

## **CABINET**

**26 NOVEMBER 2013**

### **CAPITAL & REVENUE BUDGET 2014/15**

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#### **Summary**

This report presents the Council's draft capital and revenue budgets for 2014/15. 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 2014.

The draft budget is based on the principles contained in the Medium Term Financial Plan (MTFP) 2014/17 approved by Cabinet in October and reflects formula grant assumptions announced as part of Local Government Finance Settlement 2014/15 and 2015/16 Technical Consultation in July and September.

#### **1. Budget and Policy Framework**

1.1 It is the responsibility of Cabinet, supported by the management team, to develop a draft capital and revenue budgets.

#### **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 20 February 2014. 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 2014.

### **3. Budget monitoring 2013/14**

- 3.1 The quarter 2 revenue monitoring report, considered by Cabinet on 29 October 2013, forecasts a net overspending on services of some £4.369 million. This reflects the significant pressures facing Children's Services in particular and these were reflected both in the MTFP paper and again in this report. This presents a very serious situation for both the current financial year and exacerbates a very challenging financial situation looking ahead. A great deal of work will need to be done by all directorates to minimise the forecast overspend and the consequent call on the Council's reserves.
- 3.2 For the capital programme the forecast, based on the first half-year expenditure, is that the programme will spend to budget on the remaining programme of £81.6 million. (Forecast spend 2013/14 £53.8 million, 2014/15 and beyond £27.7 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 1 October 2013 presented a high level summary of the budget requirement for the next three years and identified a £16.29m gap for 2014/15 rising to a £46.6 million deficit for 2016/17 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 four 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 four priority areas and sets out what will be done to deliver these and how we will tell what difference has been made. Those four 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;
- Everyone benefiting from 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 whilst these have been updated to reflect the further reductions in the latest exemplifications from CLG that accompanied the technical consultation, there remains 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 in mid-September and followed the release of the technical exemplifications. The latest forecast is based on a zero growth in NNDR (business rates) and utilises our latest NNDR projection for 2013/14 as a base. It should be stressed that this is a forecast and could be subject to some significant variation.
- 4.5 The key assumptions underpinning the budget requirement for 2014/15 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;
  - For the MTFP there was a 1% assumption for pay awards and 2% for the re-introduction of increments. This is now revised to a zero increase for pay but there are potential costs associated with proposals now before Employment Matters Committee in respect of the review of Pay and Grade provision;
  - The MTFP reflected demographic projections for Adult Social Care based on population data but these are now revised to Government guidance at a 3% provision for growth in adult social care, offset by a funding assumption of more S256 NHS income; and
  - Some provision for demographic growth in children's social care budgets;

## **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 2013/15 Council Plan was streamlined to four priority areas, monitored by a set of measures of success. The plan also set out the Council's key projects to be delivered under each priority theme. Moving forward into 2014/15 the planned measures of success will be refreshed alongside the budget, to confirm the outcomes the Council wishes to focus on to deliver its priorities. The plan will also identify which key projects the Council will strive to deliver in the forthcoming financial year. 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 smaller, refined suite of measures of success, aligned to each priority theme. Each measure will be developed by services and draw on the results from resident consultations, to reflect the key deliverables for each priority. The measures will be highly focused to 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 size of the Council's revenue budget is determined by three major factors:
- The support from central government by way of Revenue Support Grant, other Specific Grant and DSG;
  - The Council share of the amount collected for local business rates (NNDR); and
  - The amount raised locally by council tax.
- 6.2 The Local Government Finance Settlement announced in January 2013 set out Grant expectation for both 2013/14 and 2014/15 and these are now a matter of record. However for 2014/15 and 2015/16 these have been significantly amended by announcements in the Chancellor's budget statement and the recent technical consultation on the settlement. This latter set of documents has seen a number of Councils revisiting their resource assumptions and declaring larger 'cuts' in services to be required. For Medway our grant assumption in the form of the 'Start-Up Funding Assessment' (SUFA) for 2014/15 has stayed much as predicted in February when it was £96.4 million compared to the latest forecast in the MTFP of £95.3 million plus an additional £1.1 million of local growth. However for 2015/16 the movement has been from £88.8 million in February to the latest forecast of £83.6 million which includes an additional £1.1 million of local growth in business rates. The definitive position will not be known however until January 2014 although it is expected that there will be a provisional settlement announced in December as has been the past practice.
- 6.3 The aggregate reduction in Government grant support (now expressed as SFA) since CSR 2010, for which 2014/15 is the last funding year, is 33.6% compared to an original target declaration of 28%. However there is no sign of a reduction in the pace of change for Government support and the 14.3% additional cut in the July technical consultation takes this total to almost 48% by 2015/16 and climbing.
- 6.4 In addition to this it must be remembered that Medway's 'base line' funding from central government is already low compared to comparator authorities. CIPFA benchmarking data reports that for 2013/14 Medway received £398 per capita compared to an average of £463.37 for comparator authorities, a shortfall of some 14%.
- 6.5 2013/14 is the first year of the application of the Resource Review 2012. This resulted in the localisation of funding for NNDR subject to a 50% share being returned to Central Government. This was a major technical reform of Local Government finance and there is considerable risk in estimating the Council share of this resource stream. In agreeing the budget for 2013/14 the Council adopted the baseline position set out in the SUFA which estimated a receipt of £42.119 million as the Council share. This was some £1.9 million greater than the figure returned to Government in the NNDR estimate submitted in January prior to budget setting. This difference is accounted for by the new regulations Government issued for the treatment of valuation appeals that permit the spreading of the pre 2013 effect over 5 years. Movement in the valuation base is outside of Council control, either as a consequence of changes agreed by the Valuation Office or as a consequence of business failure or new business start-up. Some of these can be quite spectacular events such as the ceasing of power generation at Kingsnorth which means the loss of a rateable value in excess of £7 million and a consequential loss of income to the Council of almost £2 million. The latest forecast, against a backdrop that a

number of appeals were settled prior to 31 March 2013, is for an income share some £1.1 million greater than that used in the budget.

