

CABINET

25 NOVEMBER 2008

REVENUE BUDGET 2009/2010

Portfolio Holder: Councillor Alan Jarrett, Finance

Report from/Author: Mick Hayward, Chief Finance Officer

Summary

This report presents the Council's draft revenue budget for 2009/2010. 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 2009.

The draft budget adopts the principles contained in the Resource Strategy and Council Plan 2009/2010 approved by Cabinet in September 2008. The resource assumptions have not changed significantly since approval of the report but, as will be discussed later in this report, the detailed budget build process has identified a significant funding gap.

1. Budget and Policy Framework

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

2. Constitutional rules

- 2.1 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.
- 2.2 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 26 February 2009. 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 2009.

3. Budget monitoring 2008/2009

- 3.1 The monitoring report, considered elsewhere on this agenda, highlights a forecast overspending on services, before management action, of approximately £2.4 million an increase of £0.2 million from the previous report to Cabinet in September. The forecast overspend encompasses all directorates of the Council with the main pressures from children and adult services compounded by hyper inflation on energy costs affecting all the Council's premises and highways etc. 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 2009/2010. 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 2009/2010.
- 3.2 The budget proposals for 2009/2010 are built using the current year's budget and spending as a starting point. Table 2 shows a forecast budget gap of £14.2 million that is largely driven by pressures already experienced and the continued growth in those pressures.

4. Financial strategy

- 4.1 The Resource Strategy and Council Plan incorporating the Council's aims for developing revenue budgets for 2009/2012 was considered by Cabinet on 23 September 2008. The strategy aims to establish clear links between resource decisions and key priorities and provide a framework for more detailed preparation of the draft revenue budget for 2009/2010. In total the Strategy identified a potential resource gap of over £35m by 2011/2012. Key assumptions underlying this forecast were that current spend could be maintained, in inflationary terms, with the 4% increase in formula grant, 3.59% increase in Dedicated Schools Grant and a 5% increase in council tax. However, future demographic pressures and service changes such as the implementation of a new waste contract, could not be funded without compensatory reductions elsewhere. These additional requirements amounted to almost £7 million for 2009/2010 compared to the £14.2 million now reported.
- 4.2 The Resource Strategy aimed to ensure that resources are allocated to achieve the service outcomes set out below but the underlying financial aims of the strategy should be:
- To ensure there is a sustainable budget, without recourse to the use of reserves;
 - To generate efficiencies, in partnership with others where appropriate, for re-investment in priority spending. This extends to approving a set of efficiency projects in each financial year;
 - To consider the revenue impact of funding streams supporting capital investment decisions, whether that be from supported borrowing, use of reserves, capital receipts or prudential borrowing and
 - To avoid the sanction of central government controls, for example capping.
- 4.3 The strategy for 2009/2012 was built on the progress made in recent years and encapsulated the strategic priorities for Medway as set out in the

Performance Plan. 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.

- 4.4 The strategy 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.
- 4.5 The financial strategy also reflected the cashable aspect of the Gershon efficiency target. Medway has just completed its three-year Gershon efficiency programme set within the 2004 Comprehensive Spending Review (CSR2004). This set the council a cumulative target to generate efficiencies of £12.4 million over three years ending 31 March 2008. Subject to audit we have exceeded that target and achieved £13.1 million, albeit that despite early optimism, we are unable to use the excess against the 2008/2009 onward target.
- 4.6 CSR2007 has increased the challenge to Local Authorities in finding efficiencies by introducing the following changes:
- Increasing the target for English local authorities to 3% pa from 2.5% pa;
 - The 3% pa is now "multiplicative" rather than additional, therefore the annual cumulative target is 2008-09 3%; 2009/10 6.1%; 2010/2011 9.3% with a presumption that 2011/2012 would effectively rise to a cumulative target of 12.6%;
 - All efficiencies must now be "Cashable" or cash releasing efficiencies rather than the 50% of the previous 2.5% target regime;
 - Individual authorities will not be set targets but rather the whole of local authorities will be expected to achieve the overall target and
 - Reporting will be simplified.
- 4.7 Although targets are not being set for each individual authority, it is accepted that many authorities will apply targets to ensure that they do achieve cumulative targets individually. Shown below are the annual targets that would apply were such individual authority targets imposed.

2008/2009 cumulative target £ 5.3 million;
2009/2010 cumulative target £10.8 million;
2010/2011 cumulative target £16.5 million; and
2011/2012 cumulative target £22.3 million.

5. Council Plan

- 5.1 The Council Plan is the council's high level strategic business plan, and sets out the council's priorities, outcomes, objectives and key actions over a three year period. It enables the organisation to demonstrate how it is using resources to meet locally specific objectives, and as such it forms an essential part of the council's performance management framework, setting out the outcomes against which progress will be measured. The delivery of these outcomes will be supported through a strengthened approach to business planning and performance management throughout the organisation.
- 5.2 Discussions during the autumn relating to the development of the budget will be used to inform the Council Plan, and therefore ensure cohesion between the budget and the final Council Plan, with resources aligned to delivering our priorities. The Plan will also be informed by the aspirations of the Local Strategic Partnership, the Local Area Agreement, and inspection feedback where known. A forward looking business plan is regarded as best practice in the public sector, and will enhance our performance against Use of Resources and Comprehensive Area Assessment frameworks.
- 5.3 The Council Plan is currently being drafted, identifying the key issues which will be taken forward to inform continuing discussions between officers and portfolio holders. The Council Plan will follow a similar timetable as the budget, and will be finalised alongside the budget in time for the start of the financial year.

