

MEDWAY COUNCIL

CABINET

27 NOVEMBER 2007

REVENUE BUDGET 2008/2009

Portfolio holder: Councillor Alan Jarrett, Deputy Leader and Finance Portfolio

Report from: Mick Hayward, Chief Finance Officer

1. Summary

- 1.1 This report presents the Council's draft revenue budget for 2008/2009. In accordance with the constitution, Cabinet is required to develop 'initial budget proposals' approximately three months before finalising the budget and setting council tax levels in March 2008.
- 1.2 The draft budget adopts the principles contained in the financial strategy approved by Cabinet in September 2007. However, as indicated later in the report, subsequent events have revised some of these assumptions.

2. Decision issues

- 2.1 It is the responsibility of Cabinet, supported by the management team, to develop a draft revenue budget.
- 2.2 Cabinet is asked to accept this as an urgent item to facilitate the budget consultation process in accordance with the timescales in the constitution.

3. Constitutional rules – budget and policy framework.

- 3.1 The budget and policy framework rules contained in the constitution specify that Cabinet should produce the initial budget proposals. These should be produced and submitted to overview and scrutiny committee three months before the Council meeting that is scheduled to determine the budget and council tax. The overview and scrutiny committees have a period of six weeks to consider these initial proposals. Any proposals for change will be referred back to Cabinet for consideration.
- 3.2 Under the constitution Cabinet has complete discretion to either accept or reject the proposals emanating from the overview and scrutiny committees. Ultimately it is Cabinet's responsibility to present a budget to Council, with a special Council meeting arranged for 28 February 2008. The adoption of the budget and the setting of council tax are matters reserved for Council. The statutory deadline for approving council tax is 11 March 2008.

4. Budget monitoring 2007/2008

- 4.1 The monitoring report, considered elsewhere on this agenda, highlights a forecast overspending on services, after management action, of approximately £2.7 million. The forecast of an overspending of £6.4 million that was reported to Cabinet in September was mainly attributable to spending pressures within Children's and Community Services. A number of actions have been taken to reduce this overspending and attempt to achieve a break-even position by the end of the financial year, although it is largely the case that these are once-off measures that will need to be replaced by more sustainable actions in 2008/2009. An examination of service pressures highlighted later in this report reveals the ongoing impact of these spending needs in the context of setting a sustainable budget for 2008/2009.
- 4.2 The budget proposals for 2008/2009 are built using the current year's budget and spending as a starting point. Appendix 1 shows a forecast budget gap of £15.9 million that is largely driven by pressures already experienced and the continued growth in those pressures.

5. Financial strategy

- 5.1 The Medium Term Financial Plan (MTFP) incorporating the Council's aims for developing revenue budgets for 2008/2011 was considered by Cabinet on 25 September 2007. In contrast to previous years no indicative service control totals were established by the MTFP. This was in recognition of the more fundamental changes required to redeem the overspending forecast for 2007/2008 and the consequential impact for 2008/2009 together with the additional pressures identified for 2008/2009 and subsequent years. In total this represented a potential resource gap of almost £28m by 2010/2011. Key assumptions underlying this forecast were that general inflationary pressures for pay and prices would be in the order of 3% and that these could be managed with an anticipated council tax increase of 5% and a cash freeze in the level of Formula Grant. Dedicated Schools Grant (DSG) was expected to increase by some 3.5% per annum providing a modest level of growth.
- 5.2 Unlike last year, the level of government grant is a major area of uncertainty and although the Comprehensive Spending Review (CSR2007) removed the risk that efficiency savings would be withdrawn as part of the funding mechanism, the precise level of grant remains uncertain and will clearly not be sufficient to bridge the resource gap identified in the MTFP.
- 5.3 The MTFP for 2008/2011 was built on the progress made in recent years and encapsulated the strategic priorities for Medway as expressed in the performance plan 2007/2008. These presented a greater focus than in previous years and are based on two guiding principles or core values of:
- Putting our customers at the centre of everything we do; and
 - Giving value for money

These are further exemplified under six key outcomes as follows:

- A clean and green environment;
- Safer communities;
- Children and young people having the best start in life;

- Older and vulnerable people maintaining their independence
- People traveling easily and safely in Medway; and
- Everyone benefiting from the area's regeneration.

5.4 The MTFP identified a number of areas to be investigated with a view to avoiding forecast pressures, or achieving savings. In that regard the budget setting exercise is still at a formative stage given the scale of the resource gap. As presented here it is based on assumptions that are subject to risk and in some cases further work. Where our assumptions subsequently vary or indeed savings/income proposals are identified or discounted then the budget deficit will similarly change.

6. Finance Settlement

6.1 The level of Government funding in 2008/2009 and beyond, and the limits on future council tax increases are influenced by:

- The Comprehensive Spending Review 2007;
- Provisional Local Government Finance Settlement; and
- Capping rules.

6.2 The MTFP attempted to forecast the outcome of the Comprehensive Spending Review 2007 (CSR 2007), subsequently announced in October 2007. A key feature of the various announcements that had been made in the lead up to publication of CSR2007 was that there would be a much greater emphasis on efficiency and that this would translate to a real reduction in financial support from Government with a consequent expectation that cash resources would effectively be frozen at 2007/2008 levels.

6.3 In the event CSR2007 announced headline increases in grant of 4.2% for Local Government as a whole and forecast DSG spending to increase by 5.5% in 2008/2009. Clearly this is better than the MTFP forecast but there remains many uncertainties against the detail of the announcement and changes to the distribution mechanism are being consulted upon which will almost certainly affect the precise amount available to Medway. The announcement on the level of DSG and schools funding was made on 12 November and the Formula Grant distribution should be announced at the beginning of December. There is some uncertainty as to whether these announcements will cover the entirety of the CSR2007 period.

6.4 The Provisional Local Government Finance Settlement for 2008/2009 is expected to be formally announced at the beginning of December and the definitive position for Medway is, therefore, not available to support this draft budget paper. However the schools funding announcement gave Medway a headline increase in DSG of 4.3%, albeit falling pupil numbers will reduce the actual increase. The importance of the announcement already made is such that it is felt prudent to increase resource expectation to a 3.5% increase in Formula Grant and clearly the 4.3% increase in Dedicated Schools Grant is reflected but the impact of falling rolls has not been shown for the sake of a legitimate comparison. The effect of the reduction in DSG from falling rolls will be an equal reduction in formula budget. The impact of these changes and the anticipated 5% increase in council tax is shown in Table 1 below. This represents an

increase of some £2.5 million in non-DSG resource against that forecast in the MTFP and an increase in DSG of £1.3 million based on current pupil numbers.

