

BUDGET AND PERFORMANCE MONITORING SCRUTINY PANEL

25 JANUARY 2012

**JOINT REPORT OF THE DIRECTOR OF ENVIRONMENT & TRANSPORT
AND THE DIRECTOR OF CORPORATE RESOURCES**

**MEDIUM TERM FINANCIAL STRATEGY 2012/13 – 2015/16
ENVIRONMENT AND TRANSPORT DEPARTMENT**

Purpose

1. The purpose of this report is to:
 - (a) provide information on the proposed 2012/13 to 2015/16 Medium Term Financial Strategy (MTFS) as it impacts on the Environment & Transport Department; and
 - (b) ask the Panel to consider any issues as part of the consultation process and make any recommendations for consideration by the Scrutiny Commission.

Background

2. The County Council agreed the current MTFS in February 2011. This has been the subject of a thorough review and revision in light of the current economic climate. The draft MTFS for 2012/13 – 2015/16 was approved by the Cabinet on 17 January 2012 for consideration in the scrutiny process.
3. Reports such as this one are being presented to the relevant Overview and Scrutiny bodies and to the Scrutiny Commission. The Cabinet will consider the results of the scrutiny process before recommending a MTFS including a budget and capital programme for 2012/13 to the County Council on 22 February 2012.

Financial Strategy

4. The MTFS is set out in the report to Cabinet on 17 January, a copy of which has been circulated to all members of the County Council. This report highlights the implications for the Environment & Transport Department.

Proposed revenue budget

5. Table One below summarises the proposed 2012/13 revenue budget and provisional budgets for the next three years. The proposed 2012/13 revenue budget is shown in detail in Appendix A.

6. Although detailed budgets for 2012/13 have been compiled on the basis of no pay or price inflation, a central contingency will be held which will be allocated to services as necessary. The budget also includes provision for an increase in the employer's pension contributions in 2012/13 and 2013/14 based on the results of the 2010 triennial actuarial revaluation of the Pension Fund. Similar increases have been assumed in 2014/15 and 2015/16.

Table One – Summary Proposed Budget 2012/13 and Provisional Budgets for 2013/14 to 2015/16

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
1. Updated original budget	80,557	75,752	72,854	72,203
2. Add proposed growth (Appendix B)	2,740	1,150	1,130	1,155
3. Less proposed savings (Appendix C)	-8,070	-4,270	-1,885	-1,400
4. Transfers etc	525	222	104	135
Proposed/Provisional budget at outturn prices (Appendix A)	75,752	72,854	72,203	72,093

7. The figures for 2013/14, 2014/15 and 2015/16 are provisional.
8. Proposed growth and proposed savings in lines 2 and 3 in the above table include both the full year effect of previous items and new items commencing from 2012/13.
9. The proposed net budget for 2012/13 totals £75,752,000 made up of:

	£000
Employees	26,457
Running Costs	94,760
Gross Costs	121,217
Income	<u>-45,465</u>
Net Budget	<u>75,752</u>

10. The transfer figure of £525,000 is the net effect of a number of transfers of budget into and out of the Department. The key ones being the fall out of the one off additional growth for highway winter damage in 2011/12 (-£1,500,000), offset by the transfer from the corporate contingency of the excess inflation budget for street lighting; signs and traffic signals (£1,359,000); highway maintenance (£770,000); and passenger transport (£520,000). The balance (-£624,000) is the effect of a number transfers to Central Departments including centralisation of IT renewals, premises costs and health & safety.
11. Growth and savings have been categorised in the appendices under the following classification:
- * - item unchanged from previous MTFS
 - ** - item included in the previous MTFS, but amendments have been made
 - No stars - new item

This star rating is included in the descriptions set out for growth and savings below.

Growth

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

12.1 HIGHWAYS & TRANSPORTATION

Demand and cost increases

**** G14 Special Educational Needs (SEN) Transport client numbers/costs: £990,000 in 2012/13 rising to £1,825,000 by 2015/16**

Increased expenditure to deal with the costs of transporting the rising number of pupils with statements of SEN. The number of pupils with SEN for whom transport is provided is forecast to increase by approximately 11% over the last year, and this is expected to continue to increase. Savings are anticipated as a result of the SEN policy review which will reduce the impact overall, but the anticipated savings are built in separately as a savings item.

