

By: Paul Carter, Leader of the Council
John Simmonds, Cabinet Member for Finance and Business Support

To: County Council – 14 February 2013

Subject: Budget 2013/14 and Medium Term Financial Plan 2013/15 (including Council Tax setting for 2013/14)

Classification: Unrestricted

Summary: The report has been prepared so that Kent County Council can formally set its budget and Council Tax levels for 2013/14 in accordance with relevant legislation.

The report briefly provides an update on the 2012/13 financial position and makes detailed proposals for the 2013/14 revenue and capital budgets, as set out in the Budget Book and Medium Term Financial Plan (MTFP) “for County Council approval”. These revised versions (white-combed) include the final tax base notifications and collection fund balances.

The report does not include the impact of any changes in final grant settlement figures announced on 4 February but does include changes to the provisional grant settlement announced since the final “draft for Cabinet” was produced, including the Public Health grant announcement.

The report also details any significant changes to the 2013/14 Budget and MTFP from the original final draft including those reported to Cabinet on 23 January 2013.

The report seeks formal approval to the recommendation from Personnel Committee in relation to staff pay and the changes to terms and conditions within the Kent scheme. These are separate decisions and not interrelated or inter-dependent.

Members are reminded to bring the **white comb-bound** Budget Book 2013/14 and Medium Term Financial Plan 2013/15 “for County Council approval” to this meeting. Please note these supersede the **black comb-bound** original draft version “for cabinet” launched on 16th January, which is now obsolete.

Members are reminded that Section 106 of the Local Government Finance Act 1992 applies to any meeting where consideration is given to matters relating to, or which might affect, the calculation of Council Tax.

Any Member of a Local Authority, who is liable to pay Council Tax, and who has any unpaid Council Tax amount overdue for at least two months, even if there is an arrangement to pay off the arrears, must declare the fact that he/she is in arrears and must not cast their vote on anything related to KCC's Budget or Council Tax.

INTRODUCTION

1. The Local Government Finance Act 1992 requires the Council to formally consult on and ultimately set a budget and Council Tax for the next financial year, 2013/14. This report sets out the required calculations and recommendations. The proposed Budget 2013/14 and MTFP strategy enable the Corporate Director of Finance & Procurement to satisfy Section 25 of the Local Government Act 2003 which requires the statutory officer to give an opinion on the robustness of the budget estimates and the level of reserves held by the Council.
2. The Council's budget is set within the framework of its policy priorities and in particular the proposed 2013/14 revenue budget, 2013/16 capital programme and MTFP strategy builds on the vision set out in Bold Steps for Kent. The proposed budget and MTFP strategy also takes into account a range of external factors including national local government funding (and in particular the new arrangements introduced under The Local Government Finance Act 2012), the economic situation and the legislative programme.
3. We were able to publish the initial draft revenue budget much earlier than previous years allowing longer for consultation and consideration of the authority's response to feedback. The late announcement of the provisional local government finance settlement has meant that we could not publish the revised final draft budget following the consultation feedback until later than we had originally intended (published 16 January). This only allowed a short period for comment prior to publication of County Council papers. We have made government aware of the difficulties with this year's timescales in our response to the provisional settlement.
4. The new local authority funding arrangements with the replacement of Formula Grant, Early Intervention Grant, Learning Disability Grant (and other grants) and the localisation of Council Tax Support have made for a very complex settlement. The changes mean comparison with the current year is difficult to follow. We have included additional analysis of both Council Tax and the changes to government grants in the Budget Book and MTFP. We have described the changes at both the national level (section 2 of MTFP) and local impact (section 3 of MTFP).
5. The net effect of the changes to the grants transferring into the new business rates model and other grants means we have £13m less than we anticipated when we launched the consultation. Council Tax will deliver £3.5m more than we anticipated for the consultation (through a combination of increases in the number of tax payers, and changes to discounts/exemptions and collection rates) without increasing the main Band D rate. We have additional spending demands of £5.3m compared to the estimates included in the consultation (some higher and some lower) and the phasing/deliverability of some savings has changed. The net effect is that the final budget proposals require an additional £14.8m of savings compared to the consultation on a like for like basis. Appendix 1 shows the comparison between the proposed budget for County Council approval and consultation on a like for like basis in the same format as presented in the consultation document.

