

By: Keith Ferrin, Cabinet member for Environment, Highways & Waste
Kevin Lynes, Cabinet member for Regeneration & Supporting Independence
Mike Austerberry, Executive Director Environment, Highways & Waste
David Cockburn, Executive Director, Strategy, Economic Development & ICT

To: Environment & Regeneration Policy Overview Committee -
20 January 2009

Subject: Budget 2009/10 and Medium Term Financial Plan 2009 - 2012

Classification: Unrestricted

Summary: The purpose of this report is to consult the Committee on the budget proposals for the Environment and Regeneration (E&R) Directorate, as set out in the published budget consultation paper issued on 7 January 2009. This report also provides a response to the issues raised at the IMG of this Committee in November 2008, which discussed policy and budget issues.

Members are invited to comment on the key issues on the proposed funding changes for the E&R Directorate, and to note the issues raised by the IMG and the resulting responses.

Note: Members are requested to bring their copies of the draft budget book and medium term plan, distributed on 7 January, with them to this meeting.

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 15 September 2008 set out the national and local context for KCC's Medium Term Plan (MTP) for the period 2009-10 to 2011-12. This committee received a report on the Medium Term Plan at its meeting on 6 November, and the report to Cabinet on 12 January 2009 sets out the provisional Local Government Finance Settlement, which confirmed that the level of Formula Grant was precisely as announced at this time last year.
- 1.2. We reported the national and local context to the last Policy Overview Committee meeting on 6 November and outlined the existing MTP priorities. The Committee discussed the policy issues arising from that report, and used an IMG, which met on 24 November, to look at a number of items in more detail. This report provides a response to the issues raised in the IMG, in appendix 1 attached.

- 1.3. Since the November meetings, there have been a number of further developments and budget proposals are now being presented for consultation. Members are invited to comment on the key issues for the services provided by the Directorate, in order that these can be taken into account at the budget meetings of Cabinet on 2 February 2009 and County Council on 19 February 2009.
- 1.4. Members are asked to read this report in conjunction with the draft Medium Term Plan and Budget Book, issued on 7 January 2009.

2. Background

- 2.1. Members will be aware that the overall economic and financial situation, both nationally and internationally, is currently turbulent. The Bank of England base rate which started 2008 at 5.5% and came down to 4.5% by October 2008, currently stands at 1.5%. The price of a barrel of crude oil went from around \$75 in January 2008 to around \$140 in July 2008 and has now fallen back to around \$40. UK inflation rose in the period January to October 2008 but has since reduced significantly.
- 2.2. Governments have taken steps to stabilise the economic and financial situation. However, turbulence such as is currently being experienced makes long term financial and budget planning much more difficult. For example, in the Environment, Highways and Waste (EH&W) Portfolio price pressures are influenced to a significant degree by fuel and energy costs.
- 2.3. Our policy framework and the financial plans flowing from it thus have to be able to react and adapt to these uncertainties. While our long-term vision and goals (as set out, for example, in Vision for Kent) are likely to remain consistent the shorter-term actions needed to steer us towards our desired outcomes may change.
- 2.4. The budget consultation papers include an overall summary of the proposed Portfolio budgets for 2009-10, showing the amounts proposed for each service within the portfolios. These identify gross expenditure, income and net expenditure. The papers also include the proposed capital investment programme and the medium term revenue and capital plan for 2009-10 to 2011-12. Copies of the draft Budget Book and Medium Term Plan were distributed to all Members on the 7 January.

3. Revenue Budget

- 3.1. As noted above, this committee received a paper on the Medium Term Plan on 6 November 2008. The notes below outline any significant changes that appear in the draft budget presented today.