Table 1

Description	2007/2008	2008/2009	MTFP	Change
	£m	£m	£m	£m
Formula Grant (3.5% increase)	71.281	73.776	71.281	2.495
<i>Taxbase (assumes 0.25% inc.)</i>	<i>84,611</i>	<i>84,823</i>	<i>84.823</i>	<i>0</i>
Council Tax (£991.89 baseline + 5%)	83.925	88.341	88.341	0
DSG (based on current pupil numbers)	159.684	166.550	165.273	1.277
Total Resources	314.890	328.667	324.895	3.772

7. Summary of draft revenue budget

7.1 The revenue monitoring reports have identified a number of workstreams where directorates, in consultation with portfolio holders, have been developing budget proposals. The effect of these is summarised in Appendix 1 under the column 'savings proposals', with more detail provided in Appendix 2. In a similar manner, budget pressures identified as part of the process of constructing the budget for 2008/2009 are also summarised in Appendix 1, with more detail provided in Appendix 3. A summary of the budget proposals as they currently stand, including all savings proposals currently identified and pressures, is detailed in Table 2 below.

7.2 In respect of the pressures identified in Appendix 3, to assist in understanding the nature of the identified pressures they have been classified in the same way as last year i.e.

- (1) Already present in 2007/2008 as either a full year effect of current commitment or unfunded expenditure/unrealised income;
- (2) A known and unavoidable consequence of current service provision such as an existing client moving from children's to adult services or a prescribed increase such as a payroll increment, or a known legislative change;
- (3) A best estimate of a likely event such as an estimation of new home to school transport demands or new social service clients arising from the demographics of an ageing population.

7.3 Table 2 indicates a shortfall compared to the anticipated resources shown in Table 1, of some £11.9 million. Table 2 also highlights the percentage growth in budget demand and, to differing degrees, directorates have experienced difficulties in constraining this demand. This is partly due to the expenditure pressures experienced in the current year, contractual commitments and the

escalating costs of children and elderly care. Consequently, more work needs to be undertaken to remove the budget gap. This is discussed in more detail in Section 8.

- 7.4 Capital budget proposals are dealt with elsewhere on this agenda, but in building the budget requirement, due regard has been made to the revenue consequences of proposed capital schemes and, in particular, the impact of additional borrowing requirements. In 2008/2009 it is anticipated that new borrowing of £32.3 million taken to fund the 2007/2008 programme (including the acquisition of the Gun Wharf building), will need to be serviced both in terms of principal repayments and interest, which, together, add some 9% per annum to costs at current rates. In addition, the proposals for 2008/2009 anticipate that further borrowing of almost £11 million will be taken at some point during the year, with the associated interest payment having to be met in proportion. Against this additional cost, there remains the potential for additional income from invested balances. Whilst reserves and capital receipts have generally been depleted, the Council's cash balances have been increasing for the past two years and this has presented a 'windfall' opportunity to offset service based overspending.

Table 2. Draft revenue budget 2008/2009

Directorate/Service	2007/08 Budget £000s	2008/09 Budget Req'ment £000s	% Change
Non DSG Services:			
Children's Services	27,144	31,157	14.8%
Community Services	63,978	74,374	16.2%
Regeneration & Development	30,351	32,893	8.4%
Business Support	18,557	20,006	8.1%
Interest & Financing	14,591	13,500	-7.5%
Levies	763	879	15.2%
Reserves & Other Adjustments	(175)	0	
Dedicated Schools Grant			
DSG – Schools	140,754	145,870	3.6%
DSG – Centrally Retained	18,930	21,896	15.7%
Total	314,890	340,575	8.2%
Funding:			
Formula Grant	71,281	73,776	3.5%
DSG	159,684	166,550	4.30%
Council Tax - 5% increase	83,925	88,121	5.00%
- 0.25% increase in taxbase		220	0.25%
Total	314,890	328,667	4.38%
Funding Gap	0	11,908	

7.5 Directorate Commentaries:

7.5.1 Children's Services

The pressures in the budget requirement that total £3.479m reflect the increase in the demand-led elements of the service, particularly Special Educational Needs (SEN) transport (£0.815m), care leavers and the 16+ team (£0.443m), foster payments (£0.364m) and legal fees (£0.300m); together with provision for increments (£0.318m), youth offending team (£0.146m), personnel provisions for schools (CRB checks, pensions and redundancy and occupational health) – (£0.110m) and provision for youth workers to support member priorities in the 2007-2008 capital budget in Hempstead, Hook Meadow and Rainham (£0.152m).

The pressures on the schools delegated budget total £1.597m m and together with the provision for inflation of £3.519m allow for the minimum funding guarantee (MFG) per pupil and the passing on of funding for ministerial priorities for personalised learning. The precise details of pupil numbers and the methodology of the MFG are still awaited following the recent schools funding announcement.

The pressures on the centrally retained element eligible for funding from the DSG relate to the demand-led SEN services, and, in particular, to the cost of placements in the independent and non-maintained sector (£1.803m) and recoupment (£0.639). In addition provision of £0.066m has been provided for the requirement to provide full-time education from the 6th day of pupil exclusion. Additional funding of £0.039m has been identified in the DSG announcement for this item. Details of the methodology for calculating the Central Expenditure Limit (CEL) are still awaited following the recent schools funding announcement..

7.5.2 Community Services

This is the largest percentage increase in budget growth at just over 16%. The major budget pressure in 2007/2008 is that attached to disability services and this is reflected in the budget requirement as growth of £6.1 million against the 2007/2008 budgets. The recently approved Fair Access to Care Standard (FACS) has the effect of reducing pressures across adult services by some £1.5 million with some £1.1 million of this having impacted upon disability services. This is incorporated into the requirement calculation together with other savings already agreed. Overall, the combination of existing pressures and forecasts for demographic growth have contributed to an increase in budget requirement of £10.4 million of which £9.0 million is attributable to adult social care.

