

By: Paul Carter, Leader
Alex King, Deputy Leader
Nick Chard, Cabinet Member for Finance
Graham Gibbens, Cabinet Member for Health
Peter Gilroy, Chief Executive
Andy Wood, Head of Financial Management

To: Corporate Policy Overview Committee – 25 January 2008

Subject: MEDIUM TERM PLAN 2008-09 TO 2010-11

Classification: Unrestricted

Summary:	<p>The purpose of this report is to consult the Committee on budget proposals for the Chief Executive's Directorate, with reference to the KCC published consultation paper issued on 21 January 2008.</p> <p>Members are invited to comment on the key issues on the proposed funding changes for the services provided by the Chief Executive's Directorate.</p>
----------	--

1. Introduction

- 1.1 The Autumn Budget Statement report by the Leader, Cabinet Member for Finance, Chief Executive and Director of Finance to Cabinet on 17 September 2007 set out the national and local context for KCC's Medium Term Plan (MTP) for the period 2008-09 to 2010-11.
- 1.2 The report 'Update on CSR 07 and the Local Government provisional finance settlement' to Cabinet on 14 January 2008 updated the overall budget position to reflect the provisional local government finance settlement for the years 2008-2011. As reported, the provisional grant settlement was better than expected and has provided a small degree of flexibility for the overall proposed budget package.
- 1.3 We reported the national and local context to the last Policy Overview Committee meeting and outlined the existing MTP priorities.
- 1.4 Since that meeting there have been a number of further developments that have resulted in the budget proposals being presented for consultation. Members are invited to comment on the key issues for the services provided by the Chief Executive's Directorate so that these can

be taken into account at the budget meetings of Cabinet on 6 February and County Council on 19 February 2008.

2. Background

- 2.1 The budget consultation papers include a summary of the proposed Portfolio budgets for 2008-09, showing the amounts proposed for each service within the Portfolios. This identifies the gross expenditure, income and net expenditure.
- 2.2 The papers also include the proposed capital investment programme and the medium term revenue and capital plan for 2008-09 to 2010-11 expressed as figures and Portfolio priorities. All papers are presented in a consistent format for all Portfolios and reflect the recently announced changes in the Leader and Deputy Leader Portfolios.
- 2.3 Copies of the draft Budget Book and Medium Term Plan have been distributed to all Members (on 21 January). You are asked to ensure you bring those to this meeting.
- 2.4 The MTP and Budget Book reflect the new Portfolio responsibilities for Corporate Support & External Affairs and the Policy & Performance Portfolios. Some further adjustments may be necessary as the changes are worked through in detail.

3. Revenue Budget 2008-09

- 3.1 The overall direction for the CED directorate is now well established, and the current Medium Term Service Priorities for CED are included in Section 3 of the draft MTP.
- 3.2 Members will appreciate that the financial framework for the medium term will be tough for all Directorates, and comes at a time when demand for services has never been higher, both because more people need services and because of greater public expectations. This affects the CED directorate, as service directorates want and need more of what we provide.
- 3.3 Areas of spending priority for which significant additional funding is required are:

Financing Costs; £4,316k — this reflects the expected cost of repaying new borrowing required to fund the proposed capital programme. Any changes to the borrowing requirement as a result of changes to the approved capital programme will impact on this pressure

Pay; £1,185k – this reflects a provision of 2.5% for the 2008 pay award.

Gateway; £500k across the 3 years – being revenue funding for the running costs to compliment the current capital funding included in the investment plan to provide 8 Gateways across the County, and the additional allocation of capital funding to provide for a further 3 by 2012.

Supporting Localism; £345k – provision has been made for an additional 9 FTEs who will support the future Localism Structure in Kent.

Healthwatch; £300k – this will be used to gather, record and communicate public opinion about the NHS in Kent. The current proposal is to use the KCC Contact Centre and as such this budget is likely to transfer to another Portfolio as and when the precise level and type of spend is agreed.

Debt servicing to support capital investment; £282k - this sum reflects the decision by CED to fund capital investment from within the CED revenue budget. The majority of this relates to the WAN / LAN network improvements

Strengthening Communication; £175k – this reflects an intention to ensure all of Kent’s residents have access to knowledge, news and information about the Council and its services, via the whole range of available media. In doing this in a more co-ordinated way, we expect to be able to make savings from other areas of spend on communicating with the public.

