

HAMPSHIRE COUNTY COUNCIL

Decision report

Decision Maker:	Executive Member for Economy, Transport and Environment
Date of Decision:	20 January 2015
Decision Title:	Revenue budget report for Economy, Transport and Environment for 2015/16
Decision Reference:	6390
Report From:	Director of Economy, Transport and Environment and Director of Corporate Resources – Corporate Services

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1. Executive Summary

- 1.1. The purpose of this report is to set out proposals for the Economy, Transport and Environment budget for 2015/16 in accordance with the Council's Medium Term Financial Strategy (MTFS) reported to Cabinet in July 2014.
- 1.2. The County Council's early action in tackling its forecast budget deficit over the current Comprehensive Spending Review (CSR) period and providing funding in anticipation of the tougher times to come placed it in a very strong position to produce a 'steady state' budget for 2014/15 and give itself the time and capacity to develop and implement the next phase of savings by 2015/16.
- 1.3. The budget for 2014/15 that was approved at this stage last year included savings plans for the 2015/16 financial year in order that these could be implemented during the current financial year so that, wherever possible, savings would be fully in place by April 2015.
- 1.4. The report also provides an update on the financial position for the current year. Overall the Department is expected to achieve a reduction against its cash limit of £4.6 million through early delivery of the 2015 savings plans.
- 1.5. The report also reviews the level of charges for the provision of services in section 6 and provides a summary of charges in Appendix 1.
- 1.6. The proposed budget for 2015/16 analysed by service is shown in Appendix 2 and the workforce implications of the budget proposals are set out in Appendix 3.

- 1.7. This report seeks approval for submission to the Leader and Cabinet of the revised budget for 2014/15 and detailed service budgets for 2015/16 for Economy, Transport and Environment Department. The report has been prepared in consultation with the Executive Member and will be reviewed by the Economy, Transport and Environment Select Committee. It will be reported to the Leader and Cabinet on 6 February 2015 to make final recommendations to County Council on 19 February 2015.

2. Context and Priorities

- 2.1. The budget setting process for 2015/16 will be different to previous years in that the majority of the decisions in respect of major changes to the budget were taken as part of the 2014/15 budget setting process in February 2014. Other factors will still affect the budget, such as council tax decisions and inflation, but these will not be as significant as the savings programme that has already been put in place.
- 2.2. Details of the CSR for 2015/16, published in 2013, included a 10% real terms cut in the Departmental Expenditure Limit (DEL) for local government. The budget forecast for 2015/16 therefore included a 10% cash terms cut in all grant funding which equated to a £27.1 million reduction. The provisional settlement released in December 2014 confirmed an 11.8% reduction for the County Council increasing the grant loss to £30 million which will be taken into account when the final budget is set.
- 2.3. The July 2014 MTFS updated the overall position in respect of the 2015/16 budget gap and detailed savings proposals were approved by Cabinet and County Council as part of the 2014/15 budget setting process. The savings have been achieved through the 'Transforming the Council to 2015' (TtC to 2015) programme and regular updates on the Programme have been provided to Cabinet during 2014.
- 2.4. Assumptions included in the strategy that have been built into the 2015/16 budget proposals are:
 - a 1% council tax freeze grant available for 2015/16 on the assumption that council tax is not increased
 - total inflation of £19million across all departments
 - 'passporting' of any further losses of specific grant to the relevant services
- 2.5. As part of the transformation programme, the County Council has been developing its 'Shaping Hampshire' plan, signalling the County Council's intention to further transform and shape services for the future.
- 2.6. The Economy, Transport and Environment department has been developing its service plans and budgets for 2015/16 and future years in keeping with the 'Shaping Hampshire' priorities and the key issues, challenges and priorities for the department are set out below.

