



## **BUDGET AND PERFORMANCE MONITORING SCRUTINY PANEL**

**25<sup>TH</sup> JANUARY 2010**

### **JOINT REPORT OF THE DIRECTOR OF HIGHWAYS, TRANSPORTATION & WASTE MANAGEMENT AND THE DIRECTOR OF CORPORATE RESOURCES**

#### **MEDIUM TERM FINANCIAL STRATEGY 2010/11 – 2013/14 HIGHWAYS, TRANSPORTATION AND WASTE MANAGEMENT**

##### **Purpose**

1. This report provides information on the proposed 2010/11 to 2013/14 Medium Term Financial Strategy (MTFS) as it impacts on the Highways, Transportation and Waste Management Department.

##### **Background**

2. The County Council agreed the current MTFS in February 2009. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2010/11 – 2013/14 was approved by Cabinet on 12<sup>th</sup> January 2010 for consideration in the scrutiny process.
3. Reports such as this one are being presented to the relevant Overview and Scrutiny Committees. The views of this Panel, together with the views of the two Scrutiny Committees will be reported to the Scrutiny Commission on 3<sup>rd</sup> February 2009. The Cabinet will consider the results of the scrutiny process before recommending a MTFS including a budget and capital programme for 2010/11 to the County Council on the 24<sup>th</sup> February.

##### **Financial Strategy**

4. The MTFS is set out in the report to Cabinet on 12<sup>th</sup> January, a copy of which has been circulated to all members of the County Council. This report highlights the implications for the Highways, Transportation & Waste Management Department.

##### **Proposed revenue budget**

5. Table one below summarises the proposed 2010/11 revenue budget and provisional budgets for the next three years. The proposed 2010/11 revenue budget is shown in detail in Appendix A.

6. Detailed budgets include no allowance for inflation. However the excess pay provision for 2009/10 has been removed from budgets. A central contingency is being held for inflation. Where inflation exceeds these assumptions specific growth is included.

Table One – Summary Proposed Budget 2010/11 and Provisional Budgets for 2011/12 to 2013/14

	<b>2010/11 £000</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>
1. Updated original budget	75,002	80,194	77,634	74,966
2. Inflation to outturn	-119	0	0	0
3. Previous years' growth & savings (2009/10)	23	0	-55	0
3. Other changes	5,018	0	17	132
<b>5. Sub Total</b>	<b>79,924</b>	<b>80,194</b>	<b>77,596</b>	<b>75,098</b>
6. Add proposed growth (Appendix B)	2,900	1,460	1,550	1,250
7. Less proposed savings (Appendix B)	-2,630	-3,650	-3,660	-4,050
8. CYPS and ASC savings impacting on HTWM budgets (See note (#) below)	0	-370	-520	-250
<b>Proposed/Provisional budget at outturn prices (Appendix A)</b>	<b>80,194</b>	<b>77,634</b>	<b>74,966</b>	<b>72,048</b>

(#) Details included in reports for Children and Young People's Service Scrutiny Committee and the Adult Social Care and Health Scrutiny Committee

7. The figures for 2011/12, 2012/13 and 2013/14 are provisional.
8. The full year effect of growth and savings approved to commence in 2009/10 or earlier years are shown in line 3 of the above table. New proposals or those agreed in the current MTFs due to start in 2010/11 or later years are shown in lines 6, 7 and 8.

### Full Year Effect of Previous Years' Growth and Savings

9. The full year effect of 2009/10 growth and savings of £23,000 in 2010/11 arises from a number of factors. There is additional growth money of £55,000 for work around planning for regional growth and the local development frameworks, £50,000 relates to the early repayment of capitalised pension costs and £250,000 is the carry forward of under spends/withdrawal from reserves. These increases are offset by £82,000 which is the full year effect of Environment and Heritage staffing savings and the ending of growth of £250,000 allocated in 2008/09 and 2009/10 for improvements/remedial works to highways drainage. However it is now being proposed to maintain this resource on an ongoing basis and as such £250,000 is included in the growth total.