G15 Social Care Client numbers/costs: £480,000 in 2012/13 rising to £720,000 by 2015/16

Increased expenditure to deal with the costs of transporting the rising number of social care service users and also from clients with more complex needs. This budget has been under pressure since it was transferred into the Department. Growth of £250,000 in 2011/12 was made available but this has proved insufficient to cover the level of demand for services that has been experienced. Modest increases are included for later years although this is difficult to predict given the uncertainties on demand arising from changes to eligibility and personalisation.

Service Improvements

*** G16 Time-limited growth for Regional Plans and Local Development Framework Core Strategies: Reduction of £55,000 from 2012/13**

Growth of £355,000 was provided in the 2009/10 - 2012/13 MTFS for work around Regional Planning and the Local Development Core strategies within the Chief Executive's (£150,000) and Environment & Transport (£205,000) Departments. £100,000 of this growth was only temporary and was planned to reduce from 2012/13. £55,000 of this reduction is within the Environment & Transport Department and the remaining £45,000 within the Chief Executive's Department.

12.2 ENVIRONMENT

Demand and cost increases

**** G17 Landfill Tax: £750,000 from 2012/13 rising to £2,350,000 by 2015/16**

As part of the Government's incentive to divert waste from landfill, the cost of landfill tax increases year on year. Landfill tax will rise by £8 per tonne to £64 per tonne in 2012/13 and is set to continue to rise by £8 per tonne each year in future.

**** G18 Recycling and reuse credits paid to Districts: £155,000 from 2012/13 rising to £650,000 by 2015/16**

Recycling and reuse credits are paid to district and borough councils and certain third parties (e.g. charities and community groups) to incentivise increased recycling. The current rate is £45.73 per tonne and this will increase by 3% each year.

Service Improvements

**** G19 Diversion from Landfill: £420,000 from 2012/13 rising to £685,000 by 2015/16**

To meet the Landfill Allowance Trading Scheme (LATS) targets, tonnages are being sent to the Mechanical and Biological Treatment (MBT) facility at Cotesbach. Waste that would otherwise go into landfill is instead separated and sorted. This allows some to be recycled and composted with less than 20% ending up in landfill.

Savings

13. Details of savings requirements are set out in Appendix C.

13.1 HIGHWAYS & TRANSPORTATION

Efficiency

*** S36 Highway Works Alliance: £100,000 from 2012/13 rising to £200,000 from 2013/14**

Further annual 3% efficiency savings generated through the current contract arrangement with Tarmac under the Highways Works Alliance. The contract with Tarmac can either terminate in March 2013 or be extended by up to three years. Over the next year work will be undertaken to establish what alternative arrangements the authority might put in place beyond March 2013 or extend the Highways Works Alliance, perhaps with negotiated price variations.

**** S37 Management & Staffing Review: £250,000 from 2012/13 rising to £450,000 from 2015/16**

Reviews have/are being undertaken in 2011/12 looking at the Department's staffing structure. Savings of £500,000 are anticipated in 2011/12 with a further £250,000 expected as the full year impact in 2012/13. Also in later years a further review is expected to generate further savings of £200,000. The Department's approach to vacancy management and the use of secondment arrangements has meant that these savings have been realised with minimum levels of redundancy required.

*** S38 Admin & Clerical Review: £70,000 from 2012/13**

This forms part of the staffing review mentioned above.

**** S39 Reduce Business Mileage: £30,000 from 2012/13**

This is a saving arising from reduced numbers of business miles travelled by Departmental staff.

**** S40 Transformation of Highway Works: £630,000 from 2012/13**

This project is already well established and has realised significant savings in recent years. Further savings will be generated from a combination of factors including improved logistics, much better utilisation of vehicles and plant and reduced levels of management and operatives (including agency staff) whilst maintaining current service levels.

S41 Depot Review: £250,000 from 2014/15

Savings arising from rationalising the number of depots for Leicestershire Highways Operations, the Sustainable Travel Group and Corporate Facilities Management activity, leading to reduced costs around rental, business rates, maintenance costs and other operational costs of operating out of depots.

* S42 Passenger Fleet - Improved vehicle utilisation: £40,000 from 2013/14

Better logistic planning and route optimisation leading to reduced vehicle requirements.