Departmental Challenges and Priorities

- 2.7. The basis of the Economy, Transport and Environment budget strategy and cost reduction approach continues the main themes from last year and is therefore built on sharpening the focus on core service delivery around Highways, Waste Management, Transport, Economic Development and statutory planning services whilst also seeking to optimise efficient, effective and outcome focussed service delivery for customers.
- 2.8. Relationships with external service providers and particularly our two largest private sector business partners, Amey and Veolia, remain critical to the continuing successful delivery of ETE services. The work with Veolia around the contract extension provides certainty and a positive platform to build upon for the future development of waste services. The extension granted for the Highways contract with Amey has also demonstrated the benefits of a positive partnership approach to help identify and deliver service efficiency improvements. Clearly the longer term relationship with our Highway service provider will be an issue for the future as the current contract comes to an end in 2017. Some three quarters of the ETE revenue budget is currently spent through external contracts, making this the inevitable major focus for any cost reduction work in the Department. As part of the Council's business strategy it remains important to position ourselves strategically in relation to commercial partners for highways and waste where the operational capacity and responsibility was effectively out-sourced in the 1990s though strong client management and commissioning expertise is retained within the Department. New service delivery models will be required in both waste and highways which have the potential to deliver very significant financial benefits but this will require careful work and some radical changes to current operations and the working relationships with our private sector partners and also with Project Integra partners in respect of waste management.
- 2.9. The Department derives around one third of its overall budget from capital funding. There is a close level of integration between the capital and revenue spending and activity such as Highways Maintenance and the Transport Improvements Programme, funded through Local Transport Plan (LTP) Capital Grant and Developer funds. Therefore in addition to the revenue budget the capital programme is a very significant area for the Economy, Transport and Environment budget and capital recharges support significant areas of departmental staffing and operational costs. As revenue funding reduces the dependence on capital to retain delivery capacity becomes even more significant. The Department has again been very successful in bidding for Transport and Infrastructure funding particularly for the Local Enterprise Partnerships' (LEPs') Local Growth Fund. With a rapidly expanding and competitive construction market there are some real challenges in retaining sufficient staff resources and delivery capacity from contractors to successfully implement all these projects, with increasing inflation on contract costs also being seen across the country.
- 2.10. The deployment of additional locally sourced one-off monies has been particularly important in helping the County Council to secure its technical cases and evidence base to support bids which have been successful with the Local Growth Fund. It will be important to maintain activities in this area

and to develop our embryonic relationship with the Homes and Communities Agency (HCA) as a delivery partner on key sites such as Whitehill Bordon and the continuing work at Daedalus.

- 2.11. The main challenges for the Department in 2015/16 on top of the on-going need to manage cost pressures within agreed budgets relate to staff retention and recruitment as the private sector is increasingly attracting transport professionals, planners and engineers from local authorities where pay and job security are less competitive than hitherto. The Department also deals with the County Council's new and emerging responsibilities as a lead local flood authority, under the terms of the Flood and Water Management Act, and the aftermath of the floods of 2014 is having a significant impact on resources and work programmes across the department, including in Highways. The issues around securing adequate grant funding from DEFRA/Environment Agency (EA) to support flood defence improvement and flood mitigation work is an on-going challenge which has prompted the County Council to seek agreement to a Groundwater Pathfinder project with Government to explore alternative funding methodologies and funding arrangements. The Government also plans to enact the final element of the Act relating to Sustainable Drainage Systems (SuDS) for Hampshire from April 2015. The latest proposals envisage this work being the responsibility of local planning authorities but they are likely to be reliant on the County Council as a statutory consultee to provide technical advice and support. The resource implications could be very significant and will require additional capacity. At this stage DEFRA has not come forward with firm proposals for funding this work though the scheme is due to be implemented in less than three months. Therefore with funding mechanisms and levels still to be confirmed there are significant doubts about the timetable for introducing the new measures by April 2015 and about the potential financial implications for lead local flood authorities.

3. 2014/15 Budget

- 3.1. The cash limited budget for 2014/15 included the early achievement of savings of £4.062 million during the year. These and any further savings achieved during the year can be transferred to Departmental reserves and used to fund any future costs of change.
- 3.2. The budget for the department has been updated throughout the year and the revised budget is shown in Appendix 2 (this excludes the impact of the 2014/15 pay award, which will be factored in in due course). The Department expects to save £4.595 million in 2014/15 as a result of early delivery of the 2015 savings.

Budget 2015/16

4. Revenue Pressures and Initiatives

- 4.1. The Department is increasingly experiencing challenges as a result of pressures on construction industry capacity where the scale of available work

nationally is stretching the industry's ability to deliver. This is leading among other things to:

- Increasing competition from the private sector for key staff
- Difficulties both in retaining existing staff with skills in short supply and recruiting replacements
- Temporary staff with suitable skills also being in short supply and increasingly expensive

The department has been very successful in bidding for capital funding which is delivering significant infrastructure improvements across Hampshire but the funding conditions typically impose tight delivery deadlines. This increases the pressure to retain or obtain suitably skilled staff to ensure delivery timescales are met and the funding is not lost.