- 6.6 Despite the implication of the title, business rates retained by local authorities will continue to be subject to calculation and adjustment through a complex model. This will ensure that even if rate collection nationally, increases significantly, the total amount retained by Local Government will not exceed the national spending limits for Local Government set by Treasury. Any surplus will be returned to Central Government where it will be used to fund specific grants currently funded by Government from other sources. Any local increase in the business rate footprint (after taking into account Government thresholds) will be reflected in the amount that is retained locally but conversely any local decrease will impact on resources. The model includes a wide range of assumptions and also incorporates the tariffs and top-ups included by Central Government to try to protect those areas where there would be insufficient resources to provide the base line level of service assumed.
- 6.7 The new funding regime has significantly simplified the resourcing model for Council expenditure. However there remains the potential for complexity to be re-introduced and a good example of this is the proposals for the new Integrated Transformation Fund that is to be introduced in 2015/16. This requires planning and agreement by a variety of stakeholders, the Health and Wellbeing Board and Cabinet. It should also be noted that the new fund is not new money in the system but rather an aggregation of various funding streams already present, including NHS funds, and adds complexity to spending decisions currently being made, but clearly is designed to encourage partnership thinking.
- 6.8 In respect to Council Tax levied, Medway's position in 2013/14 remains one of the lowest in both our peer group of Mainland Unitaries (7<sup>th</sup> lowest) and nationally (19<sup>th</sup> lowest of 326 billing authorities). However, for non-schools expenditure, Council Tax represents only 21% of the resources supporting the 2013/14 budget.
- 6.9 The former capping regime is now replaced with a process for referenda for 'excessive' Council Tax increases. Essentially Government determines the rate of increase above which it is deemed to be excessive. This is similar to the old "capping" regime but the level is announced before budget and council tax levels are set and indeed the secretary of State has already declared that for 2014/15 and 2015/16 that will be 2%. Any proposal to exceed the set level will need to be supported by an alternate budget to meet the determined increase and subject to a local referendum.
- 6.10 SR 2013 also announced that the offer of a grant equivalent to a 1% increase in council tax would be available for both 2014/15 and 2015/16. Based on previous Council Tax Freeze Grant offers, this would mean two separate council tax freeze grants, but, if this is the case, there is a question over how long the funding for each offer will be for. The national funding was announced at £833 million and this compares to £450 million for the 2013/14 scheme. Therefore, it would appear that there would be sufficient funding for at least the following offer:
- 2014/15 offer – funding for two years at 1%
  - 2015/16 offer – funding for one year at 1%
- There is no guarantee of funding beyond 2015/16.

- 6.11 The taxbase upon which the current council tax is set was agreed as 76,712 Band D equivalents which is significantly lower than previous years because of the discount effect of the Council Tax Reduction Scheme that replaced Council tax Benefit for 2013/14. As at the end of September the taxbase is calculated at 77,296 reflecting an increase in the rate of new properties being added against that expected when the taxbase was set in January. Original predictions were that 746 new properties would be completed this year and 699 have already been added since the taxbase calculation was performed – almost double that anticipated. Growth for the next few years is predicted to be in the order of 0.5% (560 properties a year). However banding and discounts are unpredictable, not least because of the new Council Tax Support scheme. Accordingly assumptions underpinning the revenue receipts are a taxbase of 77,683 and 78,071 respectively for 2014/15 and 2015/16 with a 2% council tax increase in each year. This increases the revenue assumption by £0.683 million compared to that in the MTFP.
- 6.12 Another significant change in 2013/14 was the transfer of responsibility for Public Health Services from the then PCT to Local Authorities. A ring –fenced grant was announced as part of the January 2013 Settlement. This amounted to £13.170 million for 2013/14 and £14.280 million for 2014/15. SR 2013 did not address this grant and the revenue resource assumptions in this report have assumed that the 2014/15 position remains static for the future.
- 6.13 SR 2013 included provision to create a Single Local Growth Fund of £2.8 billion to be funded in part by a £400 million cut in the level of New Homes Bonus paid in 2015/16 and beyond. This equates to a 35% reduction in grant payable (£400m/£1.1bn originally planned). For Medway this will mean a reduction of £2.3 million for 2015/16. However in comparison to the MTFP assumptions the data for 2014/15 New Homes Bonus (calculated on returns to Government at 1 October 2013) has shown that efforts to reduce ‘voids’ in respect of unoccupied properties, together with the enhanced numbers referred to in 6.9, have increased the bonus payable in 2014/15 by £0.883 million compared to the MTFP but for 2015/16 the £1.9 million loss predicted in the MTFP rises to £2.3 million with 35% of the £0.883 million gain being lost through the top slice.
- 6.14 In the January Settlement this year Government removed £5.9 million of Medway funding in respect of support for schools (LACSEG adjustment). This funding was taken back to the centre and re-distributed to academies with a pupil based proportion returning to the Council as Education Services Grant (ESG). For 2013/14 this was £3.6 million. SR 2013 announced that this grant, nationally worth £800m, would be cut by £200 million i.e. 25% in 2015/16. The grant effectively funds the statutory services that Councils have to provide to schools from General Fund resources such as school improvement, education services management, governor support etc. For 2015/16 this amounts to an estimated cut of £0.9 million.
- 6.15 For DSG there is some logic in an expectation of a slightly better position overall given the predicted increase in pupil numbers from 40,979 in 2013/14 to 43,689 in 2016/17. However it is difficult to see an increase in the per pupil funding rate which means an effective real cut in funding equivalent to inflationary pressure. An added complication will be the transfer funding for Academies that is predicted to rise from £75.084 million in 2013/14 to £106.8 million in 2016/17 based on known and anticipated conversions. The table below summarises the expected position:

**Table 1 – Schools Funding**

	2013/14	2014/15	2015/16
Schools Block: Pupil Numbers	36,826	37,678	38,208
Early Years Block: Pupil Numbers	2,615	2,730	2,850
High Needs Block: Pupil Places	1,538	1,876	2,005
Total all pupils	40,979	42,284	43,063
DSG (gross)	£206,234,000	£216,302,582	£222,864,600
Academy deductions	-£75,085,000	-£86,810,201	-£99,513,117
<b>DSG (net)</b>	<b>£131,149,000</b>	<b>£129,492,381</b>	<b>£123,351,483</b>
Pupil Premium and Sixth Form Funding	£7,079,000	£6,602,000	£5,926,000
<b>Net Schools Funding</b>	<b>£138,228,000</b>	<b>£136,094,381</b>	<b>£129,277,483</b>

6.16 In addition to the revenue resources referred to above the Council does have access to reserve balances. However, whilst the balance of General Reserves (i.e. those not allocated for an earmarked purpose) has increased in recent years as a result of budget underspending, it is still at a minimal level. Additionally, in setting the budget, the Council agreed a number of changes to earmark specific balances such that at 31 March 2013 the uncommitted general reserve and the contingency balance amounted to some £8.5 million. Taken in context to the recurrent saving requirement illustrated in this report, and the risks and costs that are likely in achieving financial balance, it is clear that reserves do not represent a solution to the financial equation.

## 7. Summary of draft revenue budget

7.1 The MTFP built upon the more detailed work that had been the feature of the previous plan. As such it represented a very real projection of spending demand and resource expectation for the period. As section 6 has identified, a number of the resource assumptions have now varied, and clearly work has been progressing on also addressing the spending demands and identifying areas where savings can be made. Table 2 below summarises the change in these spending pressures set against the MTFP for 2014/15 and 2015/16 and whilst this gives an ‘at a glance’ impression that the pressures have simply been removed the position is more complex than that with some removal, some reduction and additional savings. The analysis of this movement is set out in Appendices 1b to 3b with the directorate summaries at Appendices 1a to 3a. Table 3 below summarises the overall impact.