6. The proposed Budget Book and MTFP for County Council approval (white combed) set out in detail the main issues that have been taken into account in setting the revenue budget and Council Tax for 2013/14, summarised as follows:
 - Net funding reduction of £37.8m compared to the adjusted 2012/13 approved budget.
 - Additional spending demands of £145.1m
 - Savings, income and grant increases of £182.9m to balance the combination of funding reductions and additional spending demands
7. Of the £182.9m, £87.5m relates to grant funding from NHS towards social care, Public Health grant, Social Fund grant and Dedicated Schools Grant (DSG) to fund early years' places for 2 year olds. Excluding these leaves a net savings requirement of £95.4m. The MTFP strategy identifies that savings of a similar magnitude are likely to be needed in 2014/15 due to the combination of one-off measures proposed for 2013/14, further anticipated reductions in government funding and additional spending demands.
8. We have also developed an enhanced capital strategy. The new strategy is set out in section 4 of the MTFP and focuses on achieving maximum effect from capital investment with a sharper focus on the council's strategic priorities and to obtain maximum value from our assets. The new strategy reinforces the commitment to a fiscal indicator to limit the cost of borrowing to 15% of overall spend. This will require us to come up with innovative solutions to funding investment and we need to explore other financing options such as bonds, infrastructure levies and tax increment financing (TIF). The proposed capital programme shows an investment of £695m over three years from 2013/14, with £107.8m funded from borrowing.
9. We are proposing some further changes in the proposed budget for County Council approval (white combed) compared to the final draft version reported to Cabinet. These include income from the grants for Public Health and the Social Fund, and the balance on local Council Tax collection funds, all of which were confirmed too late to include in the original final draft. The proposed budget includes the spending from the additional grants and collection fund balance, the latter has been used to fund additional demand and price pressures in adult social care and to increase the reserves against potential losses on Council Tax Support and Council Tax collection.

BUDGET 2012/13

10. The final draft budget was based on the second quarter's monitoring reported to Cabinet in December. In particular the budget proposals include revisions to the base budgets for waste disposal, home to school transport and capital financing to reflect under spends in the current year which would otherwise be repeated in future years without making the necessary adjustments. The reverse is the case for looked after children where demands for additional placements which arose since the budget was set have resulted in an over spend which requires us to increase the base budget for 2013/14 to ensure the budget is sufficient to meet the cost of the placements for those currently in the care system.

11. The final draft budget also proposes to use £5m of the £5.125m forecast under spend identified in the 2nd quarter's monitoring to balance the 2013/14 budget. This represents an increase of £3.85m on the £1.15m assumed from earlier monitoring and included in the draft for consultation. The latest exception report to Cabinet on 23 January identified that the forecast under spend on the 2012/13 revenue budget had increased to £7.153m, although this includes £1.93 of committed roll forward leaving £5.223m available for other purposes. The revised additional spending demands included in the budget "for County Council approval" takes account of the very latest forecast.
12. We expect to close the 2012/13 accounts with £31.725m of general reserves and £117.782m in earmarked reserves. The general reserve is available as a contingency against unforeseen eventualities during the year and represents just over 3% of the council's net revenue spending. We have concluded that 3% is a reasonable compromise which avoids the need to hold contingencies within individual budgets. As set out in Appendix F of the MTFP the Council's budget is becoming more challenging as the savings targets become more challenging and the general reserve should not be reduced.
13. The 2013/14 budget for County Council approval proposes to utilise £9m of the earmarked reserves, particularly those where the contingent circumstance is unlikely to occur or the impact is less than previously envisaged. This is a departure from previous years where we have borrowed from long term reserves with the intention of paying them back at a later date. This is a £3m increase in the use of reserves compared to the amount included in the consultation. Using reserves was identified as one of the most popular ways to meet the savings target from those responding to the consultation. We are also proposing to implement the planned drawdown from the Council Tax Equalisation Reserve (the balance of the one-off grant to support Council Tax freeze in 2012/13) and the use of the unallocated under spend from 2011/12.
14. Schools started 2012/13 with revenue reserves of £59.1m and capital reserves of £1.6m. At this stage we forecasting schools will draw down £2.3m of revenue reserves during the year based on the latest monitoring report. This position could change before year-end.
15. We are forecasting a net £18.5m "under spend" against the approved three year capital programme of £629.4m, due to variances on a number of projects. The variances include some overspends/unfunded variances, some new projects with approved funding, some under spends compared to the original plan and some re-phasing of spending beyond the three years. These variances are reflected in the proposed revised three year plan for 2013/16. The revised plan has also had some planned schemes removed/reshaped in line with the proposed new capital strategy.
16. This is a very concise summary of the overall financial position for 2012/13. We continue to provide detailed quarterly reports to Cabinet setting out the latest spending on each budget heading and exception reports in the intervening months highlighting any significant issues since the last full report. The third quarterly report will be presented to Cabinet on 18 March 2013.