6. Finance Settlement

- 6.1 The level of Government funding in 2009/2010 and beyond, and the limits on future council tax increases are influenced by:
- The Comprehensive Spending Review (CSR) 2007;
 - Provisional Local Government Finance Settlement; and
 - Capping rules.
- 6.2 CSR2007 introduced three year funding allocations and therefore the level of formula grant increase for 2009/2010 and 2010/2011 are already known at 4% and 3.6% respectively. Forecast DSG spending will increase by 3.59% and 4.13% per pupil over the same period albeit falling pupil numbers will reduce the actual year on year cash increase. The Provisional Local Government Finance Settlement for 2009/2010 is expected to be formally announced at the beginning of December but it is not expected to make a significant difference to the figures already forecast.
- 6.3 Table 1 below illustrates potential resources for 2008/2012 assuming a growth in taxbase of 0.25% in future years (circa 250 new properties) and council tax increases at 5%. Government support is as already announced together with an assumption of a 3.5% increase in both Formula Grant and DSG in 2011/2012.

Table 1 Potential Resources for 2008/2012

Description	2008/2009	2009/2010	2010/2011	2011/2012
	£m	£m	£m	£m
Formula Grant - % Increase	5.6%	4.0%	3.6%	3.5%
- amount	79.120	82.225	85.130	88.110
Taxbase (assumes 0.25% inc.)	85,412	85,626	85,840	86,055
Council Tax (£1,041.48 baseline)				
Increase @ +5.0%	88.955	93.636	98.564	103.751
DSG (based on current pupil numbers)	163.836	167.458	172.140	176.088
Pupil Numbers	40,616	40,074	39,560	39,098
Funding per pupil £	4,034	4,179	4,351	4,504
Summary Resources:				
DSG		167.458	172.450	176.089
% Increase (per pupil)		3.59%	4.13%	3.50%
Non-DSG (Council Tax @ +5%)		175.861	183.694	191.861
% Increase		4.63%	4.45%	4.45%

7. Summary of draft revenue budget

- 7.1 Directorates, in consultation with portfolio holders, have been developing budget proposals incorporating pressures and savings proposals. The effect of these is summarised in Appendix 1 (a to c), with major pressures being identified in Appendix 2 (a to c). 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 the appendices, to assist in understanding the nature of the identified pressures they have been classified as follows:
1. The current and full year effect of pressures already impacting upon budgets;
 2. The anticipated effect of changes to expenditure in 2009/2010 that are not presently felt but will occur in 2009/2010 because of known events;
 3. The need for budget provision to cover estimated growth in service to compensate for a present shortfall or a reasonable estimate of future growth.
- 7.3 Table 2 indicates a shortfall compared to the anticipated resources shown in Table 1, of some £14.3 million. Table 2 highlights the 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 and an unprecedented increase in energy costs. 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 2009/2010 it is anticipated that new 'supported' borrowing of some £11.5 million will be required to finance the capital programme predominantly for children's services and highway schemes. This follows on new borrowing undertaken in 2008/2009 of £11.3 million. Both of these sums exclude 'prudential borrowing' on an invest to save basis. There will be a revenue cost associated with all borrowing arising from the interest paid upon the debt and the amount required to be set aside each year for repayment of the debt (MRP – minimum revenue provision). This additional cost, together with the reduction in investment rates, is the cause of the increase in costs for interest and financing in table 2.

Table 2. Draft revenue budget 2009/2010

Directorate	Budget 2008/09 £000's	Forecast Variation 2008/09 £000's	Forecast Req'ment 2009/10 £000's
Children and Adult Services (C&A)	259,138	732	273,568
Regeneration, Community and Culture (RCC)	44,916	1,165	52,426
Business Support (BS)	24,855	726	27,827
Public Health	321	(21)	373
Interest & Financing	12,644	(173)	14,200
Levies	879	4	914
Area Based Grant	(10,926)	0	(11,682)
Planned Use of Reserves	1,166	0	0
Sub Total	332,993	2,433	357,626
DSG	163,836	114	167,458
Total	169,157	2,319	190,168
Available Funding			175,861
Budget Gap			14,307

- 7.5 In addition to the revenue resources evidenced by the table above the council does have access to reserve balances. However, the balance of General Reserves (i.e. those not allocated for an earmarked purpose) was only £1.7 million at 31 March 2008. The commitment of reserves to fund the existing capital programme is £1.0 million and this leaves a residual, uncommitted balance of some £0.7 million, albeit there are repayable commitments of

£0.273 million for Medway Innovation Centre cash flow and £0.044 million for Strood Echoes investment to be funded in the short term. For practical purposes the General Reserve can therefore be regarded as spent with the exception of a minor balance.

7.6 Pressures facing individual directorates have been well publicised in the past but the major areas are indicated below for information:

7.6.1 Children and Adult Services

The pressures in the budget requirement that total some £4.7 million reflect the increase in the demand-led elements of the service, particularly care for the elderly, looked after children, additional placements in independent and non-maintained schools and pressures on the retained element of DSG.

