

# **BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE**

**7 FEBRUARY 2013**

## **DRAFT CAPITAL AND 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 2012 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 and capital budget.

### **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 On 27 November 2012, Cabinet considered the draft capital and revenue budgets for 2013/2014 and forwarded them to the Overview and Scrutiny committees as work in progress, inviting them to offer comments on the proposals outlined. The comments and recommendations made by individual overview and scrutiny committees are to be channelled through this Committee on 7 February, for consideration by Cabinet on 12 February 2013.

2.3 The timetable for consideration by Overview and Scrutiny is as follows:

Children and Young People	11 December 2012
Regeneration, Community and Culture	13 December 2012
Health and Adult Social Care	29 January 2013
Business Support	7 February 2013
Cabinet	12 February 2013
Council	21 February 2013

2.4 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 Council services of some £1 million, which broadly reflects a breakeven position against Adult Social Care. 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 The Council's current £110 million capital programme includes a Business Support component amounting to £7.25 million, of which £2.5 million represents the costs of the mercury abatement and facilities upgrade project at the Crematorium, £1.4 million being the balance of the £2.4 million 'Better for Less' investment project, £2.2 million being the balance of budget for the Building Repair Fund works, and £0.7 million in respect of the residual budget for Strood Compulsory Purchase Orders. Progress on all these schemes is reported through the Council's quarterly monitoring reports.

### **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 remain a key variable in the budget equation and although there is more certainty about 2013/2014 and 2014/2015 following the settlement announcements, there is the promise of a further Spending Review commencing in 2013 to impact on funding for 2015/2016 and beyond. Various announcements have fuelled an expectation of further financial constraint to come emanating from this review. 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 follows the release of the settlement information but remains subject to consultation amendment and will be further affected by receipt of Business Rates and the Baseline calculation. The forecast, used in the draft budget, was based on a zero growth in NDR (business rates) and utilising the Council's NNDR1 data return (estimated collection for 2012/2013) and is attached at Appendix 1. It should be stressed that this is a forecast and could be subject to some significant variation. The settlement has updated assumptions, particularly for Local Authority Central Support for Schools (LACSEG) and Early Intervention Grant (EIG) but assumptions on NDR collection will be critical in determining what level of support is assumed for the budget.
- 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 five 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 Secretary of State headlined the 2013/2014 and 2014/2015 Settlements on the 19 December 2012 with a consultation period to the 15 January 2013.
- 6.3 This is the first Local Government Finance Settlement under the new arrangements for business rates that will come into place on 1 April 2013. This means that business rates have now been split into a central and a local share, each being 50% of the Expected Business Rates Aggregate in 2013/2014 (as predicted by the Office for Budget Responsibility - OBR), after deductions are made for expected appeals and reliefs.
- 6.4 In headline terms, the overall settlement figure as announced as the 'Start-up Funding Assessment' is some £1.906 million better than that forecast in the draft budget report for 2013/14, and £0.963 million better than the forecast for 2014/15. Both of these figures exclude some important grants such as the Dedicated Schools Grant (DSG) and other DfE schools based grants, Public Health Grant (announced at £13.2 million on 10 January but there is a need to understand how this relates to inherited commitments and target requirements), New Homes Bonus, Adult Learning and a number of more minor grants.

- 6.5 However the settlement is somewhat illusory as a basis for the budget build process as the declared contribution from the local share of business rates is predicated on a baseline calculation founded on collections in 2010/11 and 2011/12. The actual contribution to be used as the basis for resourcing the budget will be an anticipated collection for 2013/14 and that is presently being worked upon.
- 6.6 Government have headlined ‘Spending Power’ as the basis of the comparison of funding levels. In that context the settlement heralded that local authorities will face an average reduction in spending power of 1.7%; and that no local authority would experience a decrease of more than 8.8%. This is a term that has been used before and whilst the construction is in a common form across all authorities it includes not only Department of Communities and Local Government (CLG) funding for Local Government but also locally derived Council Tax and NHS funds, the effect of which is to dilute the impact of Government funding reductions. Table 1 below sets out the derivation of ‘Spending Power’ and the changes across the next two years and compares this with the direct CLG grant distribution in the form of the Start-up Funding Assessment.