** S43 Contract renewal: £120,000 from 2012/13 rising to £620,000 from 2013/14

Significant savings have been realised in recent years through the re-commissioning of current bus and taxi service contracts through the Sustainable Travel Group's business support function. Further savings will be realisable as future contracts are renewed.

** S44 Fleet Review: £300,000 from 2013/14 rising to £500,000 from 2015/16

Savings of up to 25% are anticipated through either an outsourcing exercise based upon hard market testing or through the introduction of improved working practices to bring the workshops up to a more market-comparable position.

* S45 Data collection, modelling & searches: £20,000 from 2012/13 rising to £40,000 from 2013/14

This is the ongoing impact of a saving built into the MTFs for 2011/12 arising from a review of current arrangements for the collection and sharing of modelling and search data including increased opportunities for charging.

** S46 More efficient provision of school transport incorporating flexible school times: £100,000 from 2012/13 rising to £430,000 from 2014/15

The grouping of local schools into clusters to reduce the cost of bus operations. The premise is that altering some school drop-off times by as little as 10 -15 minutes can lead to better vehicle logistics and the removal of unnecessary trips. Also savings will be realised from wider use of double deck buses and phasing out the use of yellow buses.

S47 Service Reviews: £1,000,000 from 2015/16

Further reviews of specific service areas will be undertaken as opportunities arise and circumstances materialise. This will involve looking at the way services are delivered as well as the levels of service provision.

Service reduction

* S48 Street Lighting – dimming, part night lighting and switching off: £150,000 from 2012/13 rising to £570,000 from 2014/15

This is the continuation of the street lighting project that has been so successful to date in rolling out of dimming, switch-off and part-night lighting initiatives.

** S49 Reduced level of Highway Maintenance: £1,450,000 from 2012/13 rising to £3,325,000 from 2014/15

This is an extension of savings contained within the existing MTFs for Highways Maintenance. Priorities for maintenance will be determined by the Local Transport Plan (LTP3) which builds on an improved understanding of the correlation between investment in maintenance and road condition and performance, as well as the wider implications on the local transport infrastructure.

* S50 Environmental Maintenance: £500,000 from 2012/13

Reductions in spend on grass-cutting, with a greater focus on targeting cuts where they are needed most (i.e. for road safety purposes) rather than a standard approach across the board, coupled with restricting to only essential winter environmental maintenance work.

* S51 Review of specialist infrastructure assets: £50,000 from 2012/13

A review of the approach to maintaining the network infrastructure. Further challenge to the existence of street furniture, anti-skid surfaces etc. rather than routine maintenance. Removal where appropriate, with savings realised through reduced ongoing maintenance.

* S52 Reductions to traffic management / safety / sign maintenance and sign / gully cleansing: £190,000 from 2013/14 rising to £390,000 from 2014/15

A range of reductions to various activities across highways related activity.

** S53 Review of SEN Transport Policy: £180,000 from 2013/14 rising to £300,000 from 2014/15

A change to policies which will make the provision of transport agreed previously on a discretionary basis less generous and therefore reduce demand on the service and reduce costs. However, this reduction will only help to offset a general increase in demand as reflected in the 'SEN Transport client numbers/costs (G14)' growth item above.

** S54 Review of historic exceptions and walking routes: £110,000 in 2012/13 rising to £200,000 from 2013/14

Removing school bus services which are out of line with standard policy and reviewing walking routes to schools.

* S55 Adult Social Care transport – implementation of revised policy: £250,000 from 2012/13 rising to £500,000 from 2013/14

A change to the policy which will make the provision of transport agreed previously on a discretionary basis less generous and therefore reduce demand on the service and reduce costs.

* S56 Review of the supported bus network including alternative provision: £500,000 from 2012/13 rising to £1,000,000 from 2013/14

A review of the current policy for the supported bus network whereby 95% of the county's population is linked to a local, hourly bus network. This policy is unique to Leicestershire County Council and a revised policy which modifies this approach will reduce coverage and cost. Work is being undertaken to identify which services might be proposed for reduction. Some local services might instead be replaced by Demand Responsive Transport. The Cabinet on 17 January 2012 agreed a revised level of saving in this area. This in part reflects the increased requirement for savings S57 and S58 below.