In common with other directorates, although a lesser extent, there is also the effect of hyper-inflation on energy.

7.6.2 Regeneration, Community and Culture

Over £2.5 million of the identified pressures for the directorate relate to predicted additional costs for the new waste contract and the need to compensate for the loss of income from the sale of LATS credits in the current financial year. Over £760,000 relates to increases in energy costs over and above the inflation allowance of 4%. Almost £450,000 of this sum relates to highways and car parking with the balance predominantly within leisure facilities. Highway maintenance costs are forecast to increase by some £350,000 above inflation.

7.6.3 Business Support

The directorate has had to provide for additional pressures from reduced income for both land charges and corporate property that it is unable to influence. An increase in the level of unsubsidised benefit payments for housing for vulnerable people together with a restriction of Government subsidy creates a pressure of £313,000 that is also highlighted in the current monitoring report. Increases in statutory inspection requirements have increased costs of planned maintenance agreements for Council property, together with hyper-inflation costs for energy across all corporate buildings, but predominantly Gun Wharf, amount to almost £740,000. These, together with other minor pressures, sum to a sizeable total of £1.624 million facing the department.

7.6.4 Interest and Financing

New borrowing to support capital investment outside of the 'prudential' regime is funded by incorporation in the grant formula and is therefore incorporated in the resource tables above. However it is not in the current budget and such 'supported borrowing' is running at about £11 million pa (see paragraph 7.4). The associated cost for interest and principal is approximately 9% or £1million pa. The decrease in interest rates achieved on investments both actually experienced currently and forecast to fall further during 2009 has also had a significant impact on investment returns that may even get worse.

7.6.5 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.

7.6.6 Area Based Grant

This grant comprises a myriad of elements some of which, mainly within the Department for Children Schools and Families (DCSF) have increased significantly above inflation but for which there are service expectations.

7.6.7 Planned Use of Reserves

This was a 'one off' contribution in 2008/2009 to fund redundancy and associated costs following the closure of the Community Support Scheme.

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:

- Reducing overall assumptions for inflation, including a cash freeze on some budgets – a 1% change could yield £2m;
- Cash-limiting areas where there is some discretion as to the quantum of budget spend and this may mean positive reductions for elements such as office supplies for example. It may also mean that areas where inflationary pressures are above the global provision, such as highways, but have some discretion as to spend, will need to ration provision to the normal inflationary provision – difficult to quantify but it could yield a further £1m dependant upon a view of risk;
- A review of the level of vacancies managed across directorates and a challenge to the assumption that posts must be covered when vacant - existing vacancy provisions in RCC are proving difficult to manage but elsewhere a further 1% could yield up to £0.5m;
- A more robust scrutiny of pressures and options for management could trim the requirement – possibly yielding in the order of £1m;
- Explore opportunities for increasing fees and charges above the current 4% expectation.

8.2 This will still leave a significant gap in the region of £10 million and must mean that existing service delivery has to be challenged. The major areas of discretion in spending terms are familiar and include:

- Leisure and Culture
- Economic Development
- Social Regeneration
- Library provision
- Adult Learning
- Homelessness

Some of these headings are relatively minor compared to overall spending, and tensions created by suggestions of reduced activity are great in comparison to the savings yield. The list is not meant to be exhaustive and members will be aware of the constraints on services both by statute and by the rigours of the inspection regime for Councils. To give some context to the challenge in closing the gap Leisure, for example, is a whole service cost of some £1.5 million. It is inevitable that some of the 'big spenders' in social care across the age spectrum need to be challenged but the backdrop to this, in terms of risk, is clear given the recent headlines at Haringey.

- 8.3 As part of this exercise it will also be necessary to focus attention on the areas where there are genuine opportunities to change the service provision without placing the organisation at undue risk and ensuring that we are consistent with our declared priorities. If this presents a problem with, for example, elements of discretionary spend being deemed essential then there will be a need to amend the declared priorities.

9. Housing Revenue Account – Draft Budget 2009/2010

- 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 2008, the Council owned 3,058 properties, 297 of which were within sheltered housing units and 196 that are leasehold flats. The stock numbers reduce year on year as a result of tenants exercising their right to buy.
- 9.2 The HRA budget setting process for 2009/2010 is still in progress and cannot be fully completed until notification of the final Housing Subsidy Determination by the Government. Draft subsidy figures have been released for consultation with the final determination expected in late December 2008 or early January 2009.
- 9.3 A detailed budget report will be presented to Business Support Overview & Scrutiny Committee on 3 February 2009 and Cabinet on 17 February 2009. 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 2009/2010 on 26 February 2009.
- 9.4 The main factors/assumptions that will form the basis of the 2009/2010 HRA budget are:
- 9.4.1 The HRA must maintain a working balance of circa £350,000. At 1 April 2008 the working balance stood at £3,103,600. The expected outturn for the current year is a surplus of £158,800. The projected HRA working balance at 1 April 2009 is therefore £3,262,400. The council is required by government to produce a 30-year business plan, which incorporates financial modelling for both revenue and capital. The latest projections show that there will be a need to utilise the existing balances to assist with funding the capital programme required to both meet and maintain the Decent Homes Standard in the coming years. A further update of the business plan will be carried out

during the latter part of this financial year and will be then presented to Members for approval.