**Table 1: Spending Power Calculations 2012-15: Includes grants where equivalent 2014-15 figures are available, and New Homes Bonus**

	2012/13 (adjusted )	2013/14	2014/15
	£m	£m	£m
Council Tax Requirement excluding parish precepts	99.080	99.080	99.080
Start-up Funding Assessment	109.423	105.432	96.313
CT Freeze Grant 2012-13	2.477		
CT Freeze Grant 2013-14		1.000	1.000
Inshore Fisheries Conservation Authorities	0.032	0.032	0.032
Lead Local Flood Authorities	0.077	0.077	0.077
Social Fund Admin Grant	0.151	0.140	0.128
Community Right to Challenge	0.009	0.009	0.009
Community Right to Bid	0.005	0.008	0.008
New Homes Bonus	2.317	3.495	4.673
Local Reform and Community Voices DH revenue grant	0.162	0.175	0.180
NHS funding to support social care and benefit health	2.476	3.572	3.742
<b>Estimated 2012-13 Revenue Spending Power including NHS support for social care</b>	<b>216.209</b>	<b>213.019</b>	<b>205.242</b>
<b>% Change in estimated 'revenue spending power'</b>		<b>-1.48%</b>	<b>-3.65%</b>
<b>% Change in 'Start-up Funding Assessment'</b>		<b>-3.65%</b>	<b>-8.65%</b>

- 6.7 Of particular interest are the declared changes in NHS support for social care, which is subject to sizeable growth. However these are funds that do not come to the Council directly but are accessed by way of agreements with the NHS (formerly through S256 contracts with the Primary Care Trust).
- 6.8 The spending power table also reflects Government assumptions that the Council will take up the freeze grant for local authorities prepared to freeze council tax again in 2013/2014. Council made the decision to freeze the council tax in 2012/2013 and accept the £2.477 million grant from Government in lieu of an equivalent 2.5% increase. 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 £1 million to the forecast deficit position in the draft budget. 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.
- 6.9 As part of the settlement announcement, the CLG published 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 2 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, Tables 3 to 6 add back the Council Tax Support Funding Grant and assume that the agreed scheme will be cost neutral using this funding together with the additional revenue from changes to Council Tax exemptions and discounts. Tables 3 to 6 mirror those in the draft budget and are not adjusted for settlement changes.

**Table 2: Adjusted and Provisional Settlement Analysis**

	2012/13 (illustr.)	2012/13 (adjusted)	2013/14 (Prov.)	2014/15 (Prov.)
	£000's	£000's	£000's	£000's
Grants Rolled In Using Tailored Distributions	7,963	7,963	8,369	TBA
Relative Needs Amount	65,110	65,110	61,396	TBA
Relative Resource Amount	-24,184	-24,184	-25,858	TBA
Central Allocation	31,691	31,691	37,135	TBA
Floor Damping	-2,300	-2,300	-4,894	TBA
LACSEG adjustment	0	1,324		TBA
Formula Funding	7,260	79,604	76,148	TBA
Less:				
Central Education Functions within LACSEG	0	-5,902	-5,859	TBA
General Fund Formula Grant	78,280	73,702	70,289	75,959
Council Tax Freeze Compensation	2,463	2,463	2,463	2,463
Council Tax Support Funding	0	14,517	14,496	0
Early Intervention Funding	11,191	9,127	8,336	7,805
Homelessness Prevention Funding	120	150	150	150
Lead Local Flood Authority Funding	209	132	132	132
Learning Disability and Public Health Reform Funding	9,319	9,332	9,566	9,605
<b>Start-Up Funding Assessment</b>	<b>101,582</b>	<b>109,423</b>	<b>105,432</b>	<b>96,313</b>
<b>% reduction</b>			<b>-3.65%</b>	<b>-8.65%</b>

6.10 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 3 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 3 Grant Movement 2010/2015 (CSR 2010 period)**

	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
	1	2	3	4	5
	£ 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 4 below.

**Table 4: 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
<b>Business Support/Corporate Issues</b>	<b>1,159</b>	<b>- 518</b>	<b>70</b>	<b>70</b>
Better for Less	-1,890	-1,890	- 904	0
<b>Total – General Fund</b>	<b>3,469</b>	<b>- 582</b>	<b>1,551</b>	<b>2,150</b>

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 for Business Support is summarised in the draft directorate budget at Appendix 2 with adjustments for pressures and savings shown separately shown in 2b. 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 6 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 5 below. The 'adjustments' represent the funding changes relative to the MTFP assumptions rather than the absolute movement from 2012/2013 – for example Early Intervention Grant (EIG) has reduced by £3 million as shown in Table 1 but in the MTFP officers had forecast a movement of £0.9 million into the DSG to fund 2 year olds.

**Table 5 – 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

7.4 The revenue budget pressures facing individual directorates in 2013/2014 were comprehensively reflected in the MTFP and the implications for Business Support Services are reflected in Appendix 2 of this provisional budget report but are summarised below for information:

7.4.1 Business Support (Appendix 2)

The MTFP identified net pressures of £1.159 million 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.

