

To: Corporate Policy Overview & Scrutiny Committee – 13th January 2011

By: Paul Carter, Leader
Alex King, Deputy Leader and Cabinet Member for Localism and Partnerships
John Simmonds, Cabinet Member for Finance
Roger Gough, Cabinet Member for Corporate Support Services & Performance Management
Alan Marsh, Cabinet Member for Public Health
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Subject: Budget 2011/12 and Medium Term Financial Plan 2011-13

Classification: Unrestricted

Summary: The purpose of this report is to consult the Committee on the budget proposals for the Chief Executive's Department, with reference to the KCC published budget consultation paper issued on 6th January 2011.
Members are invited to comment on the key issues on the proposed budget changes for the services provided by the Chief Executive's Department.

1. Introduction

- 1.1 The Autumn Budget Statement report by the Leader, Cabinet Member for Finance, Group Managing Director and Head of Financial Management to Cabinet on 29th November 2010 identified that following the announcement on of the Spending Review 2010 it was clear local government would have to make significant savings to compensate for reductions in government grants. As well as announcing spending plans for all government departments, the Spending Review confirmed that for the Department of Communities and Local Government (CLG) would receive £3.4bn of grants previously allocated as Area Based Grant (ABG) or specific grants to allocate via the un-ringfenced Formula Grant, but that Formula Grant would be significantly reduced in both cash and real terms over the Spending Review period.
- 1.2 The provisional Local Government Finance settlement was announced on 13th December 2010. This set out provisional grants for 2011/12 and 2012/13 including the impact on individual authorities of the grant transfers and cuts heralded in the Spending Review announcement. Details of the Spending Review 2010 and provisional Local Government Finance settlement are set out in section 2 of the draft Budget 2011/12 and Medium Term Financial Plan 2011-13 (hereafter referred to as the "draft budget book").
- 1.3 Cabinet on 10th January 2011 considered the impact of the provisional Local Government Finance settlement. The headline is that the grant cuts are more severe than previously estimated and this has increased the overall revenue savings requirement for the next two years up to £160m. Details of how the combination of Government Grant cuts, unavoidable additional spending pressures and new spending priorities which lead to the £160m requirement

are set out in the draft budget book, as are the proposed savings in order to balance the budget.

- 1.4 For 2011/12 the draft budget proposes freezing council tax at the same level as 2010/11 i.e. £1,047.48 for a band D property. Cabinet members have been considering a freeze on council tax through-out the budget planning process and the announcement of Council Tax Freeze grant is factored into our calculations on the overall net loss of grant.
- 1.5 Members are asked to read this report in conjunction with the draft budget book, issued on 6th January 2011.

2. Background

- 2.1 The budget consultation papers include the proposed 2011/12 budgets as an A to Z of services (appendix A of the draft budget book). This revised presentation is an attempt to make the budget more transparent to the general public, however, it does mean we cannot present the budget entirely in portfolio order which makes it more difficult for POSCs to scrutinise the portfolio proposals. For ease of reference the detailed budgets behind the A to Z entries for the Chief Executive's Department Corporate portfolios are set out appendix 1.
- 2.2 Appendix B of the draft budget book sets out the medium term priorities by portfolio for 2011/12 and 2012/13. Previously we have set out priorities over a three year horizon but the announcement of a two year provisional settlement for 2011-13 in expectation of a fundamental review of the local government funding formula for 2013/14 renders a three year plan unrealistic. The 2011/12 column of appendix B sets out the main reasons for the changes between the agreed budget for 2010/11 and proposed budget for 2011/12.
- 2.3 Appendix D of the draft budget book sets out the proposed capital investment programme for each portfolio. Overall there have been significant reductions in government grants for capital projects but in spite of this the authority is seeking to maintain its capital investment and has provided additional revenue funding in the Finance portfolio to meet the cost of financing this programme.
- 2.4 Copies of the draft budget book have been distributed to all Members (on the 6th January). You are asked to ensure you bring those to this meeting.
- 2.5 The draft budget book is based on the current organisation of portfolios and directorates. At this stage in the restructuring process it is not appropriate to identify budgets for the new structure. We have designed the draft budget book in appropriate building blocks which can be used to construct a comparable budget under the new structures after the budget has been finalised without having to go back to County Council for a revised approval to spend.