- 9.4.2 Rents will be increased in line with the Government's Rent Re-structuring policy as previously agreed by Cabinet. The draft subsidy determination suggests that the guideline rent, upon which the actual rents are calculated will increase by an average of 6.2% for 2009/2010, but there will be an individual cap of 7% upon rent increases. As a result of this, it is anticipated that the average increase in rents for the next financial year will be in between 6% and 7% within Medway, although this could change once the final subsidy determination is released. The Government have also moved the date for rent convergence for rent restructuring purposes to 2024/2025 to enable Local Authorities to exercise smaller increases in rents.
- 9.4.3 Rent charges for garages will be increased by 5% for 2009/2010, which relates to the Retail Price Index for September 2008.
- 9.4.4 Service charges for 2009/2010 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 2009/2010 level by more than inflation (5%) 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 Governments capping limits, then feasibly, rents may not be increased by the amount necessary to reach convergence by 2024/2025, 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 Governments 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 2024/2025, 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 resource strategy.
- 9.4.8 All other expenditure and contractual obligations will be increased by the assumed rate of inflation of 4%.
- 9.5 It is intended that the 2009/2010 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 2009/2010 revenue budget and the forecast funding gap, at £14.3 million, is clearly more than the £11.9 million reported at this stage last year. As the report indicates, there is considerable work yet to be undertaken. The interim period leading to the Cabinet meeting on 17 February 2009 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 17 February 2009 and formal council tax setting on 26 February 2009.

Background papers

Resource Strategy and Council Plan 2009/2012 – Cabinet 23 September 2008.

Report author:

Mick Hayward, Chief Finance Officer

	Base Budget 2008-09	Inflation	Revised Base	Pressures			Savings	2009/10 Budget Requirement
				Current Cost of Service	Legislation/ other known costs	Demographic		
Directorate	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total Childrens and Adults Services (Appendix 1a)	259,138	7,673	266,811	6,163	723	1,716	(1,845)	273,568
Regeneration, Community and Culture Services (Appendix 1b)	44,916	1,861	46,777	3,381	2,268	0	0	52,426
Business Support Department (Appendix 1c)	24,855	829	25,684	1,956	163	24	0	27,827
Public Health	321	25	346	7	20			373
Interest & financing	12,644		12,644	1,556				14,200
Levies	879	35	914					914
Area Based Grant	(10,926)	0	(10,926)		(756)			(11,682)
Planned Use of Reserves	1,166	0	1,166	(1,166)				0
TOTAL BUDGET REQUIREMENT	332,993	10,423	343,416	11,897	2,418	1,740	(1,845)	357,626

Service	Base Budget 2008-09	Inflation	Revised Base	Pressures			Savings	Budget Requirement 2009-10	Funding Source	
				Current Cost of Service	Legislation/ other known costs	Demographic			DSG	General Fund
				£'000	£'000	£'000			£'000	£'000
Learning and Achievement										
Early Years	6,389	236	6,625	15	0	20	0	6,660	6,558	103
School Advisers	4,421	139	4,560	216	262	0	(62)	4,977	256	4,722
School Organisation and Student Services	1,442	59	1,501	73	24	75	(25)	1,648	342	1,306
Learning and Achievement Management	313	12	324	49	0	0	0	373	0	373
Adult Learning	35	42	77	216	0	0	(266)	27	0	27
Total Learning and Achievement	12,600	487	13,087	570	286	95	(353)	13,685	7,155	6,530
Inclusion										
Social Inclusion	12,295	559	12,854	1,245	0	87	(9)	14,177	8,115	6,060
Specialist Youth	3,396	128	3,525	355	(10)	0	(17)	3,853	3,247	606
Youth Health & Action	1,740	54	1,794	238	30	0	(202)	1,861	0	1,861
Inclusion Management	2,561	98	2,660	(1)	0	0	0	2,659	0	2,659
Total Inclusion	19,993	840	20,833	1,837	20	87	(227)	22,549	11,363	11,186
Schools Retained Funding and Grants										
Schools Retained Funding (HR headings)	897	34	931	13	11	0	0	955	-15	969
Schools Retained Funding (Finance headings)	1,104	42	1,147	(736)	0	0	0	411	192	219
School Grants	(2,951)	(118)	(3,069)	0	0	0	0	(3,069)	-386	-2,684
Total Schools Retained Funding and Grants	(950)	(42)	(992)	(723)	11	0	0	(1,704)	-209	-1,495
Commissioning										
Workforce Dev, Contracts & Business Support	2,596	98	2,694	57	67	0	(3)	2,815	452	2,296
Directorate Management Team	625	57	682	67	0	0	0	749	158	658
Total Commissioning	3,221	155	3,376	124	67	0	(3)	3,564	610	2,954
EDUCATION BUDGETS (excl schools)	34,864	1,441	36,304	1,807	384	182	(584)	38,094	18,919	19,175
SCHOOLS DELEGATED	144,437	3,033	147,470	0	339	0	0	147,809	147,809	0
EDUCATION BUDGETS (incl schools)	179,301	4,474	183,774	1,807	723	182	(584)	185,903	166,728	19,175
Children's Care										
Integrated Area Team - Gillingham	1,360	44	1,404	219	0	0	(116)	1,507	33	1,474
Integrated Area Team - Strood	1,238	39	1,277	308	0	0	(132)	1,453	33	1,420
Integrated Area Team - Chatham	1,933	68	2,001	310	0	73	(78)	2,307	663	1,644
Specialist Children's Services	14,039	526	14,565	743	0	148	0	15,456	0	15,456
Children's Care Management Team	1,403	53	1,456	461	0	0	0	1,917	0	1,917
Total Children's Care	19,974	728	20,703	2,041	0	222	(325)	22,641	730	21,911
Adult Social Care										
Commissioning and Client Financial Affairs	3,585	365	3,950	173	0	(153)	0	3,970	0	3,970
Older People	18,447	784	19,231	1,203	0	594	(578)	20,450	0	20,450
Social Care Management Team	2,136	62	2,198	75	0	0	(400)	1,874	0	1,874
Physical Disability	11,994	469	12,463	(49)	0	415	(90)	12,738	0	12,738
Learning Disability	15,326	517	15,843	8	0	457	133	16,440	0	16,440
Linked Service Centres	4,040	101	4,141	510	0	0	0	4,651	0	4,651
Mental Health	4,334	173	4,508	394	0	0	0	4,901	0	4,901
Total Adult Social Care	59,862	2,472	62,334	2,314	0	1,313	(936)	65,024	0	65,024
TOTAL CHILDREN AND ADULTS DIRECTORATE	259,137	7,674	266,811	6,163	723	1,716	(1,845)	273,568	167,458	106,110