** S57 Home to school transport – review of discretionary elements: denominational and 16+) (£735,000 from 2012/13 rising to £1,100,000 from 2013/14

In total, provision of these non-statutory services costs £2,400,000, although a flat rate charge of £240 per pupil is levied which means the net cost is currently £1,100,000. The Cabinet on the 17 January 2012 authorised the Director of Environment and Transport to undertake consultation on possible changes to the discretionary elements of home to school transport (denominational and 16+).

S58 Concessionary travel – additional services: £135,000 from 2012/13 rising to £270,000 from 2013/14

As a legacy of the transfer of responsibility for concessionary travel from district councils to the County Council, certain non-statutory concessions continue to be provided. This is despite funding received by the Government being insufficient to cover the costs of the statutory scheme when it was transferred for 2011/12, with further reductions in funding being made from 2012/13. These non-statutory concessions are: i) half fare travel on community transport; ii) taxi vouchers for those unable to use buses due to disability or rural location; and iii) free morning peak travel for disabled people. The Cabinet agreed on 17 January 2012 to authorise the Director of Environment and Transport to undertake consultation on possible changes to these non-statutory elements.

Other savings

** S59 Change in number of school days: £290,000 saving in 2012/13 but rising to £210,000 growth in 2013/14 but then falling to £80,000 savings from 2014/15

Each financial year, the costs associated with school transport depend on the number of school days which can vary dependent on when Easter holidays fall. There are less school days in 2012/13 and 2014/15 than in 2011/12, but more in 2013/14.

13.2 ENVIRONMENT

Efficiency

** S60 Reduction in tonnages sent to disposal: £1,065,000 from 2012/13

Savings due to a reduction in waste tonnages arising from waste prevention, re-use and recycling activity as well as the impact of the economic downturn. Significant savings have also been achieved through negotiations with existing contractors.

** S61 Efficiencies in disposal & treatment: £190,000 from 2012/13

Resulting from the more efficient bulking and transfer of waste and through diverting waste to cheaper treatment and disposal facilities.

** S62 Efficiencies in operation of Recycling and Household Waste Sites (RHWS): £90,000 from 2012/13 rising to £290,000 from 2013/14

Review of RHWS operations to improve operational efficiency and the end of payments to cover the cost of compactors from 2013/14.

** S63 Increased income generation: £50,000 from 2012/13

Implementation of a more beneficial contract to manage electrical and electronic wastes.

S64 Reduction in waste initiatives: £135,000 from 2012/13

Reduced expenditure resulting from the adoption of a more cost effective approach to the delivery of waste initiatives to encourage waste prevention/reuse and increased recycling performance.

S65 Reductions from waste management projects: £970,000 from 2012/13

Changes to priorities in the service given the backdrop of reducing levels of waste arisings, significant progress and improvements already having been made on recycling rates and overall waste minimisation, along with the decision to no longer proceed with the PFI initiative

mean that less money will be required for waste strategy and related initiatives in the medium term.

Service reduction

* S66 Landscape Architecture & Stepping Stones: £80,000 from 2012/13

This is the full-year impact of the review and subsequent reduction in activity around the Landscape Architect and Stepping Stones functions.

** S67 Review of RHWS provision: £300,000 from 2013/14

A review of the current service provision including the materials recycled and the standard of service including the potential for a reduction in opening hours.

Capital Programme

14. A summary of the proposed Capital Programme is set out in Table Two below. The detailed programme is set out in Appendix D. The capital programme is funded by a combination of the Local Transport Plan (LTP) grant, discretionary funding and other external sources. Following the Chancellor of the Exchequer's Autumn Statement, an extra £50m was allocated to the Local Transport Plan funding nationally for 2011/12. The Authority's allocation of this is £548k. This additional allocation will be received in 2011/12 and is not ring-fenced. However, the funding has been allocated in 2012/13 to increase the programme (see Table 3 below).

