

CABINET

27 NOVEMBER 2012

CAPITAL & REVENUE BUDGET 2013/2014

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Summary

This report presents the Council's draft revenue budget for 2013/2014. 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 at the end of February 2013.

The draft budget is based on the principles contained in the Medium Term Financial Plan (MTFP) 2013/2016 approved by Cabinet in October and reflects the formula grant assumptions for 2013/2014 announced as part of the consultation on the Resource Review this year.

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 21 February 2013. 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 2013.

3. Budget monitoring 2012/2013

- 3.1 The quarter 2 revenue monitoring report, considered by Cabinet on 30 October 2012, forecasts a net overspending on services of some £1 million, a significant improvement on the £5.1 million at the same time last year. Work continues to minimise the forecast overspend and the consequent call on the Council's reserves and, given past performance, there is every confidence that this should be successful.
- 3.2 For the capital programme the forecast, based on the first half-year expenditure, is that there will be an underspend of £0.8 million on the remaining programme of £104.8 million. (Forecast spend 2012/2013 £76.0 million, 2013/2014 and beyond £28.8 million).

4. Medium Term Financial Plan

- 4.1 The Council's Medium Term Financial Plan (MTFP) is refreshed annually, with the underlying aims of:
- Ensuring a sustainable budget, without recourse to the use of reserves;
 - Generating efficiencies, in partnership with others where appropriate, for reinvestment in priority spending;
 - Assessing the revenue impact of funding streams supporting capital investment decisions, whether that be from grants, prudential borrowing, use of reserves, or capital receipts; and
 - Avoiding the sanction of central government controls, for example capping now in the guise of a local referendum requirement
- 4.2 The MTFP considered by Cabinet on 2 October 2012 presented a high level summary of the budget requirement for the next three years and identified a £5.9 million gap to be addressed through the budget preparation process. As always, the MTFP is prepared alongside the Council Plan and reflects the Council's priorities, as articulated by two core values and six key outcomes:
- Putting our customers at the centre of everything we do; and
 - Giving value for money.

The Council Plan is the council's business plan. It has five priority areas and sets out what will be done to deliver these and how we will tell what difference has been made. Those five priorities are:

- Safe, clean and green Medway;
- Children and young people have the best start in life in Medway;
- Adults maintain their independence and live healthy lives;
- Everybody travelling easily around Medway; and
- Everyone benefiting from the area's regeneration

These priorities and the progress towards their delivery are monitored quarterly alongside the financial performance of the Council integrating measures of cost and service delivery success.

- 4.3 This link between the service and financial plans is essential. Indeed both the budget and council plan have followed the same quarterly reporting timetable, providing Members with regular monitoring of the Council's overall performance.
- 4.4 The formula grant assumptions reflected in the MTFP remain a key variable in the budget equation and an uncertain risk pending announcement of the provisional settlement in mid-December. For the MTFP, LG Futures were commissioned to advise on resource expectations and they have continued to update these forecasts as Government announces new variations to indicative amounts and formulae assumptions. The latest update was at the end of October and followed the release of start-up allocations by DCLG. These remain subject to consultation amendment and will be further affected by receipt of Business Rates and the Baseline calculation. The latest forecast, based on a zero growth in NDR (business rates) and utilising our NNDR1 data return (estimated collection for 2012/2013) is attached at Appendix 1. It should be stressed that this is a forecast and could be subject to some significant variation. There is also a more than usual degree of movement in national control totals reflecting shifts from specific to formula grant and also significant movement between non-ring-fenced Early Intervention Grant (EIG) and the Dedicated Schools Grant (DSG) largely reflecting a resourcing shift for the education of 2 year olds.
- 4.5 The key assumptions underpinning the budget requirement for 2013/2014 and future years include:
- Zero uplift for general inflation, although some specific inflation assumptions have been applied where there is a contractual or unavoidable commitment;
 - Zero increase on pay budgets;
 - Some provision for demographic growth in social care budgets;
- 4.6 The MTFP also reflected the full year effect or phased delivery of a number of savings proposals agreed by Members during the previous budget setting cycle and these are continued through in this paper.

5. Council Plan

- 5.1 The Council Plan is the organisation's over-arching business plan, setting out the priorities and outcomes the council wants to achieve during the next financial year. The 2012/2013 Council Plan was streamlined to 5 priority areas, monitored by a small basket of measures of success. The plan for 2013/2014 being developed alongside the budget, will confirm the outcomes the Council wishes to focus on in the coming year to deliver its priorities. It is imperative that the Council Plan continues to reflect council priorities, is fit for ongoing inspection requirements and is achievable within anticipated resources.
- 5.2 The plan will be underpinned by a limited and high level set of measures of success, these will be developed by services and draw on the results from resident consultations. The measures will allow Members to gauge progress for each priority area and demonstrate how the Council's actions are making a difference.

6. Finance Settlement

- 6.1 The level of Government funding over the medium term and the ability to generate additional council tax income are influenced by:
- The Government's Spending Review (SR) 2010 and subsequent adjustments;
 - Provisional Local Government Finance Settlement; and
 - Proposals to limit or freeze council tax increases.
- 6.2 SR 2010 was published on 20 October 2010 and has been followed up by the local government finance settlements in January 2011 and 2012. Although SR 2010 announced Government spending reductions over the four-year period to March 2015, individual local authorities only received detailed figures for 2011/2012 and 2012/2013. The 2013/2014 grant figures will not be known until the finance settlement is published in December 2012 and are subject to considerable uncertainty as highlighted in paragraph 4.4 above.
- 6.3 The MTFP assumed that the practice of providing Government grant to freeze council tax would cease, that the grant equivalent to a 2.5% increase in council tax received in 2012/2013 would be lost and that councils would again be free to determine the appropriate level of increase which for the purposes of the MTFP was assumed to be a 4% increase in 2013/2014. This was to reflect the loss of the 2.5% non-recurrent grant and a 1.5% increase to mitigate inflationary and demographic demands.
- 6.4 Subsequent to the publication of the MTFP, the Government announced a further freeze grant for local authorities prepared to freeze council tax again in 2013/2014. This time however the grant will be for two years but is only equivalent to a 1% increase and there is no continuation of the 2012/2013 2.5% grant. The Council will need to carefully consider the impact on future financial sustainability of accepting this grant and freezing council tax for another year, the effect of which would be to add a further £3 million to the forecast deficit position in the MTFP. Alongside the announcement of a further freeze grant the Secretary of State announced that the maximum increase in council tax, so as to avoid a local referendum would be 2% for Medway. Non-acceptance of the freeze grant and an increase in council tax at this maximum would add a further £2 million to the forecast deficit in the MTFP.
- 6.5 Paragraph 4.4 emphasises the uncertainty over the finance settlements for the forthcoming years. The risk in this regard cannot be understated and stems from a number of factors, not least the current consultation on the proposed distribution under the resource review. Other important factors are:
- The estimated nature of business rates income for 2013/2014 and in this regard there are the current estimates using the baseline data, the 2012/2013 NNDR 1 return, and the soon to be completed NNDR 1 return for 2013/2014. Ultimately the Council's share of business rate income for 2013/2014 will depend on what is collected and this will not be known until post 31 March 2014;
 - The outcome of a consultation by the DfE on the proposed claw-back and re-distribution of central support costs for schools (LACSEG - Local Authority Central Spend Equivalent Grant LACSEG) and the impact that academies will have on the amount of allocation the Council retains – potentially there is a loss of up to £6.9 million;

- The outcome of proposals to allocate resources for 2 year olds from EIG grant into the DSG and allied to this the decision to top-slice and re-distribute some £150 million of EIG to DfE priorities – here the potential loss is £3 million.
- The necessary debate by Members on both the Council Tax freeze Grant on offer for 2013/2014 and the year thereafter at 1%, and the transitional grant offer for the new Council Tax Support scheme predicated on a maximum benefit reduction not exceeding 8.5%. The acceptance of the Freeze Grant would mean a loss of £1million against the 2% maximum increase assumed in this report and the transitional grant (for one year only) would mean that costs of some £1.6 million would not be covered as the preferred option for the scheme suggests.
- There is also continued speculation about further public spending reductions and the Chancellor's Autumn Statement will be delivered in advance of the settlement announcement and may obviously have an impact on current national control totals that form the platform for the resource assumptions in this report.