7.5.3 Regeneration and Development

The MTFP identified pressures of £3.2 million for the directorate and, with the exception of highways at £1.5 million, where it is assumed that the capital funding will continue into 2008/2009, these are largely reflected in the budget build. Concessionary fares remains a significant risk particularly given the changes to the scheme in 2008/2009 and there is an additional pressure for the full year effect of the youth concession. The full year effect of the increases in

parking fees approved in October is assumed to net down the pressure on reduced income levels from usage.

7.5.4 Business Support

The directorate has had to provide for additional pressures from reduced income for both land charges and licensing that it is unable to influence. Legislative change for the rating of empty premises has also had a significant effect particularly when coupled with the move to Gun Wharf and the regeneration agenda. Loss of Government subsidy and a fall in the level of overpayment recovery associated with reduced levels of overpayments has also created a pressure upon the benefit payments heading. Other pressures accrue from historical underfunding of budget heads that has been 'managed' within the directorate. However the recent report on the 2007/2008 monitoring position identified a number of areas where the directorate was taking extreme action to reduce staffing and service cost to the extent of some £0.7 million and these measures are identified in Appendix 2.

7.5.5 Interest and Financing

Over the last few years active management of the Council's debt and investment portfolios has yielded substantial sums towards meeting expenditure deficits. In building the budget for 2007/2008 some £3 million of anticipated surplus was used to offset pressures from service areas. Favourable rates for investments and prudent borrowing decisions have enabled a further surplus to be directed towards direct service expenditure, albeit there are inevitable risks associated with assumptions of interest rates and cash flow forecasts.

7.5.6 Levies

This budget covers the levies raised by the Coroners Court, Internal Drainage Board, Environment Agency (flood defence) and Kent and Essex Sea Fisheries. In each case the Council has no choice but to pay the levy demanded but does have representation on the bodies setting the budget upon which the levies are based.

8. Meeting the funding gap

8.1 There are a number of options available for future use beyond those already in the public domain. These must firstly involve a highly critical examination of the pressures identified but could also include:

- Explore the potential for additional revenue from treasury activity including the re-scheduling of former KCC debt;
- Consider further increases in fees and charges. As part of the mitigation for the current overspend a number of fees and charges were increased from October 2007, but that should not deter proposals where there is believed to be justification;
- Adult social care services have prepared a report for decision that will have the effect of reducing current client cost and should also serve to reduce the immediate impact of forecast demographic demand. For children's services we have yet to see any proposals that will similarly reduce current and future demand-led pressure. The outcome of the SEN review may assist in this

regard but with children's and adult services representing the major part of both the current spend and demand-led pressure, it is inevitable that service delivery must adjust to affordability in some form;

- Invest to save and capital investment initiatives to yield revenue savings especially in areas where we currently purchase expensive out of area placements; N.B. after commitments, capital resources are limited
- Review the current arrangements for pay and in particular the salary scales that are driving up costs by incremental progression;
- Maximise the ability to divert revenue spending to capital although this is a drain on scarce capital investment and may interfere with more sustainable use of funds to secure savings through invest to save;
- Ensure that legitimate service pressures within Children's Services are properly allocated to the DSG where they meet the definition requirement of the grant, recognising that this may require the agreement of the Schools Forum to an increase in the Central Expenditure Limit (CEL);
- Rationalise services. Clearly this is a difficult area, but if the deficit remains as severe as currently forecast, then it will be necessary to review options for service delivery.

9. Housing Revenue Account – Draft Budget 2008/2009

- 9.1 The Housing Revenue Account (HRA) must be operated for all local authorities with a retained housing stock and is "ring-fenced" from the General Fund. The account details the costs associated with the management and maintenance of the Council's housing stock. As at 1 April 2007, the Council owned 3,281 properties, 316 of which are within sheltered housing units and 193 that are leasehold flats. The stock numbers reduce year on year as a result of tenants exercising their right to buy the home they live in.
- 9.2 The HRA budget setting process for 2008/2009 is still in progress and cannot be completed until notification of the final Housing Subsidy Determination by the Department for Communities and Local Government. Draft subsidy figures have recently been released for consultation with the final determination expected in early January 2008.
- 9.3 A detailed budget report will be presented to Community Services Overview and Scrutiny Committee on 15 January 2008 and Cabinet on 19 February 2008. As part of the process there will also be consultation with MeRGe, the Council's tenants' forum. Council will set the HRA budget, rents and service charges for 2008/2009 on 28 February 2008.
- 9.4 The main factors/assumptions that will form the basis of the 2008/2009 HRA budget are:
- 9.4.1 The HRA must maintain a working balance of circa £500,000. At 1 April 2007 the working balance stood at £2,835,342. The expected outturn for the current year is a surplus of £371,700. The projected HRA working balance at 1 April 2008 is therefore £3,207,042. The Council is required by Government to produce a 30-year business plan, which incorporates financial modelling for both revenue and capital. Members will be aware that the current 30-year business plan was developed through the stock options appraisal undertaken in 2004. This produced increasing working balances on the HRA during the early years of the

30-year timeframe, which reduced in later years as a result of significant contributions to support the capital programme.

- 9.4.2 Rents will be increased in line with the Government's Rent Re-structuring policy as previously agreed by Cabinet. As a result of this, it is anticipated that the average increase in rents for the next financial year will be in the region of £3.20 per week which represents a percentage increase of just over 5% compared with 2007/2008.
- 9.4.3 Rent charges for garages will be increased by 3.9% for 2008/2009, which relates to the Retail Price Index for September 2007, and is the figure the Government is expected to specify in Rent Restructuring calculations for 2008-2009 as the appropriate inflationary uplift.
- 9.4.4 Service charges for 2008/2009 will be calculated using actual costs.
- 9.4.5 The overall weekly charge for an individual property i.e. rent plus service charges eligible for Housing Benefit, cannot be increased from the 2008/2009 level by more than inflation (3.9%) plus 0.5% plus £2 per week, except where costs for charges to the Authority cannot be covered. This is specified within the rent restructuring guidelines. If the calculated rent plus calculated eligible service charges were to come to more than this, then the anticipated increase would be capped at that level. The policy should be that the service charge should increase in the first place, and then the rent should be uplifted, where possible. If service charges were to increase above the levels anticipated within the Government's capping limits, then feasibly, rents may not be increased by the amount necessary to reach convergence by 2011/2012, and, therefore, rent convergence may have to take place at a later point in time.
- 9.4.6 The cost of housing benefits was removed from the HRA from 1 April 2004 and now falls to the General Fund. They will, however, attract full subsidy through a direct grant from the Department for Work and Pensions with the exception of rents that are charged above the Government's pre-determined 'Limit Rent' calculation. This element will not be financed through subsidy, but by the Housing Revenue Account and is known as rent rebate subsidy limitation. Rent restructuring should bring actual and limit rents into line by 2011/2012, thereby ceasing the need for rent rebate subsidy limitation.
- 9.4.7 Staff related expenditure will increase by annual salary increments, a further 2.5% in line with the medium term financial plan.
- 9.4.8 All other expenditure and contractual obligations will be increased by the assumed rate of inflation of 2.5%.
- 9.5 It is intended that the 2008/2009 HRA budget will produce an overall balance that is in line with the thirty-year business plan. At the present time, the business plan is being recalculated to take into account the revised information from the recent stock condition exercise. In addition to this the draft housing subsidy determination is yet to be released. The business plan will be fully updated once the stock condition data has been analysed and uploaded to the Council's housing stock database.

