

By: Kevin Lynes, Cabinet Member for Regeneration and Economic Development
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To: Regeneration and Economic Development Policy Overview & Scrutiny Committee – 19th January 2010

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 Regeneration and Economic Development Portfolio, with reference to the KCC published budget consultation paper issued on 5th January 2010.

Members are invited to comment on the key issues on the proposed budget changes for the Regeneration and Economic Development Portfolio

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. As the report was tabled as an urgent item for the meeting on 12th November members agreed that its consideration should be deferred to a specially convened meeting on 17th November. The Committee discussed the policy issues from that report, questioned a number of budget headings and pressures and offered suggestions for future budget priorities and 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 Regeneration and Economic Development Portfolio, 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 Regeneration and Economic Development Portfolio is becoming well established with the proposed changes to the revenue budget set out on page 67 of the draft MTP, and the current Portfolio priorities set out on pages 99 and 100. The proposed revenue budget for the Portfolio in 2010/11 is set out on page 39 of the draft Book Budget.
- 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 both threats and opportunities, which as well as offering the potential for savings also presents additional costs.
- 3.3 Areas of spending priority for the Portfolio in 2010/11 for which significant additional funding is required are:

Kent Film Office £150k – responsibility for the Kent Film Office transferred from the Corporate Support Portfolio to the Regeneration & Economic Development Portfolio. However, the funding was only one-off and it has been necessary to increase the base budget for R&ED in order to make the transfer sustainable.

Economic Prosperity Board & Local Economic Assessment £400k – The Local Democracy, Economic Assessment and Construction Act places a statutory duty on upper-tier local authorities to establish and service a local board and undertake an annual assessment.

- 3.4 The position on budget increases can be summarised as follows:

	2010/11	2011/12	2012/13
	£'000	£'000	£'000
Base adjustments	-162	125	0
Budget increased for:			
Pay	0	0	0
Prices	8	10	10
Service Improvements	300	0	0
Total Pressures and base adjustments	146	135	10

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

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 (page 67), detail the proposed savings required in 2010/11. The major items are explained in the following paragraphs

3.6 Savings and Income generation

3.6.1 The total of the proposed savings and income generation required in order to meet the indicative cash limits, is £1.205m.

3.6.2 Of the £1.205m, £0.705m is proposed to come from savings, the major themes being:

Restructuring £220k – This would be delivered from re-aligning priorities across all the services within the Portfolio. The major element would come from within the Economic Development team (including regeneration projects) as part of realigning spending to the new priorities set out in the regeneration framework and reported at the special POSC meeting on 17th November

Events £200k – In 2009/10 an additional £500k was added to the Portfolio budget to promote major community events into the county to act as a stimulus for regeneration. Take-up of this budget has been less than expected and it is proposed to reduce the fund to £300k.

Research and Intelligence £250k – The proposed budget includes a significant review of research and intelligence activity to focus solely on regeneration and economic development activities. Research for other Portfolios would have to be funded within their own budgets

3.6.3 A further £0.500m of income will come through the Local Authority Business Growth Incentive scheme (LABGI) in 2010/11. However, the future of LABGI beyond 201/11 is uncertain and at this stage we are assuming it will come to an end and not be replaced.

3.6.4 The proposed net position is therefore as follows

	2010/11	2011/12	2012/13
	£'000	£'000	£'000
Base budget	7,420	6,361	6,483
Total Pressures and base adjustments (from Table 1)	146	135	10
Savings	-705	-763	
Income Generation	-500	750	-63
Revised base budget	6,361	6,483	6,430

Table 2; Total proposed base budget for R&ED Services

4 Capital Budget

- 4.1 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 41, with the capital strategy outlined on pages 124 & 125 of the draft MTP.
- 4.2 The capital programme for R&ED is largely unchanged. The Arts & Business Centre at Folkestone Academy is complete and has now been removed. The main emphasis in the programme remains the empty property initiative and projects funded from the capital regeneration fund. We have undertaken a through review of the criteria and approvals process for this fund.
- 4.3 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 italic font in the draft budget book. At this stage this has no impact on R&ED.

5. Recommendation

- 5.1 Members are asked to note and comment on the revenue and capital budget proposals, and note the issues raised by the special meeting, along with the resulting responses in the proposed budget.

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Background documents:

- Autumn Budget Statement; Cabinet, 12th October 2009
- Medium Term Financial Plan 2010/11 to 2012/13 for the Regeneration and Economic Development Portfolio POSC, 12th and 17th 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)