6.6 In October the CLG published illustrative startup allocations for all councils based on the resource review methodology and the technical consultation papers issued. For Medway these are set out in Table 1 below and illustrate the nature of the funding changes facing Local Government in total and Medway particularly. The total appears to indicate an increase in Government support relative to 2012/2013 but the 2013/2014 figures include the Council Tax Support Grant which is to mitigate the loss of council tax income as a consequence of the new Council Tax Support Scheme. For the purposes of this report the taxbase and consequent council tax revenue are still shown gross and the expenditure on council tax benefit is as current. As a consequence Table 4 adds back the Council tax Support Funding Grant and assumes that the scheme to be agreed will be cost neutral.

Table 1: 2013-14 Illustrative Start-Up Funding Assessment

| | 2012/2013 | 2013/2014 |
|--|------------------|------------------|
| | £000's | £000's |
| Grants Rolled In Using Tailored Distributions | 7,963 | 7,929 |
| Relative Needs Amount | 65,110 | 60,646 |
| Relative Resource Amount | -24,184 | -28,061 |
| Central Allocation | 31,691 | 35,311 |
| Floor Damping | -2,300 | -1,535 |
| Formula Funding | 78,280 | 74,289 |
| Less: | | |
| Central Education Functions within LACSEG | | 6,898 |
| General Fund Formula Grant | | 67,391 |
| Council Tax Freeze Compensation | 2,463 | 2,463 |
| Council Tax Support Funding | | 14,236 |
| Early Intervention Funding | 11,191 | 8,185 |
| Homelessness Prevention Funding | 120 | 150 |
| Lead Local Flood Authority Funding | 209 | 132 |
| Learning Disability and Public Health Reform Funding | 9,319 | 9,565 |
| Start-Up Funding Assessment | 101,582 | 102,123 |

6.7 CSR 2010 predicted a 28% reduction in Government support through Formula Grant predicated as -11%, -6%, -1% and -6% nationally over the years 2011/2012 to 2014/2015. The most recent MTFP recorded losses of 11.9%, 8.3%, 4.3% and 3.6% (a total of 28.1% for the same period. Formula Grant is not the only source of Government funding and for non-schools services other specific grants also have an important role. There has been a policy of moving away from earmarked grants and shifting these resources into the Formula Grant calculation and Area Based Grant and Supporting People Grant are two such examples of some substance. This does make it difficult to interpret and track movement in Government support relative to the CSR 2010 pronouncements. Table 2 below identifies the total support for both Formula Grant and other Specific Grants over the period and shows that for non-schools based services Government support is expected to reduce by just under 29% in total but by just over 41% in relation to the Formula Grant total for 2010/2011.

Table 2 Grant Movement 2010/2015 (CSR 2010 period)

| | 2010/2011 | 2011/2012 | 2012/2013 | 2013/2014 | 2014/2015 |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|
| | £ m | £ m | £ m | £ m | £ m |
| <i>Schools based grants</i> | 189.497 | 160.849 | 133.072 | 133.605 | 136.119 |
| Formula Grant | 85.130 | 86.096 | 78.280 | 89.289 | 81.113 |
| Other non-schools grants | 37.076 | 20.824 | 23.228 | 3.434 | 4.493 |
| Council Tax Freeze 12/13 | | | 2.477 | 0.000 | 0.000 |
| Total Grant Loss (non-schools) | | | | | 35.060 |
| % of 2010/2011 Grants | | | | | 28.7% |
| % of 2010/2011 Formula Grant | | | | | 41.2% |

7. Summary of draft revenue budget

7.1 The MTFP focussed on high-level budget pressures, which represented a combination of the ongoing impact of pressures in the current year, together with inflationary and demographic pressures projected for future years. However, the MTFP also reflected the full year effect of savings proposals agreed during last year's budget setting process, notably in adult social care and the ongoing 'better for less' programme. These pressures and savings are summarised in Table 3 below.

Table 3: Summary of additional resource requirement against 2012/2013 base

| | 2013/14 | | 2014/15 | 2015/16 |
|-------------------------------------|--------------|-------------|--------------|--------------|
| | MTFP | Revised | Revised | Revised |
| | £000's | £000's | £000's | £000's |
| Children and Adults | 1,250 | 557 | 1,062 | 1,066 |
| Regeneration, Community and Culture | 2,950 | 1,269 | 1,323 | 1,014 |
| Business Support/Corporate Issues | 1,159 | -518 | 70 | 70 |
| Better for Less | -1,890 | -1,890 | -904 | 0 |
| Total – General Fund | 3,469 | -582 | 1,551 | 2,150 |

- 7.2 Since publication of the MTFP management, in consultation with portfolio holders, have been considering measures to close the gap between the provisional budget requirement and the funding assumptions made in the MTFP. The effect of these is summarised in the draft directorate budgets at Appendices 2a – 5a with adjustments for pressures and savings shown separately shown in 2b – 5b. A summary of the budget requirement as it currently stands, reflecting the pressures referred to earlier and any savings proposals identified thus far, is provided in Table 5 below. The estimated funding for 2013/2014 is now adjusted to reflect the latest LG Futures forecast as at Appendix 1 and an assumption that the council tax will increase by the maximum permitted 2%.
- 7.3 The forecast budget gap at £11.950 million is significantly greater than the MTFP had predicted at £5.917 million and even more disappointing considering the reduction in service demands from £3.469 million to a saving of £582,000. The movement is reconciled in the Table 4 below. The ‘adjustments’ represent the funding changes relative to the MTFP assumptions rather than the absolute movement from 2012/2013 – for example EIG has reduced by £3 million as shown in Table 1 but in the MTFP we had forecast a movement of £0.9 million into the DSG to fund 2 year olds.

Table 4 – Deficit Reconciliation

| | 2013/14 | |
|--|------------|--------------------|
| | Adjustment | Cumulative Deficit |
| | £000's | £000's |
| MTFP Deficit | | 5,917 |
| Expenditure demands reduction | -4,051 | 1,866 |
| Council Tax reduced yield @2% increase | 1,992 | 3,859 |
| EIG reduction | 2,156 | 6,015 |
| LACSEG withdrawal | 6,898 | 12,913 |
| Other Grant movements | 322 | 13,353 |
| Formula Grant Forecast | -1,403 | 11,950 |