Table Two – Summary Capital Programme 2012/13- 2015/16

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Highways and Transportation				
- New starts	23,205	19,723	18,787	15,827
- Commitments b/f from 2011/12	1,026	15		
Sub Total	24,231	19,738	18,787	15,827
Environment				
- New starts	175	1,570	150	100
- Commitments b/f from 2011/12	1,777	922	50	
Sub Total	1,952	2,492	200	100
Total	26,183	22,230	18,987	15,927

TRANSPORTATION

15. The 2012/13-2015/16 capital programme for Transportation is funded from the following sources shown in Table Three.

Table Three – Transportation Capital Funding

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Local Transport Plan (LTP) Settlement	14,411	14,766	15,236	15,236
Additional recently notified LTP allocation brought forward for 2011/12	548			
Net forecast acceleration from 2011/12	-153			
Department of Transport and Developer Funding (Loughborough Town Centre)	7,669	4,230	2,989	29
Developer Funding (General schemes)	240			
Prudential borrowing/earmarked capital receipts (depot review)	1,026	15		
Invest to save (street lighting)	440	421		
Ashby Canal (mostly externally funded – contribution of £40k per annum from discretionary resources)	50	306	562	562
Total Highways & Transportation	24,231	19,738	18,787	15,827

16. The key elements of the 2012/13 Transportation programme are set out in Appendix D. They include:
- Starting the construction of the £16,646,000 Loughborough Town Centre Transport Scheme with funding provided from the Department for Transport, £14,760,000 in total (£7,618,000 in 2012/13). The balance is being funded from a combination of LTP funding, developer contributions and dedicated land.
 - Integrated Transport Schemes, £4,167,000 – to fund programmes of works, including projects to improve connectivity and accessibility, safety, network performance and reliability, and active and sustainable travel, as well as funding towards the Loughborough Town Centre Scheme.
 - Transport Asset Management, £10,244,000 – towards a programme to maintain carriageways, footways, bridges, street lighting and traffic signal renewal.
 - Additional funding provided by Central Government following the Chancellor’s Autumn Statement, £548,000. It is proposed that this be carried forward from 2011/12, for Integrated Transport Schemes and/or Asset Management.
 - Continuation of the Depot Review strategy, £1,026,000 which will result in appropriately sized, secure, well-managed, multi-function depots equipped to deliver highways, corporate facilities management and passenger fleet services as efficiently as possible from the right locations around the county.

ENVIRONMENT

17. The 2012/13–2015/16 capital programme for Environment is funded from the following sources shown in Table Four.

Table Four – Environment Capital Funding

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Waste Infrastructure Capital Grant				
Earmarked Capital Receipts		225		
Capital Contributions brought forward				
Waste Revenue Reserve	1,772	2,267	200	100
Section 106 Developer Income	5			
Revenue Contributions	175			
Capital Programme – Slippage from 2010/11 commitments				
Total Environment	1,952	2,492	200	100

18. The main priority is waste infrastructure, including the modernisation of the Whetstone Recycling & Household Waste Site (RHWS) together with the upgrading of the bulking/transfer station. There is also a programme of general improvements to other existing RHWS including Kibworth, to assist in the diversion of waste from landfill. These projects are funded mainly from the Waste Strategy Implementation reserve. Details are shown in Appendix D.

Recommendation

19. Members of the Panel are asked to consider the report and any response they may wish to make.

Equal opportunities implications

20. Many aspects of the County Council's MTFs budget are directed towards the needs of disadvantaged people. Where proposed savings are likely to have an adverse impact on service users protected under equalities legislation, Equality Impact Assessments must be undertaken at a formative stage of developing proposals prior to all final decisions being made. Assessments are being undertaken in light of the potential impact of proposals and the timing of the proposed changes.

Background Papers

Medium Term Financial Strategy 2012/13–2015/16, Report to the Cabinet 17th January 2012.

Circulation under local issues alert procedure

None.

Officer to Contact

Matthew Lugg, Director of Environment & Transport
Tel. 0116 3057000 Email: matthew.lugg@leics.gov.uk

Chris Tambini, Head of Strategic Finance
Tel.0116 3056199 Email: chris.tambini@leics.gov.uk

Nick Wash, Finance Business Partner (Environment &Transport)
Tel. 0116 3057146 Email: nick.wash@leics.gov.uk

Appendices

Appendix A – Revenue budget 2012/13

Appendix B – Growth 2012/13 to 2015/16

Appendix C – Savings 2012/13 to 2015/16

Appendix D – Capital Programme 2012/13 to 2015/16