**Table 6: 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
<b>Children and Adult Services (C&amp;A):</b>						
DSG and School Specific Expenditure	134,310	0	132,259	132,259	134,773	137,175
<b>Other Expenditure</b>	<b>117,532</b>	<b>726</b>	<b>118,782</b>	<b>118,089</b>	<b>119,151</b>	<b>120,218</b>
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)
<b>Budget Requirement</b>	<b>342,148</b>	<b>961</b>	<b>343,895</b>	<b>339,844</b>	<b>343,909</b>	<b>348,462</b>
<b>Estimated Funding</b>						
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
<b>Estimated Available Funding</b>	<b>(342,148)</b>	<b>(961)</b>	<b>(320,816)</b>	<b>(327,894)</b>	<b>(325,842)</b>	<b>(324,936)</b>
<b>Budget Gap</b>						
- DSG	0	0	0	0	0	0
- General Fund	0	0	5,917	11,950	18,067	23,526

## **8. Meeting the funding gap**

- 8.1 Table 6, 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 Local Authority Central Support for Schools (LACSEG).
- 8.2 The announcement of the settlement removes some of the uncertainty over the resource projections, as they are for the most part exemplifications of possible funding scenarios. In particular the deficit position of £11.950 million will be reduced by:
- The £1.039 million reduction in the LACSEG top-slice;
  - The £0.151 million reduction in the EIG grant loss;
  - The net £0.456 million gain in other grant changes; and
  - The estimated £3.597 million recovery of LACSEG for non-academy schools.

The revised position, post settlement, is therefore a deficit of £6.707 million.

- 8.3 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 7 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 Housing Revenue Account (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 7 below.

**Table 7. 2013/2014 Government grant assumptions**

	<b>C &amp; A</b>	<b>BSD</b>	<b>RCC</b>	<b>Total</b>
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
<b>Adult Social Care Transformation Grant</b>	<b>504</b>	<b>0</b>	<b>0</b>	<b>504</b>
Integrated Transport Grant	0	0	1,576	1,576
Highways Capital Maintenance Grant	0	0	2,153	2,153
<b>Total Forecast</b>	<b>10,244</b>	<b>739</b>	<b>3,729</b>	<b>14,712</b>

- 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 8 summarises planned expenditure, providing an analysis of how it is funded.

**Table 8. Funding the current capital programme**

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

9.4 The Settlement confirmed the expectation for the Local Transport Plan (LTP) grants for 2013/2014 and also confirmed Department for Health grants at £0.514 million in 2013/2014 and £0.524 million in 2014/2015. Past practice has been for Capital announcements to be spread over time and the capital programme for 2013/2014 can only be considered as provisional at this stage.

## 10. Conclusions

10.1 These initial budget proposals, updated by the settlement changes highlighted in paragraph 8.2 represent a considerable step towards developing the 2013/2014 revenue budgets 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 £6.707 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.

10.2 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.

## **11. Risk Management**

- 11.1 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.

## **12. Diversity Impact Assessment**

- 12.1 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.

## **13. Financial and legal implications**

- 13.1 The financial implications for the Business Support Directorate are fully detailed in the report. There are no direct legal implications.

## **14. Recommendations**

- 14.1 The committee is asked to:
- (a) consider the draft capital and revenue budget for 2013/2014, proposed by Cabinet on 27 November 2012, insofar as they affect this overview and scrutiny committee;
  - (b) consider the opportunities and implications of any other efficiencies or revenue generating measures for this committee;
  - (c) forward any comments and suggestions with regard to the preparation of the Council's capital and revenue budget for 2013/2014 within the remit of this committee, (together with the comments from other committees, as set out in the agenda item 8) to the Cabinet meeting on 12 February 2013.

### **Background papers:**

Medium Term Financial Plan 2013/2016 – Cabinet 2 October 2012:

<http://democracy.medway.gov.uk/ielIssueDetails.aspx?IId=8872&Opt=3>

Draft Capital and Revenue Budget 2013/2014 – Cabinet 27 November 2012

<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=18351>

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## Appendix 1

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

<b>Local Authority</b>	<b>Medway</b>
<b>Resource Forecast</b>	<b>2</b>
<b>Date produced</b>	<b>16 October 2012</b>

	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
<b>Equals pre-levy income</b>	<b>44.413</b>	<b>45.434</b>	<b>46.616</b>	<b>48.340</b>	<b>50.274</b>
Less Levy on growth above RPI	0.000	0.000	0.000	0.000	0.000
<b>Equals post levy income</b>	<b>44.413</b>	<b>45.434</b>	<b>46.616</b>	<b>48.340</b>	<b>50.274</b>
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 returned	1.485	1.485	1.485	1.485	1.485
Plus Safety Net payment	-	-	-	-	-
<b>EQUALS Retained Income</b>	<b>103.526</b>	<b>95.350</b>	<b>88.309</b>	<b>82.544</b>	<b>81.910</b>
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%				





