

To: Corporate Policy Overview & Scrutiny Committee – 14th January 2010

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
Peter Gilroy, Chief Executive

Subject: Budget 2010/11 and Medium Term Financial Plan 2010/13

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 5th January 2010. The report also provides a response to the issues raised at the IMG of this Committee, created in November 2009 to discuss detailed budget issues.

Members are invited to comment on the key issues on the proposed budget changes for the services provided by the Chief Executive's Department, and to note the issues raised by the IMG, and the resulting responses.

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 12th October 2009 identified that we are likely to be entering more uncertain times for local government finance. The report to Cabinet on 11th January 2010 set out the provisional Local Government Finance Settlement, which confirmed that the level of Formula Grant was as announced in the three year settlement. However, there are still uncertainties over some specific grants and the level of council tax capping, and the announcement on 25th November that the Government intends to fund some of the free "Personal Care at Home" from local government efficiencies was a surprise. Furthermore, the next Comprehensive Spending Review which was due to start in the summer has been delayed until after the forthcoming general election meaning we have little information on the Government's plans for 2011/12 and beyond, the Chancellor's Pre Budget Report on 9th December added no further detail.
- 1.2 We reported the national and local context to the last Policy Overview & Scrutiny Committee meeting and outlined the proposed MTP priorities and efficiency savings. The Committee discussed the policy issues from that report, and used an IMG to look at the budget details. The IMG met on 18th November and questioned a number of budget headings and pressures and offered areas for possible budget savings. This report provides a response to the issues raised.

- 1.3 Since the November meetings, 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 Department, in order that these can be taken into account at the budget meetings of Cabinet on 1st February 2010 and County Council on 18th February 2010.
- 1.4 Members are asked to read this report in conjunction with the draft Medium Term Plan and Budget Book, issued on 5th January 2010.

2. Background

- 2.1 The budget consultation papers include an overall summary of the proposed Portfolio budgets for 2010/11, 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 2010/11 to 2012/13. All MTP entries and budget book pages are presented in as a consistent format as possible for each Portfolio.
- 2.3 Copies of the draft Budget Book and Medium Term Plan have been distributed to all Members. Members are asked to ensure you bring those to this meeting.
- 2.4 The MTP and Budget Book reflect the new portfolio responsibilities following the County Council elections in June.

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 B of the draft MTP for each portfolio.
- 3.2 We are setting this budget in a period of great economic instability. The recession has hit deeper and lasted longer than earlier forecasts and inflation (as measured by Retail Prices Index) has been negative all year. The Bank of England Monetary Policy Committee is committed to achieving the 2% target for Consumer Price Index over the medium term. The continuing economic situation presents us with threats and opportunities which as well as offering the potential for savings also presents additional costs.
- 3.3 Areas of spending priority in 2010/11 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 2009/12 and the draft MTP 2010/13 reported to this POSC on 13th November 2009:

Dilapidations £1,008k – Unchanged from previous MTP 2009/12 and draft MTP 2010/13 to cover one-off contribution to dilapidations reserve.

IT/Asset Maintenance Reserve and Web Development £856k –

Unchanged from the previous draft MTP 2010/13, includes a rephrasing of the annual contribution to the reserve and cost of funding capital investment to maintain and improve IT infrastructure and develop KCC's web platform.

ISG Base Budget £600k – Unchanged from the previous draft MTP 2010/13, this is to replace a saving on support services which could not be agreed with service directorates and Resource Directors recommended could only be resolved by increasing ISG base budget.

Better Work Places £463k – Rephased from previous draft MTP 2010/13 to take account of latest developments in the modernisation plan for office accommodation.

Gateways £300k – Unchanged from previous MTP 2009/12 and draft MTP 2010/13 to fund the continued roll-out of Gateways.

Oracle TCP System £300k – Unchanged from previous draft MTP 2010/13 to provide one-off funding for the upgrades that would be necessary to support proposed changes to performance pay arrangements

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

	2010/11	2011/12	2012/13
	£'000	£'000	£'000
Base adjustments	-656	553	3
Budget increased for:			
Pay & Prices	-33	195	203
Legislative	20	30	
Demand	1,008	-571	
Service Improvements	3,158	3,409	354
Total Pressures and base adjustments	3,497	3,616	560

Table 1; Summary of value of base budget adjustments and budget pressures. It should be noted that pressures for 2011/12 and 2012/13 include pressures on support services which ultimately would need to be delegated to service directorates

- 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 2010/11. The savings for 2011/12 and 2012/13 have yet to be fully determined but inevitably will involve further reviews of staffing.
- 3.6 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 2010/11 is £1.684m (plus a further £670k of savings on support services necessary to deliver required savings on delegated budgets), the major items being:

Commercial Services £500k – Additional dividend to KCC from income generation

Personnel & Development £305k – Reduction of posts in Employee Services and PA/Admin support plus additional income in Employee Services from extending payroll services and gap year placements, additional income in other P&D units

Finance £176k – A saving of posts across Financial Management and Financial Services through further rationalisation of teams plus savings from the fall-out of revenue costs from previous early retirements

Legal Services £83k – Additional income generation

Strategic Development & Contact Centre £198k – Savings on the Graduate Programme plus additional income generation in Contact centre/Kent TV

Communications £250k – Further reductions in printing and publicity costs in addition to savings made in 2009/10

3.7 The proposed net position is therefore as follows

	2010/11	2011/12	2012/13
	£'000	£'000	£'000
Base budget	19,495	21,308	23,934
Total Pressures and base adjustments (from Table 1)	3,497	3,616	560
Savings & Income Generation	-1,684	-990	-840
Revised base budget	21,308	23,394	23,654

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

4 The Committee's IMG to discuss budget issues

- 4.1 The IMG met on 18th November and asked for a number of issues to be considered when setting the draft budget proposals for this Directorate. The list of areas for review, along with our response, is attached at Appendix A.
- 4.2 The POSC IMG process has been very useful in shaping the budget, and Members will see from Appendix A that some of the ideas put forward have resulted in a budget saving proposal (or a reduced pressure) within the draft Medium Term Plan.

5 Capital Budget

- 5.1 The starting point for the capital programme is the existing published capital programme for 2009/12. This is adjusted for re-phasing of schemes from 2009/10, 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 47, 53 and 54.

5.2 Significant projects within the capital programme include the following:

Sustaining Kent – A programme to provide upgrades and improvements to Local Area and Wide Area networks, data storage and maintaining/improving IT infrastructure for staff

Connecting with Kent – Extending the accessibility of council services through electronic channels and influencing improvements in broadband provision across the county

Better Workplaces – A major rationalisation of KCC's office estate and working practices

Gateways – the continued roll-out of the Gateway programme

5.3 Members should note that the level of financial support from Government in 2011/12 and 2012/13 is not known. It is very likely that we will see a significant reduction in the grants and supported borrowing. Because of the difficulty in predicting this we have presented the budget to show that the level of spend on certain schemes will be equal to the level of Government financial support. These schemes are identified in blue italic font in the draft budget book.

6. Recommendation

6.1 Members are asked to note and comment on the revenue and capital budget proposals, and note the issues raised by the IMG, along with the resulting responses.

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Background documents:

- Autumn Budget Statement; Cabinet, 12th October 2009
- Medium Term Financial Plan 2010/11 to 2012/13 for the Chief Executive's Department; Corporate POSC, 18th November 2009
- Provisional Local Government Finance Settlement; Cabinet, 11th January 2010
- Draft Budget Book and Medium Term Plan 2010/13 (issued on 5th January 2010)

Corporate POSC Budget IMG; Areas for possible review of spending

POSC IMG RECOMMENDATION	BUDGET PROPOSAL
a further reduction of £0.5m in the Insurance Reserve as a one off saving for 2010/11	£500k contribution from reserve included in draft budget
allocate £0.5m from the Performance Reward Grant or Economic Downturn Reserve as a one off basis for 2010/11	not included in draft budget subject to confirmation of final PRG due later in the year
a recruitment moratorium, but it was acknowledged that this would have to be a selective approach to not filling vacancies in areas that were identified as priorities for savings either through the efficiency savings or the 10% exercise being considered by POSC's	not included as a specific saving but a recognition across KCC that wherever possible the authority should look to deliver savings it needs to make by not filling vacancies
reduction in the cost of the Kent TV contract by a minimum of £100k in the first year;	not included as a specific proposal but Strategic Development Unit has been allocated an income target
seek further savings from the communications budget for publications including a reduction in branding and promotional materials	included as £250k saving in draft budget
removing the provision for officer to receive a payment in lieu of annual leave	not included as a specific proposal due to contractual obligations
that whilst the contribution that Legal Services made to the income of KCC was recognised it was suggested that there should be a Value for Money review of Legal Services as it was some time since one had been carried out	to be undertaken during the year
an audit of food and drink provided at events (seminars etc) for Members be undertaken in order to reduce unnecessary expenditure	to be undertaken during the year
look at postage generally and consider the option of reducing the daily mail out to Member to 3 times a week	to be reviewed during the year
attempts should be made to reduce the costs of KCC elections	Unlikely to be achievable and existing budget is already under severe pressure
reviewing the top tier staff structure including the role of the Chief Executive, following the retirement of the Chief Executive;	no specific proposals to be referred to Personnel Committee
what the impact would be of not providing Healthwatch, or reducing the costs by £100K, it was important that this service was proactive with measurable outcomes.	£100k reduction included in draft budget