3.4 The position can be summarised as follows:

	2008-09	2009-10	2010-11
	£'000	£'000	£'000
Budget increased for:			
Pay	1,185	863	880
Prices	406		
Legislative	90		
Demand	8	100	-63
Towards 2010	150	150	200
Service Improvements*	3,900	18,069	19,486
Total	5,739	19,182	20,503

** the much higher figure in 2009-10 and 2010-11 reflects the current projected increase in net debt, although this figure often reduces as the combination of capital outturn and treasury management come together.*

3.5 Provisional cash limits for each Portfolio have been set, and therefore to balance to those cash limits, given the pressures outlined above, we will need to deliver savings, efficiencies and new income streams to deliver a balanced budget. The three-year financial plans, shown in Appendix A of the MTP detail the proposed savings required in 2008-09.

3.6 Whilst the Directorate is implementing modernisation changes that will increase efficiency and effectiveness, there does need to be awareness of the need to consider some potentially difficult decisions affecting not only the directorate, but the wider County Council, in the medium term

3.7 Efficiencies and other savings

3.7.1 A total of £9.5m savings have been proposed across the board in Year 1, the details of which are in Appendix 1 of the MTP papers. Of the total, £7.0m relates to Financing Items including debt re-phasing and increasing investment income. Savings of close to £2.0m relating to the provision of corporate support services are also proposed. The implications have been discussed and agreed with service directorates as part of the Service Level Agreement process. A further £0.450m will be found from efficiencies through the cross directorate drive for improved procurement.

3.8 Income Generation

3.8.1 A further £1.7m of net income is to be generated by CED Units in Year 1. The majority (£1.2m) will come from the increasing expansion and efficiency of Commercial Services, but the income from other CED Units should not be overlooked. Kent TV expects to generate sponsorship of up to £200k, which will increase in future years as the Station becomes self-financing. There will also be savings from a thorough review of our spend on publications as more use of Kent TV is made to promote our strategies, such as community safety, early year's provision and waste minimisation. The Legal, EIS and Schools Personnel teams will all increase their net income target during 2008/09.

Within the income generation heading is a 'positive' figure of £2.6m. This is the part reversal of a one-off contribution from Property in 2007-08 of £2.6m, relating to asset disposals.

3.9 The resulting change in cash limits on a like for like basis for each Portfolio for 2008-09 are:

Portfolio	Cash limit percentage change
Public Health	46.3%*
Corporate Support & External Affairs	-0.8%
Policy & Performance	4.5%
Finance	-2.9%

* *Public Health includes £792k increase on a base of £100k relating to LINKs and Healthwatch funding that will be transferred to other portfolios in due course.*

The overall cash limit increase for Kent in 2008-09 is 4.0%.

- 3.10 The cash limits present a real challenge to the Chief Executive's Directorate but are based on the need to continue to provide value for money support to service directorates, helping to protect funding to front-line services, whilst developing its strategic role to influence modernisation and innovation.

4. Capital Budget

- 4.1 The starting point for the capital programme is the existing published capital programme for 2007-10. This is adjusted for re-phasing of schemes from 2007-08, changes to the total cost or funding of schemes, and new schemes. The detail of the proposed capital programme is provided in the draft budget book on pages 41, 43 and 46.
- 4.2 The capital programme reflects the Council's and the directorate's capital strategy, and accessibility to public services is a key theme. The programme will provide for the replacement of the Wide Area Network infrastructure to provide a resilient, accessible consolidated public service network. It will also ensure the continued roll-out of the Gateway model across Kent enhancing public access to public services.

5. Recommendation

- 5.1 Members are asked to note and comment on the above proposals.

Background documents:

Cabinet, Item 4, Autumn Budget Statement, 17 September 2007
Corporate Policy Overview Committee, Item B2, 8 November 2007
Cabinet, Item 3, Update on CSR 07 and the Local Government provisional finance settlement, 14 January 2008
Draft Budget Book 2008-09 and Medium Term Plan 2008-11

Officer contact:

Andy Wood, Head of Financial Management, Ext 4622