorates	Policy Overview Committees	25 – 31 January
Final settlement for 2008-09	Cabinet	Late January/ early February <i>(timing not yet announced by government)</i>
Opportunity for Cabinet Scrutiny to consider proposed budget	Cabinet Scrutiny Committee	1 February
Cabinet recommends budget to Council	Cabinet	6 February
Council sets budget and precept	Council	19 February