Table 5: Draft revenue budget 2013/2014

| Directorate | Q2 Adjusted Original Budget 2012/13 | Q2 Forecast Variation 2012/13 | MTFP Forecast Requirement 2013/14 | Forecast Requirement 2013/14 | Forecast Requirement 2014/15 | Forecast Requirement 2015/16 |
|---|-------------------------------------|-------------------------------|-----------------------------------|------------------------------|------------------------------|------------------------------|
| | £000's | £000's | £000's | £000's | £000's | £000's |
| Children and Adult Services (C&A): | | | | | | |
| DSG and School Specific Expenditure | 134,310 | 0 | 132,259 | 132,259 | 134,773 | 137,175 |
| Other Expenditure | 117,532 | 726 | 118,782 | 118,089 | 119,151 | 120,218 |
| Regeneration, Community and Culture (RCC) | 51,064 | 500 | 54,343 | 52,662 | 53,985 | 54,999 |
| Business Support (BS): | | | | | | |
| DSG Related Expenditure | 1,346 | 0 | 1,346 | 1,346 | 1,346 | 1,346 |
| Other Expenditure | 21,727 | 365 | 22,886 | 21,838 | 21,908 | 21,978 |
| Public Health | 228 | (1) | 228 | 228 | 228 | 228 |
| Interest & Financing | 15,442 | (550) | 15,442 | 14,892 | 14,892 | 14,892 |
| Levies | 974 | (79) | 974 | 895 | 895 | 895 |
| Projected savings from 'Better for Less' | (475) | | (2,365) | (2,365) | (3,269) | (3,269) |
| Budget Requirement | 342,148 | 961 | 343,895 | 339,844 | 343,909 | 348,462 |
| Estimated Funding | | | | | | |
| Dedicated Schools Grant | (128,693) | | (126,526) | (126,526) | (127,567) | (129,969) |
| Other School Specific Grants | (6,963) | | (7,079) | (7,079) | (8,552) | (8,552) |
| Council Tax | (99,080) | | (103,559) | (101,565) | (104,116) | (106,729) |
| Council Tax Freeze Grant | (2,477) | | 0 | 0 | 0 | 0 |
| Formula Grant | (80,743) | | (77,273) | (103,526) | (95,350) | (88,309) |
| Council Tax Support Grant (add back) | | | | 14,236 | 14,236 | 14,236 |
| New Homes Bonus | (2,389) | | (3,434) | (3,434) | (4,493) | (5,613) |
| Specific Grants | (20,628) | | (20,107) | 0 | 0 | 0 |
| Use of Reserves | (1,175) | (961) | 0 | 0 | 0 | 0 |
| Estimated Available Funding | (342,148) | (961) | (320,816) | (327,894) | (325,842) | (324,936) |
| Budget Gap | | | | | | |
| - DSG | 0 | 0 | 0 | 0 | 0 | 0 |
| - General Fund | 0 | 0 | 5,917 | 11,950 | 18,067 | 23,526 |

7.4 The revenue budget pressures facing individual directorates in 2013/2014 were comprehensively reflected in the MTFP and in Appendices 2b - 5b of this provisional budget report, but are summarised below for information:

7.4.1 Children and Adult Services (Appendix 2)

The MTFP identified general fund pressures of around £3.2 million, representing the recurrent impact of the current projected overspend and additional inflationary and demographic pressures in 2013/2014, however it also recognised the impact of decisions made during the 2012/2013 budget setting process, reducing the directorate's budget requirement for 2013/2014 by £1.9 million. Further savings of almost £700,000 have been identified since publication of the MTFP:

- The cost of current services and the ongoing growth in demand for social care services for the elderly and disabled were reflected as a £2.1 million pressure in the MTFP;
- This is mitigated by the full year effect of outsourcing residential care for older people – a further £800,000 saving.
- Having consolidated community based mental health services, since bringing them back in-house, the directorate has offered savings of almost £300,000 in terms of both staffing costs and a planned reduction in residential placements;
- Despite significant increases in the budget for children's care in 2012/2013, which included investment in preventative services, the number of 'looked after children' has continued to rise, resulting in a £800,000 current cost pressure. The MTFP has recognised this, together with a further £100,000 provision for demographic growth in 2012/2014 and £200,000 for inflationary increases;
- The provisional budget reflects over £900,000 of costs associated with nursery provision for vulnerable two year olds moving into the DSG funded budget, mirroring the grant changes;

7.4.2 Regeneration, Community and Culture (Appendix 3)

The MTFP identified net pressures of £2.950m for this directorate, the principle factors being:

- Highways £2.208m (including £1.25m proposed increase in maintenance and £738,000 in respect of Medway Tunnel running costs following full utilisation of the Tunnel Reserve).
- Waste Services £726,000 (including contract inflation £383,000 and statutory increase in landfill tax £264,000).
- Smaller pressures across other services (as detailed in the appendices) mitigated by removal of Olympic related funding £440,000 and 2012 Celebrations funding £200,000.

In view of the budget deficit, the pressures have been reviewed since consideration of the MTFP and reduced to £1.269m. This includes the removal of the proposed increase in highways maintenance (although this will be reconsidered later in the budget process should a funding opportunity arise).

7.4.3 Business Support (Appendix 4)

The MTFP identified net pressures of £1.159m for this department from a number of services although the two more significant pressures were:

- Provision for energy price increases across the authority £300,000.
- Reduced surplus from the Temporary Staff Agency £250,000.

Further analysis of energy budgets and expenditure has allowed this pressure to be removed which, along with other smaller savings, means that the overall pressure for the directorate is reduced to £111,000.

7.4.4 Interest and Financing

The continued low interest rates with a crude 2% gap between medium and long-term borrowing and investment returns has meant that there has been no new borrowing by the council with the treasury team utilising internal cash balances to fund 'borrowing' decisions associated with the capital programme. This coupled with the positive cash flow of recent years has generated a surplus on the treasury accounts and allowed this to contribute £550,000 towards the budget gap.

7.4.5 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. The forecast requirement is based on the current budget monitoring position.

7.4.6 Planned use of reserves

There are no current plans to utilise reserves to support the budget and indeed this is contrary to the principle of sustainability as set out in paragraph 4.1.

8. Meeting the funding gap

- 8.1 Table 5, above, highlights a funding gap of £11.950 million in relation to general fund services for 2013/2014 rising to £23.526 million in 2015/2016. The good progress that had been made in closing the budget gap as forecast in the MTFP would appear to have been undone by the recently announced funding scenarios and in particular the £2 million lost revenue from Council Tax associated with the 'freeze' announcement, the additional £2 million lost in delivering additional resources for 2 year olds through the DSG and the £7 million top-slice of formula grant for LACSEG.
- 8.2 There is considerable uncertainty over the resource projections as they are for the most part exemplifications of possible funding scenarios. However they are supported by the advice of independent consultants who specialise in interpreting this data. The Council will not know the definitive position in regard to Government support until the final settlement in January 2013 albeit the provisional settlement due in late December should provide greater certainty.
- 8.3 There is some optimism that some of the reductions in paragraph 8.1 may be mitigated by a return of funds for non-academy schools or offset by the re-allocation of costs to follow children as for 2 year olds. However it is clear that both the

immediate and medium term financial scenarios are significantly worse than expected and urgent work is now necessary to identify measures to compensate for the deteriorated position.

8.4 Officers and Portfolio Holders will be targetting specific areas where there are potential efficiencies to be gained or short-term advantage to be had pending delivery of longer-term savings. These include:

- Continuing to progress the 'Better for Less' programme to improve service delivery and drive out efficiencies in customer contact, administration and procurement;
- Considering opportunities for outsourcing services and shared service arrangements with other councils and public agencies;
- Ensuring that maximum gain is made from the recently established Category Management team;
- Prioritising revenue highway maintenance works, particularly in relation to the Medway Tunnel;
- Critical review of all the remaining spending demands above the current base;
- Property rationalisation;
- Review of fees and charges across a whole range of service areas.

9. Draft capital budget proposals 2013/2014

9.1 The Council has enjoyed a high level of capital investment in recent years with significant investment supported by Government grants for both regeneration and the establishment of three new academies together with ongoing support for the Local Transport Plan, Schools, Social Care and Disabled Facilities Grants. The 2012/13 Capital programme currently stands at £110 million. It is currently forecast that £33 million of this programme will spend in 2013/2014 and beyond, to which will be added the further funding streams in table 4 as they are confirmed.

9.2 Whilst the financial settlement no longer includes any revenue support for capital, local authorities still have access to 'unsupported' borrowing through the prudential regime for capital, providing that these capital investment plans are affordable, prudent and sustainable. Developer contributions and capital receipts might also become available for capital investment, as well as HRA balances, but at this stage of the budget setting process, it is assumed that future investment will be restricted to the current programme, supplemented by the Council's expectations in relation to Government grant. Medway's 2013/2014 grant assumptions are outlined in Table 6 below.