### Other Changes

10. The figure of £5,018,000 is the net effect of a number of transfers of budget into and out of the Department. The most significant transfer in (£2,881,000) relates to Environment Services previously in the Community Services Department. The remaining balance (£2,137,000) relates to the transfer into the Department of Area Based Grant netted off by budget transfers out of the Department for the Customer Service Centre, Modernising Financial Services, Repairs and Maintenance at the Recycling & Household Waste Sites and the Accommodation Strategy.

## **Growth**

11. Details of growth proposals are set out in Appendix B.

### **Demand and cost increases**

#### **11.1 HIGHWAYS & TRANSPORTATION**

- (i) Change in school days (net) resulting from timing of Easter holidays £510,000 in 2010/11 reducing to £370,000 in the following year  
Each year the number of school days changes, resulting in an annual (one-off) increase or decrease in the budget provision for Mainstream transport contract costs.
- (ii) Drainage adaptation to cope with climate change - £250,000 from 2010/11  
This is to undertake adaptations to the highways to address the increased levels of flooding on the County's Roads due to the more extreme rainfall that is accompanying climate change.

#### **11.2 WASTE MANAGEMENT**

- (i) Landfill Tax - £1,000,000 in 2010/11, rising to £1,840,000 in 2011/12, to £2,650,000 in 2012/13 and to £3,430,000 in 2013/14  
As part of the Government's incentive to divert waste from landfill, the cost of landfill tax increases year on year. Landfill tax will increase by £8 per tonne to £56 per tonne in 2011/12, is set to rise by at least £8 per tonne per annum up to 2013/14 and will probably continue to rise in future years.
- (ii) Food Waste - £60,000 in 2010/11, rising to £70,000 in 2011/12, and to £80,000 in 2013/14  
As part of the diversion from landfill, costs associated with supporting the introduction of a district wide food waste collection service by Harborough District Council.
- (iii) Recycling Credits - £480,000 in 2010/11, rising to £750,000 in 2011/12, to £1,040,000 in 2012/13 and to £1,350,000 in 2013/14  
It is a statutory duty to pay recycling credits to District and Borough Councils to incentivise increased recycling. These growth figures are based on forecasts by the District and Borough Councils of what they expect their recycling tonnages to increase by. They are paid for every tonne recycled. The rate paid is increased by 3% year on year, with the figure for 2009/10 being £43.11 per tonne.
- (iv) Diversion from Landfill - £600,000 in 2010/11, rising to £1,040,000 in 2011/12, to £1,490,000 in 2012/13 and to £1,640,000 in 2013/14  
To meet Landfill Allowance Trading Scheme (LATS) targets, tonnages are being diverted from landfill to the new Cotesbach Mechanical Biological Treatment (MBT) facility (available from Autumn 2010) and either the Eastcroft or Coventry Waste to Energy facilities.

#### **11.3 ENVIRONMENT SERVICES**

- (i) Watermead - £40,000 from 2011/12  
This is to meet the revenue consequences of capital investment at Watermead Country Park.