Funding Analysis:

Dedicated Schools Grant	162,332	3,738	166,070	1,372	336	45	(365)	167,458		
General Fund	96,805	3,935	100,741	4,791	387	1,671	(1,480)	106,110		
	259,137	7,674	266,811	6,163	723	1,716	(1,845)	273,568		

REGENERATION, COMMUNITY AND CULTURE - BUDGET BUILD 2009 - 2010

	Base Budget 2008-09	Inflation	Revised Base	Pressures			Savings	2009/10 Budget Requirement
				Current Cost of Service	Legislation/ other known costs	Demographic		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Activities								
Highways	6,010	235	6,245	1,037				7,282
Road Safety	494	27	521	(1)				521
Traffic Management	523	19	541	107	50			698
Parking	(2,977)	(124)	(3,101)	80				(3,021)
Waste	16,123	663	16,785	448	2,100			19,333
Safer Communities	3,356	102	3,458	74				3,533
Front Line Support	420	14	434	7				441
Major Projects	168	3	170	(231)				(61)
TOTAL FOR FRONT LINE SERVICES	24,116	939	25,055	1,521	2,150	0	0	28,726
Development & Transport	133	11	144	25				169
Economic Development	444	99	543	(56)				487
Integrated Transport	5,842	286	6,128	154	85			6,367
Local & Regional Planning	1,103	40	1,143	29				1,172
Development Control	467	(35)	432	456	13			901
Social Regeneration and Europe	447	36	483	(18)				465
Tourism	642	16	658	52				710
Building Control	203	8	211	16				227
TOTAL FOR DEVELOPMENT & TRANSPORT	9,282	461	9,743	656	98	0	0	10,497
Medway Renaissance	(68)	10	(58)	(10)				(68)
TOTAL FOR MEDWAY RENAISSANCE	(68)	10	(58)	(10)	0	0	0	(68)
Management Group	180	1	181	(80)				101
Sports Development	259	14	273	5				278
2012 Olympics	436	25	462	2				464
Medway Leisure	1,374	16	1,390	336				1,725
Events	544	17	562	(11)	20			571
The Arts	264	10	273	3				277
Theatres	525	13	537	79				616
Heritage	574	29	604	28				632
Greenspaces	4,021	194	4,215	146				4,361
Civic Archives	123	4	128	7				134
Libraries	3,507	114	3,621	284				3,905
TOTAL FOR LEISURE & CULTURE	11,808	436	12,245	800	20	0	0	13,064
Directorate Support	(223)	16	(207)	415				207
TOTAL FOR DIRECTORATE SUPPORT	(223)	16	(207)	415	0	0	0	207
TOTAL FOR REGENERATION, COMMUNITY AND CULTURE	44,915	1,862	46,777	3,381	2,268	0	0	52,426

BUSINESS SUPPORT DEPARTMENT - BUDGET BUILD 2009-2010

	Base Budget 2008-09	Inflation	Revised Base	Pressures			Savings	2009/10 Budget Requirement
				Current Cost of Service	Legislation/ other known costs	Demographic		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Activities								
Local Land Charges	(219)	(10)	(229)	93				(136)
Housing Performance	27	2	29	19				48
Housing Strategy	390	17	407	6				413
Homelessness & Housing Options	2,334	63	2,397	14	35			2,446
Private Sector Housing	440	37	477	11	3			491
Housing Property Management	(194)	(7)	(201)	(74)				(275)
Commercial Property	(1,133)	(45)	(1,178)	105				(1,073)
Licensing	(58)	(5)	(63)	3		14		(46)
Lifeline	(120)	(9)	(129)	7				(122)
CCTV	298	9	307	65				372
Housing & Corporate Services	1,765	52	1,817	249	38	14	0	2,118
Benefit Payments	(45)	(1)	(46)	313				267
Revenues and Benefits Admin	1,032	105	1,137		37			1,174
NNDR Discretionary Relief	160	6	166	15				181
Rural Liaison Grants	10	0	10					10
Corporate Management	499	16	515	55				570
Non Distributed Costs	1,556	63	1,619					1,619
Corporate Provisions	268	10	278	365				643
Financial Services total	3,480	199	3,679	748	37	0	0	4,464
Democratic Services	689	20	709	(27)	42			724
Members and Mayoral Services	1,160	46	1,206	2				1,208
Electoral Services	361	11	372	64				436
Directorate Vacancy Target	(111)	0	(111)					(111)
Community Interpreters	(5)	(1)	(6)					(6)
Registration Services	138	0	138	4	4			146
Bereavement Services	(114)	(58)	(172)	8		10		(154)
Democracy & Customer First total	2,119	18	2,137	51	46	10	0	2,244
Total	7,364	269	7,633	1,048	121	24	0	8,826

