

To: Environment, Highways and Waste (EHW) Policy Overview and Scrutiny Committee – 22nd January 2010

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

Subject: Budget 2010/11 and Medium Term Financial Plan 2010/13

Classification: Unrestricted

Summary: The purpose of this report is to consult the Committee on the budget proposals for the EHW Directorate, with reference to the KCC published budget consultation paper issued on 5th January 2010. The report also provides a response to the issues raised at the IMG of this Committee, created in November 2009 to discuss detailed budget issues.

Members are invited to comment on the key issues on the proposed budget changes for the services provided by the EHW Directorate, and to note the issues raised by the IMG, and the resulting responses.

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 12th October 2009 identified that we are likely to be entering more uncertain times for local government finance. The report to Cabinet on 11th January 2010 set out the provisional Local Government Finance Settlement, which confirmed that the level of Formula Grant was as announced in the three year settlement. However, there are still uncertainties over some specific grants and the level of council tax capping, and the announcement on 25th November that the Government intends to fund some of the free “Personal Care at Home” from local government efficiencies was a surprise. Furthermore, the next Comprehensive Spending Review which was due to start in the summer has been delayed until after the forthcoming general election.
- 1.2 We reported the national and local context to the last Policy Overview & Scrutiny Committee meeting and outlined the proposed MTP priorities and efficiency savings. The Committee discussed the policy issues from that report, and used an IMG to look at the budget details. The IMG met on 12th November and offered an opinion on the relative priorities of each area of spend. This report provides a response to the issues raised.

- 1.3 Since the November meetings, there have been a number of further developments that have resulted in the budget proposals being presented for consultation. Members are invited to comment on the key issues for the services provided by the EHW Directorate, in order that these can be taken into account at the budget meetings of Cabinet on 1st February 2010 and County Council on 18th February 2010.
- 1.4 Members are asked to read this report in conjunction with the draft Medium Term Plan and Budget Book, issued on 5th January 2010.

2. Background

- 2.1 The budget consultation papers include an overall summary of the proposed Portfolio budgets for 2010/11, showing the amounts proposed for each service within the portfolios. This identifies the gross expenditure, income and net expenditure.
- 2.2 The papers also include the proposed capital investment programme and the medium term revenue and capital plan for 2010/11 to 2012/13. All MTP entries and budget book pages are presented in as a consistent format as possible for each Portfolio.
- 2.3 Copies of the draft Budget Book and Medium Term Plan have been distributed to all Members (on the 5th January). You are asked to ensure you bring those to this meeting.
- 2.4 The MTP and Budget Book reflect the new portfolio responsibilities following the County Council elections in June.

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 MTP.
- 3.2 We are setting this budget in a period of great economic instability. The recession has hit deeper and lasted longer than earlier forecasts and inflation (as measured by Retail Prices Index) has been negative all year. The Bank of England Monetary Policy Committee is committed to achieving the 2% target for Consumer Price Index over the medium term. The continuing economic situation presents us with threats and opportunities which as well as offering the potential for savings also presents additional costs.

3.3 Areas of spending priority across this medium term plan for which significant additional funding is required are to meet the price pressures (mainly fuel and the cost of oil based materials) and the legislative pressure of the landfill tax escalator. There are the financing costs of the recent investment in highways capital maintenance and also an extension to the Freedom Pass so that it will now cover all children who live in Kent even if they go to school in another Authority. There is also additional funding for the Urban Traffic Management Centres to maintain and improve the investment to reduce congestion in our town centres.

3.4 The position on budget increases can be summarised as follows:

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

	2010/11	2011/12	2012/13
	£'000	£'000	£'000
Base adjustments	-334	-695	0
Budget increased for:			
Prices	2,724	3,441	4,029
Legislative	1,947	1,763	1,802
Demand	-1,343	0	0
Service Improvements	853	456	50
Total pressures and base adjustments	4,181	5,660	5,881

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 three-year financial plans, shown in Appendix A of the MTP, detail the proposed savings required in 2010/11. The major items 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 2010/11 is £3.2m.

3.6.2 The majority of these savings will come from improvements in highways procurement (£2.4m).

3.6.3 There will also be staffing efficiencies in Highways (£0.6m), Resources (£0.3m) and Planning (£0.1m) through delaying and streamlining processes.

- 3.6.4 There will be over £1m savings in Waste from an expected permanent reduction in disposal tonnage brought about by behaviour awareness campaigns (£0.8m) and the ending of the 2010 target for the Clean Kent campaign (£0.25m).
- 3.6.5 These gross savings are offset by the reversal of the capital/revenue swap on support for socially necessary but uneconomic bus routes (£1.5m).
- 3.6.6 A further £0.04m of net income is to be generated by Country Parks in 2010/11 with additional increases in targets across the following two years.
- 3.6.7 In line with the zero pay award for KCC officers for 2010/11, it is proposed that no inflation is added to highways fees and charges for the new financial year.
- 3.6.8 The proposed net position is therefore as follows:

Table 2; Total proposed base budget for EHW Services

	2010/11	2011/12	2012/13
	£'000	£'000	£'000
Base budget	150,681	151,261	152,040
Total Pressures and base adjustments (from Table 1)	4,181	5,660	5,881
Savings	-3,227	-4,141	-1,583
Income Generation	-40	-45	-50
Revised base budget	151,261	152,040	156,288

4 The Committee's IMG to discuss budget issues

- 4.1 The IMG met on 22 November and provided their views as to the relative priorities for spending to be considered when setting the draft budget proposals for this Directorate. The list of areas for review, along with our response, is attached at Appendix A.
- 4.2 The POSC IMG process has been useful in shaping the future budget, and Members will see from Appendix A that priority areas of spend have been protected in the budget proposals.