10. Conclusions

- 10.1 These initial budget proposals represent the first stage in developing the 2008/2009 revenue budget and the forecast funding gap, at £11.9 million, is substantially more than the £7.8 million reported at this stage last year. Clearly, there is considerable work yet to be undertaken. The interim period leading to the Cabinet meeting on 19 February 2008 will be used for this purpose and overview and scrutiny committees have a vital role assisting in this process – both to review existing proposals and also to suggest new ones.
- 10.2 The possible allocation of any resources for service improvements is an exercise yet to be undertaken and, given the financial position, any room for such ‘growth’ is likely to be minimal and, indeed, the recognition of priority spending areas may be more apparent in those areas of the budget that are protected against financial restriction rather than growth. It is clearly prudent to delay this decision until the final stages of the budget setting process, when there is more certainty regarding the level funding available.

11. Financial and legal implications

- 11.1 The financial implications are fully detailed in the report. There are no direct legal implications.

12. Recommendations

- 12.1 That Cabinet forwards the provisional draft budget to Overview and Scrutiny as work in progress inviting them to offer comments on the proposals outlined.

13. Suggested reasons for decision

- 13.1 It is the responsibility of Cabinet to develop draft budget proposals for consideration by overview and scrutiny committees. These draft proposals are the first stage of the budget consultation process leading to further discussion by Cabinet on 19 February 2008 and formal council tax setting on 28 February 2008.

Background papers

Medium Term Financial Plan – Cabinet 25 September 2007

Report author:

Mick Hayward, Chief Finance Officer

Directorate	Base Budget 2007-08		Inflation	Revised Base	Savings	Sub Total	Current Cost of Service	Pressures		2008/09 Budget Requirement
	£'000	£'000						£'000	£'000	
Children's Services (Non DSG)	27,144	27,816	672	-138	27,678	2,687	400	392	31,157	
Children's Services (DSG)										
DSG - Schools	140,754	144,273	3,519	0	144,273	0	1,597	0	145,870	
DSG - Centrally Retained	18,930	19,389	459	-71	19,318	1,793	66	719	21,896	
Total Childrens Services	186,828	191,478	4,650	-209	191,269	4,480	2,063	1,111	198,923	
Community Services	63,978	65,908	1,930	-2,036	63,872	7,243	2,023	1,236	74,374	
Regeneration & Development	30,351	31,791	1,440	0	31,791	732	370	0	32,893	
Business Support Department	18,557	19,271	714	-680	18,591	897	484	34	20,006	
Interest & financing	14,591	14,591	0	-1091	13,500	0	0	0	13,500	
Levies	763	782	19	0	782	97	0	0	879	
Reserves & Other Adjustments	-178	-178	0	0	-178	178	0	0	0	
TOTAL BUDGET REQUIREMENT	314,890	323,643	8,753	-4,016	319,627	13,627	4,940	2,381	340,575	

Children's Services Revenue Budget 2008/09

Service	Base Budget 2007-08 £'000	Inflation £'000	Revised Base £'000	Savings £'000	Sub Total £'000	Current Cost of Service £'000	Pressures		2008/09 Budget Requirement £'000
							Legislation/ other known costs £'000	Demographic £'000	
Learning and Achievement:									
Early Years	6,961	158	7,118	0	7,118	7	0	0	7,126
School Advisers	1,605	47	1,652	0	1,652	50	0	0	1,702
Place Planning, Review and Capital Programmes	35	0	35	0	35	0	0	0	35
Pupil & Governor Services	1,490	33	1,523	-71	1,453	6	0	0	1,458
Excellence Cluster	0	0	0	0	0	0	0	0	0
Total Learning & Achievement	10,091	238	10,329	-71	10,258	63	0	0	10,322
Young People:									
Social Inclusion	63	3	66	0	66	4	0	0	70
Specialist Youth Services	4,317	102	4,419	0	4,419	290	66	288	5,064
Youth Health and Action	1,459	35	1,494	0	1,494	57	120	0	1,671
Young People Management Team	216	5	221	0	221	11	0	0	232
Total Young People	6,055	146	6,201	0	6,201	362	186	288	7,037
Children's Care:									
Integrated Children's Team - Gillingham Area	1,588	39	1,627	0	1,627	163	0	0	1,790
Integrated Children's Team - Strood Area	2,086	52	2,138	0	2,138	109	0	0	2,247
Integrated Children's Team - Chatham Area	2,225	52	2,277	0	2,277	267	0	0	2,544
Adoption	1,275	31	1,306	0	1,306	24	0	0	1,330
Fostering	6,167	156	6,323	-64	6,259	128	280	42	6,709
Residential Care	2,086	52	2,137	0	2,137	46	0	54	2,238
Disability	1,276	31	1,307	0	1,307	17	0	0	1,325
SEN Assessment	7,623	183	7,806	-73	7,733	2,555	0	727	11,014
Child Protection and Safeguarding	642	14	656	0	656	-25	0	0	631
Children's Care Management Team	-250	-8	-258	0	-258	299	0	0	41
Total Children's Care	24,718	602	25,320	-138	25,183	3,585	280	823	29,870
Directorate Management Team	1,574	36	1,610	0	1,610	219	0	0	1,829
Schools Retained Funding and Grants	-14,680	-390	-15,071	0	-15,071	189	0	0	-14,882
Quality Assurance	1,673	36	1,710	0	1,710	62	0	0	1,772
Total Budget (excluding schools' delegated funding)	29,430	669	30,099	-208	29,891	4,480	466	1,111	35,948
Schools' Delegated Funding	157,397	3,981	161,379	0	161,379	0	1,597	0	162,975
Total Directorate Budget	186,828	4,650	191,478	-208	191,270	4,480	2,063	1,111	198,923
Funding Analysis:									
DSC: Schools Delegated	140,754	3,519	144,272	0	144,272	0	1,597	0	145,869
DSC: Centrally Retained Services	18,930	459	19,389	-71	19,319	1,793	66	719	21,897
Total DSG	159,684	3,978	163,662	-71	163,591	1,793	1,663	719	167,766
Non-DSG Services	27,144	672	27,816	-138	27,678	2,687	400	392	31,157
Children's Services Total	186,828	4,650	191,478	-208	191,270	4,480	2,063	1,111	198,923