**Table 2: Summary of additional resource requirement against 2013/2014 base**

	2014/15		2015/16	
	MTFP	Revisions	MTFP	Revisions
	£000's	£000's	£000's	£000's
Children and Adults	6,660	(4,728)	2,916	(2,841)
Regeneration, Community and Culture	3,222	(3,009)	1,858	(1,563)
Business Support/Corporate Issues	147	(2,099)	1,738	(2,098)
Better for Less	0	0	(500)	0
<b>Total – General Fund</b>	<b>10,029</b>	<b>(9,836)</b>	<b>6,012</b>	<b>(6,502)</b>

**Table 3: Draft Revenue Budget 2014/2016**

	Q2 Adj. Original	Q2 Forecast Var.	MTFP Forecast	Base Adj.	Savings	Forecast Req.	MTFP Forecast	Savings	Forecast Req.
Directorate	2013/14	2013/14	2014/15	2013/14	2014/15	2014/15	2015/16	2015/16	2015/16
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Children and Adult Services (C&A):									
DSG and School Specific Expenditure	136,718	620	135,673	(1075)		134,598	(6,817)		127,781
Public Health	140		140			140			140
General Fund Services	111,763	3,290	119,232	(821)	(4,728)	113,683	2,916	(2,841)	113,758
Regeneration, Community and Culture (RCC)									
General Fund Services	49,414	484	55,771	(3,135)	(3,009)	49,627	1,858	(1,563)	49,922
Public Health	155		155			155			155
Business Support (BS):									
General Fund Services	25,525	(84)	21,769	3,903	(2,099)	23,573	1,738	(2,098)	23,213
DSG	1,496		1,496			1,496			1,496
Public Health	303		303			303			303
Public Health	12,572		13,682			13,682			13,682
Interest & Financing	14,892		14,892			14,892			14,892
Levies	879	8	879			879			879
Projected savings from 'Better for Less'	(596)	671	(1,542)	316		(1,226)	(500)		(1,726)
Norse JVC	(263)		0	(263)		(263)			(263)
<b>Budget Requirement</b>	<b>352,998</b>	<b>4,989</b>	<b>362,450</b>	<b>(1,075)</b>	<b>(9,836)</b>	<b>351,539</b>	<b>(805)</b>	<b>(6,502)</b>	<b>344,232</b>
<b>Estimated Funding</b>									
Dedicated Schools Grant	(131,149)	(620)	(130,567)	1,075		(129,492)	6,141		(123,351)
Other School Specific Grants	(7,079)		(6,602)			(6,602)	676		(5,926)
Council Tax	(87,565)		(89,763)		(683)	(90,446)	(2,253)	(17)	(92,716)
Revenue Support Grant	(63,311)		(51,845)			(51,845)	14,002		(37,843)
Business Rate share	(42,119)		(44,586)			(44,586)	(1,204)		(45,790)
New Homes Bonus	(3,613)		(4,698)		(883)	(5,581)	1,080	309	(4,192)
Specific Grants	(4,022)		(3,895)			(3,895)	814		(3,081)
Public Health Grant	(13,170)		(14,280)			(14,280)			(14,280)
Use of Reserves	(970)	(4,369)	0			0			0
<b>Estimated Available Funding</b>	<b>(352,998)</b>	<b>(4,989)</b>	<b>(346,236)</b>	<b>1,075</b>	<b>(1,566)</b>	<b>(346,727)</b>	<b>19,256</b>	<b>292</b>	<b>(327,179)</b>
<b>Budget Gap</b>									
- DSG	0	0	0	0	0	0	0	0	0
- General Fund	0	0	16,214	0	(11,402)	4,812	18,451	(6,210)	17,053



7.2 The forecast budget gap for 2014/15 now stands at £4.812 million for General Fund services and increases to £17.053 million for 2015/16 so clearly whilst this is a significant improvement on the MTFP position of a cumulative 2015/16 deficit of £34.664 million, there remains a lot of work to do particularly to address the 2015/16 position.

7.3 The revenue budget pressures facing individual directorates in 2014/15 were comprehensively reflected in the MTFP and Appendices 1b - 3b set out the movement since. The more significant changes are summarised below for information:

#### 7.3.1 Children and Adult Services (Appendix 1)

The MTFP identified general fund pressures of £6.66 million, representing the recurrent impact of the current projected overspend and additional inflationary and demographic pressures in 2014/15. Further savings of almost £2.0 million have been identified since publication of the MTFP, together with the negation of pressures such as pay and inflation assumptions, amounting to £2.7 million. However, whilst these movements reflect an increase in the demographic assumptions to 3%, in line with national guidance and presenting an additional pressure of £0.7 million, the savings include £1.4 million of additional S256 funds from the Department of Health to cover all demographic growth.

Pressures remain for:

- Increasing the demographic projection for adult services to 3% - £0.704 million
- The cost of current services and the ongoing growth in demand for children's social care services of £1.1 million as reflected in the MTFP;
- The cost of restructuring in response to recent Ofsted recommendations, has added a further £800,000;
- The cost of business rates on the empty Temple school site - £100,000;
- The £1.144 million additional current cost of SEN transport.

In addition savings have been identified as:

- Management of inflationary pressures of £2.18m by ensuring that we pay a fair price for services, fulfilling our duty, and working with providers to address any real inflationary pressures as we ourselves are having to manage them within the public sector;
- Additional S256 income to meet demographic pressures £1.4 million
- Restructuring of the adult social care management team saving £0.1 million;
- Inclusion of the full year effect of the high cost placement savings initiative - £0.6 million;
- The non-recurrent addition to the 2014/15 base budget of £0.35 million has now been deleted;
- Removal of the risk pressure related to CCG contributions - £0.228 million;
- £0.274 million from streamlined, recommissioned youth and services; and
- Removal of the risk pressure for school merger redundancies - £0.3 million.

The provisional budget requirement also reflects a £2.134 million reduction in DSG as set out at Table 1.

### 7.3.2 Regeneration, Community and Culture (Appendix 2)

The MTFP identified net pressures of £3.222 million for this directorate and these were described in the MTFP. Most of these pressures were inflationary and risk-based and have now been removed from the budget requirement to be managed through the services. This is set out at Appendix 2b and amounts to a saving of £3.009 million for 2014/15, set against the MTFP. Pressures remain for:

- Highways works - £0.250 million;
- Re-tendering of the supported bus services - £0.064 million;
- Additional costs of homelessness - £0.144 million; and
- Removal of the non-recurrent allocation for the Sporting Legacy programme - £0.245 million.

### 7.3.3 Business Support (Appendix 3)

The MTFP identified net pressures of £0.147 million for this department, the major component being for pay and increments at £0.711 million and this has now been removed in common with the other directorates.

Pressures and saving remain for:

- Unrealistic income target for Building and design team - £0.1 million;
- Removal of the non-recurring allocation for staff payments and the contingency allocation - £0.72 million.

Savings have been identified for:

- Restructuring and budget reductions in Legal and Corporate services - £0.257 million;
- Removal of the budget for discretionary rate relief now included as part of the business rate share calculation - £0.250 million;
- Restructuring in the finance division - £0.275 million;
- Restructuring in HR services - £0.2 million;
- Additional income generation - £0.2 million; and
- Budget reductions in ICT - £0.106 million.