Support Services (Memorandum Trading Accounts)	Base Budget 2008-09	Inflation	Revised Base	Pressures			Savings	2009/10 Budget Requirement
				Current Cost of Service	Legislation/ other known costs	Demographic		
				£'000	£'000	£'000		
Central Services & Procurement	313	5	318	9				327
Central Accommodation	2,592	116	2,708	487				3,195
Legal Services	1,061	44	1,105	22				1,127
Enforcement Strategy	248	6	254	6				260
Design and Surveying	(313)	(20)	(333)	15				(318)
Asset and Property Management	296	17	313	34				347
Housing & Corporate Services	4,197	168	4,365	573	0	0	0	4,938
Business Support Management Team	512	46	558	57				615
Financial Management.	1,320	40	1,360	47				1,407
Cashier Services	183	6	189	1				190
Financial Systems	122	2	124	3				127
Financial Support	283	16	299	8				307
Creditors and Income Services	257	8	265	(14)				251
Audit Services	765	20	785	11				796
Financial Services total	3,442	138	3,580	113	0	0	0	3,693
Customer First	2,123	69	2,192	(8)	42			2,226
Democracy & Customer First total	2,123	69	2,192	(8)	42	0	0	2,226
Research & Review	574	0	574	10				584
Performance Management	299	10	309	92				401
Strategic Plan	62	2	64					64
Childrens Review Services	584	31	615	20				635
Communications and Improvement	1,092	21	1,113	15				1,128
Communications, Performance & Partnerships total	2,611	64	2,675	137	0	0	0	2,812
Human Resource Services	1,464	7	1,471	110				1,581
ICT	3,654	114	3,768	(17)				3,751
Organisational Services Total	5,118	121	5,239	93	0	0	0	5,332
Total	17,491	560	18,051	908	42	0	0	19,001
DIRECTORATE TOTAL	24,855	829	25,684	1,956	163	24	0	27,827

CHILDREN AND ADULTS DIRECTORATE

DRAFT REVENUE BUDGET 2009-2010

ANALYSIS OF PRESSURES AND SAVINGS

Service	Pressures						Savings		Total Net Pressures		Comments		
	Full year effect of the current service		Planned/ known additional pressures		Demographic pressures/prudent		Total		DSG £'000	Non-DSG £'000		DSG £'000	Non-DSG £'000
	DSG £'000	Non-DSG £'000	DSG £'000	Non-DSG £'000	DSG £'000	Non-DSG £'000	DSG £'000	Non-DSG £'000					
Learning and Achievement													
Increments on Salaries	11	87											
School Advisers		151					0	151			0	151	Support for 14-19 following cessation of Learning and Skills Council (LSC) post implementation action plan grant
School Advisers				259			0	259			0	259	Cost (£251,000) of 4 vacant posts (Key Stage 4 strategy manager, 14-19 strategy manager, 2 x 14-19 consultants) and £8,000 for an additional finance assistant)
School Advisers							0	0		(62)	0	(62)	Reduced requirement for temporary staff
Admissions	19				25		44	0	(17)		27	0	Net increased demands on the school admissions team
Home-to-School Transport							0	50			0	50	Extension of entitlement to free school transport for parents on low incomes. (May be covered by increased standards fund grant)
Home-to-School Transport		20					0	20			0	20	Post-16 travel for disabled young people
Home-to-School Transport				24			0	24			0	24	Impact of change from January 2009 to entitlement for pupils attending grammar schools
Adult Learning Service		190					0	190		(266)	0	(76)	Mainly the impact of not out-sourcing the service in 2008-2009, resulting in additional requirements for staffing and an adjustment for the over-provision of income. The net pressures have largely been removed from savings on staffing if the service is, either out-sourced or re-structured.
Learning and Achievement Management Team		45					0	45			0	45	50% of the cost of the school organisation and student services manager post, not eligible for charging to the capital programme
General	7	40		4	20		27	44		(8)	27	36	Various headings
Total Learning and Achievement	37	533	0	287	45	50	71	783	(17)	(336)	54	447	
Inclusion													
Increments on Salaries	34	69											
SEN Casework/Assessment Team							0	80			0	80	Additional assessment manager plus a psychiatric nurse
Independent and non-maintained schools	1,198						1,198	0			1,198	0	Potential requirement for additional placements in the independent and non-maintained sector (30 placements a year at an average cost of £40,000)
SEN/Hospital Recoupment	88						88	0			88	0	Reflects estimated requirements for the service, including additional placements
Youth Offending Team		137					0	137			0	137	Budget required to fund the existing establishment for a full year, net of income contributions from partners
Youth Service		197					0	197		(197)	0	0	Cost of continuing to operate the outdoor education service for a full year. The savings column assumes that the service will be out-sourced in 2009-2010 at no cost to the Council
Youth Service				30			0	30			0	30	3 additional senior youth development workers to provide an improved career structure
Pupil Referral Units	157						157	0			157	0	£117,000 for the Will Adams Centre, mainly teaching staff (2 posts) plus cleaner in charge, and £40,000 for the Silverbank Centre, mainly relating to the income budget previously being set too high
General	19	(62)	(3)	(7)			7	16	(23)	(7)	(7)	(69)	Various headings
Total Inclusion	1,496	341	(3)	23	0	87	1,459	382	(23)	(204)	1,436	178	