## 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
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)
<b>Total for Housing &amp; Corporate Services</b>	<b>(1,255)</b>	<b>3,881</b>	<b>0</b>	<b>2,626</b>	<b>0</b>	<b>727</b>	<b>(84)</b>	<b>3,269</b>	<b>(533)</b>	<b>2,736</b>	<b>7,164</b>	<b>(4,428)</b>	<b>2,736</b>
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)
<b>Total for Finance</b>	<b>8,202</b>	<b>(1,530)</b>	<b>0</b>	<b>6,672</b>	<b>0</b>	<b>0</b>	<b>(100)</b>	<b>6,572</b>	<b>(221)</b>	<b>6,351</b>	<b>119,365</b>	<b>(113,014)</b>	<b>6,351</b>
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)
<b>Total for Democracy &amp; Customer First</b>	<b>2,051</b>	<b>3,690</b>	<b>0</b>	<b>5,741</b>	<b>0</b>	<b>120</b>	<b>(30)</b>	<b>5,831</b>	<b>(30)</b>	<b>5,801</b>	<b>8,835</b>	<b>(3,034)</b>	<b>5,801</b>
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)
<b>Total for Communications, Performance &amp; Partnerships</b>	<b>803</b>	<b>3,101</b>	<b>0</b>	<b>3,904</b>	<b>0</b>	<b>160</b>	<b>0</b>	<b>4,064</b>	<b>(98)</b>	<b>3,966</b>	<b>4,783</b>	<b>(817)</b>	<b>3,966</b>
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)
<b>Organisational Services Total</b>	<b>(527)</b>	<b>4,657</b>	<b>0</b>	<b>4,130</b>	<b>0</b>	<b>366</b>	<b>0</b>	<b>4,496</b>	<b>(166)</b>	<b>4,330</b>	<b>11,430</b>	<b>(7,100)</b>	<b>4,330</b>
<b>Total for Business Support Department</b>	<b>9,274</b>	<b>13,799</b>	<b>0</b>	<b>23,073</b>	<b>0</b>	<b>1,373</b>	<b>(214)</b>	<b>24,232</b>	<b>(1,048)</b>	<b>23,184</b>	<b>151,577</b>	<b>(128,393)</b>	<b>23,184</b>



## Business Support Department

## BUDGET BUILD 2013/14 - BASE BUDGET ADJUSTMENTS

	Medium Term Financial Plan provision £000's	Further Proposals £000's	Net Pressure £000's
<b>CORPORATE SERVICES</b>			
<b>Legal Services</b>			
- Reduced income from capital	90	(40)	50
- Court case printing.	50		50
<b>Land Charges and Licensing</b>			
- Higher than budgeted income		(90)	(90)
<b>Building and Design</b>			
- Reduced surplus	100		100
<b>Procurement</b>			
Energy cost increases	300	(300)	0
<b>Asset and Property Management</b>			
- Property rents	127	(103)	24
- Kingsley House running costs	(84)		(84)
- Unachievable facilities management saving target	60		60
<b>FINANCIAL SERVICES</b>			
<b>Corporate Provisions</b>			
- Reduction in external audit costs		(61)	(61)
- Removal of non-recurring funding for the Airport Campaign	(50)		(50)
- Removal of non-recurring funding for Investment in Medway Campaign	(50)		(50)
- Removal of Golden Hello provision		(160)	(160)
<b>DEMOCRACY &amp; CUSTOMER FIRST</b>			
<b>Community Interpreters</b>			
- Increased income		(30)	(30)
<b>Bereavement Services</b>			
- Fee increases	(30)		(30)
- NNDR costs	28		28
- RPI increases Grounds Maintenance	28		28
<b>Customer Contact</b>			
- Additional staffing required to deal with increased caseload	64		64
<b>COMMUNICATIONS, PERFORMANCE &amp; PARTNERSHIPS</b>			
<b>Childrens Review Services</b>			
- Additional Independent Review Officer required to deal with increased workload	80	(80)	0
<b>Communications and Improvement</b>			
- Under-delivery of Graphic Design Income	50		50
- Under-delivery of Medway Matters income	30	(18)	12
<b>ORGANISATIONAL SERVICES</b>			
<b>Human Resource Services</b>			
- Reduced surplus from Temp Agency/Temporary staff	250	(50)	200
- Under-delivery of income from Academies	70	(70)	0
<b>ICT</b>			
- Better for Less upgraded software Licence costs	46	(46)	(0)
<b>TOTAL ADJUSTMENTS TO BASE BUDGET</b>	<b>1,159</b>	<b>(1,048)</b>	<b>111</b>