FINAL DRAFT 2013/14 BUDGET PROPOSALS PRESENTED TO CABINET

17. As outlined in the introduction there have been a number of changes to the draft budget since the consultation was launched. These mainly relate to the unexpected changes in Government Grant under the new business rates arrangements, although we have also had to revise some of the additional spending pressures and phasing/amounts for some of the planned savings. Appendix 1 shows a like for like comparison of the final budget proposals with those outlined in the consultation. It also included a reconciliation to the figures included in the final proposed MTFP and the final budget has to account for all changes, some of which it was not appropriate to consult upon as they relate to previous decisions or the implication of changes in specific grants or are simply a *fait accompli*.
18. The revised proposals in the final draft budget presented to Cabinet were put forward in light of the feedback received from consultation and response agreed by Cabinet on 3 December. This ensures there is no requirement to embark upon a re-consultation exercise, although the final draft was issued with a two week window for comment. Comments received are included in appendix 2. The equality impact assessments (EqIA) for the original proposals have been reviewed and new assessments made for new savings proposals.
19. The transformation proposals (particularly adult social care) are aimed at improving the outcomes for older people and adults with learning and physical disabilities, nonetheless, many of the proposals will impact on particular age groups due to the age related nature of many services. Overall we have sought to protect services for the very old and very young and the most vulnerable groups. Analysis of the equality impact assessments shows that some of the other savings proposals could impact disproportionately on women, this will be addressed in fuller assessment of detailed proposals. We have also concluded that some of the budget proposals could impact disproportionately on disabled and will include fuller assessment in detailed proposals to ensure this addressed. Generally the proposals don't disproportionately affect other equalities protected characteristics.
20. As in previous years detailed consultation and EqIA of specific proposals within individual portfolios will be undertaken once the overall budget has been approved and prior to implementation. County Council approval of the budget includes granting delegated power to portfolio holders to make changes to the proposals in light of detailed consultation and findings from analysis of equality impact assessments.
21. The proposed 2013/14 budget needs to be compared to an adjusted 2012/13 budget to ensure like for like comparison. This adjustment increases the 2012/13 net budget from £904.321m to £991.818m to take account of the transfer of Early Intervention Grant and Learning Disability and Health Reform Grant into the new local government funding settlement, and the transfer of funding for the early years places for 2 year olds into DSG. Details of these base adjustments are included in the relevant A to Z variation statements shown in the Budget book for County Council approval.

22. The 2013/14 funding in the final proposed budget includes the Revenue Support Grant (RSG) and Business Rates Top-up announced in the provisional local government settlement. It also includes Council Tax Freeze Grant (assuming proposed Council Tax freeze is agreed), New Homes Bonus Grant, estimated Education Services Grant (ESG) from Department for Education (DfE) and other un-ring-fenced grants. The overall picture is that the County Council faces a £39m reduction in government grants (9.5%) on the best like for like comparison we can make. This equates to approx 4% of net spending. Ring-fenced grants and other payments from central government made under section 31 of the Local Government Act 2003 are included as grant income and thus net down relevant expenditure.
23. The 2013/14 funding also includes the estimated 9% share of the business rate yield due from district councils. This estimate for 2013/14 has been calculated on the same basis as that used by central government for the new funding arrangements. As with Council Tax there will have to be adjustment in future years for any over/under recovery through local collection funds. The funding also includes the Council Tax precept after taking account of changes to the tax base notified by districts, changes to discounts and exemptions agreed with districts, the impact of the localisation of Council Tax support, and the proposed freeze in the tax rates.
24. The additional spending demands presented to Cabinet include the following:
- pay/terms & conditions changes/performance reward (£3.7m)
 - price increases (£4.3m)
 - legislative pressures (£24.6m)
 - demand/demographic changes (£23.8m)
 - service strategies & improvements (£8.4m)
 - reversal of one-off savings agreed as part of 2012/13 budget (£23.5m)

More detail of the reasons for this additional spending is set out in the final MTFP. This includes a single page high level summary on page 69 (an “at a glance” version), a more detailed whole council summary on pages 71 to 74, and individual portfolio summaries on pages 75 to 91.

25. The additional pressures in the final draft MTFP presented to Cabinet include spending of £22.1m of income from health for social care improvements, £9.1m on the expansion of early years’ places for 2 year olds funded out of DSG and £23.5m impact of reversal of one-off savings from 2012/13. These issues were not included in the consultation, as referred to in paragraph 17 above as they cannot be changed regardless of views/comments received and so it would have been a false consultation if they had been included.
26. The savings and income proposals presented to Cabinet include the following:
- income generation (£3.3m)
 - removal of one-off spending in 2012/13 (£9.7m)
 - efficiency savings (£23.6m)
 - service transformation (£28.2m)
 - one-off savings from release of reserves (£29.4m)

More detail of these proposals is set out in pages 69 to 91 of the final MTFP. The impact on individual service activities is set out in the final Budget Book. Section 5 of the Budget Book has been produced in A to Z service format adopted two years ago (appendix A separates the A to Z entries for each portfolio to aid discussion at the council meeting). The time constraints due to the late settlement meant it was not possible to produce the individual line by line variation statements to accompany the Budget Book for the publication on 16 January. These have now been included in the version for County Council approval.

27. The removal of one-off spending (£9.7m) and planned use of reserves and uncommitted under spend (£13.7m) were not included in the consultation as they relate to previous decisions. This reduces the total saving for comparison to the consultation to £70.9m. However, we also need to add back the £3m found from the base budget adjustments towards the transfer of grant funding under the new arrangements, so the true comparison is savings of £73.9m i.e. a net increase of £13.6m on the £60.3m identified in the consultation.
28. Within the additional net savings we have to re-phase/remove some of the original savings/income proposals e.g. anticipated additional grant income, reductions in number of looked after children, premises, etc. These changes to savings mean that overall we have had to identify an additional £21m of new/increased savings since the consultation as outlined in appendix 1.