Community Services Revenue Budget 2008/09

Service	Base Budget 2007-08		Inflation		Revised Base		Savings		Sub Total		Pressures			2008/09 Budget Requirement	
	£'000		£'000		£'000		£'000		£'000		£'000	Legislation/ other known costs	Demographic	£'000	£'000
Social Care															
Social Care Commissioning & Client Financial Services	2,771		72		2,843		750		3,593		56	20	0		3,669
Older People Care Management Services & P&V Care	17,332		540		17,872		-1,596		16,276		1,266	0	575		18,117
Assistant Director & Other Services	-3,185		15		-3,170		400		-2,770		432	55	0		-2,283
Physical Disability Services	9,668		284		9,952		-230		9,722		2,010	0	585		12,317
Learning Disability Services	12,963		395		13,358		-874		12,484		1,839	1,695	12		16,030
Internal Direct Delivery Services	4,905		100		5,005		0		5,005		217	0	0		5,222
Registration & Bereavement Services	-40		-2		-42		0		-42		62	0	0		20
Mental Health Services	3,524		110		3,634		0		3,634		157	88	0		3,879
Total Social Care	47,938		1,514		49,452		-1,550		47,902		6,039	1,858	1,172		56,971
Economic Development, Skills & Leisure															
Adult Education	120		1		121		-104		17		35	0	0		52
Leisure and Sports	1,215		29		1,244		0		1,244		66	0	0		1,310
Library and Information Services	3,677		88		3,765		-92		3,673		73	0	0		3,746
Theatre and Arts	798		21		819		0		819		89	0	0		908
Sub Total	5,810		139		5,949		-196		5,753		263	0	0		6,016
Greenspace Services	3,432		111		3,543		0		3,543		231	63	0		3,837
Heritage Attractions	56		1		57		0		57		35	0	0		92
Museums	353		8		361		0		361		23	42	15		441
Corn Exchange	7		0		7		0		7		1	0	0		8
St Georges Centre	12		0		12		0		12		25	12	17		66
Community Centres	133		3		136		0		136		15	0	0		151
Economic Development Support	119		2		121		0		121		-18	0	0		103
Economic Development	479		10		489		-77		412		-39	0	26		399
Tourism	717		17		734		-50		684		18	0	0		702
Events	455		11		466		0		466		50	0	0		516
Social Regeneration	281		7		288		-35		253		5	0	0		258
Environmental Sustainability	60		1		61		0		61		1	0	0		62
Sub Total	6,104		171		6,275		-162		6,113		347	117	58		6,635
Total Economic Development, Skills & Leisure	11,914		310		12,224		-358		11,866		610	117	58		12,651
Service Development															
Quality Assurance	307		9		316		0		316		27	0	0		343
Quality Assurance Finance	323		8		331		0		331		-1	0	0		330
Sub Total	630		17		647		0		647		26	0	0		673
Management Team	529		13		542		0		542		472	22	0		1,036
Sports Development	191		5		196		0		196		35	26	6		263
Change Team	-39		-2		-41		0		-41		41	0	0		0
Workforce Development	0		0		0		0		0		0	0	0		0
Public health	229		12		241		0		241		-50	0	0		191
Homelessness	1,603		36		1,639		-128		1,511		-217	0	0		1,294
Homechoice and Housing Support	804		19		823		0		823		192	0	0		1,015
Housing Management	-11		0		-11		0		-11		0	0	0		-11
Private Sector Housing	338		10		348		0		348		94	0	0		442
Property Management	-148		-4		-152		0		-152		0	0	0		-152
Total Service Development	4,126		106		4,232		-128		4,104		594	48	6		4,752
Total Directorate Budget	63,978		1,930		65,908		-2,036		63,872		7,243	2,023	1,236		74,374

Regeneration and Development Revenue Budget 2008/09

Service	Base Budget 2007-08 £'000	Inflation £'000	Revised Base £'000	Savings £'000	Sub Total £'000	Pressures			2008/09 Budget Requirement £'000
						Current Cost of Service £'000	Legislation/ other known costs £'000	Demographic £'000	
Leader									
Medway Renaissance Partnership	-66	-10	-76	0	-76	10	0	0	-66
Front Line Services									
Director's Office	8	12	20	0	20	-2	0	0	18
Front Line Task Force Management	400	9	409	0	409	5	0	0	414
Waste Services	14,790	847	15,637	0	15,637	170	226	0	16,033
Traffic & Parking Management	-2,045	-61	-2,106	0	-2,106	87	0	0	-2,019
Highways	6,082	399	6,481	0	6,481	-57	124	0	6,548
Integrated Transport	5,371	134	5,505	0	5,505	365	0	0	5,870
Major Projects	41	1	42	0	42	10	0	0	52
	24,647	1,341	25,988	0	25,988	578	350	0	26,916
Strategic Development & Economic Growth									
Development & Transport	155	4	159	0	159	-25	0	0	134
Local & Regional Planning	968	18	986	0	986	125	0	0	1,111
Housing Strategy	410	8	418	0	418	-16	0	0	402
Building Control Services	127	3	130	0	130	13	0	0	143
Development Control & Trees	787	8	795	0	795	30	0	0	825
	2,447	41	2,488	0	2,488	127	0	0	2,615
Community Safety and Enforcement									
Safer Communities	3,081	62	3,143	0	3,143	23	20	0	3,186
First Time Drainage	216	5	221	0	221	-5	0	0	216
Flood & Coast Protection Maint	26	1	27	0	27	-1	0	0	26
	3,323	68	3,391	0	3,391	17	20	0	3,428
Total Directorate Budget	30,351	1,440	31,791	0	31,791	732	370	0	32,893