3. Revenue Budget

- 3.1 The overall direction for the Chief Executive's Department is now well established, and the current Medium Term Service Priorities are included in Appendix C of the draft MTP for each portfolio.
- 3.2 We are setting this budget in a period of the greatest fiscal challenge that public services have faced for a very long time. The Government has identified the need to tackle the national deficit and local government has a significant role to play. In setting out this proposed budget for the Chief Executive's Department portfolios we have taken a policy-led approach and in particular the vision and priorities set out in Bold Steps for Kent.
- 3.3 Areas of spending priority in 2011/12 for which significant additional funding is required are outlined below. In most cases these are largely unchanged from the amounts outlined in the Medium Term Plan 2010-13 and the draft MTFP 2011-13 reported to this POSC on 12th November 2010:

IT Asset Maintenance Reserve £1,853 – Unchanged from the previous MTP, this revenue contribution is to extend the asset maintenance reserve to cover the server environment supporting business systems and provides the revenue streams to support the capital programme.

Prudential Borrowing Costs £782k – The prudential borrowing costs incurred in funding a capital programme of over £11m in 2011/12.

Gateways £550k – An increase of £250k on the previous MTP 2010-12 figure to support the running costs for the continued roll-out of the Gateway programme.

Oracle Self-service functionality £200k – To ensure the roll out of self service to managers will enable the business to be managed more efficiently.

Utilities Price Increases £195k – Gas, electricity and rent increases.

Democratic Services Staffing £175k – Corrections to the base budget for Democratic Services staffing including the full year impact of the rationalising of cabinet members' staff officers.

Additional Community Liaison Manager's £144k – To increase the Community Liaison team to 12 Full Time Equivalents.

The budget increases for the Chief Executive's Department (excluding Financing Items) from the four Corporate portfolios covering the department can be summarised as follows:

	2011/12	2012/13
	£'000	£'000
Base Budget Adjustments (return of Delegated budgets)	19	
Other Base Budget Adjustments	22,729	-4
Budget increased for:		
Pay & Prices	195	203
Legislative	158	
Demand Led	398	-88
Service Strategies & Improvements	3,009	779
Total Pressures & Base Adjustments	26,508	890

Table 1; Summary of value of base budget adjustments and budget pressures.

- 3.4 Base Budget Adjustments – reversal of Delegated budgets. 'Change to keep succeeding' proposes the centralisation of the support functions. In keeping with this principle, the budgets for Information Services, Personnel & Development, Property and Finance have therefore been returned to the control of the Chief Executives Department by the service directorates. The table below demonstrates that whilst £26.8m was returned, CED itself held £4.1m within Centrally Managed Budgets, giving a net effect of £22.7m additional base budget.

Reversal of Delegated Cash Limits	From KASS	From CFE	From CMY's	From EH&W	From CED	TOTAL
Base Budget Adjustments						
Personnel & Development	716	1141	1027	233	561	3678
ISG	3529	4777	3215	923	2686	15130
Property	1906	2585	197	265	491	5444
Internal Audit	174	177	92	152	140	735
Total CSS&PM	6325	8680	4531	1573	3878	24987
Democratic Services		260				260
Total L&P	0	260	0	0	0	260
Finance Group	461	475	229	195	216	1576
Total Finance	461	475	229	195	216	1576
Totals returned from Directorates	6786	9415	4760	1768	4094	26823
Returned from CED Centrally Managed Budgets						-4094
Additional base budget to CED						22729

- 3.5 The total of the proposed savings and income generation required in order to meet the indicative cash limit for the Chief Executive's Department for 2011/12 is £7.619m, the major items being:

Management of Assets £2,689k – We are proposing to transfer all the property holding costs to Property Group to manage as the Corporate Landlord. As part of this process we intend to drive out costs through the more effective use of assets. Initially most of the saving will be derived from rationalising the office estate.

Income Generation £772k – Primarily from increased Legal activities and an increased contribution from Commercial Services

ICT Initiatives £450k – Multi-Agency Initiatives for Network Unification and aggregation of operational activity

Contact Centre £406k – As units throughout KCC transfer their services in to the Contact Centre, the savings generated will be shared between the Contact Centre and the units

Efficiency Savings:

Staffing Efficiencies **£669k**
 Management Structures **£181k**
 Changes to HR Policies **£63k**
 Other Efficiency Savings **£1,704k**

Reduction in Member Allowances & Overheads £200k – Further rationalisation of member support arrangements and review of member allowances. Details of these reviews will be reported to a future POSC meeting.