Table 6. 2013/2014 Government grant assumptions

| | C & A | BSD | RCC | Total |
|--|---------------|------------|--------------|---------------|
| Disabled Facilities Grant | 0 | 739 | 0 | 739 |
| Education Basic Needs Grant (est.) | 3,836 | 0 | 0 | 3,836 |
| Schools Capital Maintenance Grant (est.) | 5,113 | 0 | 0 | 5,113 |
| Schools Devolved Formula Capital (est.) | 791 | 0 | 0 | 791 |
| Adult Social Care Transformation Grant | 504 | 0 | 0 | 504 |
| Integrated Transport Grant | 0 | 0 | 1,576 | 1,576 |
| Highways Capital Maintenance Grant | 0 | 0 | 2,153 | 2,153 |
| Total Forecast | 10,244 | 739 | 3,729 | 14,712 |

9.3 The current capital programme reflects slippage from previous years, together with the 2012/2013 grant allocations. This programme will continue to be delivered throughout 2013/2014 and beyond and Table 7 summarises planned expenditure, providing an analysis of how it is funded.

Table 7. Funding the current capital programme

| | C & A | BSD | RCC | Member Priorities | Total |
|------------------------------------|---------------|--------------|---------------|-------------------|----------------|
| | £,000's | £,000's | £,000's | £,000's | £,000's |
| 2012/2013 Capital Programme | 71,977 | 7,250 | 29,767 | 997 | 109,991 |
| 2012/2013 Forecast | 53,400 | 3,193 | 19,524 | 997 | 77,114 |
| 2013/2014 Forecast | 18,577 | 2,469 | 6,520 | 0 | 27,566 |
| 2014/2015 Forecast | 0 | 838 | 3,723 | 0 | 4,561 |
| 2015/2016 & future year's forecast | 0 | 750 | 0 | 0 | 750 |
| Total Forecast | 71,977 | 7,250 | 29,767 | 997 | 109,991 |
| Funding Source | | | | | |
| Government grants | 64,592 | 0 | 10,638 | 0 | 75,230 |
| Developer & other contributions | 3,451 | 0 | 2,411 | 0 | 5,862 |
| Capital Receipts | 2,437 | 3,248 | 2,242 | 774 | 8,701 |
| Reserves / PSA grant / revenue | 1,497 | 772 | (18) | 223 | 2,474 |
| HRA revenue contribution | 0 | 0 | 1,800 | 0 | 1,800 |
| Other supported borrowing | 0 | 0 | 4,410 | 0 | 4,410 |
| Prudential borrowing | 0 | 3,230 | 4,069 | 0 | 7,299 |
| Major Repairs Allow. / Reserve | 0 | 0 | 3,589 | 0 | 3,589 |
| Right to buy receipts | 0 | 0 | 626 | 0 | 626 |
| | | | | | |
| | 71,977 | 7,250 | 29,767 | 997 | 109,991 |

9.4 Publication of the Local Government Finance Settlement is expected in late December and whilst capital grants are anticipated to be in line with the assumptions in Table 4, the capital programme for 2013/2014 can only be considered as provisional at this stage.

10. Housing Revenue Account – Draft Budget 2013/2014

- 10.1 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 2012, the Council owned 3,044 properties, 287 of which were homes for independent living. There are a further 198 leasehold flats for which the Council owns the freehold and collects service charges. The stock numbers reduce year on year as a result of tenants exercising their right to buy the home they live in although in recent years this has been a minimal number.
- 10.2 The former housing subsidy system ceased on 31 March 2012 with the introduction of self-financing. To implement the new system the Council was required to make a one-off payment to central government (Debt Settlement Determination) but from then on would no longer be required to make an annual ‘negative’ subsidy payment (£1.8m for 2011/2012). The current monitoring projects that, inclusive of the additional costs of servicing debt and a provision for the future repayment thereof, the HRA will make a surplus for the 2012/2013 financial year of just over £1 million. This together with the accumulated balance on the account of £4.8 million is available for reinvestment in the HRA. £1.8m of this balance is planned to be used in 2012/2013 to fund the HRA capital programme and this is shown in Table 6.
- 10.3 No significant changes are expected to the Government's rent re-structuring policy which seeks to move actual rents towards a target rent by increasing rents, where required, by inflation plus 0.5% plus £2 per week whilst only increasing the target rents by the Retail Price Index (RPI) plus 0.5% (September 2012 RPI was 2.6%). The 2013/2014 budget build and rent calculation will assume that Cabinet will continue to follow this policy. Rent charges relating to garages would normally increase by inflation but further options may be brought forward in light of current void levels.
- 10.4 Service charges have in the past been calculated using estimated costs based upon actual charges for previous years. Guidance states that the cost of providing services to tenants should be fair and fully recovered and Members previously agreed that some of the charges could be increased at a level in excess of inflation where costs are not currently being recovered. For 2013/2014 it is planned to review the scope of these charges.
- 10.5 Staff related expenditure will remain at 2012/2013 levels for 2013/2014 to reflect the national public sector pay freeze although they will need to reflect the new structure agreed by Members effective from the 1 October 2012. Generally, all other expenditure will remain at 2012/2013 levels for 2013/2014 to reflect the current economic climate. The only exceptions to this will be contracts, subject to an annual inflationary increase, the introduction of MRP and a proposed revenue contribution to the capital programme.

11. Conclusions

- 11.1 These initial budget proposals represent a considerable step towards developing the 2013/2014 revenue budget in comparison to the MTFP. However as the report indicates, the available resources for the Council are now anticipated to be significantly less than expected only two months ago. The funding gap now forecast at £11.950 million represents a significant challenge. However given the publicity surrounding the scale of the fiscal challenge to Government and the frequent references to Public Sector reductions, it should not be a surprise to Members that the funding position is worsening.
- 11.2 There is considerable work required in order to present a balanced budget and this will be undertaken during the period leading up to the Cabinet meeting on 12 February 2013. Overview and Scrutiny committees have a vital role assisting in this process – both to review existing proposals and also to suggest new ones.

12. Risk Management

- 12.1 The risks exposed by a failure to effectively manage the resource planning and allocation process to achieve priorities and maintain effective service delivery are great. The uncertainty caused by the current economic climate and the consequences in terms of future financial assistance and targets imposed by Government will make this process difficult.

13. Diversity Impact Assessment

- 13.1 The council has legal duties to give due regard to race, gender and disability equality in carrying out its functions. This includes the need to assess whether any proposed changes have a disproportionately negative effect on people from different ethnic groups, disabled people and men and women, which as a result may be contrary to these statutory obligations. These draft budget proposals predict the resources available, against which to determine the service priorities within the Council Plan. Diversity Impact Assessments will be undertaken and reported to Members as part of the budget and service planning process as the impact of the financial settlement on Council services becomes clearer.

14. Financial and legal implications

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

15. Recommendations

That Cabinet:

- 15.1 Instructs officers to continue to lobby ministers and Government for a more equitable share of resources for Medway.
- 15.2 Officers to work with Portfolio Holders to come up with solutions to bridge the funding gap.
- 15.3 Forwards the provisional draft budget to Overview and Scrutiny as work in progress inviting them to offer comments on the proposals outlined.

16. Suggested reasons for decision

- 16.1 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 12 February 2013 and formal council tax setting on 21 February 2013.