Business Support Revenue Budget 2008/09

Service	Base Budget 2007-08 £'000	Inflation £'000	Revised Base £'000	Savings £'000	Sub Total £'000	Pressures			2008/09 Budget Requirement £'000
						Current Cost of Service £'000	Legislation/ other known costs £'000	Demographic £'000	
Leader									
Democratic Services	704	7	711	0	711	14	0	0	725
Members and Mayoral Services	1,118	45	1,163	0	1,163	35	0	0	1,198
Electoral Services	597	9	606	0	606	-220	33	0	419
Directorate Vacancy Target	-111	0	-111	0	-111	0	0	0	-111
Finance Portfolio									
Local Land Charges	-396	3	-393	0	-393	30	125	0	-238
Benefit Payments	-313	0	-313	0	-313	235	0	34	-44
Revenues and Benefits Admin	894	92	986	0	986	-6	70	0	1,050
NDR Discretionary Relief	160	0	160	0	160	0	0	0	160
Rural Liaison Grants	38	0	38	0	38	0	0	0	38
Corporate Management	493	12	505	0	505	21	0	0	526
Non Distributed Costs	1,450	36	1,486	0	1,486	70	0	0	1,556
Corporate Provisions	-167	-4	-171	0	-171	171	0	0	0
Commercial Property	-1,097	5	-1,092	0	-1,092	11	256	0	-825
Ward Improvements	145	0	145	0	145	0	0	0	145
Customer First & Corporate Services									
Licensing	-139	7	-132	0	-132	69	0	0	-63
Adult Services									
Lifeline	-123	7	-116	0	-116	-1	0	0	-117
Community Safety & Enforcement									
CCTV	277	4	281	0	281	18	0	0	299
Total	3,530	223	3,753	0	3,753	447	484	34	4,718
Support Services (Memorandum Trading Accounts)									
Leader									
Business Support Management Team	839	25	864	0	864	20	0	0	884
Customer First & Corporate Services									
Customer First	2,233	33	2,266	0	2,266	51	0	0	2,317
Human Resource Services	1,902	146	2,048	-380	1,668	44	0	0	1,712
ICT	3,805	90	3,895	-300	3,595	54	0	0	3,649
Research & Review	540	33	573	0	573	5	0	0	578
Management Information	235	1	236	0	236	5	0	0	241
Strategic Plan	76	2	78	0	78	0	0	0	78

Service	Base Budget 2007-08 £'000	Inflation £'000	Revised Base £'000	Savings £'000	Sub Total £'000	Pressures			2008/09 Budget Requirement £'000
						Current Cost of Service £'000	Legislation/ other known costs £'000	Demographic £'000	
Finance Portfolio									
Financial Management	264	7	271	0	271	8	0	0	279
Directorate Support	818	17	835	0	835	19	0	0	854
Cashier Services	203	7	210	0	210	4	0	0	214
Financial Systems	164	-32	132	0	132	1	0	0	133
Financial Support	304	7	311	0	311	12	0	0	323
Central Accounts Team	189	6	195	0	195	3	0	0	198
Central Services	-4	23	19	0	19	138	0	0	157
Central Accommodation	2,321	86	2,407	0	2,407	0	0	0	2,407
Creditors and Income Services	269	8	277	0	277	3	0	0	280
Legal Services	866	-1	865	0	865	34	0	0	899
Enforcement Strategy	328	5	333	0	333	5	0	0	338
Procurement	218	1	219	0	219	-5	0	0	214
Audit Services	708	6	714	0	714	60	0	0	774
Design and Surveying	-326	37	-289	0	-289	-21	0	0	-310
Asset and Property Management	313	5	318	0	318	-1	0	0	317
Communications and Improvement	618	25	643	0	643	11	0	0	654
Sub Total	16,883	537	17,420	-680	16,740	450	0	0	17,190
DSG Contribution	-1,856	-46	-1,902	0	-1,902	0	0	0	-1,902
Total Directorate Budget	18,557	714	19,271	-680	18,591	897	484	34	20,006
Non-Directorate Specific Activities									
Finance Portfolio									
Levies	763	19	782	0	782	97	0	0	879
Total	763	19	782	0	782	97	0	0	879

Children's Services Savings			
Service	Budget Heading	£'000	Service Implications
	Pupil & Governor Services	70.6	Deletion of one service manager post
	Fostering	64.2	Net saving resulting from Invest to Save scheme
	SEN Home to School Transport	73.4	Potential saving from re-tendering routes in September 2008
Total Savings		208	

Community Services Savings		
Service	Budget Heading	£'000
Implementation of Fair Access to Care Services	Commissioning of Services	1,550
		At present Medway Council provides services to people assessed at low to moderate risk, however on 6 November Cabinet agreed to implement FACS eligibility criteria at substantial and critical with effect from 1 July 2008. This is expected to result in around 22% of existing clients no longer being eligible for a care service. This saving is net of the costs of reassessing 8,200 clients and the ongoing additional investments in the voluntary sector, which it is hoped will mitigate the longer term implications for those people no longer eligible. The full year effect is estimated at £2.8million per annum.
Adult Education	Service Provision	104
		The Council currently subsidises the Adult Education Service by approximately £138k. It is proposed that by outsourcing the service to Mid Kent College with nil subsidy by the Council, a saving could be made, however this is reduced in the first two years as there is a residual early retirement cost still to be borne by the Council.
Library Services	Staffing	92
		Members have been informed of the restructuring of the Library Service and an estimated £163k this could yield in 2010-11 and beyond. The effect of the restructuring in 2008-09 is estimated at £92k.
Economic Development	Staffing	77
		The Director is proposing to combine the responsibilities of the vacant Economic Development Manager's post with that of the Social Regeneration Manager yielding a saving on salary costs.
Tourism	Staffing	50
		The Director in consultation with the Portfolio Holder has agreed to restrict spending on Tourism marketing to current forecast levels, which represents a saving against the base budget.
Social Regeneration	Staffing	35
		The Director is proposing to delete the vacant Social Regeneration Officer's post, but it should be recognised that this will restrict the division's ability to attract external funding. Currently the core spend levers in external income three times its value.
Housing Services	Staffing	70
		The Director has restructured the Housing division and this should yield savings of £70k per annum from 2008-09 onwards.
Housing Management	Staffing	58
		Management Team have agreed to combine the Housing Strategy Manager's post within Regeneration and Development with one of Service Managers within Community Services yielding a saving on salary costs.
Total Community Services Savings		2,036

