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Date: 21 June 2010

Dear Member

CABINET SCRUTINY COMMITTEE - WEDNESDAY, 23 JUNE 2010

I am now able to enclose, for consideration at next Wednesday, 23 June 2010 meeting of the Cabinet Scrutiny Committee, the following urgent item that was unavailable when the agenda was printed.

Agenda No	Item
B1	<u>Response to Government Savings Announcement; The impact on Revenue and Capital Budgets 2010-11 (Pages 1 - 6)</u>

Yours sincerely



Peter Sass
Head of Democratic Services & Local Leadership

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KENT COUNTY COUNCIL - RECORD OF DECISION

<p>DECISION TAKEN BY</p> <p>The Leader of the Council</p> <p>17 June 2010</p>
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<p>DECISION NO.</p> <p><u>10/01505</u></p>

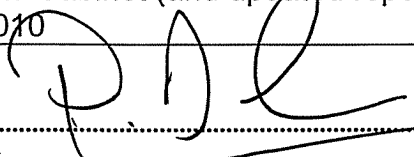
If decision is likely to disclose exempt information please specify the relevant paragraph(s) of Part 1 of Schedule 12A of the Local Government Act 1972

<p>Subject: Response to Government Savings Announcement; The impact on Revenue and Capital Budgets 2010-11</p>

<p>Decision :</p> <p>To agree revisions to the revenue and capital budgets for the current year (2010-11) as a result of the reduction in Government funding announced on the 10 June 2010, a summary of which was reported to the meeting of Cabinet held on Monday 14 June 2010..</p> <p>The detail of the decision is provided in the attached appendix and this decision will now be referred to the meeting of the Cabinet Scrutiny Committee taking place on Wednesday 23 June 2010</p>
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<p>Any Interest Declared when the Decision was Taken</p> <p>None</p>

<p>Reason(s) for decision, including alternatives considered and any additional information</p> <p>In the light of the Government announcement made on 10 June 2010, there is an urgent need to amend the Council's in-year budgets to ensure the necessary actions can be taken to deliver the required savings. It is also necessary to provide clarity as to the scope of these savings changes as urgently as possible in order to avoid unnecessary worry from clients, the public, staff and partners.</p> <p>For these reasons, decisions around the need to change the 2010/11 budget cannot be delayed and therefore this decision has been taken following the urgency rules set out in the Council's Constitution</p> <p>Background Documents: 2010-11 Budget Book and 2010-13 Medium Term Plan, Report to Cabinet (and updated report) on 'Response to Government Savings Announcement' 14 June 2010</p>
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 signed

18/6/10

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Decision Referred to Cabinet Scrutiny	Cabinet Scrutiny Decision to Refer Back for Reconsideration	Reconsideration Record Sheet Issued	Reconsideration of Decision Published
YES <input type="checkbox"/> NO <input type="checkbox"/>	YES <input type="checkbox"/> NO <input type="checkbox"/>	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>	YES <input type="checkbox"/> NO <input type="checkbox"/>

APPENDIX TO RECORD OF KEY DECISION

RESPONSE TO GOVERNMENT SAVINGS ANNOUNCEMENT

1. IN-YEAR REVENUE GRANT REDUCTIONS

1.1 The Government recently announced the following 2010-11 revenue grant reductions for Kent:

Table 1: Government Revenue Grant reductions

	£000s
REVENUE BASE	
• Area Based Grant for CFE	6,873
• Area Based Grant for Supporting People	736
• Area Based Grant for Road Safety	608
• DoT Kickstart 2009 Specific Grant	441
• Area Based Grant for Stronger Safer Communities	132
	8,790
REVENUE ONE-OFFS	
• Performance Reward Grant (PRG)	1,326
• LABGI	750
	2,076
TOTAL 2010-11 REVENUE GRANT REDUCTIONS	10,866

1.2 As we have been prudent in our assumptions regarding our success in achieving PRG, we hadn't allocated the full expected PRG into cash limits and therefore the loss of £1,326k does not impact on our budget, it does though remove our anticipated flexibility to allocate this funding in due course. That therefore leaves a £9,540k in-year revenue grant reduction for us to address. Our proposals for dealing with this in-year are detailed in the table below:

Table 2: KCC proposals to address revenue grant reductions

Proposal	£000s	Comments/Action	Impact on cash limit
CFE portfolio:			
1. Drawdown Asylum Reserve	-800	This is considered possible following successful negotiations with Government during 2009-10 over future funding levels. This will leave £890k in the reserve	A reduction in the Asylum gross cash limit on page 19 of the budget book from £16,670k to £15,870k
2. Drawdown the Contact Point Reserve	-500	The DfE have very recently announced that this project is being disbanded, therefore the reserve is no longer required, although there will be some residual costs and therefore a balance of £84k will remain in the reserve.	A reduction in the grant & contingency gross cash limit on page 23 of the budget book from £18,153k to £17,653k
3. Reduce the bad debt provision	-500	The bad debt provision was increased at the end of 2009-10 by £500k due to one outstanding debt of £1m. The debtor is withholding the funds until the transfer of land is resolved. Following discussions with Legal and Property Services it is now clear that this will be resolved and the debt will be paid during 2010-11; therefore the bad debt provision can be reduced.	A reduction in the grant & contingency gross cash limit on page 23 of the budget book from £17,653k (see item 2 above) to £17,153k

Proposal	£000s	Comments/Action	Impact on cash limit
4. Re-badge ABG expenditure against DSG	-2,000	Although the Government has cut CFE's ABG, a saving against the Connexions ABG cannot be made in 2010-11 as the contract has been signed. We are therefore looking to re-badge some of this expenditure against DSG in order to meet the ABG reduction. This will result in a reduction in the DSG reserve balance of £2m.	A reduction in the grant & contingency gross cash limit on page 23 of the budget book from £17,153k (see items 2 & 3 above) to £15,153k
5. Underspend against the Early Years entitlement extension funded by Standards Fund	-1,500	Based on previous experience, it is considered likely that we will underspend against this grant by £1.5m during 2010-11.	A reduction in the grant & contingency gross cash limit on page 23 of the budget book from £15,153k (see items 2, 3 & 4 above) to £13,653k
6. Review of expenditure against Specific Grants	-800	A review of expenditure against specific grants is underway and we are confident that we can reduce this by £800k. Further details will be provided in the first monitoring exception report to be presented to Cabinet on 12 July.	A reduction in the grant & contingency gross cash limit on page 23 of the budget book from £13,653k (see items 2, 3, 4 & 5 above) to £12,853k
	-6,100		
EHW portfolio:			
7. Road Safety ABG	-608	(i) Reduce contribution to the Kent & Medway Safety Camera Partnership by £440k (ii) £168k of other road safety reductions, including not going ahead with the speed limit review.	A reduction in the KHS gross cash limit on page 49 of the budget book from £61,136k to £60,528k
	-608		
Communities portfolio:			
8. Drawdown Supporting People Reserve	-736	The intended purpose of the Supporting People reserve is to manage the impact of anticipated reductions in the main Supporting People grant over the next few years. In the short term the elimination of the Supporting People Admin grant will be mitigated by a drawdown from the reserve. Whilst we endeavour to make efficiencies over the medium term, it is inevitable that front line service will be affected in the future in order to manage the anticipated reductions in the main grant now that the reserve balance will be depleted. This approach will be confirmed with the Commissioning Body at their next meeting, which is due later this month.	A reduction in the Supporting People gross cash limit on page 57 of the budget book from £32,830k to £32,094k

Proposal	£000s	Comments/Action	Impact on cash limit
9. Stronger, Safer Communities ABG	-132	This reduction in funding will be communicated to the CDRPs (District Councils), with the view that they will be required to amend their in-year expenditure accordingly.	A reduction in the ABG Safer, Stronger Communities & other centrally held allocations gross cash limit on page 99 of the budget book from £1,510k to £1,378k. (Although shown within the Finance portfolio in the Budget Book, £1,385k of this budget is to be transferred to the Community Safety budget within the Communities portfolio)
	-868		
Finance portfolio:			
10. Drawdown from Economic Downturn Reserve	-1,964	Following the Government grant reductions, it is now appropriate to draw down some of this reserve.	A reduction in the Contribution to/(from) Reserves gross cash limit on page 99 of the budget book from -£3,461k to -£5,425k
	-1,964		
TOTAL	-9,540		

