

To: Cabinet – 12 October 2009

By: Paul Carter, Leader of the Council
John Simmonds, Cabinet Member for Finance
Peter Gilroy, Chief Executive
Lynda McMullan, Director of Finance

AUTUMN BUDGET STATEMENT

Each year, Cabinet receives a report titled the 'Autumn Budget Statement', which sets out the early planning assumptions for the next three years' revenue budget for this Council. The report is scheduled so that it can include the latest key planning information, especially that from Central Government. However, this year due to the three crucial factors outlined below we are having to report without all the necessary information:

- The next three-year CSR (2011-12 to 2013-14) will now occur after the next general election, and will therefore not be available to inform next year's MTP;
- The Chancellor of the Exchequer has recently begun a review of current departmental spending plans, which could impact on next year's funding for local authorities;
- The Chancellor's Pre-Budget Report, due in November, may be brought forward to October according to some commentators. Any announcement on this timing will occur sometime after the House of Commons returns on 12 October.

Despite these factors it is essential that we begin our planning for next year's budget and the next three year's medium term plan (MTP) if we are to have a meaningful debate with Policy Overview Committees in November and publish final budget proposals in January

The key planning assumptions that we can make at this stage are set out below.

Funding:

- Government has assured us that they will honour the third and final year of the current three year local government finance settlement and that Formula Grant is likely to be in the region of the £276m for 2010/11 as outlined the current MTP (an increase of £9m on 2009/10). In his Budget Report in April 2009 the Chancellor of the Exchequer announced that the Operational Efficiency Programme would look to deliver an extra £5bn of savings in 2010/11, although for local government this would be in the form of delivering an additional 1% efficiency saving with the proceeds recycled back into front line services rather than reduced grant;
- Government should also honour the third and final year of the current Dedicated Schools Grant settlement and that this is likely to be in the region of £810m for 2010/11 (subject to changes in pupil numbers), this equates to an increase of £19m (4.3% per pupil). Approximately 90% of the grant is delegated directly to individual schools and early years providers, with the remainder used to fund a range of support services for schools;
- the Area Based Grant is also covered by the three year settlement and there is no reason for any significant change from the £96m identified in the current plans (an increase of £31m on 2009/10). The increase is almost entirely due to the transfer of £32m for

Supporting People from a specific grant and thus represents a small overall reduction in spending on services covered by this grant;

- the allocation of other specific grants is less certain and there could be some reductions. In the main we are working on the basis that exit strategies are in place and if grants are reduced we would be able to reduce expenditure but there may be some areas where we would wish to reserve the right to be able to protect services as details emerge through the budget setting period;
- we are assuming that the Government will retain powers to cap council tax increases although we have no information on the likely levels other than ministers have reiterated that their objective in having capping powers is to protect council tax payers from excessive increases. In the current economic climate keeping council tax increases to a reasonable level is more important than ever;
- funding allocations beyond 2010/11 are very uncertain. In light of the current state of UK economy and the big hole in public finances it is likely we will be entering into a period of spending restraint compared to recent years and we need to start to develop a strategy for identifying areas for potential cost savings by building on our approach to priority led budgeting;

Spending

- in light of the funding situation outlined above and the need to drive out all possible efficiencies we will be setting POCs a challenge to identify the scope for delivering up to a 10% reduction against their gross spend over the period of the next MTP;
- spending continues to face pressure from the changing demographics, in particular an increasingly elderly population and increased life expectation for children and adults with disabilities. As we make progress towards setting the budget for 2010/11 and the next MTP we will need to have close regard to the impact of the weak economy on demand for our services and the price we can expect to pay for goods and services;
- A number of our services continue to face pressures imposed by legislation and/or government policy/regulation. We will continue to challenge the extent to which additional expenditure is warranted (or can be justified) and we will continue to seek innovative solutions to modernising our services;

Recommendations

Cabinet are asked to note:

1. The key issues highlighted in this report
2. KCC has developed and strengthened its policy led budgeting yet further to ensure that it optimises the allocation of constrained resources to meet local priorities
3. The proposed Medium Term Planning key milestone dates set out in Appendix 1.

Background Documents: None

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Appendix 1

	Action	Date
October		
	Budget consultation workshop with focus group of Kent residents	10-Oct
	Autumn budget statement to Cabinet	12-Oct
	Budget consultation with Youth County Council	27-Oct
November		
	POCs to include budget consultation simulation, feedback on consultation and initial report on budget and MTP	11-Nov to 19-Nov
	Indicative Local Government Finance Settlement	Late Nov
	Cabinet report on consultation results	30-Nov
December		
	Budget proposals sent to print	18-Dec
January		
	Budget proposals published	04-Jan
	POCs consider budget proposals	12-Jan to 19-Jan
February		
	Cabinet to agree final budget proposals	01-Feb
	County Council	18-Feb
March		
	Final budget book produced	15-Mar