BSD Savings Appendix Budget Build 2008-09			
Service	Budget Heading	£000's	Service Implications
HR	Various	80	None - restructuring to take place to ensure adequate use of resources This proposal ensures that the focus of the team will be on delivering bespoke activities related to the strategic initiatives identified by CMT and DMT's. In addition the team will work to make more of partnership arrangements with the District Councils, the PCT and the education sector.
HR	L&D Staffing	100	It is acknowledged that this proposal will reduce the Council's ability to deliver a wide ranging and comprehensive learning and development programme. However, this proposal is being made to ensure that learning and development related to specific service standards and keeping the organisation legal and safe can continue
HR	L&D Training budget	200	It is acknowledged that this proposal will impact on the Council's ability to deliver and manage change within ICT and across the Council. However, this proposal has been made to ensure that the statutory services that the Council is obliged to provide can continue to be underpinned by technology, in order to deliver current services.
ICT	Corporate Projects	200	It is proposed that the ICT service will be restructured to continue to work effectively and consistently, providing the services that are required to keep the Council running, whilst achieving further required savings of £100,000, much of which will be achieved by removing vacant posts from the structure
ICT	ICT Computer Services	100	
Total Savings		680	

Children's Services Pressures

Service	Budget heading	Current cost of service £'000	Legislative Changes £'000	Demographic Changes £'000	Comments/Explanation/ Service Implications
Learning & Achievement Young People	Learning & Achievement division	63			Staff increments
	Youth Offending Teams	146		3	1. Additional budget required to fully fund all YOT posts. 3. Additional seasonal staff for court-led statutory service; national trend rising
	Care Leavers & 16+ LAC Team	157		285	1. Overspend in current year. 3. Cohort of vulnerable young people requiring supported housing to rise by 22 over 2008/2009 (£230,000) and increasing numbers of looked after children who need allocation to a qualified social worker (£55,000)
Children's Care	Silverbank Pupil Referral Unit		66		Requirement to provide full-time education from 6th day of pupil exclusion
	Youth Service	32	120		1. Full year effect for the Hempstead Youth Worker. 2. Member commitment to fund youth workers for Hook Meadow & Rainham
	Integrated Area Team Bases	86			Woodlands currently unfunded. Elaine funded by closure of family centre
	Social Work Teams	172			Additional staff to deal with JAR referrals & family contact
	Learning Support Service	111			Shortfall in funding for statutory functions
	Integrated Area Teams	171			Staff increments and correction for unfunded posts
	Other Children's Care Services	57			Staff increments
	Adoption Allowances			42	Trend of increasing numbers - 103 by end of 07/08 rising to 107 in 08/09
	Foster Payments / Special Guardianship	84	280		1. Full-year effect of current expenditure. 2. Cost of implementing national minimum pay rate from April 2008
	P&V Children Homes SEN: Inter-Authority Recruitment	569		54 70	54 Increase of two placements expected in 2008/09 70 1. Full-year effect of current expenditure. 3. Increase in number of placements in LOA schools and reduction in income
SEN: Independent/Non-Maintained Schools	1,154		649	1. 2007/2008 budget based on 109 places but there are currently 139 pupils placed. 3. Part-year cost of 33 additional placements expected from September 2008	
SEN: Home-to-School Transport	815		8	1. Full-year effect of current expenditure. 3. Estimated increase in 2008/2009	
Legal Fees	300			Funding required for counsel, assessment costs & expert witnesses	
Children's Services Management	Provision for DSG overspending	60			Higher overspend on DSG expected in 07/08 compared to 06/07.
Schools Retained Funding & Grants	Personnel Provisions for Schools	183			Maternity Leave, CRB Checks, Redundancy, Occupational Health
	School Contingency Fund	177			Provision for an element of the educational psychology service budget erroneously allocated into the Schools Budget DSG total in 2007/2008 (£171,000) and funding required to reflect costs in 2007/2008 (£6,000)
Quality Assurance	School Meals Contract	50			Loss of income from school meals contract
Schools Delegated Budgets	Schools Delegated Funding		1,597		Element of DSG increase earmarked for schools (if DSG increase is 4.5%)
Various	Various	93			
Children's Services Total		4,480	2,063	1,111	

20 Community Services Pressures

Service	Budget heading	Current cost of service £000's	Legislative Changes £000's	Demographic Changes £000's	Comments/Explanation/ Service Implications
All	Staffing	647			Increments funded at 2.5% of budgeted staffing levels
All	Staffing	586			Shortfall in funding against current establishment resulting from vacancy factors and loss of income etc....
Older People	Commissioning of Services	1,144	0	575	Category 1 is based on current clients, category 2 is based on future known named clients and category 3 is based on 3.9% projected increase in the elderly population in Medway per Office of National Statistics
Assistant Director and Other Services	Rental income		55		Loss of rental income form KCHT in respect of Churchlands
Assistant Director and Other Services	Grants	322			To correct over-statement of grant income budget
Physical Disability	Commissioning of Services	1,735		541	Category 1 is based on current clients and category 3 against the residential budget and is based on the fact that every year, between 11 and 14 people have come into the service as a result of severe head injury caused by road traffic accidents. This growth assumption has been offset by anticipated attritions (3 clients)
Occupational Therapy	Equipment	56			In order to meet the 7 day key performance indicator investment is required against the equipment budget
Learning Disability - Section 31	Commissioning of Services	1,608	1,695	12	Category 1 is based on current clients, category 2 is based on future known named clients
Learning Disability - Section 31	Balfour Centre	69			Due to loss of cross boundary income
Bereavement Services	Premises	55			Increase in grounds maintenance contract, NNDR & utilities costs
Mental Health - Young Adults	Commissioning of Services	51	88		Category 1 is based on current clients, category 2 is based on future known named clients
Theatres & Arts		70			Due to loss of income and increase in premises related costs
Greenspaces	Premises	183	63		Category 1 due to shortfall in funding of premises costs including repairs and maintenance £33k, vandalism £61k, grounds maintenance contract due to Member priorities £68k and utilities £30k. Category 2 is principally the increase in the security contract.
Greenspaces	Income	134			Loss of £102k sponsorship income and £30k due to unachievable sales income, both in relation to Cozenton Nursery
Management Team	Income	405			Unidentified savings target not achievable
Various	Various	177	122	108	
Community Services Total		7,243	2,023	1,236	