### 7.3.4 Public Health

The Public Health function is now a responsibility of the Council and funded via a ring-fenced grant. For 2013/14 that grant is £13.17 million and any unspent funds will need to be rolled forward in similar fashion. For 2014/15 it has already been announced the grant will increase to £14.28 million but there is no information beyond that and therefore the assumption for 2015/16 is that funding will remain static.

### 7.3.5 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. In setting the 2013/14 budget the surplus generated on the treasury accounts was used to support the budget elsewhere across the Council.

### 7.3.6 Levies

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

### 7.3.7 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 3, above, highlights a funding gap of £4.812 million in relation to General Fund services for 2014/15 rising to £17.053 million in 2015/16. This is a greatly improved position compared to that forecast in the MTFP as a consequence of the measures outlined in section 7 above.
- 8.2 There has to be some caution over the resource projections as they are based on exemplifications of possible funding scenarios and assumptions for taxbase and business rates that could change. The Council will not know the definitive position in regard to Government support until the final settlement in January 2014 albeit the provisional settlement due in late December should provide greater certainty.
- 8.3 Officers and Portfolio Holders will be targeting 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;
  - Property rationalisation; and
  - Review of fees and charges across a whole range of service areas.

## 9. Draft capital budget proposals 2014/15

- 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 Capital programme currently stands at £87.1 million and it is currently forecast that £53.8 million of this programme will spend in 2013/14 with a further £33.3 million in the years 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. It should be noted that the 2013/14 settlement, awarded Medway a Basic Need Grant of £5.026 million, however this represented the funding for both 2013/14 and 2014/15, so no further grant is expected in 2014/15. Having said that, the current capital programme does not yet include the £10.1million Targeted Basic Need Grant that the local authority recently successfully bid for, nor does it reflect the £2.0 million of uncommitted DSG reserves, that the Schools Forum recently agreed could be used to deliver additional SEN capacity. As for Capital Maintenance Grant, it is anticipated that this will be in line with the 2013/14 grant, but it will be adjusted to reflect further Academy transfers - eight more schools during the current year - so broadly a 10% reduction has been assumed (£0.3 million). A similar percentage reduction has been assumed for school’s Devolved Formula Capital.

**Table 4. 2014/15 Government grant assumptions**

	<b>C &amp; A</b>	<b>BSD</b>	<b>RCC</b>	<b>Total</b>
	<b>£000’s</b>	<b>£000’s</b>	<b>£000’s</b>	<b>£000’s</b>
Disabled Facilities Grant	0	739	0	739
Education Basic Needs Grant	0	0	0	0
2013/14 Targeted Basic Needs Grant	10,050	0	0	10,050
Schools Capital Maintenance Grant (est.)	2,670	0	0	2,670
Schools Devolved Formula Capital (est.)	480	0	0	480
Contribution from DSG Reserve	2,000	0	0	2,000
Adult Social Care Transformation Grant	547	0	0	547
LTP - Integrated Transport element	0	0	2,216	2,216
LTP - Highways Maintenance element	0	0	2,122	2,122
<b>Total Forecast</b>	<b>15,747</b>	<b>739</b>	<b>4,338</b>	<b>20,824</b>

9.3 The current capital programme reflects slippage from previous years, together with the 2013/14 grant allocations, other additional approvals such as the ‘Growing Places’ funds and the HRA development programme. This programme will continue to be delivered throughout 2013/14 and beyond and Table 5 below summarises planned expenditure and provides an analysis of how it is funded.

**Table 5. 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>Forecast Programme</b>					
2013/14	24,677	2,659	26,154	330	53,820
2014/15	6,996	1,222	15,886	295	24,399
2015/16	107	983	6,072	0	7,162
2016/17 & future year's	27	630	1,090	0	1,747
<b>Total</b>	<b>31,807</b>	<b>5,494</b>	<b>49,202</b>	<b>625</b>	<b>87,128</b>
<b>Funding Source</b>					
Grants	25,857	0	20,156	0	46,013
Developer & other contributions	2,399	0	2,015	0	4,414
Capital Receipts	2,437	2,598	3,109	625	8,769
Reserves & revenue	1,114	0	4,905	0	6,019
HRA reserves & revenue	0	0	5,286	0	5,286
Borrowing	0	2,896	13,731	0	16,627
<b>Total Funding</b>	<b>31,807</b>	<b>5,494</b>	<b>49,202</b>	<b>625</b>	<b>87,128</b>

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 2014/15 can only be considered as provisional at this stage.

## **10. Housing Revenue Account – Draft Budget 2014/15**

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 2013, the Council owned 3,023 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 current monitoring projects the HRA will make a surplus for the 2013/14 financial year of just over £1.3 million. There was also a bought forward accumulated balance on the account as at 1 April 2013 of £4.3 million although Council recently determined that £2 million of this balance be transferred to general fund reserves. Existing commitments of £1.6 million to finance the 2013/14 HRA capital planned maintenance programme shown in Table 5, together with the need to maintain a contingency balance of circa £0.75 million; will leave an estimated accumulated balance on the account of £1.2 million available for reinvestment in the HRA.

10.3 No significant changes are expected to the Government's rent re-structuring policy in 2014/15 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 2013 RPI was 3.2%). The 2014/2015 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. The Government is currently consulting on social housing rents from 2015 whereupon changes to the rent setting policy are anticipated.

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.

10.5 Generally, all expenditure will remain at 2013/2014 levels for 2014/2015 to reflect the current economic climate. The only exceptions to this will be contracts that are subject to annual inflationary increases or contracts subject to increases or decreases as a result of retendering.

## **11. Conclusions**

11.1 These initial budget proposals represent a considerable step towards developing the 2014/15 revenue budget in comparison to the MTFP and that is reflected in the more than halving of the 2015/16 cumulative deficit. However the budget agreed by Council for 2014/15 and indeed for 2015/16 will have to have a zero deficit so there is clearly much still to do, particularly to identify and implement the measures to close the 2015/16 gap and be deliverable that year. Experience has shown that savings measures of the scale that the predicted deficit demands will have a significant lead time to delivery.

11.2 However as the report also indicates, the available resources for the Council are still subject to some uncertainty and this will not be resolved until early next year. At this stage it is not expected that Government funding will deteriorate further but that risk will remain until the final allocations are announced.

11.3 There remains considerable work required in order to both present a balanced budget for 2014/15 and identify a strategy to meet the further deficit for 2015/16 in time to be deliverable. This will be undertaken during the period leading up to the Cabinet meeting on 11 February 2014. 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 work with the local MP's and lobby ministers and Government for a more equitable share of resources for Medway;
- 15.2 Requests that officers continue the 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;
- 15.4 Instructs the Chief Executive and Directors to undertake consultation with staff and trades unions regarding proposals set out in paragraphs 7.3.1 to 7.3.3.

#### **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 11 February 2014 and formal council tax setting on 20 February 2014.