CHANGES TO THE BUDGET FOR COUNTY COUNCIL APPROVAL

29. Some changes have been necessary to the final draft Budget Book and MTFP published on 16 January, and presented to Cabinet on 23 January. These changes arise from late grant announcements, very latest estimates of additional spending demands and inclusion of the balance on districts' council tax collection funds. These were verbally reported to Cabinet on 23 January 2013. These late changes include the following:

Public Health Grant

30. The grant allocations for Public Health were announced on 10 January. This was too late to include in the final draft budget as referred to in paragraph 2.60. We have now incorporated estimated spending on Public Health and the grant income into the budget and MTFP for County Council approval. The timing of the announcement means we have not been able to fully integrate Public Health into our budget planning and at this stage we have shown total estimated spending as a single entry in the A to Z together with the transfer of drug and alcohol services from other services for adults.
31. It is our intention to identify the detail on spending and staffing transferring from health authorities in a similar way to the A to Z entries for other services. The detail will need to be agreed between cabinet members and directors during the year. In order to facilitate this, delegated authority needs to be granted to the Cabinet Member for Finance and Business Support to make the necessary changes to the approved budget, and to reflect the detail in budget monitoring reports during the year

Social Fund Grant

32. We were not able to include the grant to be paid to the authority under section 31 of the Local Government Act 2003 for the localisation of the Social Fund in the final draft Budget Book and MTFP. We have now included estimated spending and grant income within the Customer and Communities portfolio in the budget for County Council approval. It is proposed this will be managed as cash limited funding in order to avoid any detrimental impact on other council services. This will mean that applications can only be approved subject to the availability of unspent money within the fund during the year.

Adoption Reform Grant

33. Ministers have confirmed that the funds top-sliced from EIG will be paid as Adoption Reform Grant in 2013/14 via both a ring-fenced and un-ring-fenced allocation. The allocations for individual authorities have not yet been announced. The late announcement means delegated authority needs to be granted to the Cabinet Member for Finance and Business Support and Cabinet member for Specialist Children's services to agree the necessary changes to the approved budget, and to reflect these in budget monitoring reports during the year.

Education Services Grant

34. This grant will not be announced until March 2013 and will be adjusted on a quarterly basis to reflect academy transfers during the year. This leaves our funding in an uncertain position. We have included our best estimate in the budget for County Council approval. Delegated authority needs to be granted to the Cabinet Member for Finance and Business Support to be able to agree any necessary changes to the approved budget in light of subsequent grant announcements. These changes will be reflected in budget monitoring reports during the year.

Council Tax Base & Collection Funds

35. We have been notified of a small increase in the tax base since the final draft budget book was published. The latest/final Band D equivalent tax base notification is 486,396 giving a total tax yield of £509.636m. The marginal change to the budget (£57k) has been reflected in contribution to reserves within the Finance and Business Support portfolio.
36. We did not have sufficient information to include the Council Tax collection fund balances in the final draft budget published on 16 January. We now have confirmation of the balance from all 12 districts as per table 1 below (the table also shows previous years for comparison). The 2012/13 balance represents the audited position as at end of 2011/12 plus any known subsequent adjustments during the year. The balance of £2.239m has been incorporated into the budget and increased the net budget. We have used some of this money to offset the additional demand and price pressures outlined below.

Table 1 Collection Fund Balance	KCC Share 2010/11 £s	KCC Share 2011/12 £s	KCC Share 2012/13 £s	Total 2012/13 £s
Ashford	0	425,795	375,528	500,000
Canterbury	0	0	-303,192	-418,265
Dartford	840,915	866,537	841,739	1,160,748
Dover	0	0	181,176	254,000
Gravesham	- 45,520	-149,800	782,370	1,064,680
Maidstone	68,193	0	139,431	198,960
Sevenoaks	0	0	0	0
Shepway	0	671,611	136,275	200,000
Swale	524,950	229,090	0	0
Thanet	55,209	196,032	0	0
Tonbridge & Malling	0	0	-241,188	-338,551
Tunbridge Wells	547,554	0	327,195	450,000
Total	1,991,301	2,239,265	2,239,334	3,071,572

37. The remainder of the collection fund surplus we are proposing to add to the Council Tax equalisation reserve as an increased provision against any losses arising out of the localisation of Council Tax Support (particularly the underwriting of districts' share of Council Tax Support Grant). We have also shown the contribution to underwriting from the increase in the Council Tax precept due to changes to discounts and exemptions more clearly in the Budget Book and MTFP for County Council approval.