- 4.2. Waste volume growth and falling recycling rates (both reflecting the national trend) together with the impact of legislative changes represent a significant risk to the financial position of the department. The picture is complex but by way of example, complying with a recent change in Environment Agency guidance on the disposal of waste wood is forecast to add up to £1 million to disposal costs next year.

5. Revenue Savings Proposals

- 5.1. The Department was given a savings target for 2015/16 of £13.2 million. In February 2014, a savings programme was put forward by the Department which included proposals to meet this gap.
- 5.2. During the last year, the Department has been progressing the implementation of these savings, which have been subject to regular reporting to Cabinet and two internal Peer Review challenges, which were undertaken by the Director of Children's Services.
- 5.3. It is now anticipated that full year savings of £12.3 million will be achieved in 2015/16 with the balance of £0.9 million delivered by 2016/17 and the timing shortfall against the target in 2015/16 being made up from the cost of change reserve.
- 5.4. The cost of change reserve has been built up by early implementation of savings proposals:
- The staffing restructure was completed with effect from 1 October 2014
 - Early changes to the term highways contract were agreed with the contractor from 1 April 2014
 - A public consultation on options for future support to public and community transport services was held during the spring with an Executive Member decision in October approving the savings proposals.
- 5.5. The timing lag results from implementation timescales for the savings in waste:
- Negotiations on the waste disposal contract have been concluded with an Executive Member decision in November agreeing the approach. The

savings will accrue in two phases with 77% available in 2015/16 and the balance in 2017/18.

- Following a public consultation exercise held during the summer on options for the future operation and management of the Household Waste Recycling Centres (HWRCs) an Executive Member decision was taken in November approving the savings proposals. While the savings requirement will be achieved in full the timings associated with the procurement process mean the majority of these savings will not be realised until 2016.

- 5.6. Rigorous monitoring of the delivery of the programme will continue during 2015/16, to ensure that the Department is able to stay within its cash limited budgets as set out in this report.
- 5.7. This early action in developing and implementing the savings programme for 2015/16 means that the County Council is in a strong position for setting a balanced budget in 2015/16 and it means that no new savings proposals will be considered as part of the budget setting process for the next financial year.

6. Review of charges

- 6.1. For Economy, Transport & Environment the 2015/16 revenue budget includes income of £0.523million from fees and charges to service users. This is an increase of £0.023million (5%) on the adjusted original budget for 2014/15.
- 6.2. Details of current and proposed fees and charges (where these are specifically defined) for 2015/16 are outlined in Appendix 1.

7. Other expenditure

- 7.1. The budget includes some items which are not counted against the cash limit. This includes budgets for central department support services (except where they have been given to service departments to buy services), and repair and maintenance of buildings. It also includes costs of Member Support within Economy, Transport and Environment and budgets that are rechargeable to Policy and Resources for corporate and democratic core services. For Economy, Transport and Environment this also includes a sum of £603,000 relating to the Flood Protection Levy paid annually to the Environment Agency. These funds are received and distributed by the Regional Flood and Coastal Committees for flood defence works across their regions.

8. Budget summary 2015/16

- 8.1 The budget update report presented to Cabinet in December included provisional cash limit guidelines for each department. The cash limit for Economy, Transport and Environment in that report was £101.876 million. This has been increased by £614,000 to reflect the recently agreed pay award and by a technical adjustment of £1.068 million relating to treatment of

Bus Service Operator Grant (BSOG). The cash limit is therefore now £103.558 million.

- 8.2 Appendix 2 sets out a summary of the proposed budgets for the service activities provided by the Department for 2015/16 and show that these are within the amended cash limit set out above.
- 8.3 In addition to these cash limited items there are further budgets which fall under the responsibility of this department, which are shown in the table below :-

	2015/16 £000
Total expenditure	115,995
Income other than Government grants	12,437
Government Grants:	1,569
Total net expenditure	101,989

- 8.4 This net position excludes central items such as repairs and maintenance, support service charges and capital charges which will be added as part of the overall budget reported to Cabinet and County Council in February.