**Background papers:** Medium Term Financial Plan 2014/17 – Cabinet 1 October 2013:

<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=21413>

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## CHILDREN AND ADULT SERVICES - BUDGET BUILD 2014-2015

General Fund Activities	2013-14 Base (Q2 2013) £'000	Remove Support Services £'000	2013-14 Adjusted Base £'000	Medium Term Financial Plan			2014-15 MTFP Assumptions £'000	2014-15 Further Proposals £'000	2014-15 Draft Budget (Nov 2013) £'000	2014-15 Budget Requirement			
				Inflation £'000	Other Pressures £'000	Savings £'000				Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Net Expenditure £'000
Commissioning and Client Financial Affairs	2,986	(21)	2,965	0	0	0	2,965	(0)	2,965	3,490	(525)	0	2,965
Older People	22,110	(979)	21,132	449	429	0	22,010	(18)	21,992	33,551	(1,746)	(9,813)	21,992
Independent Review & SCB	1,068	(466)	602	0	0	0	602	0	602	661	(59)	0	602
Social Care Management	(6)	(234)	(239)	18	0	0	(221)	(1,518)	(1,739)	5,490	(7,230)	0	(1,739)
Physical Disability	12,717	(542)	12,175	252	54	0	12,481	(346)	12,135	13,027	(201)	(691)	12,135
Learning Disability	25,242	(1,075)	24,167	495	199	0	24,861	(744)	24,117	25,447	(57)	(1,273)	24,117
Linked Service Centres	63	(16)	47	1	0	0	48	(1)	47	49	0	(2)	47
Mental Health	4,474	(381)	4,092	93	14	0	4,200	(77)	4,122	4,293	0	(170)	4,122
<b>Total for Adult Social Care</b>	<b>68,654</b>	<b>(3,714)</b>	<b>64,940</b>	<b>1,309</b>	<b>696</b>	<b>0</b>	<b>66,945</b>	<b>(2,705)</b>	<b>64,240</b>	<b>86,009</b>	<b>(9,819)</b>	<b>(11,950)</b>	<b>64,240</b>
Safeguarding Team	6,185	(1,149)	5,036	79	0	0	5,115	(79)	5,036	5,106	(70)	0	5,036
CRAST Team	4,753	(434)	4,320	66	800	0	5,185	(66)	5,120	5,316	(70)	(127)	5,120
Specialist Children's Services	18,115	(350)	17,765	395	1,212	0	19,372	(395)	18,977	19,496	(519)	0	18,977
Children's Care Management Team	405	(17)	389	9	0	0	397	(9)	389	389	0	0	389
Child Protection	256	(25)	231	6	0	0	237	(6)	231	316	(85)	0	231
Children's Care Training	101	(16)	85	4	0	0	89	(4)	85	110	0	(25)	85
<b>Total for Children's Care</b>	<b>29,815</b>	<b>(1,990)</b>	<b>27,825</b>	<b>559</b>	<b>2,012</b>	<b>0</b>	<b>30,396</b>	<b>(559)</b>	<b>29,837</b>	<b>30,733</b>	<b>(745)</b>	<b>(152)</b>	<b>29,837</b>
Directorate Management Team	937	(38)	899	21	0	0	920	(371)	549	601	(52)	0	549
Commissioning, Contracts and Business Support	2,671	(93)	2,578	54	228	0	2,860	(282)	2,578	3,227	(650)	0	2,578
School Organisation and Student Services	1,767	(116)	1,652	16	100	0	1,768	(16)	1,752	2,368	(290)	(325)	1,752
Commissioning Management Team	146	0	146	(0)	0	0	146	0	146	206	(60)	0	146
<b>Total for Commissioning and Traded Services</b>	<b>5,521</b>	<b>(246)</b>	<b>5,275</b>	<b>90</b>	<b>328</b>	<b>0</b>	<b>5,693</b>	<b>(668)</b>	<b>5,025</b>	<b>6,402</b>	<b>(1,052)</b>	<b>(325)</b>	<b>5,025</b>
Health and Wellbeing	448	(9)	438	8	0	0	446	(8)	438	460	0	(22)	438
Integrated Youth Support Services	3,295	(138)	3,157	62	0	0	3,218	(336)	2,883	3,803	(851)	(69)	2,883
Psychology and Inclusion	15,401	(598)	14,803	31	1,144	0	15,978	(31)	15,947	17,319	(1,317)	(55)	15,947
Inclusion Management Team	949	(55)	893	25	0	0	918	(25)	893	2,669	(1,233)	(543)	893
Early Years	15,380	(993)	14,387	44	0	0	14,431	(44)	14,387	14,725	(31)	(307)	14,387
Schools Commissioning and Traded Services	560	(27)	532	22	0	0	555	(22)	532	1,817	(319)	(966)	532
School Challenge and Improvement	955	(36)	919	20	0	0	939	(20)	919	945	0	(25)	919
<b>Total for Inclusion and School Improvement</b>	<b>36,987</b>	<b>(1,857)</b>	<b>35,130</b>	<b>211</b>	<b>1,144</b>	<b>0</b>	<b>36,485</b>	<b>(485)</b>	<b>36,000</b>	<b>41,738</b>	<b>(3,751)</b>	<b>(1,987)</b>	<b>36,000</b>
Finance Headings	730	(13)	718	(5)	0	0	712	5	718	716	0	1	718
HR Headings	622	(61)	561	16	300	0	877	(316)	561	988	0	(428)	561
School Grants	7,079	0	7,079	0	0	0	7,079	0	7,079	7,079	0	0	7,079
<b>Total Schools Retained Funding and Grants</b>	<b>8,431</b>	<b>(73)</b>	<b>8,357</b>	<b>11</b>	<b>300</b>	<b>0</b>	<b>8,668</b>	<b>(311)</b>	<b>8,357</b>	<b>8,784</b>	<b>0</b>	<b>(426)</b>	<b>8,357</b>
<b>Schools Delegated Funding</b>	<b>107,093</b>	<b>0</b>	<b>107,093</b>	<b>0</b>	<b>0</b>	<b>(2,134)</b>	<b>104,959</b>	<b>0</b>	<b>104,959</b>	<b>104,959</b>	<b>0</b>	<b>0</b>	<b>104,959</b>
<b>Total for Children and Adult Services Directorate</b>	<b>256,501</b>	<b>(7,880)</b>	<b>248,621</b>	<b>2,180</b>	<b>4,480</b>	<b>(2,134)</b>	<b>253,146</b>	<b>(4,728)</b>	<b>248,419</b>	<b>278,625</b>	<b>(15,366)</b>	<b>(14,841)</b>	<b>248,419</b>