5 Capital Budget

- 5.1 The starting point for the capital programme is the existing published capital programme for 2009/12. This is adjusted for re-phasing of schemes from 2009/10, changes to the total cost or funding of schemes, and new schemes. The detail of the proposed capital programme is provided in the draft budget book on pages 31 and 32.
- 5.2 The major change to the capital programme is a reduction in the programme of modernisation and development of the waste facilities (£4.4m). Schemes where land acquisition has proved difficult or where detailed plans have not yet been established, have been removed from the programme. The other significant element to highlight is that 2010/11 is the second year of the two-year additional investment in highways capital maintenance.
- 5.3 Members should note that the level of financial support from Government in 2011/12 and 2012/13 is not known. It is very likely that we will see a significant reduction in the grants and supported borrowing. Because of the difficulty in predicting this we have presented the budget to show that the level of spend on certain schemes will be equal to the level of Government financial support. These schemes are identified in italic font in the draft budget book.

6. Recommendations

- 6.1 Members are asked to note the proposal **not** to add an inflation increase to highways fees and charges in 2010/11.
- 6.2 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.

Background documents:

- Autumn Budget Statement; Cabinet, 12th October 2009
- Medium Term Financial Plan 2010/11 to 2012/13 for the EHW Directorate; EHW POSC, 10 November 2009
- Provisional Local Government Finance Settlement; Cabinet, 11th January 2010
- Draft Budget Book and Medium Term Plan 2010/13 (issued on 5th January 2010)

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Medium term plan IMG – 12th November 2009

The IMG was held in order to gain a wider Member view on their relative preference for services. Making services as efficient as possible before having to decide where to achieve savings was taken as a given and the meeting therefore concentrated purely on the policy options.

Members were presented with a number of options for each of the main services that EHW provides. These options ranged from retaining the service as is (i.e. the service is a priority) to completely stopping a service (or where there is statutory duty, reducing the service to an absolute minimum). In between these two extremes there were one or two intermediate options for each area of business, selection of which indicated the relative priority that Members placed on each service.

The options were not fully worked up models, but were simply designed to give Members a representation of the likely outcome of each recommendation they made, and to give the relative priority they placed on each service.

The main outcome of the meeting was that the number one priority of those Members attending the IMG was to protect the public transport budgets (support to socially necessary but uneconomic bus routes and the Freedom Pass) and this has been protected in the MTP proposals and indeed enhanced by the expansion of the Freedom Pass.

A perhaps surprising outcome of the meeting was not having highway maintenance as a higher priority. The general consensus was that if savings had to be made, highway maintenance should be considered as a possible area in which to look, by reducing many of the maintenance services to a statutory minimum. The Cabinet Member for EHW does not share this view and will look to protect maintenance budgets in the future (having taken steps to improve efficiency within these budgets as part of the current MTP proposals).

The notes of the IMG meeting are shown below.

EHW POSC: IMG – MTP

Thursday, 12 November 2009

Present – Mr J Cubitt, Mr C Hibberd, Mr S Manion and Mr M Robertson

In attendance – Richard Hallett and Karen Mannering

1. The IMG considered services for Highway Maintenance; Public Transport; Environment & Waste; and Strategic Planning individually.

Members were minded to:-

(a) retain the following services –

Public Transport – Concessionary Fares

E&W – Country Parks

Strategic Planning – Planning and transport policy

(b) suggest the following savings –

Highway Maintenance -

- Minor repairs – reduce service to health and safety repairs only
- Adverse weather – reduce service to absolute minimum response
- Structures – reduce service to health and safety repairs only
- Signs, Lines & Bollards – reduce service to health & safety repairs only
- Network Performance – reduce service to statutory duties only
- Traffic systems – stop all interactive signs and messaging, close traffic management centre and retain traffic light maintenance only (*Mr Robertson requested his dissent be recorded*)

E&W – Public Rights of Way (PROW) – reduce service to health and safety response only

2. The Members divided the remaining services into two Intermediate option categories as follows –

(a) Intermediate option 1 –

- Member and parish liaison and customer focus
- NOMU (general maintenance gangs)
- Street lighting
- Highway Drainage
- Soft Landscape & Trees
- Road Safety

- Household waste recycling centres (HWRCs) – reduced hours of operation

(b) Intermediate option 2 –

- Transport & Development Planning
- Freedom Pass (**The IMG requested/suggested a review of the charge and age range**)
- Support to socially necessary but uneconomic bus routes (**Public transport was high on the list of priorities, and the IMG requested/suggested a review of high cost journeys**)