## **Savings**

12. Details of savings requirements are set out in Appendix B.

## **Efficiency**

### **12.1 HIGHWAYS & TRANSPORTATION**

- (i) Transformation of Highways Works - £500,000 in 2010/11 rising to £800,000 from 2011/12  
These savings will arise from improved resource management through better coordination of plant and equipment (early indications are that approximately 50 fewer vehicles will be needed).
- (ii) Efficiencies from the Highway Works Alliance - £200,000 in 2010/11 rising to £300,000 in 2011/12, to £440,000 in 2012/13 and to £640,000 from 2013/14  
Tarmac is contracted through the Highways Works Alliance to provide 3% per annum efficient savings, reflected in the price LCC will pay for specific jobs.
- (iii) Bus service contract renewals - £400,000 in 2010/11 rising to £480,000 from 2011/12  
These savings arise through negotiation of cheaper contract prices for school and local bus services as the contracts come up for renewal.
- (iv) Improved procurement for taxis - £300,000 in 2010/11 rising to £400,000 from 2011/12  
The use of e-tendering for taxi services will increase competition and improve rates as contracts are renewed.
- (v) Administration and clerical Review - £100,000 from 2011/12  
A review of the administrative and clerical resources required to support the Department leading to a reduction in posts.
- (vi) Review of non-highways inspections - £115,000 from 2011/12  
Continuation of previous work looking at reviewing other non-highways inspection processes including street lighting.
- (vii) Review of consultation processes - £35,000 from 2011/12  
This involves looking at our approach to meeting statutory requirements for consultation on traffic improvement and other schemes.
- (viii) Leicestershire Highways Operations depot rationalisation - £250,000 from 2011/12  
This will arise from reviewing the number and location of Leicestershire Highways Operations depots with the objective of rationalising the location, number and use of these depots.
- (ix) Passenger fleet improved vehicle utilisation - £100,000 from 2011/12  
This is through making better utilisation of the individual vehicles making up the internal vehicle fleet used in providing transport for adult day care.

- (x) Review of local bus service fare and season ticket procedures - £100,000 from 2011/12  
This is through review of the procedures around local bus service fare and season ticket issues. It is not an increase in charges.
- (xi) Sponsorship and advertising on fleet vehicles - £100,000 from 2011/12  
Additional income raised through selling advertising space on the sides of internal fleet vehicles.
- (xii) Other Transport Service Reviews - £220,000 from 2011/12, rising to £920,000 in 2012/13 and to £1,620,000 in 2013/14.  
Further reviews that are still subject to detailed planning.
- (xiii) Transformation of Highways Works - £400,000 from 2012/13  
The second phase of this project process improvement looking at improved logistics to reduce amount of travel and process time.
- (xiv) Asset Management Review - £200,000 in 2012/13 rising to £400,000 from 2013/14 Improvements  
Through more soundly based investment and maintenance appraisal and consequent reduction in whole life costs of assets.
- (xv) Organisational Review - £160,000 from 2012/13  
A review of the structure within the Highways Branch will be undertaken by 2012/13 to reduce posts.
- (xvi) Fleet Review - £500,000 from 2013/14  
More efficient use of the vehicle fleet leading to a reduction in operating and renewal costs.

## **12.2 WASTE MANAGEMENT**

- (i) Estimated reduction in tonnages sent to disposal due to increased recycling -£800,000 in 2010/11 rising to £950,000 in 2011/12, to £1,100,000 in 2012/13 and to £1,200,000 in 2013/14  
Tonnages of waste to be disposed of by LCC, and therefore going to landfill, are currently decreasing as a result of increased rates of recycling. The cost of recycling is less than disposal resulting in anticipated efficiency savings on the disposal budget.
- (ii) Estimated reduction in Recycling Credits - £120,000 in 2010/11 rising to £180,000 in 2011/12, to £ 280,000 in 2012/13 and to £ 390,000 in 2013/14  
Tonnages of recycled material on which recycling credits are paid are currently increasing at a reduced rate compared with previous forecasts. This reduction will result in anticipated efficiency savings in future years.
- (iii) Other recycling and treatment initiatives - £910,000 from 2013/14  
Further promotional campaigns, incentivisation schemes and other initiatives to reduce waste ending up in landfill.

### 12.3 ENVIRONMENT SERVICES

- (i) Environmental Services Efficiency measures - £10,000 in 2010/11 rising to £70,000 in 2011/12, to £110,000 in 2012/13 and to £120,000 from 2013/14  
Savings will be made by reviewing car park charges in country parks (£20,000 2011/12, £40,000 2012/13), a reduction in partner funding to Bradgate Park (£20,000) and a reduction of posts in Rights of Way and Country Parks (£60,000).