1.3 It should be noted that although a number of our proposals in dealing with these grant reductions are to drawdown reserves, this is only a short term solution in order to give us time to address these reductions with longer term solutions. These draw-downs from reserves have also been possible due to either a recent change in circumstances, such as projects being disbanded eg Contact Point, or because resources were specifically set aside for circumstances such as these eg Economic Downturn reserve.

1.4 As two of the Government grant reductions shown in table 1 totalling £1,191k, are specific grants (LABGI and Kickstart), these reductions will have a net nil impact on our cash limit as, for LABGI, both our expenditure and income cash limits will be reduced, and, for Kickstart, neither the expenditure nor the income were included in our original budget figures. The remaining £8,349k grant reduction all relates to Area Based Grant (ABG) and will result in a reduction to portfolio cash limits, as ABG is treated as a funding source of our budget requirement in a similar way to formula grant and council tax income. Our overall budget requirement will reduce as a result of these reductions. The impact of these proposals on our portfolio revenue cash limits is shown in table 3 below:

Table 3: Portfolio revenue cash limit adjustments required as a result of the grant cuts and our proposed treatment

Portfolio	£000s	Comments
CFE	-6,100	
KASS	0	
EHW	-167	The portfolio is having its Kickstart grant income cut but the related expenditure will remain and therefore an increase to the net cash limit of the portfolio is required of £441k. This is in addition to the cut in Road Safety ABG of -£608k.
Communities	-736	
Localism & Partnerships	0	
Corporate Support & Performance Management	0	
Finance	-2,096	As the CFE ABG reduction is £6,873k but the portfolio savings proposals total £6,100k, the balance of £773k together with the impact of the LABGI grant cut of £750k and the Kickstart grant cut of £441k will be met by drawing down the Economic Downturn reserve. In addition the £132k reduction in the Stronger Safer Communities ABG will affect the Finance portfolio cash limit as explained in item 10 in the above table.
Public Health & Innovation	0	
Regeneration & Economic Development	+750	The portfolio is having its LABGI grant income cut but the related expenditure will remain and therefore an increase to the net cash limit of the portfolio is required.
	-8,349	

2. IN YEAR CAPITAL GRANT REDUCTIONS

2.1 The Government recently announced the following 2010-11 capital grant reductions for Kent:

Table 4: Government Capital Grant Reductions

	£000s
• Integrated Transport Block	4,105
• Road Safety capital grant	508
• PRN Network funding	40
TOTAL 2010-11 CAPITAL GRANT CUTS	4,653

2.2 All of these grant reductions are from the Department of Transport. It is recommended that this reduction is all absorbed within the EH&W portfolio capital programme as follows:

Table 5: KCC proposals to address capital grant cuts

Proposal	£000s	Comments/Action	Impact on cash limit
1. Reduce Integrated Transport schemes	-4,105	Schemes to the value of £4,105k will no longer happen	A reduction in the 10-11 Integrated Transport schemes capital cash limit on page 55 of the budget book from £11,065k to £6,960k
2. Safety Camera Partnership	-508	New speed signs expected as a result of the Speed Limit Review will no longer be installed, as the review is not going ahead, (see revenue reduction item 7 in table 2), and no more speed cameras will be installed.	A reduction in the 10-11 Safety Camera Partnership capital cash limit on page 55 of the budget book from £632k to £124k
3. Highway Major Maintenance	-40	The major maintenance budget will be reduced	A reduction in the 10-11 Highway Major Maintenance/Other Capital Maintenance/Bridge Assessment & Strengthening capital cash limit on page 55 of the budget book from £40,505k to £40,465k
	-4,653		

2.3 If agreed, the impact of this is therefore a reduction in the EHW portfolio capital cash limit for 2010-11, per page 56 of the Budget Book, from £153,024k to £148,371k.