CHILDREN AND ADULTS DIRECTORATE

DRAFT REVENUE BUDGET 2009-2010

ANALYSIS OF PRESSURES AND SAVINGS

Service	Pressures								Savings		Total Net Pressures		Comments
	Full year effect of the current service		Planned/ known additional pressures		Demographic pressures/prudent		Total		DSG £'000	Non-DSG £'000	DSG £'000	Non-DSG £'000	
	DSG £'000	Non-DSG £'000	DSG £'000	Non-DSG £'000	DSG £'000	Non-DSG £'000	DSG £'000	Non-DSG £'000					
Schools Retained Funding and Grants Independent and non-maintained schools	(736)						(736)	0			(736)	0	Dedicated Schools Grant (DSG) provision for increased requirements
General		13		11			0	24			0	24	Various headings
Total Schools Retained Funding and Grants	(736)	13	0	11	0	0	(736)	24	0	0	(736)	24	
Commissioning													
Increments on Salaries	12	24											
Directorate Management Team		57					0	57			0	57	Increased cost of management team following the Council restructure (£40,000) plus income from PCT overstated (£17,000)
Voluntary Organisation Grants		55					0	55			0	55	Commitments to voluntary organisations £10,000, plus adjustment to the income contributions (£45,000), which have been set too high.
Commissioning		(10)		67			0	57			0	57	Additional cost of new structure, net of grants and contributions
General	11	(24)					11	(24)		(3)	11	(27)	Various headings
Total Commissioning	23	102	0	67	0	0	11	145	0	(3)	11	142	
Schools Delegated			339				339	0			339	0	Estimated cost of data changes in school funding formula
Children's Care													
Increments on Salaries		172					0	172			0	172	
Staffing		66					0	66			0	66	Six unfunded SSA's
Staffing	25						25	0			25	0	LSS - replace standards fund
Staffing					68		0	68			0	68	Two additional social workers
Preventative Services		63			5		0	68			0	68	Underfunding of preventative services
Looked After Children		20					0	20			0	20	Full year effect of Foster placements
Looked After Children					148		0	148			0	148	Ten additional placements at £300 pw
Looked After Children		328					0	328			0	328	Impact of PLO on residential assessments
Looked After Children		339					0	339			0	339	Underfunding of Care Leavers
Legal & Assessment							0	0			0	0	Increase in Court Fees
Legal & Assessment		424					0	424			0	424	Underfunding of Counsel Fees
Legal & Assessment							0	0			0	0	Impact of PLO on various assessments
Buildings		78					0	78			0	78	Underfunding of buildings running costs
Behaviour Support Service	526						526	0	(325)		201	0	Failure of schools to buy-back
Total Children's Care	551	1,489	0	0	0	222	551	1,711	(325)	0	226	1,711	

CHILDREN AND ADULTS DIRECTORATE

DRAFT REVENUE BUDGET 2009-2010

ANALYSIS OF PRESSURES AND SAVINGS

Service	Pressures						Savings		Total Net Pressures		Comments		
	Full year effect of the current service		Planned/ known additional pressures		Demographic pressures/prudent		Total		DSG £'000	Non-DSG £'000		DSG £'000	Non-DSG £'000
	DSG £'000	Non-DSG £'000	DSG £'000	Non-DSG £'000	DSG £'000	Non-DSG £'000	DSG £'000	Non-DSG £'000					
Adult Social Care													
Increments on Salaries		275					0	275			0	275	
Social Care Management and Staffing		56					0	56			0	56	Specific Grant and other adjustments
Social Care Management and Staffing							0	0		(400)	0	(400)	Delete provision for back-filling FACS reassessments
Client Financial Services						80	0	80			0	80	Additional posts requested
Services for Older People		1,154					0	1,154			0	1,154	Full year effect of current placements
Services for Older People						390	0	390			0	390	2.3% increase in elderly population
Services for Older People						204	0	204			0	204	Growth posts requested in budget build
Services for Older People		165					0	165			0	165	Withdrawal of PCT funding from Platters
Services for Older People							0	0			0	0	Conversion of Platters Farm to rehab.
Services for Older People		260					0	260			0	260	Current cost of service across all LSC's
Services for Older People							0	0		(532)	0	(532)	Full Year Effect of FACS
Services for Older People							0	0		(46)	0	(46)	Backdate client contributions to date of care assessment
Learning Disability		(205)					0	(205)			0	(205)	Full year effect of current placements
Learning Disability							0	0			0	0	Six identified clients awaiting adult placement
Learning Disability							0	0			0	0	Loss of income at Greatfield Lodge
Learning Disability						737	0	737			0	737	Known transitional clients
Learning Disability							0	0			0	0	Provision for 2 possible secure unit clients
Learning Disability							0	0		(24)	0	(24)	Contribution to care from ILF clients
Learning Disability							0	0		(291)	0	(291)	Full Year Effect of FACS
Learning Disability		162				(280)	0	(118)		448	0	330	Recalculate PCT's Section 31 Contribution
Physical Disability		(97)					0	(97)			0	(97)	Full year effect of current placements
Physical Disability						305	0	305			0	305	Twelve additional clients in 2009-10
Physical Disability						110	0	110			0	110	Twelve additional direct payments in 2009-10
Physical Disability							0	0			0	0	Two known transitional clients
Physical Disability							0	0		(14)	0	(14)	Contribution to care from ILF clients
Physical Disability							0	0			0	0	Impact of additional assessment post
Physical Disability							0	0		(77)	0	(77)	Full Year Effect of FACS
Mental Ill Health		80					0	80			0	80	Full year effect of current clients
Mental Ill Health		314					0	314			0	314	Nine clients transferred from CSS
Voluntary Sector		150					0	150			0	150	Full year effect of current commitments
Voluntary Sector							0	0			0	0	Shortfall against income budget - s/b Education
Supporting People						(234)	0	(234)			0	(234)	Inflationary pressure funded from reserve
Total Adult Social Care	0	2,315	0	0	0	1,313	0	3,627	0	(936)	0	2,691	
Total Directorate	1,371	4,793	336	388	45	1,671	1,695	6,672	(365)	(1,479)	1,330	5,193	