Regeneration & Development Expenditure and Income Pressures 2008-09

Service	Budget heading	Current cost of service £000's	Legislative Changes £000's	Demographic Changes £000's	Comments/Explanation/ Service Implications
Concessionary Fares	Concessionary Fares	317			It is currently being forecast that the cost of concessionary fares in 2007/8 will be £400k greater than expected because of increasing use being made of the permits. This will increase the base value of travel on which the costs for 2008/9 will be calculated. The reduced value shown takes into account a base increase of 2.5%. This is a statutory obligation. Failing to make passes to eligible holders could bring the risk of legal challenge. Failing to make sufficient reimbursement to the bus operators will bring the risk of a DfT appeal and an order to pay additional amounts to the bus companies.
Concessionary Fares	Concessionary Fares	55			This is a statutory obligation. Failing to make passes to eligible holders could bring the risk of legal challenge. Failing to make sufficient reimbursement to the bus operators will bring the risk of a DfT appeal and an order to pay additional amounts to the bus companies.
Concessionary Fares	Concessionary Fares				The young persons bus travel concession commenced in September 2007 with a part-year budget of £250,000. Users of the service has continued to grow since the launch and the final take-up has been difficult to predict. There is an identified potential for 3,800 users; at September 07, 840 passes were issued and members have requested that the scheme is promoted further to increase up take. It is estimated that in the region of 1,800 passes could be on issue during 2008/09, resulting in a budget pressure of £61,600 (Method of calculation 1,800 passes at £162 plus £20,000 monitoring, promotion and administration costs minus £250k base budget)
Highways	Medway Tunnel		124		This scheme was introduced at member request. This is not a statutory obligation, but the method of reimbursement has been formerly agreed with the bus operators. Failing to make sufficient reimbursement to the bus operators will bring the risk of a DfT appeal and an order to pay additional amounts to the bus companies. Additional staff to manage the tunnel operation as identified in a report on the Operations and Maintenance of the Medway Tunnel. Tunnel Manager @ PO2/PO3 and 2 Tunnel Inspection and Maintenance Officers @ B2/A. If these post are not funded the maintenance requirements as laid down by the appropriate authorities and the Rochester Bridge Trust nominated engineers will not be met. This may leave the authority open to problems in the event of an incident/accident in the tunnel and could create a dispute with the Rochester Bridge Trust over its contribution funding.
Waste Services	Landfill Tax		226		Current landfill tax is £24/tonne. Landfill tax is set to increase by £8 per tonne in the next financial year. Estimated tonnage 90,000 X £8 , less 44,000 tonnes accumulated LATs credit to be sold @ £10 per tonne estimate. This is a statutory obligation.
Waste Services	Recycling	170			In 2006/07 during the budget setting process £100k was removed from the waste services budget this represented what the council believed it would save as a result of ceasing to supply residents with black sacks for their refuse. The Council have now decided to substitute the provision of black sacks with blue sacks for recycling therefore there will not be any saving for this. Furthermore the council has also decided that where residents require additional blue sacks for recycling they are able to obtain these additional blue sacks from local council offices free of charge. It is anticipated that this improvement will cost in the region of £50k There would be a slight decrease in the recycling rate

Service	Budget heading	Current cost of service £000's	Legislative Changes £000's	Demographic Changes £000's	Comments/Explanation/ Service Implications
Safer Communities	Trading Standards		20		On the 6th April 2007, new powers and duties relating to counterfeiting and piracy enforcement by trading standards commenced. During 2007-8, this funding was paid by a Section 31, Local Government Act 2003 grant. For 2008 onwards, the amount is to be added to the RSG. With both the Gower's Review and the final commencement of sections 107A & 198A of the Copyright, Designs and Patents Act, this financial year has seen a substantial increase in copyright activity. With the final introduction of section 107A the service is now able, and expected, to effectively deal with infringements of copyright as well as pure counterfeits. Intelligence assisted approach to identifying targets for suitable enforcement action (the successful approach used this year would not be possible). Decrease in enforcement action in relation to counterfeiting. Lack of proactive work in the area of educating businesses. Decrease in reactive work in business advice. Inability to participate in regional project to gain efficiencies of scale (greater intelligence, publicity material, intellectual property seminar, staff training)
Local & Regional Planning	Local Development Framework	125			On-going costs of the production of the Local development Framework This is a statutory requirement
Miscellaneous	Miscellaneous	65			Various minor budget pressures
Total Regeneration & Development		732	370	0	

BSD Pressures

Service	Budget heading	Current cost of service	Legislative Changes	Demographic Changes	Comments/Explanation/ Service Implications
Members and Mayoral Services	Allowances	35			Budget pressure from 2007/08 revision to allowances
Electoral Services	Elections	(220)			Surplus election costs after canvass requirements and election contribution have been removed
Land Charges	Land Charges	30	125		Reduced income levels from activity in current year and national changes for 08/09 remove 'profit' on service removed
Benefit Payments	Benefit Payments	235		34	Reduced income levels from overpayment recovery (fewer overpayments) and subsidy
Revenues and Benefit	MRBS		70		3.1% Reduction in administration grant ex DWP for 2008/09
Non Distributed Costs	Non Distributed Costs	70			Current overspend on pension liability for former GBC/RUMCC/KCC pre 1998 early retirements
Corporate Savings Target	Corporate Savings Target	171			2007/08 unidentified savings target not reached
Commercial Property	Commercial Property		256		NNDR due on empty properties from 1/4/08
Licensing	Licensing	69			Reduced income levels as new licencing regime settles to a constant level
Customer First	Customer First	51			Rent on Chatham Local Office and ICT costs
ICT	Computer Services	54			Income budget for office moves unrealistic and ven less likely for Gun Wharf
Central Services	Reprographics	138			Unrealistic income budget as a legacy of former print volumes no longer present
Audit Services	Fraud Team	60			Savings not achieved for partnership working
Various	Miscellaneous	204	33		
Total Business Support		897	484	34	
Levies	Coroners Court	60			Notification of potential overspend from KCC
Levies	Drainage Board	37			Current increase in Levy for land drainage.
Total Levies		97	0	0	
Total All		994	484	34	