Demography and Prices

38. We are proposing to increase the provision within adult social care for demand led pressures by a further £0.8m compared to the £7.1m in the final draft budget and MTFP. This principally relates to a revised assessment of the potential pressure on support for adults with learning disabilities seeking assistance under "ordinary residence". We are also proposing to increase the price element of this additional spending pressure by £0.4m. The revised pressure in Adult Social Care and Public Health in the final version of the budget for County Council approval is £8.27m

Pay and Reward

39. Personnel Committee on 18 January 2013 endorsed a recommendation to the County Council for a 1% pay award for all staff in the Kent Scheme from April 2013. The estimated cost (excluding schools) was identified as circa £3m to be funded from the pay provision within the final draft budget proposals. The committee recognised that a 1% award falls short of Trade Union request and current inflation levels but considered it a reasonable response in light of the overall budget pressures the council faces and the challenging economic conditions. Council is asked to agree this award.
40. The pay provision in the final draft budget also included funding for the performance reward process through Total Contribution Pay (TCP). All TCP assessments have now been submitted and the moderation process is underway. Corporate Management Team will receive the outcome from

moderation and make recommendations on the levels of reward. We have allocated the provision for both the 1% award and TCP rewards to portfolios in the budget for County Council approval.

41. Personnel Committee also received an update on the review of terms and conditions in the Kent Scheme. The Committee recommended that County Council should agree to rationalising allowances and enhancements for weekend/out of hours working and overtime. The recommendation is that pay enhancement should not be made unless it is justified for reasons of service delivery or business continuity and should be paid at time and 1/3rd (unless there are justifiable reasons to pay more or less). Staff only working weekends would be paid at standard rate, as would staff working weekends as part of their normal working week (with time off in lieu) although managers will have the same discretion to reflect individual business circumstances where this can be justified. County Council is asked to agree this change to pay enhancements and overtime.
42. Personnel committee also agreed that any future time limited pay enhancements (disturbance allowance and loss of earnings compensation) should be limited to 18 months. This reduced time limit will not be applied retrospectively to existing payments. No financial savings for these terms and conditions proposals have been allocated to portfolios in the final budget for County Council approval. The savings are being held as a single overall target figure within Finance and Business Support portfolio pending recommendations from Corporate Management Team. Delegated authority needs to be granted to the Cabinet Member for Finance and Business Support and Cabinet Member for Business Strategy, Performance and Health Reform to agree the necessary changes to the approved budget, and to reflect these in budget monitoring reports during the year.

Final Settlement

43. The final local government finance settlement was published on 4 February but was not in time for the publication of this report. The final settlement included minor changes to some grants. Delegated authority needs to be granted to the Cabinet Member for Finance and Business Support to agree any necessary changes to the approved budget to take account of the final settlement and to reflect these in budget monitoring reports during the year.

Other Changes

44. The A to Z in the Budget Book for County Council approval has been updated to reflect the most up to date information (including the allocation of pay and reward pressures for Kent scheme staff). This could mean some lines are different from the final draft launched on 16 January (black combed). Reconciliation between the adjusted 2012/13 budget and the final 2013/14 budget for County Council approval is included in the variation statements.
45. Table 2 summaries the impact on the overall budget requirement of the changes since the final draft budget was published.

TABLE 2 – CHANGES TO DRAFT REVENUE BUDGET 2013/14	Net £'000
Annual Budget as per draft issued on 16 January	951,711
Additional funding from increased Council Tax base	57
Additional funding from Collection Fund surplus	2,239
Revised Annual Budget for County Council approval	954,007

46. Table 3 summarises the changes in revenue budget portfolio totals.

TABLE 3 – CHANGES TO PORTFOLIO AMOUNTS	Final Draft Net £'000	County Council Net £'000
Adult Social Care and Public Health	332,600	334,855
Business Strategy, Performance and Health Reform	56,446	56,499
Customer and Communities	75,656	77,207
Democracy and Partnerships	7,222	7,272
Education, Learning and Skills	53,608	53,766
Environment, Highways and Waste	150,648	151,075
Finance and Business Support	123,093	119,844
Regeneration and Economic Development	3,652	3,690
Specialist Children's Services	148,786	149,799
Annual Budget 2013/14	951,711	954,007

COUNCIL TAX 2013/14

47. It is proposed to freeze the level of Council Tax in relation to the County Council precept at the same rates as 2012/13. This will be the third year the headline rate has remained frozen at the same level as 2010/11. This will result in a precept of £509.636m on district councils based on the notified Council Tax base (the Budget Book for County Council approval (white-combed) shows the amount for each district on page 7).
48. The frozen amounts for each Council Tax band are shown in table 5 below. In practice, people will pay lower amounts of tax if they are eligible for discounts (e.g. empty properties, single occupancy, etc.). Working age residents previously in receipt of Council Tax Benefit will see an increase as a result of the introduction local schemes for Council Tax Support. We estimate that over 30,000 people will be paying a proportion of their council tax (up to 8.5% of the total bill) for the first time. These tax levels exclude the charges from the separate Fire & Rescue Authority, Police Authority, District Councils and Parish Councils.