9. Workforce implications

- 9.1. The workforce implications of the proposed budget for 2015/16 are set out in Appendix 3. This is based on current known changes, but excludes any assumptions about the current Enhanced Voluntary Redundancy process which will make decisions by the end of this financial year on requests that have been received from staff.
- 9.2. At the end of 2015/16 the planned workforce for ETE is 704 full time equivalent (FTE) staff. This is the same as the estimate at the end of 2014/15 of 704 FTEs as the departmental restructure to achieve the required savings for 2015/16 was fully implemented during 2014/15. The FTEs are summarised below:

	FTEs
FTE staff as at 31 March 2015	704
Changes relating to savings targets	0
FTE staff as at 31 March 2016	704

10. Recommendations

To approve for submission to the Leader and Cabinet:

- 10.1. The annual review of income and charges (as set out in Appendix 1).
- 10.2. The revised budget for 2014/15 (as set out in Appendix 2).
- 10.3. The summary budget for 2015/16 (as set out in Appendix 2).
- 10.4. The workforce implications of the proposed budget for 2015/16 (as set out in Appendix 3).

Rpt/6390/SL

CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

Hampshire safer and more secure for all:	
Corporate Business plan link number (if appropriate):	
Maximising well-being:	
Corporate Business plan link number (if appropriate):	
Enhancing our quality of place:	
Corporate Business plan link number (if appropriate):	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

(a) There are no new proposals contained within this report which have not previously been considered in the 2014/15 budget report, some of which have been subject to further consideration in subsequent reports. Appropriate equalities impact screenings have been carried out in respect of these proposals. These have been used to identify where there is likely to be an impact on the service users or staff.

2. Impact on Crime and Disorder:

2.1. The County Council has a legal obligation under Section 17 of the Crime and Disorder Act 1998 to consider the impact of all the decisions it makes on the prevention of crime.

2.2. The proposals in this report are not considered to adversely affect the prevention of crime.

3. Climate Change:

3.1 How does what is being proposed impact on our carbon footprint / energy consumption?

There are no specific proposals which impact on the County Council's carbon footprint or energy consumption.

3.2 How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

There are no specific proposals which directly relate to climate change issues.

Economy, Transport and Environment Department

Review of income 2015/16

	Total Income (15/16 Budget) £	Current Charge £	Proposed Increase %	Proposed New Charge £
Mandatory/National Charges: None				
Discretionary Charges:				
Road Traffic Incident (RTI) damage – recovery of engineering and administration costs (costs of works required are charged at cost)	20,000	60.00	5	63.00
Non-RTI damage – recovery of engineering and administration costs (costs of works required are recharged at cost) (1)	137,000	8-15% of cost of works required	-	8-15% of cost of works required
Vehicle access – recovery of engineering and administration costs (cost of works are recharged at cost) (1)		60.00	5	63.00
Land Search Fees	322,000	18.65	2	19.00
Concessionary Fares – replacement of lost passes	24,000	10.00	5	10.50
Road Safety – Older Drivers Courses	20,000	30.00	5	31.50

(1) Budget includes these and other items

**Department
Budget summary 2015/16**

Service Activity	Original Budget 2014/15 £000	Revised Budget 2014/15 £000	Proposed Budget 2015/16 £000
Highways Maintenance	32,144	32,243	31,087
Public Transport	19,481	19,235	18,884
School Crossing Patrols	1,132	1,132	1,155
Road Safety	789	790	605
Traffic Surveys	87	87	86
Parking Services	-97	-97	-99
Staffing & Operational Support (Highways & cross-departmental)	13,536	13,426	13,394
Total Highways, Traffic and Transport	67,072	66,816	65,112
Waste Disposal Contract	38,389	38,065	34,604
Waste Management non-contract	1,185	931	953
Planning and Development	1,913	1,913	1,754
Chichester Harbour Conservancy	187	187	187
Total Waste, Planning and Environment	41,674	41,096	37,498
Economic Development	986	1,102	948
Early achievement of savings – firm proposals	4,062	4,595	-
Total	113,794	113,609	103,558

**Department
Workforce implications**

Service Activity	Estimated Staff Numbers (full-time equivalent) 31.3.2015	Transfers & Other Changes	Impact of Savings Proposals	Estimated Staff Numbers (full-time equivalent) 31.3.2016
Highways, Traffic and Transport	541	0	0	541
Waste Planning and Environment	90	0	0	90
Economic Development	18	0	0	18
Departmental and Corporate Support	55	0	0	55
Total	704	0	0	704