- 3.2. In base budget adjustments the most significant change is the transfer of budgets for services delivered by the Chief Executive's Directorate on behalf of Environment and Regeneration (E&R), totalling £2.742m and covering services such as finance and facilities management. The vast majority of this budget is delegated on the basis that E&R cannot make unilateral decisions to vary these budgets – such decisions have to be made with the unanimous agreement of the other service directorates. These budgets are held in the EH&W Portfolio but support both this and the Regeneration and Supporting Independence (R&SI) Portfolio.
- 3.3. The other significant base budget adjustments are the transfer of the Analysis and Information Team from EH&W to R&SI, and the transfer of funding for some support services from R&SI to EH&W, reflecting the restructuring of the Resources Division within the directorate.
- 3.4. Within the Pay category the figures reflect the proposal for a 1% pay increase in 2009/10.
- 3.5. The Prices category in EH&W has changed substantially, reducing by £3.703m. The biggest single change here is in the cost of electricity reflecting the dramatic change in the price of energy and the success of LASER in obtaining the best price possible. Other downward adjustments compared with the November paper reflect reduced assumptions around inflationary pressures.
- 3.6. Within Service Strategies and Improvements, additional funding has been provided within EH&W for concessionary fares to more accurately reflect the cost of offering the earlier start time of 9.00am for free bus travel for those eligible. In R&SI £125k has been set aside specifically for supporting Kent's businesses through this period of economic difficulty, and £500k has been allocated for the Tour de France.
- 3.7. Savings and mitigating measures totalling £7.22m in EH&W and £578k in R&SI have been identified.
- 3.8. In EH&W the biggest revenue saving, amounting to £2.968m, arises from the capitalisation of a number of current revenue-funded activities. A report detailing the changes proposed, will be presented to the Highways Advisory Board, together with proposals to save £375k by the selective turning off or reduction in the hours of streetlights and £875k from reduced energy usage in streetlights flowing from the investment in streetlight infrastructure. A saving of £1m has been identified in waste management due to the continued fall in waste tonnages and £500k can be delivered through the renegotiation of certain contracts. Savings totalling £802k are deliverable from the restructuring of the Resources functions (£250k) and redirecting other one-off allocations (£552k). Other savings will be found through reviews of publicity programmes, essential user travel allowances, vacancy management and other cross-cutting efficiencies.

- 3.9. In R&SI the capitalisation of the developer contributions team will deliver a revenue saving of £250k – this will be funded from the new capital regeneration fund (£2.5m per annum – see 4.6 below) Local Authority Business Growth Incentives (LABGI) will achieve income of £250k. Further small savings will be sought from vacancy management, and the portfolio will also be expected to find a share of the publicity and essential user savings currently allocated to EH&W, when specific targets have been agreed.

4. Capital Budget

- 4.1. The development of the draft capital programme takes the existing published programme for 2008 – 2011 and makes any adjustments needed as a result of re-phasing projects and changes to the funding streams. It then incorporates any new schemes that have come forward or are proposed.
- 4.2. Within the EH&W Portfolio one of the two most significant changes is a substantial increase in funding for highways capital maintenance in 2009/10 and 2010/11. These increases, 49% and 46% compared with the 2008/09 budgets, will enable a major programme of improvement to be undertaken. A detailed report will be made to the Highways Advisory Board in due course. These increases will be funded through prudential borrowing, part funded by the Directorate and part by the Corporate centre.
- 4.3. The second substantial amendment to the EH&W capital programme is the injection of £2.5m into street lights which will be used to update and improve the existing stock, maximising efficiency whilst minimising energy consumption. This increase will be funded through prudential borrowing funded by the Directorate.
- 4.4. There are major new road improvement programmes for both Ashford and Dartford/Gravesend, funded through a number of Government sources and proposed developer contributions.
- 4.5. Also new to the programme is the A2 Linear Project, which will see land released as part of the A2 widening, developed for an outdoor activity park and other uses.
- 4.6. In the R&SI Portfolio there has been a significant increase in regeneration funds, with an additional £2.5 per annum for years two and three of the MTP (supplementing the £2.5m already approved for 2008-09 and 2009-10). The existing regeneration funds (£5m) have now mainly been allocated to projects such as Dover Sea Change, Margate eastern sea front development, Swale parklands and Gravesend Old Town Hall – the remaining £1.8m will be allocated during 2009-10.

5. The Highways maintenance budget

5.1. There has been a significant increase in the overall Highways maintenance budget for 2009-10. This has been possible through a recast of the budget, refocusing funding to the frontline, capitalisation of certain items and prudential borrowing. The increase has not been formally allocated yet, as it will be used where it is most needed and where maximum advantage can be gained from the expenditure. However table one below shows the totality of the increase and the likely areas of spend, so that Members are aware of the potential impact.

Table 1 – Increase in Highways maintenance budget

	Revenue and capital allocation 2008-09 £000s	* Draft proposed increases 2009-10 £000s	Initial draft revenue and capital allocation 2009-10 £000s
Carriage/footway repairs and Network Management Operation Units (NOMU)	18,387	14,357	32,744
Gully emptying / drainage	4,263	1,394	5,657
Vegetation control including tree maintenance	3,260	796	4,056
Street lights & illuminating signs	5,370	3,643	9,013
Signs, lines, bollards and safety barriers	1,884	551	2,435
Structures	2,451	2,152	4,603
Emergency maintenance and response	2,920	227	3,147
Total maintenance	38,535	23,120	61,655