TABLE 5 – KCC COUNCIL TAX AT FROZEN LEVELS								
	Band							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Annual Charge	698.52	814.94	931.36	1,047.78	1,280.62	1,513.46	1,746.30	2,095.56

49. The Council Tax freeze is supported by a one-off government grant equivalent to a 1% Council Tax increase. Cabinet Members have considered in detail the merits and implications of accepting the grant offer. Members recognise that by not increasing Council Tax, income is not only foregone in 2013/14 but is likely not to be recovered in future Council Tax increases. Nonetheless, Members have concluded that in the current economic climate it would be inappropriate to turn down a government grant and ask Kent residents to pay more.

CAPITAL PROGRAMME 2013/16

50. There have been no changes to the proposed capital programme since the final draft budget was issued. We are still awaiting confirmation of some key capital allocations from central government e.g. basic need for schools. We have improved the presentation of the capital programme to reflect our estimated need for additional school places across 3 geographic areas rather than individual schools. Should we not get satisfactory capital allocations to cover this need we may have to revise the capital programme.

TREASURY MANAGEMENT

51. The volatility of the financial sector across the world continues to provide KCC with a significant challenge. It is important that we respond to this in a way that protects our cash deposits but also provides an income stream (or avoided borrowing cost) to the Council. The updated Treasury Management Strategy approved by Cabinet on 23rd January, and included as section 5 of the MTFP, reflects our amended limited risk approach to treasury management within the Council.

ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

52. As required by the Local Government Act 2003, the Section 151 officer (in our case the Corporate Director of Finance and Procurement) must formally give opinion as to the robustness of the budget estimates and the level of reserves held by the Council.
53. The estimates have been produced from a challenging process with Portfolio Holders and senior staff within all directorates, resulting in agreement on the level of service delivery within the identified financial resources.
54. The MTFP clearly sets out the recommended strategy for ensuring adequate reserves and in particular recommendations to release reserves where the contingent circumstance is unlikely to occur or the impact is less than previously envisaged. In making these recommendations consideration has been given to a number of key factors including; the economic and fiscal uncertainty into the future, the potential future funding reductions, the potential impact of the changes to local authority funding introduced in 2013/14 and the localisation of Council Tax support, potential unforeseen variations in spending (particularly where transformational savings require changes in the way clients access and receive services), our on-going excellent record of budgetary control, the internal financial control framework, our strong approach to risk management and the expected level of General Reserves at 31 March 2013. The level of

general reserves is in line with best practice as recommended by CIPFA and the Audit Commission.

55. To conclude, the Corporate Director of Finance and Procurement is able to formally report that the budget estimates are robust and the level of reserves adequate.

RECOMMENDATIONS

56. The Council are asked to approve the contents of the attached 2013/14 Budget Book and Medium Term Financial Plan 2013/15 (white combed) and to approve the following proposals:

- (a) the Revenue Budget proposals for 2013/14;
- (b) the Annual Revenue Budget requirement of £954.007m;
- (c) the Capital Investment proposals of £694.548m over three years, together with the necessary use of borrowing, revenue, grants, capital receipts, renewals and other earmarked capital funds, external funding and PFI, subject to approval to spend arrangements;
- (d) the Prudential Indicators as set out in Appendix B of the attached Medium Term Financial Plan;
- (e) the revised Treasury Management Strategy as per section 5 of the MTFP
- (f) the overall Revenue and Capital Budget proposals as presented in the white combed version of the Budget Book and Medium Term Financial Plan for:
 - Adult Social Care and Public Health;
 - Business Strategy, performance and Health Reform;
 - Customer and Communities;
 - Democracy and Partnerships;
 - Education, Learning and Skills;
 - Environment, Highways and Waste;
 - Finance and Business Support;
 - Regeneration and Economic Development;
 - Specialist Children's Services
 - Localism & Partnerships;

and to delegate responsibility to the portfolio holders to deliver their responsibilities within the overall resources approved by the County Council subject to the outcome of detailed consultation.

- (g) delegate authority to the Cabinet Member for Finance and Business Support to make the necessary changes to the approved budget in light of the final grant settlement

- (h) delegate authority to the Cabinet Member for Finance and Business Support to make necessary changes to the approved budget in light of fully integrating the Public Health spending into the budget
- (i) delegate authority to the Cabinet Member for Finance and Business Support and Cabinet Member for Specialist Children's Services to agree the necessary changes to the approved budget for the allocation of Adoption Reform Grant
- (j) delegate authority to the Cabinet Member for Finance and Business Support to agree the necessary changes to the approved budget following the Education Services Grant
- (k) delegate authority to the Cabinet Member for Finance and Business Support and Cabinet Member for Business Strategy, Performance and Health Reform to agree the necessary changes to the approved budget for the allocation of terms and conditions and other savings held in the Finance and Business Support portfolio based on recommendations from Corporate Management Team
- (l) 1% pay award for all Kent Scheme staff
- (m) rationalise allowances and enhancements for weekend/out of hours working and overtime to 4/3rds of normal pay subject to justifiable reasons to maintain service delivery or business continuity
- (n) a total requirement from Council Tax of £506,636,022 to be raised through precept to meet the 2013/14 budget requirement;

and

- (o) a Council Tax as set out below, for the listed property bands:

Band								
Council Tax for Band	A	B	C	D	E	F	G	H
£	698.52	814.94	931.36	1,047.78	1,280.62	1,513.46	1,746.30	2,095.56

Background documents:

Consultation "Framing our Budget" launched 6 September 2012

Response to Budget Consultation – Cabinet 3 December 2012

Provisional Local Government Finance Settlement 2013/14 – 19 December 2012

KCC response to the Provisional Local Government Finance Settlement – 15 January 2013

Final Draft 2013/14 Budget and Medium Term Financial Plan 2013/15 launched 16 January 2013

Cabinet Scrutiny Committee Agenda and Minutes 21 January 2012

Provisional Local Government Finance Settlement 2013/14 and KCC Draft Budget 2013/14 – Update to Cabinet 23 January 2013

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Comparison between Budget Consultation and Proposed Budget (white combed)

Budget Heading	Reason for change	2013/14 Projected		2013/14 Proposed Budget
		£m	£m	
Base Budget (Net)			1,776.8	
Net Budget Requirement			904.3	991.8
Base Adjustments				
Various	Adjustments to 2012/13 Base Budget to reflect reversal of one-off spending and savings in 2012/13, and use of reserves and underspends from previous years		0.2	
Additional Spending Demands (<i>things we have to spend more on</i>)				
Unavoidable				
Contractual pay & prices	We are not making any general provision for inflation on goods and services but must provide for estimated inflationary increases on staff pay/reward strategy and specific waste, social care, transport, highways and energy contracts, as well estimated increases in non-domestic business rates & rents.	11.4		9.3
EU Landfill Tax	Impact of £8 per tonne Landfill Tax escalator	1.5		1.5
Demography	Impact on a range of demand led budgets as a result in increasing number of Kent households and increasing over 65 population	5.6		15.9
SEN children	Impact of legislation removing our ability to recover costs for other			0.8

Budget Heading	Reason for change	2013/14 Projected		2013/14 Proposed Budget
		£m	£m	
	local authority SEN children taught in Kent schools			
Other	Various other local initiatives under £0.3m	0.2		0.3
			18.7	27.7
<i>Local Policy Proposals</i>				
Capital Financing	Financing cost of additional borrowing (interest and debt repayment) for new capital investment in schools, roads, superfast broadband, etc.	8.2		1.7
Repayment of Reserves	10 year programme to repay long term reserves used to support 2011/12 and 2012/13 budget	1.4		
Waste collection, recycling & disposal	Invest to save partnership commitment under innovative joint arrangements with local district/borough councils to unify collection methods and thereby improve recycling rates and lower disposal costs	2.3		1.4
Commercial Services	Impact on dividend paid to KCC following major restructuring	0.7		1.7
Council Tax	Transfer share of Council Tax yield to District councils to part fund increased costs of collection through Council Tax Support schemes			1.9
Council Tax	Contribution to reserves to cover underwriting of local Council Tax support schemes			1.8
Other	Various other local initiatives under £0.3m	0.5		1.0
			13.1	9.4
Total Additional Spending Demands			31.8	37.1

Budget Heading	Reason for change	2013/14 Projected		2013/14 Proposed Budget
		£m	£m	
Memo - reconciliation to MTFP				
Replace one-off Savings				23.5
Care reablement send funded by Health				22.1
2 Year old programme funded by DSG				9.1
Public Health spending funded by grant				49.8
Social Fund supported by Grant				3.5
				145.1
Savings and Income				
<i>Income Generation</i>				
Social Care charges	Increasing the amount people pay towards their care costs in line with benefit increases as required by legislation	-1.6		-1.6
Commercial Services	Increase in dividend paid to KCC from Commercial Services activities following restructuring	-0.4		
Government grants	Estimated receipts from Government in relation to outstanding claims for asylum and academies	-2.0		
Other	Increases in income from services provided to schools and increased charges to other clients under £0.3m	-0.8		-1.6
			-4.9	-3.3
<i>Savings</i>				
Staff costs	Full year impact of previous years staff restructuring of non front-line staff	-1.3		-1.3
Children's Centres	Review of support services and central functions relating to running children's centres	-1.4		-1.4
Staffing	Removal of 100 non front line posts & review of terms and conditions			-2.3
Other staffing	Transfers from transformation savings			-1.3