## BUDGET BUILD 2014/15 - BASE BUDGET ADJUSTMENTS

	MTFP 14/15 £000s	Further proposals 14/15 £000s	MTFP 15/16 £000s	Further proposals 15/16 £000s
<b>Adult Social Care</b>				
Commissioning & Client Financial Affairs				
Older People				
- Inflation: Older people (average 2% pa).	351	(351)	358	(358)
- Demographic Projections (based on POPPI projections)	429	431	371	489
Independent Review & Safeguarding Children Board				
Social Care Management				
- Additional Section 256 funding to meet demographic pressures		(1,400)		(1,400)
- Restructure of the ASC management team		(100)		
Physical Disability				
- Inflation: People with a physical disability (average 2%).	192	(192)	196	(196)
- Demographic Projections (based on PANSI projections)	54	56	84	26
Learning Disability				
- Inflation: People with a learning disability (average 2%).	418	(418)	359	(359)
- Demographic Projections (based on PANSI projections)	199	201	220	180
- Full year effect of the 'high cost placements' workstream		(600)		
Mental Health				
- Inflation: Mental health services (average 2%).	40	(40)	41	(41)
- Demographic Projections (based on PANSI projections)	14	16	12	18
<b>Children's Care</b>				
Safeguarding Team				
CRAST Team				
- Cost of restructured division in response to OFSTED recommendations	800			
Specialist Childrens' Services				
- Cost of Current Service: Higher than anticipated LAC nos.	1,100			
- Inflation: Fostering and residential (2% pa).	229	(229)	234	(234)
- Demographic Projections (based on ONS 0-17 population projections)	112		75	
Children's Care Management Team				
Child Protection				
Children's Care Training				
<b>Commissioning</b>				
Directorate Management Team				
- Delete the non-recurring Improvement Plan budget		(350)		
Commissioning, Contracts & Business Support				
- Risk to CCG contribution towards Preventative Fund and voluntary sector grants	228	(228)		
School Organisation & Student Services				
- Temple Site NNDR pending being brought back into operational use	100			
Commissioning Management Team				
<b>Inclusion</b>				
Health and Wellbeing				
Integrated Youth Support Services				
- Delete the non-recurring transition funding for YES contract		(75)		
- Potential for more streamlined commissioning of youth services		(174)		
- 15% reduction in the childminding contract		(25)		
Psychology & Inclusion				
- Cost of Current Service: SEN Transport based upon Q1 forecast	1,144			
Inclusion Management Team				
Early Years				
Schools Commissioning & Traded Services				
School Challenge & Improvement				
<b>Schools Retained Funding and Grants</b>				
Finance Headings				
HR Headings				
- Redundancies arising from school reorganisations and deficit plans	300	(300)		
School Grants				
<b>Schools Delegated Funding (DSG)</b>	(2,134)		(6,817)	
<b>Pay Award</b>	317	(317)	320	(320)
<b>Increments</b>	633	(633)	646	(646)
<b>Total for Children and Adults</b>	<b>4,526</b>	<b>(4,728)</b>	<b>(3,901)</b>	<b>(2,841)</b>



## REGENERATION, COMMUNITY AND CULTURE - BASE BUDGET BUILD 2014-2015

General Fund Activities	2013-14 Base (Q2 2013) £'000	Remove Support Services £'000	Adjustments £'000	2013-14 Adjusted Base £'000	Medium Term Financial Plan			2014-15 MTFP Assumptions £'000	2014-15 Further Proposals £'000	2014-15 Draft Budget (Nov 2013) £'000	2014-15 Budget Requirement		
					Inflation £'000	Other Pressures £'000	Savings £'000				Gross Expenditure £'000	Direct Income £'000	Net Expenditure £'000
Highways	6,717	(226)	0	6,491	135	1,004	0	7,630	(889)	6,741	7,176	(435)	6,741
Road Safety	400	(117)	0	284	0	0	0	284	0	284	557	(274)	284
Traffic Management	749	(74)	0	675	0	0	0	675	0	675	986	(311)	675
Parking Services	(2,865)	(250)	0	(3,115)	0	0	0	(3,115)	0	(3,115)	2,800	(5,915)	(3,115)
Waste Services	19,305	(635)	0	18,670	426	616	0	19,712	(1,042)	18,670	21,551	(2,880)	18,670
Community Safety Partnership	266	(41)	0	225	0	0	0	225	0	225	225	0	225
Environmental Health Commercial	1,257	(159)	0	1,099	0	0	0	1,099	0	1,099	1,172	(73)	1,099
Environmental Services	1,493	(171)	0	1,322	0	0	0	1,322	0	1,322	1,535	(213)	1,322
Safer Communities Support	327	(121)	0	206	0	0	0	206	0	206	206	0	206
CCTV/Lifeline	391	(198)	0	193	0	0	0	193	0	193	3,119	(2,926)	193
Strood Depot Services	(6)	(14)	0	(20)	0	0	0	(20)	0	(20)	91	(112)	(20)
Front Line Support	1,127	(542)	0	585	0	0	0	585	0	585	605	(20)	585
Integrated Transport	6,626	(386)	0	6,240	0	241	0	6,481	(177)	6,304	7,054	(750)	6,304
Major Projects	(206)	(50)	0	(256)	0	100	0	(156)	(100)	(256)	607	(863)	(256)
<b>Total for Front Line Services</b>	<b>35,583</b>	<b>(2,983)</b>	<b>0</b>	<b>32,600</b>	<b>561</b>	<b>1,961</b>	<b>0</b>	<b>35,122</b>	<b>(2,208)</b>	<b>32,914</b>	<b>47,685</b>	<b>(14,771)</b>	<b>32,914</b>
Economic Development	645	(138)	0	507	0	0	0	507	0	507	1,322	(815)	507
Planning Policy & Design	852	(46)	0	806	0	0	0	806	0	806	824	(18)	806
Development Management	303	(300)	0	4	0	0	0	4	0	4	1,216	(1,212)	4
Social Regeneration & Europe	504	(233)	0	271	0	0	0	271	0	271	531	(260)	271
Building Control	175	(1)	0	174	0	0	0	174	0	174	174	0	174
Housing Solutions	1,544	(96)	0	1,448	0	144	0	1,592	0	1,592	1,888	(296)	1,592
Homechoice	437	(57)	0	380	0	0	0	380	0	380	449	(69)	380
Private Sector Housing	431	(55)	0	377	0	0	0	377	0	377	437	(61)	377
Housing Disabled Adaptations	121	(47)	0	74	0	0	0	74	0	74	155	(81)	74
Property Management	22	(21)	0	1	0	0	0	1	0	1	52	(52)	1
Housing Strategy	348	(85)	0	263	0	0	0	263	0	263	279	(16)	263
Housing & Regeneration Support	160	(189)	0	(29)	0	0	0	(29)	0	(29)	36	(65)	(29)
Housing Related Support	1,805	(9)	0	1,796	0	0	0	1,796	0	1,796	1,796	0	1,796
Physical Regeneration	274	(7)	0	267	0	0	0	267	0	267	319	(52)	267
<b>Total for Development and Transport</b>	<b>7,621</b>	<b>(1,284)</b>	<b>0</b>	<b>6,337</b>	<b>0</b>	<b>144</b>	<b>0</b>	<b>6,481</b>	<b>0</b>	<b>6,481</b>	<b>9,478</b>	<b>(2,997)</b>	<b>6,481</b>
L&C Management Group	17	(15)	0	2	0	0	0	2	0	2	2	0	2
Leisure & Sports	3,752	(2,206)	0	1,546	0	0	(245)	1,301	0	1,301	5,384	(4,083)	1,301
Arts, Theatres & Events	1,373	(406)	0	966	0	0	0	966	0	966	2,840	(1,874)	966
Heritage	785	(209)	0	575	0	0	0	575	0	575	838	(263)	575
Greenspaces and Country Parks	4,164	(809)	0	3,355	0	0	0	3,355	0	3,355	4,141	(786)	3,355
Tourism	558	(97)	0	461	0	0	0	461	0	461	998	(537)	461
Libraries	4,204	(1,095)	0	3,109	0	55	0	3,164	(55)	3,109	3,363	(254)	3,109
<b>Total for Leisure and Culture</b>	<b>14,852</b>	<b>(4,838)</b>	<b>0</b>	<b>10,015</b>	<b>0</b>	<b>55</b>	<b>(245)</b>	<b>9,825</b>	<b>(55)</b>	<b>9,770</b>	<b>17,566</b>	<b>(7,796)</b>	<b>9,770</b>
<b>Regeneration, Community &amp; Culture Directorate Support</b>	<b>943</b>	<b>(325)</b>	<b>0</b>	<b>618</b>	<b>51</b>	<b>70</b>	<b>0</b>	<b>738</b>	<b>(121)</b>	<b>617</b>	<b>647</b>	<b>(30)</b>	<b>617</b>
<b>Pay award</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>208</b>	<b>0</b>	<b>0</b>	<b>208</b>	<b>(208)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Increments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>417</b>	<b>0</b>	<b>417</b>	<b>(417)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total for Regeneration, Community &amp; Culture</b>	<b>58,999</b>	<b>(9,430)</b>	<b>0</b>	<b>49,569</b>	<b>820</b>	<b>2,647</b>	<b>(245)</b>	<b>52,791</b>	<b>(3,009)</b>	<b>49,782</b>	<b>75,376</b>	<b>(25,595)</b>	<b>49,782</b>