Background papers: Medium Term Financial Plan 2013/2016 – Cabinet 2 October 2012:
<http://democracy.medway.gov.uk/ielssueDetails.aspx?IId=8872&Opt=3>

Report author: Mick Hayward, Chief Finance Officer

Appendix 1

Resource forecast: 2012/13 NNDR1 = NDR income with 0% NDR Growth

| | |
|--------------------------|------------------------|
| Local Authority | Medway |
| Resource Forecast | 2 |
| Date produced | 16 October 2012 |

| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|---|----------------|---------------|---------------|---------------|---------------|
| Forecast Business Rates Income | 41.400 | 42.352 | 43.453 | 45.061 | 46.864 |
| Top up / (Tariff) | 3.013 | 3.082 | 3.162 | 3.279 | 3.410 |
| Equals pre-levy income | 44.413 | 45.434 | 46.616 | 48.340 | 50.274 |
| Less Levy on growth above RPI | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Equals post levy income | 44.413 | 45.434 | 46.616 | 48.340 | 50.274 |
| Plus New Homes Bonus returned | 5.159 | 3.971 | 1.707 | 0.520 | 0.189 |
| Plus RSG | 52.468 | 44.459 | 38.501 | 32.199 | 29.962 |
| Plus Safety Net / Capitalisation returnec | 1.485 | 1.485 | 1.485 | 1.485 | 1.485 |
| Plus Safety Net payment | - | - | - | - | - |
| EQUALS Retained Income | 103.526 | 95.350 | 88.309 | 82.544 | 81.910 |
| Annual % change | | -7.9% | -7.4% | -6.5% | -0.8% |

| Assumptions | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|----------------------------------|---------|---------|---------|---------|---------|
| Annual business rates growth (%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| RPI | 3.0% | 2.3% | 2.6% | 3.7% | 4.0% |
| NDR Baseline | 41.774 | | | | |
| Baseline funding | 44.787 | | | | |
| Baseline safety net (percentage) | -10% | | | | |
| Levy rate (pence in the pound) | 0% | | | | |

CHILDREN AND ADULT SERVICES - BUDGET BUILD 2013-2014

| General Fund Activities | 2011-12 Base (Quarter 2) | Remove Support Services | Adjustments | 2012-13 Adjusted Base | Medium Term Financial Plan | | | 2013-14 MTFP Assumptions | 2013-14 Further Proposals | 2013-14 Budget Requirement | 2013-14 Budget Requirement | | |
|--|-----------------------------|-------------------------------|-------------|--------------------------|----------------------------|--------------------|----------------|--------------------------------|---------------------------------|----------------------------------|----------------------------|------------------|--------------------|
| | | | | | Inflation | Other Pressures | Savings | | | | Gross Expenditure | Direct Income | Net Expenditure |
| | | | | | £'000 | £'000 | £'000 | | | | £'000 | £'000 | £'000 |
| Commissioning and Client Financial Affairs | 6,782 | (418) | 0 | 6,364 | 0 | 0 | (500) | 5,864 | 0 | 5,864 | 5,902 | (37) | 5,864 |
| Older People | 19,170 | (773) | 0 | 18,396 | 0 | 703 | 3,014 | 22,113 | 0 | 22,113 | 33,164 | (11,051) | 22,113 |
| Social Care Management | (343) | (340) | 0 | (683) | 0 | 0 | 660 | (23) | 0 | (23) | 2,602 | (2,625) | (23) |
| Physical Disability | 11,739 | (429) | 0 | 11,310 | 0 | 1,045 | (200) | 12,155 | 0 | 12,155 | 13,117 | (961) | 12,155 |
| Learning Disability | 24,879 | (853) | 0 | 24,025 | 0 | 365 | 0 | 24,391 | 0 | 24,391 | 25,696 | (1,305) | 24,391 |
| Linked Service Centres | 3,981 | (401) | 0 | 3,580 | 0 | 0 | (4,274) | (694) | 0 | (694) | 125 | (819) | (694) |
| Mental Health | 4,604 | (226) | 0 | 4,377 | 0 | 0 | 0 | 4,377 | (293) | 4,084 | 4,246 | (162) | 4,084 |
| Total for Adult Social Care | 70,812 | (3,441) | 0 | 67,370 | 0 | 2,113 | (1,300) | 68,183 | (293) | 67,890 | 84,850 | (16,960) | 67,890 |
| Safeguarding Team | 5,835 | (744) | 0 | 5,091 | 0 | 0 | 0 | 5,091 | 0 | 5,091 | 5,115 | (24) | 5,091 |
| CRAST Team | 2,884 | (189) | 0 | 2,695 | 0 | 0 | 0 | 2,695 | 0 | 2,695 | 2,695 | 0 | 2,695 |
| Specialist Children's Services | 19,270 | (530) | 0 | 18,740 | 199 | 887 | 0 | 19,826 | 0 | 19,826 | 19,894 | (68) | 19,826 |
| Children's Care Management Team | 473 | (34) | 0 | 439 | 0 | 0 | 0 | 439 | 0 | 439 | 439 | 0 | 439 |
| Child Protection | 246 | (26) | 0 | 220 | 0 | 0 | 0 | 220 | 0 | 220 | 220 | 0 | 220 |
| Children's Care Training | 108 | (11) | 0 | 97 | 0 | 0 | 0 | 97 | 0 | 97 | 122 | (25) | 97 |
| Total for Children's Care | 28,816 | (1,533) | 0 | 27,283 | 199 | 887 | 0 | 28,369 | 0 | 28,369 | 28,486 | (117) | 28,369 |
| Directorate Management Team | 488 | (32) | 0 | 456 | 0 | 0 | 0 | 456 | 0 | 456 | 508 | (52) | 456 |
| Commissioning, Contracts and Business Support | 2,850 | (154) | 0 | 2,695 | 0 | 0 | 0 | 2,695 | 0 | 2,695 | 3,584 | (888) | 2,695 |
| Schools Commissioning and Traded Services | 694 | (24) | 0 | 670 | 0 | 0 | 0 | 670 | 0 | 670 | 1,268 | (598) | 670 |
| School Organisation and Student Services | 1,993 | (184) | 0 | 1,809 | 0 | 0 | 0 | 1,809 | 0 | 1,809 | 2,489 | (681) | 1,809 |
| Commissioning Management Team | 69 | 0 | 0 | 69 | 0 | 0 | 0 | 69 | 0 | 69 | 69 | 0 | 69 |
| Total for Commissioning and Traded Services | 6,093 | (393) | 0 | 5,700 | 0 | 0 | 0 | 5,700 | 0 | 5,700 | 7,919 | (2,219) | 5,700 |
| Health and Wellbeing | 3,939 | (282) | 0 | 3,657 | 0 | 0 | 0 | 3,657 | 0 | 3,657 | 6,534 | (2,877) | 3,657 |
| Integrated Youth Support Services | 3,926 | (77) | 0 | 3,850 | 0 | 0 | 0 | 3,850 | 0 | 3,850 | 4,842 | (993) | 3,850 |
| Psychology and Inclusion | 14,837 | (599) | 0 | 14,239 | 0 | 0 | 0 | 14,239 | 0 | 14,239 | 15,625 | (1,387) | 14,239 |
| Inclusion Management Team | 661 | (43) | 0 | 618 | 0 | 0 | 0 | 618 | 0 | 618 | 1,673 | (1,055) | 618 |
| Early Years | 14,726 | (975) | 0 | 13,751 | 0 | 0 | (506) | 13,245 | (400) | 12,845 | 12,996 | (151) | 12,845 |
| School Challenge and Improvement | 1,169 | (57) | 0 | 1,112 | 0 | 0 | (143) | 969 | 0 | 969 | 969 | 0 | 969 |
| Total for Inclusion and School Improvement | 39,258 | (2,032) | 0 | 37,226 | 0 | 0 | (649) | 36,577 | (400) | 36,177 | 42,640 | (6,463) | 36,177 |
| Finance Headings | 262 | (10) | 0 | 251 | 0 | 0 | 0 | 251 | 0 | 251 | 251 | 0 | 251 |
| HR Headings | 1,151 | (84) | 0 | 1,067 | 0 | 0 | 0 | 1,067 | 0 | 1,067 | 1,495 | (428) | 1,067 |
| School Grants | (2,365) | 0 | 0 | (2,365) | 0 | 0 | 0 | (2,365) | 0 | (2,365) | 4,553 | (6,918) | (2,365) |
| Total Schools Retained Funding and Grants | (953) | (94) | 0 | (1,047) | 0 | 0 | 0 | (1,047) | 0 | (1,047) | 6,299 | (7,346) | (1,047) |
| Schools Delegated Funding | 108,177 | 0 | 0 | 108,177 | 0 | 0 | 0 | 108,177 | 0 | 108,177 | 108,177 | 0 | 108,177 |
| Total for Children and Adult Services Directorate | 252,203 | (7,494) | 0 | 244,709 | 199 | 3,000 | (1,949) | 245,959 | (693) | 245,266 | 278,370 | (33,104) | 245,266 |
| Dedicated Schools Grant | 128,694 | (1,498) | 0 | 127,196 | 0 | 0 | 0 | 127,196 | 0 | 127,196 | 128,972 | (1,775) | 127,196 |
| General Fund | 123,508 | (5,996) | 0 | 117,512 | 199 | 3,000 | (1,949) | 118,762 | (693) | 118,069 | 149,398 | (31,329) | 118,069 |