#### Service reduction

### 12.4 HIGHWAYS & TRANSPORTATION

- (i) Street Lighting - £60,000 costs in 2010/11, but £80,000 savings in 2011/12, rising to £180,000 in 2012/13, to £350,000 in 2013/14 and £500,000 ongoing.  
A range of savings that can be achieved through changes to the street lighting provision around the county including dimming, part night lighting and switching off.
- (ii) Evening and Sunday local bus services - £80,000 in 2010/11 rising to £150,000 from 2011/12  
Removal of contracted evening and Sunday local bus services.
- (iii) Non statutory school bus services - £120,000 in 2010/11 rising to £240,000 from 2011/12  
Removal of Local Bus Service School Special Contracts. A number of under distance non statutory local bus service contracts operate to schools across the county to reduce congestion and assist school travel planning; pupils pay an appropriate fare to the bus driver on a daily basis. These fall outside the various requirements of the Education Acts to provide statutory home to school transport.
- (iv) Out of policy local bus services - £50,000 in 2010/11 rising to £220,000 from 2011/12  
The policy of ensuring that 95% of the County has easy access to a local bus service is not impacted. This saving is about stopping those local bus services currently sitting outside of this policy.
- (v) Increase fares on local bus services - £20,000 in 2010/11 rising to £50,000 from 2011/12  
Review of fares charged on local bus service contracts.
- (vi) Increase fares on home to school transport - £10,000 in 2010/11 rising to £40,000 from 2011/12  
Increasing the charges for those fare payers who utilise the spare seats on home to school contract services.
- (vii) Environmental Maintenance - £250,000 in 2011/12 rising to £500,000 from 2012/13  
Cease all but essential winter environmental maintenance work and reduce number of grass cuts. In part this saving can be delivered by continuing to be flexible in terms of numbers of cuts required, but by taking a more prudent approach.

- (viii) Responsive Maintenance - £800,000 in 2011/12 rising to £1,850,000 in 2012/13 and to £2,800,000 from 2013/14  
Remove the quick response for carriageway repairs such that non emergency work is dealt with through planned maintenance, allowing defects to be dealt with in a more sequential manner.
- (ix) Other Passenger transport reviews – £200,000 from 2013/14  
Looking at further changes to charging levels and subsidies.

## 12.5 ENVIRONMENT SERVICES

- (i) Reduction in Grants - £80,000 in 2010/11 rising to £170,000 in 2011/12, and to £460,000 from 2012/13  
Reduction of the budget available for grants payable from Environment Services. Affected grants are Community Plus grants and Shire Grants (including Environmental and Village Hall grants).
- (ii) Environment Services Reductions - £80,000 in 2011/12 rising to £160,000 from 2012/13  
Review and reduce the Landscape Architect and Stepping Stones functions.

### Specific Grants/External Funding

13. Table two below outlines the provisional specific grants/external funding anticipated to be available to support service delivery within the Department in 2010/11.

Table Two – Specific Grants/External Funding 2010/11

<b>Existing Department</b>	<b>£000</b>
Area Based Grant – De Trunking	1,064
Area Based Grant – Road Safety	859
Area Based Grant – Rural Bus Subsidy	1,006
East Midlands Airport - Bus Service Support	90
LAA Reward Grant – School Travel Plan Advisors	82
<b>Transferred from Community Services</b>	
Stepping Stones	46
Ways to Wildlife at Watermead (stc)	85
Higher Level Stewardship	61
Woodland Grants	21
Sence Valley	10
Woodfair	10
6 Cs	44
BCTV Braunstone Green Gym (stc)	77
Bosworth Road Woodland grant	1
Donisthorpe Woodland Park grant scheme	<1
DCLG/FLAG	330
<b>TOTAL</b>	<b>3,786</b>

(stc)=subject to confirmation

## Capital Programme

14. A summary of the proposed Capital Programme is set out in Table Three below. The detailed programme is set out in Appendix C. The capital programme is funded by a combination of Local Transport Plan (LTP) allocation, discretionary funding and other external sources. 2010/11 is the last year of the 5 year LTP2, which means that the level of funding allocations for future years is currently uncertain. Due to this uncertainty on funding levels a Capital programme has only been prepared for 2010/11.