*** Final allocations across specific headings have not been set yet – these figures are indicative only**

Table 2 – reconciliation of funding for maintenance increase

Source	£000s
Revenue prices - MTP document page 56	2,236
Revenue service strategies and improvements - MTP document page 57	1,484
Redirection of existing budgets to front line services	1,000
Capital - Highways maintenance - difference between Budget book 09-10 page 30 (£40,985) and Budget book 08-09 page 52 (£25,085)	15,900
Capital - street lights - Budget book 09-10 page 31	2,500
Total funding	23,120

6. The Informal Member Group (IMG)

- 6.1. The IMG met on 24 November 2007 to discuss the Medium Term Plan paper presented to the committee on 6 November 2007.
- 6.2. In their conclusions the IMG identified a number of areas where they felt that changes to or a review of the MTP should be considered. These are set out in appendix 1 together with the responses of the Portfolio holders.

7. Recommendation

- 7.1. Members are asked to note and comment on the revenue and capital budget proposals, and note the issues raised by the IMG, along with the resulting responses.

APPENDIX 1

IMG Conclusion	Response
(1) Members felt that the MTP service Priorities and objectives were right for Environment, Highways and Waste, although Climate Change had not been included.	Draft budget and MTFP incorporates service enhancement issues identified in November report. Climate change issues are recognised (e.g. vegetation control on PROW network, capital investment in energy and water efficiency fund) although climate change does not feature as a separate line.
(2) Members unanimously endorsed the proposals to deal with the priorities and pressures for Kent Highway Services and noted the intention to invest in footways.	Significant redirection of revenue resources and additional capital to support this priority are proposed in the draft plans.
(2)a Members were not supportive of making any savings through turning off street lights.	Turning off or reducing the lit hours of streetlights is not simply a means of saving money – the reduction in energy consumption is beneficial in terms of climate change. It also reduces unnecessary light "pollution". Kent is not alone in proposing this and any changes will be subject to full consultation.
(3) Members suggested that there were savings to be found on the current Waste contracts through adjustments and renegotiation and on those contracts due to be renewed.	The draft budget includes savings of £0.5m achieved through contract renegotiation and retendering, and all contracts are kept under review. The continued reduction in waste growth has also enabled savings to be made.
(4) Members were generally supportive of the Freedom Pass rolling out.	Funding for the County wide roll out of the pilot is included within the draft budget.
(5) Members specifically said that they did not want to propose Bus capitalisation.	This is felt to be a way of achieving substantial revenue savings year on year with no adverse impact on the service.
(6) Members suggested that the electricity contract with EDF needed to be renegotiated.	Contracts are continually reviewed but no saving has been assumed for specific EDF work. However, electricity consumption for streetlights, traffic lights and signs is not measured directly, so one of the savings proposals is to renegotiate the assumed consumption. This involves having an updated inventory of lights etc and operating a model to demonstrate how much energy each type of light uses etc

IMG Conclusion	Response
(7) Members felt the £400k allocated to road improvements and traffic management for the Open Golf championship in Sandwich was a non essential and needed to be rescinded.	Whilst not a 'core service' the Open Golf championship is a major international event that brings with it substantial benefits for Kent as a whole. KCC would in any event need to bear some of the costs of road improvement and traffic management and in order that this can be done without compromising services elsewhere, adequate funding needs to be provided.
(8) Members suggested deferring the £500k for Congestion Management.	This is a key element of KCC's drive to reduce traffic congestion and to not fund this properly would jeopardise the progress that is being made.
(9) Members gave support to deferring the 10 year update of the Land Use and Development Survey to 12 years.	Maintaining the update frequency at every 10 years brings benefits in terms of the overall time series and data consistency. This was part of the existing MTFP.
(10) Members gave their support to the reduction in the Resources staffing budget of £250k. This will be achieved by approximately 8 posts which are vacant at present remaining so, unless they are deemed as essential.	This £250k is included within the overall saving of £802k flowing from the restructuring of the resources functions and other efficiencies.
(11) Members requested a review/challenge on the funding allocated to Locate in Kent, Produced in Kent and Visit Kent with a view to reducing their funding.	These areas will be reviewed during 2009-10 and any adjustments will be considered against future years' budgets.
(12) Members requested that any funding saved from Locate in Kent etc should be allocated to training and Kent Apprenticeship.	This will be considered once the review of the funding is carried out (see point 11 above)
(13) There was general support for the rural regeneration agenda especially in the current economic climate	<p>£125k is included in the revenue budget for supporting Kent businesses and this will include those in rural areas. No revenue savings are proposed in this area of the budget for 2009-10.</p> <p>There is £2.5m capital per annum for the next three years (of which £6.874m is unallocated) available for regeneration activities for all areas of Kent including rural.</p>