Children and Adult Services Directorate

BUDGET BUILD 2013/14 - BASE BUDGET ADJUSTMENTS

| | Medium Term Financial Plan provision £000s | Further proposals £000s |
|---|---|-------------------------------|
| ADULT SOCIAL CARE | | |
| Commissioning & Client Financial Affairs | | |
| - Full year effect of review of Supporting People contracts | (500) | |
| Older People | | |
| - 2011-12 Star Chamber: Effect of review of in-house provision. | 3,014 | |
| - Cost of Current Service: Residential Placements. | 372 | |
| - Demographic Projections | 331 | |
| Social Care Management | | |
| - 2011-12 Star Chamber: Effect of review of in-house provision. | 460 | |
| - 2012-13 Star Chamber: Effect of review of Balfour Centre provision. | 200 | |
| Physical Disability | | |
| - 2012-13 Star Chamber: Effect of review of Balfour Centre provision. | (200) | |
| - Cost of Current Service: Across all types of provision | 720 | |
| - Demographic Projections: 12 RTA's phased over twelve months. | 325 | |
| Learning Disability | | |
| - Cost of Current Service: Principally Residential Placements | 262 | |
| - Demographic Projections: Named individuals on the verge of transition. | 103 | |
| Link Service Centres | | |
| - 2011-12 Star Chamber: Effect of review of in-house provision. | (4,274) | |
| Mental Health | | |
| - Proposed staffing restructure | | (143) |
| - Review of residential placements | | (150) |
| CHILDREN'S CARE | | |
| Specialist Childrens' Services | | |
| - Cost of Current Service: Higher than anticipated LAC nos. | 787 | |
| - Inflation: Fostering and residential (2% pa). | 199 | |
| - Demographic Projections: Adoption Fees | 100 | |
| SCHOOL IMPROVEMENT AND INCLUSION | | |
| Early Years | | |
| - Nursery places for two year olds will be a cost to the DSG from Sept 2012 | (506) | |
| - Fund Early Years activity from DSG, plus £50,000 savings | | (400) |
| School Challenge & Improvement | | |
| - Delete non-recurring budget for 1-2-1 tuition / governor training | (143) | |
| TOTAL ADJUSTMENTS TO BASE BUDGET | 1,250 | (693) |

REGENERATION, COMMUNITY AND CULTURE - BASE BUDGET BUILD 2013-2014

| General Fund Activities | 2012-13 Base (Q2 2012) £'000 | Remove Support Services £'000 | Adjustments £'000 | 2012-13 Adjusted Base £'000 | Medium Term Financial Plan | | | 2013-14 MTFP Assumptions £'000 | 2013-14 Further Proposals £'000 | 2013-14 Draft Budget (Nov 2012) £'000 | 2013-14 Budget Requirement | | |
|--|------------------------------------|--|----------------------|-----------------------------------|----------------------------|--------------------|--------------|--------------------------------------|--|--|-------------------------------|---------------------------|-----------------------------|
| | | | | | Inflation | Other Pressures | Savings | | | | Gross Expenditure £'000 | Direct Income £'000 | Net Expenditure £'000 |
| | | | | | £'000 | £'000 | £'000 | | | | £'000 | £'000 | £'000 |
| Highways | 6,951 | (327) | 0 | 6,624 | 85 | 2,123 | 0 | 8,832 | (1,427) | 7,405 | 8,840 | (1,434) | 7,405 |
| Road Safety | 352 | (73) | 0 | 279 | 0 | 0 | 0 | 279 | 0 | 279 | 547 | (267) | 279 |
| Traffic Management | 748 | (71) | 0 | 677 | 0 | 0 | 0 | 677 | 0 | 677 | 987 | (311) | 677 |
| Parking | (3,021) | (229) | 0 | (3,250) | 0 | 135 | 0 | (3,115) | 0 | (3,115) | 2,730 | (5,846) | (3,115) |
| Waste Services | 19,109 | (350) | 0 | 18,759 | 383 | 343 | 0 | 19,485 | 0 | 19,485 | 21,346 | (1,861) | 19,485 |
| Community Safety Partnership | 394 | (33) | 0 | 361 | 0 | 0 | 0 | 361 | 0 | 361 | 361 | 0 | 361 |
| Environmental Health Commercial | 1,259 | (159) | 0 | 1,100 | 0 | 0 | 0 | 1,100 | 0 | 1,100 | 1,173 | (73) | 1,100 |
| Environmental Services | 1,687 | (268) | 0 | 1,419 | 0 | 0 | 0 | 1,419 | 0 | 1,419 | 1,632 | (213) | 1,419 |
| Safer Communities Support | 118 | (8) | 0 | 110 | 0 | 0 | 0 | 110 | 0 | 110 | 110 | 0 | 110 |
| CCTV / Lifeline | 288 | (95) | 0 | 193 | 0 | 0 | 0 | 193 | 0 | 193 | 1,150 | (956) | 193 |
| Strood Depot Services | (4) | (10) | 0 | (14) | 0 | 0 | 0 | (14) | 0 | (14) | 97 | (112) | (14) |
| Front Line Services | 786 | (463) | 0 | 323 | 0 | 0 | 0 | 323 | 0 | 323 | 323 | 0 | 323 |
| Major Projects | (56) | (64) | 0 | (120) | 0 | 100 | 0 | (20) | 109 | 89 | 953 | (864) | 89 |
| Total for Front Line Services | 28,611 | (2,150) | 0 | 26,461 | 468 | 2,701 | 0 | 29,630 | (1,318) | 28,312 | 40,248 | (11,936) | 28,312 |
| Housing, Development & Transport | 244 | (235) | 0 | 9 | 0 | 0 | 0 | 9 | 0 | 9 | 280 | (272) | 9 |
| Economic Development | 594 | (68) | 0 | 526 | 0 | 0 | 0 | 526 | 0 | 526 | 1,344 | (819) | 526 |
| Integrated Transport | 6,557 | (78) | 0 | 6,479 | 0 | 199 | (244) | 6,434 | (14) | 6,420 | 7,166 | (746) | 6,420 |
| Planning Policy & Design | 1,030 | (77) | 0 | 953 | 0 | 0 | 0 | 953 | 0 | 953 | 971 | (18) | 953 |
| Development Management | 583 | (579) | 0 | 4 | 0 | 85 | 0 | 89 | (85) | 4 | 1,220 | (1,216) | 4 |
| Social Regeneration & Europe | 517 | (135) | 0 | 382 | 0 | 0 | 0 | 382 | 0 | 382 | 562 | (180) | 382 |
| Building Control | 201 | (2) | 0 | 199 | 0 | 0 | 0 | 199 | (25) | 174 | 174 | 0 | 174 |
| Housing Solutions | 1,333 | (248) | 0 | 1,085 | 0 | 175 | 0 | 1,260 | 120 | 1,380 | 1,818 | (439) | 1,380 |
| Homechoice | 434 | (155) | 0 | 279 | 0 | 0 | 0 | 279 | 0 | 279 | 348 | (69) | 279 |
| Private Sector Housing | 378 | (114) | 0 | 265 | 0 | 0 | 0 | 265 | 0 | 265 | 306 | (41) | 265 |
| Housing Disabled Adaptions | 148 | (74) | 0 | 74 | 0 | 0 | 0 | 74 | 0 | 74 | 156 | (81) | 74 |
| Property Management | 16 | (16) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 61 | (61) | 1 |
| Housing Strategy | 426 | (167) | 0 | 259 | 0 | 0 | 0 | 259 | 0 | 259 | 275 | (16) | 259 |
| Housing Performance | 63 | (15) | 0 | 48 | 0 | 0 | 0 | 48 | 0 | 48 | 134 | (86) | 48 |
| Centralised Budgets | 249 | 0 | 0 | 249 | 0 | 0 | 0 | 249 | 0 | 249 | 249 | 0 | 249 |
| Housing Related Support | 117 | 0 | 0 | 117 | 0 | 0 | 0 | 117 | 0 | 117 | 117 | 0 | 117 |
| Total for Development and Transport | 12,888 | (1,963) | 0 | 10,925 | 0 | 459 | (244) | 11,142 | (4) | 11,138 | 15,182 | (4,044) | 11,138 |
| L&C Management Group | 65 | (19) | 0 | 46 | 0 | 0 | 0 | 46 | 0 | 46 | 46 | 0 | 46 |
| Leisure & Sports | 3,634 | (493) | 0 | 3,141 | 0 | 0 | (640) | 2,501 | 0 | 2,501 | 6,441 | (3,940) | 2,501 |
| Arts, Theatres & Events | 1,514 | (439) | 0 | 1,075 | 0 | 0 | 0 | 1,075 | 0 | 1,075 | 3,461 | (2,386) | 1,075 |
| Heritage | 770 | (144) | 0 | 626 | 0 | 0 | 0 | 626 | 0 | 626 | 884 | (258) | 626 |
| Greenspaces | 4,319 | (275) | 0 | 4,044 | 0 | 70 | 0 | 4,114 | (30) | 4,084 | 4,886 | (801) | 4,084 |
| Tourism | 564 | (57) | 0 | 507 | 0 | 0 | 0 | 507 | 0 | 507 | 1,053 | (546) | 507 |
| Libraries | 4,324 | (425) | 0 | 3,899 | 0 | 70 | 0 | 3,969 | 0 | 3,969 | 4,260 | (291) | 3,969 |
| Total for Leisure and Culture | 15,189 | (1,852) | 0 | 13,337 | 0 | 140 | (640) | 12,838 | (30) | 12,808 | 21,030 | (8,223) | 12,808 |
| Regeneration, Community & Culture Directorate Support | 697 | (355) | 0 | 342 | 0 | 66 | 0 | 408 | 0 | 408 | 434 | (29) | 405 |
| Total for Regeneration, Community & Culture | 57,385 | (6,321) | 0 | 51,064 | 468 | 3,366 | (884) | 54,014 | (1,352) | 52,662 | 76,895 | (24,233) | 52,662 |