Around Kent £123k – Cease the publication of the 'Around Kent' magazine

Public Consultation £100k – Cease consultation activity which includes work with MORI.

Rationalise Healthwatch Programme £73k – As a result of un-ring-fencing of the Local Involvement Networks funding, we intend to use some of this grant to fund the Healthwatch programme.

The proposed net position is therefore as follows

	2011/12	2012/13
	£'000	£'000
Base budget	24,752	43,942
Total Pressures & base adjustments (from Table 1)	26,508	890
Savings & Income Generation	-7,318	-6,093
Revised base budget	43,942	38,739

Table 2; Total proposed base budget for CED Services, excluding Financing Items

- 3.6 We have traditionally reported the budget for financing items separately. The financing items are detailed separately on page 80 of the draft budget book and are summarised in the table below. The pressures on the financing items includes the additional costs of financing the capital programme, the establishment of a one-off Big Society fund for 2011/12 to encourage social enterprise. Savings include roll forward from 2010/11 under spend, use of reserves and re-financing of existing debt.

	2011/12	2012/13
	£000s	£000s
Base Budget	115,319	110,860
Base Adjustments	4,264	7
Legislative (Carbon Reduction)	1,368	228
Service Strategies	9,023	3,002
Emerging Pressures		15,000
Grant Changes	1,500	
Income	-301	-2,000
Savings	-20,313	-16,593
Proposed budget	110,860	110,504

4 Capital Budget

- 4.1 The starting point for the capital programme is the existing published capital programme for 2010/13. This is adjusted for re-phasing of schemes from 2010/11, changes to the total cost or funding of schemes, and new schemes.

5. Recommendation

- 5.1 Members are asked to note and comment on the revenue and capital budget proposals.

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Background documents:

- Autumn Budget Statement; Cabinet, 29th November 2010
- Medium Term Financial Plan 2011/12 to 2012/13 for the Chief Executive's Department; Corporate POSC, 12th November 2010
- Draft Budget Book and Medium Term Plan 2011/13 (issued on 6th January 2011)

Review of Corporate Budgets 2011-12						
Portfolio, Unit and Activity	Director/ Manager	Gross Expenditure	Service Income	Net Total CED	Govt. Grants	Net CED Exp.
		Total	Total			
		£000	£000	£000	£000	£000
Localism & Partnerships						
Total Democratic Servs	GW	4,925.5	-3.3	4,922.2		4,922.2
International Affairs Group	DC	514.8	-100.0	414.8		414.8
Kent Partnership	DC	334.0	0.0	334.0		334.0
Member Grants (inc. Elections & Consultation)	GW	2,128.0	0.0	2,128.0		2,128.0
TOTAL L & P		7,902.3	-103.3	7,799.0	0.0	7,799.0
Finance						
Finance Group	LM	7,379.2	-4,047.2	3,332.0		3,332.0
TOTAL FINANCE		7,379.2	-4,047.2	3,332.0	0.0	3,332.0
Corporate Support Services & Performance Management						
Personnel & Development	AB	9,759.5	-5,367.9	4,391.6		4,391.6
Information Services	DC	29,692.5	-11,678.7	18,013.8		18,013.8
Central Policy	DC	579.9	0.0	579.9		579.9
Performance Improvement & Engagement	DC	604.1	0.0	604.1		604.1
Property Group	PB	8,643.8	-4,480.4	4,163.4		4,163.4
Legal	GW	7,807.4	-9,269.2	-1,461.8		-1,461.8
Corporate Communications	JC	1,571.9	-62.7	1,509.2		1,509.2
Strategic Development Unit	TO	8,061.9	-2,646.3	5,415.6	-89.0	5,326.6
Internal Audit & Procurement	LM	1,055.0	-34.0	1,021.0		1,021.0
Strategic Management	KK	422.9	0.0	422.9		422.9
Centrally Managed Budgets		2,627.5	0.0	2,627.5		2,627.5
PFI Grant			-581.0	-581.0		-581.0
Dedicated Schools Grant				0.0	-4,289.0	-4,289.0
TOTAL CSS & PM		70,826.4	-34,120.2	36,706.2	-4,378.0	32,328.2
Public Health & Innovation						
Public Health Unit	MP	631.0	-148.0	483.0		483.0
Public Health		631.0	-148.0	483.0	0.0	483.0
Total CED Corporate Portfolios		86,738.9	-38,418.7	48,320.2	-4,378.0	43,942.2