## BUDGET BUILD 2014/15 - BASE BUDGET ADJUSTMENTS

	MTFP 14/15	Further proposals 14/15	MTFP 15/16	Further proposals 15/16
	£000s	£000s	£000s	£000s
<b>Front Line Services</b>				
Highways				
- Contract inflation (2.5%) Revenue	96	(96)	98	(98)
- Contract inflation (2.5%) Capital	39	(39)	40	(40)
- Medway Tunnel (capital programme funding will end)				
- Address worsening NI carriageway condition	750	(500)	25	(25)
- Grass & trees, cutting frequency & traffic management	135	(135)		
- New electricity supply contract (Highways & Parking)	119	(119)		
Integrated Transport				
- Older persons - 3% demographic pressure	117	(117)	121	(121)
- Retendering supported bus services	64		110	
- Replacement cost - Villager community bus	60	(60)		
Road Safety				
Traffic Management				
Parking				
Waste Services				
- Landfill Tax £80 per tonne 14/15 - additional £8 per tonne	155	(155)	155	(155)
- Additional tonnages	319	(319)		
- Contract inflation (2.5%)	426	(426)	437	(437)
- New collection contract BOQ / frequency / Vos	142	(142)		
- Procurement cost amortisation				
Community Safety Partnership				
Environmental Health Commercial				
Environmental Services				
Safer Communities Support				
CCTV / Lifeline				
Strood Depot Services				
Front Line Support				
Major Projects				
- Staff recharge to capital	100	(100)		
<b>Housing &amp; Regeneration</b>				
Housing & Regeneration Support				
Economic Development				
Flood & Coast Protection				
Planning Policy & Design				
Development Management				
Social Regeneration & Europe				
Building Control				
Housing Solutions				
- Homelessness	144		185	
Homechoice				
Private Sector Housing				
Housing Disabled Adaptations				
Property Management				
Housing Strategy				
Housing Performance				
Centralised Budgets				
Housing Related Support				
<b>Leisure and Culture</b>				
L&C Management Group				
Leisure & Sports				
- Remove sporting legacy investment (one-off 13/14)	(245)			
Arts, Theatres & Events				
Heritage				
Greenspaces and Country Parks				
Tourism				
Libraries				
- Archives database replacement	55	(55)		
<b>Regeneration, Community &amp; Culture Directorate Support</b>				
<b>Grounds Maintenance</b> - (across RCC) - contract inflation	51	(51)	52	(52)
<b>Grounds Maintenance</b> - (across RCC) - cleansing	70	(70)		
<b>Pay award</b>	208	(208)	210	(210)
<b>Increments</b>	417	(417)	425	(425)
<b>Total for Regeneration, Community &amp; Culture</b>	<b>3,222</b>	<b>(3,009)</b>	<b>1,858</b>	<b>(1,563)</b>