Regeneration, Community & Culture Directorate

BUDGET BUILD 2013/14 - BASE BUDGET ADJUSTMENTS

| | Medium Term Financial Plan provision £000s | Further proposals £000s |
|---|---|-------------------------------|
| FRONT LINE SERVICES | | |
| Highways | | |
| - Term contract uplift, reduced by not inflating capital element | 85 | (42) |
| - Medway Tunnel maintenance (Tunnel fund expires) | 738 | |
| - Responsive maintenance to address increasing insurance claims | 250 | (250) |
| - Grass cutting and associated traffic management to achieve expected service level | 135 | (135) |
| - Investment in highways infrastructure to reverse deterioration of Medway's National Indicators | 1,000 | (1,000) |
| Parking | | |
| - The Brook MSCP 2 yearly inspection and maintenance | 100 | |
| - General basic maintenance funding gap for replacement of P&D machines that are failing which is resulting in loss of income | 35 | |
| Major Projects | | |
| - Increased income targets not achieved due to lack of major projects | 100 | (100) |
| Waste Services | | |
| - Contract uplift - based on 2.5% (assuming no waste growth) | 383 | |
| - Increase in Landfill Tax at £8 per tonne (assuming no waste growth) | 264 | |
| - Increase in property numbers | 38 | |
| - Waste contract variation orders | 41 | |
| HOUSING, DEVELOPMENT AND TRANSPORT | | |
| Integrated Transport | | |
| - Chatham Waterfront Bus Station running costs | 64 | |
| - Concessionary Fares, young people | (244) | (53) |
| - Concessionary Fares, adults and disabled persons | 189 | 14 |
| - Concessionary Fares, full card review | (54) | |
| - Advertising income target not realisable | | 25 |
| Development Management | | |
| - Sustainability of income target for planning application fees | 85 | (85) |
| Building Control | | |
| - Savings identified by STGBC business plan | | (25) |
| Housing Solutions | | |
| - Increase In homelessness | 175 | |
| LEISURE & CULTURE | | |
| Leisure & Sports | | |
| - Removal of Olympic funding requirement | (440) | |
| - Removal of non-recurring budget for 2012 Celebrations | (200) | |
| Greenspaces and Country Parks | | |
| - General maintenance contract - cleansing costs | | |
| - Greenspace Grounds Maintenance contract re-tendering costs | 30 | (30) |
| - Tree safety survey | 40 | |
| Libraries | | |
| - Rental Income target shortfall | 70 | |
| Regeneration, Community & Culture Directorate Support | | |
| - Regeneration | 66 | |
| Grants absorbed in formula grant (Flood £209,000, Homeless £120,000) | | 329 |
| TOTAL ADJUSTMENTS TO BASE BUDGET | 2,950 | (1,352) |