REGENERATION, COMMUNITY & CULTURE - 2009/10
MAJOR PRESSURES

	1	2	3	Total
	£000's	£000's	£000's	£000's
INCREMENTS	302			302
FRONT LINE SERVICES				
<u>Highways</u>				
Excess inflation on maintenance contracts over 4% base	353			353
Energy inflation over 4% base (inc tunnel)	424			424
<u>Car Parking</u>				
Current NNDR costs	50			50
Energy inflation over 4%	14			14
<u>Road Safety & Traffic Management</u>				
Unrecovered cost of installing disabled bays	17			17
Signs & bollards - energy inflation over 4%	10			10
Urban traffic management system - repair	26	50		76
BT Line - traffic signal control	50			50
<u>Waste</u>				
Effect of new contract		2,100		2,100
Removal of LATS target	440			440
Total Front Line Services	1,384	2,150	0	3,534
DEVELOPMENT, ECONOMY & TRANSPORT				
<u>Development Control</u>				
Loss of PDG	300			300
Planning & enforcement appeal costs	100			100
<u>Integrated Transport</u>				
Non achieved savings - supported buses	85			85
Enhanced Yellow Bus Service	35			35
LAA congestion target - consultancy		10		10
Kerbside electronic information improvements		75		75
	520	85	0	605

	1 £000's	2 £000's	3 £000's	Total £000's
LEISURE & CULTURE				
Service manager review less AD	100			100
<u>Medway Leisure</u>				
Energy inflation over 4%	247			247
Non achievement of 4% from fees	84			84
<u>Events</u>				
Match funding for Fuse Festival		20		20
Under Siege	15			15
<u>Heritage</u>				
Energy inflation over 4%	12			12
<u>Theatres</u>				
Energy Inflation over 4% / essential maintenance	25			25
Non achievement of 4% from fees	43			43
<u>Greenspaces</u>				
Tree Officer	30			30
Nursery - energy inflation	14			14
<u>Libraries</u>				
Mobile library - additional maintenance if not replaced	14			14
Energy inflation over 4%	30			30
Essential repair and maintenance	40			40
	654	20	0	674
<u>Director's Office</u>				
Unsustainable vacancy target (currently £440,000 but only £100,000 - £150,000 achieved)	200			200
	200	0	0	200
Misc Pressures	321	13		334
TOTAL RCC	3,381	2,268	0	5,649

BUSINESS SUPPORT - 2009/10 MAJOR PRESSURES

	1	2	3	Total
	£000's	£000's	£000's	£000's
INCREMENTS	519			519
HOUSING & CORPORATE SERVICES				
Land Charges				
1 Income levels	90			90
Commercial Property				
2 Non acheivement of 4% income increase	75			75
3 Disposal of Twdall Enterprise Centre	32			32
CCTV				
4 Impact of capital programme	60			60
Accomodation				
5 Planned Maintenance Agreements	250			250
6 Gun Wharf running costs	488			488
	995	0	0	995
FINANCIAL SERVICES				
Benefit Payments				
7 Benefit Payments (per 8/9)	313			313
Corporate Provisions				
8 Discretionary Rate Relief overspend	15			15
9 External Audit	52			52
10 NNDR refund - non achievable savings target	115			115
DMT				
11 Quality Assurance Manager	65			65
NNDR / Benefit Admin				
12 NNDR admin grant	37			37
	597	0	0	597
DEMOCRACY & CUSTOMER FIRST				
Elections				
13 Reinsate salaries (one off reduction 8/9)	63			63
Bereavement Services				
14 Cemeteries - misc			10	10
	63	0	10	73
15 Misc Adjustments	(218)	163	14	(41)
TOTAL BUSINESS SUPPORT	1,956	163	24	2,143