## BUSINESS SUPPORT DEPARTMENT - BUDGET BUILD 2014-2015

General Fund Activities	2013-14 Base (Q2 2013)	Remove Support Services	Adjustments	2013-14 Adjusted Base	Medium Term Financial Plan			2014-15 MTFP Assumptions	2014-15 Further Proposals	2014-15 Draft Budget (Nov 2013)	2014-15 Budget Requirement		
					Inflation	Other Pressures	Savings				Gross Expenditure	Direct Income	Net Expenditure
					£'000	£'000	£'000				£'000	£'000	£'000
Legal Services	0	1,360	0	1,360	0	0	0	1,360	(48)	1,312	1,516	(204)	1,312
Land Charges and Licensing	(35)	(101)	0	(136)	0	0	0	(136)	0	(136)	441	(576)	(136)
Building and Design	(442)	(17)	0	(458)	0	100	0	(358)	(59)	(417)	678	(1,095)	(417)
Category Management	(832)	1,039	0	207	0	0	0	207	(150)	57	57	0	57
Asset and Property Management	(663)	1,661	0	999	0	0	0	999	0	999	3,631	(2,632)	999
Centralised Budgets	38	0	0	38	0	0	0	38	0	38	38	0	38
Facilities Management (Medway NORSE)	645	4,469	0	5,114	0	0	0	5,114	0	5,114	5,114	0	5,114
AD H&CS Vacancy	(88)	0	0	(88)	0	0	0	(88)	0	(88)	(88)	0	(88)
<b>Total for Corporate Services</b>	<b>(1,376)</b>	<b>8,412</b>	<b>0</b>	<b>7,036</b>	<b>0</b>	<b>100</b>	<b>0</b>	<b>7,136</b>	<b>(257)</b>	<b>6,879</b>	<b>11,387</b>	<b>(4,508)</b>	<b>6,879</b>
Benefit Payments	1,484	(94)	0	1,391	0	0	0	1,391	0	1,391	104,176	(102,785)	1,391
Revenues and Benefits Admin Total	1,663	(2,903)	0	(1,240)	0	0	0	(1,240)	0	(1,240)	1,763	(3,003)	(1,240)
NNDR Discretionary Relief	251	0	0	251	0	0	0	251	(250)	1	1	0	1
Rural Liaison Grants	110	0	0	110	0	0	0	110	0	110	110	0	110
Ward Improvements	165	0	0	165	0	0	0	165	0	165	165	0	165
Corporate Management	2,995	(2,688)	0	307	0	0	0	307	0	307	307	0	307
Non Distributed Costs	1,553	0	0	1,553	0	0	0	1,553	0	1,553	1,553	0	1,553
Corporate Provisions	1,526	(115)	0	1,411	0	0	(720)	691	0	691	691	0	691
Business Support Management Team	24	847	0	870	0	0	0	870	0	870	952	(81)	870
Financial Management	6	1,168	0	1,174	0	0	0	1,174	(275)	899	1,022	(123)	899
Financial Systems	0	124	0	124	0	0	0	124	0	124	133	(8)	124
Financial Support	(0)	476	0	476	0	0	0	476	0	476	516	(40)	476
Creditors and Income Services	0	394	0	394	0	0	0	394	0	394	418	(24)	394
Audit Services	0	544	0	544	0	0	0	544	0	544	550	(7)	544
FS Vacancy Saving Target	(106)	0	0	(106)	0	0	0	(106)	0	(106)	(106)	0	(106)
<b>Total for Finance</b>	<b>9,672</b>	<b>(2,247)</b>	<b>0</b>	<b>7,425</b>	<b>0</b>	<b>0</b>	<b>(720)</b>	<b>6,705</b>	<b>(525)</b>	<b>6,180</b>	<b>112,251</b>	<b>(106,071)</b>	<b>6,180</b>
Democratic Services	823	(239)	0	584	0	0	0	584	0	584	634	(50)	584
Members and Mayoral Services	1,056	(30)	0	1,026	0	0	0	1,026	0	1,026	1,074	(48)	1,026
Electoral Services	455	(15)	0	440	0	0	0	440	0	440	443	(4)	440
Community Interpreters	(103)	(2)	0	(105)	0	0	0	(105)	0	(105)	186	(291)	(105)
Registration Services	89	(87)	0	2	0	0	0	2	0	2	508	(506)	2
Bereavement Services	(222)	(123)	0	(346)	0	0	0	(346)	0	(346)	1,550	(1,896)	(346)
Customer Contact	123	3,799	0	3,922	0	0	0	3,922	0	3,922	4,112	(190)	3,922
Customer First	0	758	0	758	0	0	0	758	0	758	810	(52)	758
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>2,072</b>	<b>4,060</b>	<b>0</b>	<b>6,131</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,131</b>	<b>0</b>	<b>6,131</b>	<b>9,167</b>	<b>(3,035)</b>	<b>6,131</b>
Performance and Intelligence	26	545	0	570	0	0	0	570	0	570	589	(18)	570
Communications and Improvement	(47)	742	0	695	0	0	0	695	0	695	1,068	(373)	695
Administration Hub	(189)	2,092	0	1,903	0	0	0	1,903	0	1,903	2,287	(384)	1,903
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>(309)</b>	<b>3,379</b>	<b>0</b>	<b>3,069</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,069</b>	<b>0</b>	<b>3,069</b>	<b>3,844</b>	<b>(775)</b>	<b>3,069</b>
Human Resource Services	(231)	1,691	0	1,461	0	0	0	1,461	(300)	1,161	5,028	(3,867)	1,161
Adult Education	(204)	(611)	0	(815)	0	0	0	(815)	0	(815)	2,058	(2,873)	(815)
ICT	(0)	3,080	0	3,080	0	56	0	3,136	(306)	2,830	3,565	(734)	2,830
AD OS Vacancy	(107)	0	0	(107)	0	0	0	(107)	0	(107)	(107)	0	(107)
<b>Organisational Services Total</b>	<b>(541)</b>	<b>4,161</b>	<b>0</b>	<b>3,619</b>	<b>0</b>	<b>56</b>	<b>0</b>	<b>3,675</b>	<b>(606)</b>	<b>3,069</b>	<b>10,543</b>	<b>(7,474)</b>	<b>3,069</b>
BFL - Community Hubs	43	0	0	43	0	0	0	43	0	43	43	0	43
Better for Less - Project	101	(101)	0	0	0	0	0	0	0	0	0	0	0
<b>Better for Less Total</b>	<b>144</b>	<b>(101)</b>	<b>0</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>43</b>	<b>0</b>	<b>43</b>	<b>43</b>	<b>0</b>	<b>43</b>
Pay award	0	0	0	0	237	0	0	237	(237)	0	0	0	0
Increments	0	0	0	0	0	474	0	474	(474)	0	0	0	0
<b>Total for Business Support Department</b>	<b>9,661</b>	<b>17,663</b>	<b>0</b>	<b>27,324</b>	<b>237</b>	<b>630</b>	<b>(720)</b>	<b>27,471</b>	<b>(2,099)</b>	<b>25,372</b>	<b>147,236</b>	<b>(121,864)</b>	<b>25,372</b>



## BUDGET BUILD 2014/15 - BASE BUDGET ADJUSTMENTS

	MTFP 14/15 £000s	Further proposals 14/15 £000s	MTFP 15/16 £000s	Further proposals 15/16 £000s
<b>Legal &amp; Corporate Services</b>				
Legal Services				
- monitoring officer / agency costs		(48)		
Land Charges & Licensing				
Building & Design				
- Reduce design fee surplus	100		100	
Category Management				
- Restructure		(150)		
Category Management Workstreams				
Asset and Property Management				
- Vacation of Compass Centre (March 2015)			(385)	
- Compass Centre dilapidations			385	(385)
- Vacation of Kingsley House (June 2012)		(59)	(59)	59
- Structural repairs Riverside			800	(800)
- Reduced rental from property holdings			25	(25)
Centralised Budgets				
Corp Services Vacancy Target				
<b>Total for Finance</b>				
Benefit Payments				
Revenues and Benefits Admin Total				
NNDR Discretionary Relief				
- changes to way funded		(250)		
Rural Liaison Grants				
Ward Improvements				
Corporate Management				
Non Distributed Costs				
Corporate Provisions				
- Removal of one-off staff payments April 2013	(375)			
- Removal of contingency budget	(345)			
BSD Management Team				
Financial Management				
- Restructure		(275)		(75)
Financial Systems				
Financial Support				
Creditors and Income Services				
Audit Services				
FS Vacancy Saving Target				
<b>Total for Democracy &amp; Customer First</b>				
Democratic Services				
Members and Mayoral Services				
Electoral Services				
Community Interpreters				
Registration Services				
Bereavement Services				
Customer Contact				
Customer First				
CF Vacancy Saving Target				
<b>Total for Communications, Performance &amp; Partnerships</b>				
Performance & Intelligence				
Communications and Improvement				
Better for Less				
Administration Hub				
CPP Vacancy Saving Target				
<b>Organisational Services Total</b>				
Human Resource Services				
- Employee relations restructure		(200)		
- Charging for external courses		(100)		
Adult Education				
ICT				
- Impact of BfL telephony & system maintenance	56	(56)		
- NHS hosting contract			41	(41)
- Extend server facility		(200)		
- Contract management efficiencies		(50)		
- Healthy Living Centre income			108	(108)
OS Vacancy Saving Target				
<b>Pay Award</b>	237	(237)	239	(239)
<b>Increments</b>	474	(474)	484	(484)
<b>Total for Business Support</b>	<b>147</b>	<b>(2,099)</b>	<b>1,738</b>	<b>(2,098)</b>