BUSINESS SUPPORT DEPARTMENT - BUDGET BUILD 2013-2014

| General Fund Activities | 2012-13 Base (Q2 2012) | Remove Support Services | Adjustments | 2012-13 Adjusted Base | Medium Term Financial Plan | | | 2013-14 MTFP Assumptions | 2013-14 Further Proposals | 2013-14 Draft Budget (Nov 2012) | 2013-14 Budget Requirement | | |
|---|---------------------------|-------------------------------|-------------|--------------------------|----------------------------|--------------------|--------------|-----------------------------|---------------------------------|---------------------------------------|----------------------------|------------------|--------------------|
| | | | | | Inflation | Other Pressures | Savings | | | | Gross Expenditure | Direct Income | Net Expenditure |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Legal Services | 7 | 1,225 | 0 | 1,232 | 0 | 140 | 0 | 1,372 | (40) | 1,332 | 1,536 | (204) | 1,332 |
| Land Charges & Licensing | 89 | (194) | 0 | (105) | 0 | 0 | 0 | (105) | (90) | (195) | 344 | (539) | (195) |
| Building & Design | (546) | (88) | 0 | (634) | 0 | 100 | 0 | (534) | 0 | (534) | 726 | (1,260) | (534) |
| Procurement | 1 | 125 | 0 | 126 | 0 | 300 | 0 | 426 | (300) | 126 | 130 | (4) | 126 |
| Asset and Property Management | (729) | 2,634 | 0 | 1,905 | 0 | 187 | (84) | 2,008 | (103) | 1,905 | 4,505 | (2,600) | 1,905 |
| Centralised Budgets | 11 | 179 | 0 | 190 | 0 | 0 | 0 | 190 | 0 | 190 | 11 | 179 | 190 |
| Corp Services Vacancy Target | (88) | 0 | 0 | (88) | 0 | 0 | 0 | (88) | 0 | (88) | (88) | 0 | (88) |
| Total for Housing & Corporate Services | (1,255) | 3,881 | 0 | 2,626 | 0 | 727 | (84) | 3,269 | (533) | 2,736 | 7,164 | (4,428) | 2,736 |
| Benefit Payments | 1,300 | (95) | 0 | 1,205 | 0 | 0 | 0 | 1,205 | 0 | 1,205 | 110,865 | (109,660) | 1,205 |
| Revenues and Benefits Admin Total | 1,059 | (2,381) | 0 | (1,322) | 0 | 0 | 0 | (1,322) | 0 | (1,322) | 1,748 | (3,070) | (1,322) |
| NNDR Discretionary Relief | 251 | 0 | 0 | 251 | 0 | 0 | 0 | 251 | 0 | 251 | 251 | 0 | 251 |
| Rural Liaison Grants | 75 | 0 | 0 | 75 | 0 | 0 | 0 | 75 | 0 | 75 | 75 | 0 | 75 |
| Ward Improvements | 165 | 0 | 0 | 165 | 0 | 0 | 0 | 165 | 0 | 165 | 165 | 0 | 165 |
| Corporate Management | 2,857 | (2,487) | 0 | 370 | 0 | 0 | 0 | 370 | 0 | 370 | 370 | 0 | 370 |
| Non Distributed Costs | 1,553 | 0 | 0 | 1,553 | 0 | 0 | 0 | 1,553 | 0 | 1,553 | 1,553 | 0 | 1,553 |
| Corporate Provisions | 1,027 | (1) | 0 | 1,026 | 0 | 0 | (100) | 926 | (221) | 705 | 705 | 0 | 705 |
| Business Support Management Team | 5 | 847 | 0 | 852 | 0 | 0 | 0 | 852 | 0 | 852 | 933 | (81) | 852 |
| Financial Management | 7 | 1,203 | 0 | 1,210 | 0 | 0 | 0 | 1,210 | 0 | 1,210 | 1,333 | (123) | 1,210 |
| Financial Systems | 0 | 124 | 0 | 124 | 0 | 0 | 0 | 124 | 0 | 124 | 133 | (9) | 124 |
| Financial Support | 4 | 472 | 0 | 476 | 0 | 0 | 0 | 476 | 0 | 476 | 516 | (40) | 476 |
| Creditors and Income Services | 3 | 247 | 0 | 250 | 0 | 0 | 0 | 250 | 0 | 250 | 274 | (24) | 250 |
| Audit Services | 2 | 541 | 0 | 543 | 0 | 0 | 0 | 543 | 0 | 543 | 550 | (7) | 543 |
| FS Vacancy Saving Target | (106) | 0 | 0 | (106) | 0 | 0 | 0 | (106) | 0 | (106) | (106) | 0 | (106) |
| Total for Finance | 8,202 | (1,530) | 0 | 6,672 | 0 | 0 | (100) | 6,572 | (221) | 6,351 | 119,365 | (113,014) | 6,351 |
| Democratic Services | 833 | 0 | 0 | 833 | 0 | 0 | 0 | 833 | 0 | 833 | 883 | (50) | 833 |
| Members and Mayoral Services | 1,063 | (39) | 0 | 1,024 | 0 | 0 | 0 | 1,024 | 0 | 1,024 | 1,072 | (48) | 1,024 |
| Electoral Services | 469 | (277) | 0 | 192 | 0 | 0 | 0 | 192 | 0 | 192 | 196 | (4) | 192 |
| Community Interpreters | (65) | (10) | 0 | (75) | 0 | 0 | 0 | (75) | (30) | (105) | 186 | (291) | (105) |
| Registration Services | 88 | (59) | 0 | 29 | 0 | 0 | 0 | 29 | 0 | 29 | 535 | (506) | 29 |
| Bereavement Services | (218) | (108) | 0 | (326) | 0 | 56 | (30) | (300) | 0 | (300) | 1,593 | (1,893) | (300) |
| Customer Contact | 23 | 3,250 | 0 | 3,273 | 0 | 64 | 0 | 3,337 | 0 | 3,337 | 3,459 | (122) | 3,337 |
| Customer First | 8 | 933 | 0 | 941 | 0 | 0 | 0 | 941 | 0 | 941 | 1,061 | (120) | 941 |
| CF Vacancy Saving Target | (150) | 0 | 0 | (150) | 0 | 0 | 0 | (150) | 0 | (150) | (150) | 0 | (150) |
| Total for Democracy & Customer First | 2,051 | 3,690 | 0 | 5,741 | 0 | 120 | (30) | 5,831 | (30) | 5,801 | 8,835 | (3,034) | 5,801 |
| Research & Review | 2 | 496 | 0 | 498 | 0 | 0 | 0 | 498 | 0 | 498 | 517 | (19) | 498 |
| Management Information | 2 | 347 | 0 | 349 | 0 | 0 | 0 | 349 | 0 | 349 | 349 | 0 | 349 |
| Childrens Review Services | 984 | (129) | 0 | 855 | 0 | 80 | 0 | 935 | (80) | 855 | 914 | (59) | 855 |
| Communications and Improvement | (102) | 725 | 0 | 623 | 0 | 80 | 0 | 703 | (18) | 685 | 1,067 | (382) | 685 |
| Administration Hub | 16 | 1,662 | 0 | 1,678 | 0 | 0 | 0 | 1,678 | 0 | 1,678 | 2,035 | (357) | 1,678 |
| CPP Vacancy Saving Target | (99) | 0 | 0 | (99) | 0 | 0 | 0 | (99) | 0 | (99) | (99) | 0 | (99) |
| Total for Communications, Performance & Partnerships | 803 | 3,101 | 0 | 3,904 | 0 | 160 | 0 | 4,064 | (98) | 3,966 | 4,783 | (817) | 3,966 |
| Human Resource Services | (426) | 1,687 | 0 | 1,261 | 0 | 320 | 0 | 1,581 | (120) | 1,461 | 5,228 | (3,767) | 1,461 |
| Adult Education | (5) | (146) | 0 | (151) | 0 | 0 | 0 | (151) | 0 | (151) | 2,647 | (2,798) | (151) |
| ICT | 11 | 3,116 | 0 | 3,127 | 0 | 46 | 0 | 3,173 | (46) | 3,127 | 3,662 | (535) | 3,127 |
| OS Vacancy Saving Target | (107) | 0 | 0 | (107) | 0 | 0 | 0 | (107) | 0 | (107) | (107) | 0 | (107) |
| Organisational Services Total | (527) | 4,657 | 0 | 4,130 | 0 | 366 | 0 | 4,496 | (166) | 4,330 | 11,430 | (7,100) | 4,330 |
| Total for Business Support Department | 9,274 | 13,799 | 0 | 23,073 | 0 | 1,373 | (214) | 24,232 | (1,048) | 23,184 | 151,577 | (128,393) | 23,184 |

Business Support Department

BUDGET BUILD 2013/14 - BASE BUDGET ADJUSTMENTS

| | Medium Term Financial Plan provision £000's | Further proposals £000's |
|--|--|--------------------------------|
| CORPORATE SERVICES | | |
| Legal Services | | |
| - Reduced income from capital | 90 | (40) |
| - Court case printing. | 50 | |
| Land Charges and Licensing | | |
| - Higher than budgeted income | | (90) |
| Building and Design | | |
| - Reduced surplus | 100 | |
| Procurement | | |
| Energy cost increases | 300 | (300) |
| Asset and Property Management | | |
| - Property rents | 127 | (103) |
| - Kingsley House running costs | (84) | |
| - Unachievable facilities management saving target | 60 | |
| FINANCIAL SERVICES | | |
| Corporate Provisions | | |
| - Reduction in external audit costs | | (61) |
| - Removal of non-recurring funding for the Airport Campaign | (50) | |
| - Removal of non-recurring funding for Investment in Medway Campaign | (50) | |
| - Removal of Golden Hello provision | | (160) |
| DEMOCRACY & CUSTOMER FIRST | | |
| Community Interpreters | | |
| - Increased income | | (30) |
| Bereavement Services | | |
| - Fee increases | (30) | |
| - NNDR costs | 28 | |
| - RPI increases Grounds Maintenance | 28 | |
| Customer Contact | | |
| - Additional staffing required to deal with increased caseload | 64 | |
| COMMUNICATIONS, PERFORMANCE & PARTNERSHIPS | | |
| Childrens Review Services | | |
| - Additional Independent Review Officer required to deal with increased workload | 80 | (80) |
| Communications and Improvement | | |
| - Under-delivery of Graphic Design Income | 50 | |
| - Under-delivery of Medway Matters income | 30 | (18) |
| ORGANISATIONAL SERVICES | | |
| Human Resource Services | | |
| - Reduced surplus from Temp Agency/Temporary staff | 250 | (50) |
| - Under-delivery of income from Academies | 70 | (70) |
| ICT | | |
| - Better for Less upgraded software Licence costs | 46 | (46) |
| TOTAL ADJUSTMENTS TO BASE BUDGET | 1,159 | (1,048) |