Table Three – Summary Capital Programme 2010/11

<b>Existing Department</b>	<b>£000</b>
Highways and Transportation	26,117
Waste Management	1,815
<b>Environment Services (Transferred from Community Services)</b>	<b>547</b>
<b>Total</b>	<b>28,479</b>

## Transportation

15. The 2010/11 capital programme for Transportation is funded from the following sources shown in Table Four.

Table Four – Capital Funding 2010/11

	<b>£000</b>
Local Transport Plan (LTP) Settlement	16,926
Discretionary Funded	500
Growth Point Funded (Birstall Park & Ride)	2,000
Community Infrastructure Fund (CIF) (Birstall park & Ride)	2,750
Developer Funded	1,260
De-Trunking Grant	405
City Council Contribution	241
Section 31 Bridges Grant	1,500
Street Lighting invest to save (£350k borrowing and £185k from RIEP funding)	535
<b>Total Highways &amp; Transportation</b>	<b>26,117</b>

16. The allocation for Integrated Transport Schemes for 2010/11 is £6,060,000 which includes a £250,000 contribution towards the funding of the Loughborough Eastern Gateway project.
17. The allocation for Capital Maintenance schemes for 2010/11 is £10,866,000. In addition the programme includes £1,500,000 of Section 31 grant funding for two railway bridge strengthening schemes on the A607 in Melton Mowbray.
18. Also included in the 2010/11 programme is £4,750,000 for Birstall Park & Ride, which is dependent on funding from the Community Infrastructure Fund (£2,750,000) and Growth Point Funding (£2,000,000).



19. Other key elements of the Transportation programme include:

- Narborough Road South funded from developer contributions;
- Advance design and preparation costs for Loughborough Town Centre Transport Scheme;
- Advanced Design for Leicester North West Park & Ride;
- Street Lighting invest to save programme (dimming, part night lighting and switch off).

### **Waste Management**

20. The 2010/11 capital programme for Waste Management is funded from the following sources shown in Table Five.

Table Five – Capital Funding 2010/11

	<b>£000</b>
Waste Infrastructure Capital Grant	921
Earmarked Capital Receipts	125
Capital Contribution Unapplied	769
<b>Total Waste Management</b>	<b>1,815</b>

21. The main priority is waste infrastructure, including modernising recycling and household waste sites at Sileby and Lount. There is still a need for general improvements to existing sites to assist in the diversion of waste from landfill.

### **Environment Services**

22. The 2010/11 capital programme for Environment Services is funded from the following sources shown in Table Six.

Table Six - Capital Funding 2010/11

	<b>£000</b>
Connect 2 (Watermead Country Park)	327
Discretionary Funding	220
<b>Total Environment Services</b>	<b>547</b>

23. The programme focuses on improvements to Watermead Country Park and a continuation of the Ashby Canal project.

### **Recommendation**

24. Members of the Panel are asked to consider the report and any response they may wish to report to the Scrutiny Commission.

## **Equal Opportunities Implications**

25. There are no discernable equal opportunity implications as a result of the proposed MTFS. All capital projects undergo appropriate planning to ensure that the needs of all users are taken into account. This will include the intellectual as well as the physical access and cover both services provided as well as buildings they are provided from.

## **Background Papers**

Medium Term Financial Strategy 2010/11 – 2013/14, Report to the Cabinet 12<sup>th</sup> January 2010.

## **Circulation under local issues alert procedure**

None.

## **Officer to Contact**

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## **Appendices**

- Appendix A – Revenue budget 2010/11
- Appendix B – Growth and Savings 2010/11 to 2013/14
- Appendix C – Capital Programme 2010/11