Budget Heading	Reason for change	2013/14 Projected		2013/14 Proposed Budget
		£m	£m	
Premises costs	Savings from the rationalisation of premises and from better procurement of property services	-1.1		-0.2
Waste contracts	Savings from improved procurement following renewal of waste recycling, haulage and disposal contracts	-0.6		
Waste contracts	Overall procurement savings from combined waste efficiency and transformation proposals			-4.3
Supporting People	Full year effect of savings negotiated on contracts in 2012/13	-0.8		-0.8
CXK	Renegotiation of contract to provide specialist careers advice and guidance to vulnerable young people, with better targeting of advice to those who need it most	-0.5		-0.5
Other contracts	Savings from improved procurement of other contracts coming up for renewal in 2013/14	-0.3		
Information and Communications Technology	Savings on ICT costs arising from development of multi agency provision with other public services	-1.3		-1.3
Specialist Children's Services	Procurement efficiencies transferred from transformation			-0.8
Street lighting	Energy contract negotiation			-0.4
Capital Financing	Savings arising from review of funding for capital projects and financing strategy - now offset against pressures	-2.0		

Budget Heading	Reason for change	2013/14 Projected		2013/14 Proposed Budget
		£m	£m	
Waste Management	Implementation of changes to operation and location of Household Waste Recycling Centres following major review	-0.6		
Waste tonnage	Reduction in base budget			-1.4
Home to school transport	Reduction in base budget			-1.0
Treasury Management	New savings from Treasury Management Strategy and more aggressive management of cashflow			-2.0
Departmental budgets	Moratorium on discretionary spending			-2.5
Highways	Reduction in reactive maintenance			-1.5
C&C	Various			-0.6
Selective and denominational transport	Transfer from income target to reduced spending			-0.3
Staff costs	Savings from new initiatives and further staff reductions and review of local terms and conditions - now offset against pressures and reclassified in other savings above	-2.1		
Reserves	Reduction in general reserves held to manage risks - now shown with other one-offs below	-6.0		
Other	Other efficiency savings under £0.3m	-0.8		-1.3
			-18.8	-24.9
Transformation				
Waste partnerships	Improved waste collection and disposal arrangements through partnerships with districts - now shown under procurement in	-2.4		

Budget Heading	Reason for change	2013/14 Projected		2013/14 Proposed Budget
		£m	£m	
	efficiencies			
Street Lighting	Energy consumption reduction and environmental improvements deriving from selective turning off of streetlights on main routes and minor roads between midnight and 5am, and removal of unnecessary lights	-0.4		-0.5
Libraries	Staff restructuring and integration of other services into libraries	-0.5		-0.5
Youth Service	Implementation of youth strategy and shift towards more locally commissioned services	-0.6		-0.6
Education services	Full year effect of restructuring into new ELS directorate to support new strategy for school improvement and respond to new education landscape	-3.5		-3.5
SEN Transport	Review of SEN transport provision through a combination of re-negotiating contracts and offering parents alternative arrangements	-0.8		-0.8
Adult Services	Transformation of Adult Social Care with greater emphasis on better procurement, increased prevention and improved partnership with the NHS, through the integration of health and social care commissioning, to deliver better outcomes for Kent residents at lower cost	-18.8		-18.8

Budget Heading	Reason for change	2013/14 Projected		2013/14 Proposed Budget
		£m	£m	
Looked After Children	Implementation of Looked After Children strategy with greater focus on preventing the need for children to come into local authority care and returning children in care to an appropriate and safe family environment as quickly as possible	-5.3		-1.0
Specialist Children's Services	Improved social care practice within Specialist Children's Services including less referrals to legal services, improved partnership working with Family Courts and improved productivity in fostering and adoption services	-3.0		-1.2
Community Safety	Transfer of commissioning responsibilities and budgets to new Police and Crime Commissioner	-0.6		-0.6
Other	Other transformation activity under £0.3m	-0.8		-0.6
			-36.7	-28.1
Additional One-offs & base budget adjustments				
	Use of reserves			-9.0
	Additional use of underspends			-3.9
	Additional use of planned reserves (CTS Transitional Grant)			-1.9
	Re-phasing Big Society Fund			-1.0
	Base budget adjustments for grant transfers			-3.0
				-18.7
Total Proposed Savings and Income			-60.3	-75.1

Budget Heading	Reason for change	2013/14 Projected		2013/14 Proposed Budget
		£m	£m	
Memo reconciliation to MTFP				
Remove one-off spending				-9.7
Original one-off savings				-13.7
Base budget adjustments for grant transfers				3.0
				-20.4
Total Savings and Income				-95.4
Health grant for social care				-22.1
Public Health Grant				-49.8
Social Fund Grant				-3.5
DSG for 2 Year Olds				-12.1
Total grants, savings and Income				-182.9
Proposed Budget Requirement				954.0
Additional pupils in schools due to higher birth rate (funded by DSG)		5.4		
Transfer of schools to academies (funded out of DSG)		-43.8		
Proposed Budget (net spend)		1,710.0		

Comments received on Final Draft Budget

We received very few comments on the final draft budget and MTFP launched on 16 January 2013.

Of the comments received:

- three suggested that the County Council should increase Council Tax;
- two suggested reviewing free car parking for staff;
- two suggested the Council should avoid significant redundancy/contract termination costs for staff; and
- one questioned the funding provided to early years providers.