

AGENDA

CORPORATE SERVICES OVERVIEW AND SCRUTINY COMMITTEE MEETING



Overview and Scrutiny

Date: Tuesday 3 August 2010

Time: 6.30 pm

Venue: Town Hall, High Street,
Maidstone

Membership:

Councillors: Bradshaw, Harwood (Chairman),
Hinder, Lusty (Vice-Chairman), Parr,
Ross and Mrs Wilson

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1. **The Committee to consider whether all items on the agenda should be web-cast.**
2. **Apologies.**
3. **Notification of Substitute Members.**
4. **Notification of Visiting Members.**

Continued Over/:

Issued on 23 July 2010

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Alison Broom

**Alison Broom, Chief Executive, Maidstone Borough Council,
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5. Disclosures by Members and Officers:

- a) Disclosures of interest.
- b) Disclosures of lobbying.
- c) Disclosures of whipping.

6. To consider whether any items should be taken in private because of the possible disclosure of exempt information.

7. Budget Strategy 2011/12 Onwards:

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Interview with:

- The Leader of the Council, Councillor Chris Garland; and
- The Head of Finance and Customer Services, Paul Riley.

8. Future Work Programme and the Forward Plan of Key Decisions.

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MAIDSTONE BOROUGH COUNCIL

CORPORATE SERVICES OVERVIEW AND SCRUTINY COMMITTEE

TUESDAY 3 AUGUST 2010

REPORT OF THE HEAD OF CHANGE & SCRUTINY

Report prepared by Esther Bell

1. BUDGET STRATEGY 2011/12 ONWARDS

1.1 Issue for Consideration

1.1.1 To consider:

- The presentation of the Head of Finance and Customer Services outlining the main issues relating to the Council's Budget; and
- The Budget Strategy 2011/12 onwards and Cabinet's decision.

1.2 Recommendation of the Head of Change & Scrutiny

1.2.1 The Committee is recommended to consider the Budget Strategy 2011/12 onwards and Cabinet's decision and make recommendations to Cabinet to be fed into the final budget strategy proposal later this year.

1.2.2 Members are also recommended to consider the statements of Councillor Garland and Mr Riley and ask questions with regard to the Budget Strategy as they feel appropriate. Potential areas for discussion include, but are not limited to:

- The Medium Term Financial Strategy – is this suitably robust?;
- Potential areas for savings/cuts;
- The link to the Council's 5 priority themes of:
 - A place to achieve, prosper and thrive;
 - A place that is clean and green;
 - A place that has strong, healthy and safe communities;
 - A place to live and enjoy; and
 - A place with efficient and effective public services;
- The impact of the recession;
- Public consultation; and
- Potential Council Tax increases for 2011/12.

1.3 Reasons for Recommendation

- 1.3.1 The Corporate Services Overview and Scrutiny has within its terms of reference the scrutiny of the Council's budget.
- 1.3.2 The report of Management Team was considered by the Cabinet at its meeting on 14 July 2010; the relevant Record of Decision is attached to this agenda for information. The report allowed Cabinet to take an early view on strategic budget issues for 2011/12 onwards including the revenue and capital spending programmes. The report also allowed Cabinet to give an early view on the level of Council Tax increase to be used in budget planning. These issues were considered in the context of the Strategic Plan and the achievement of Key Priorities
- 1.3.3 Overview and Scrutiny has been asked to consider the Budget Strategy and Cabinet's decision with a view to making recommendations to be fed into the final budget strategy proposal later this year.
- 1.3.4 The following additional documents have been provided to the Committee to assist in the scrutiny of the budget strategy:

	Record of Decision
Appendix A	Revenue Budget Summary 2011/12
Appendix B	Medium Term Financial Strategy
Appendix C	Statement of Balances
Appendix D	Capital Programme
Appendix E	Capital Receipts
Appendix F	Strategic Projection – Best, Worst and Most Likely Case Scenario
Appendix G	Assumptions in Strategic Projection
Appendix H	Table of Special Grants

1.4 Alternative action and why not recommended

- 1.4.1 The Committee could choose to not review the Budget Strategy. However, the Budget and Policy Framework Procedures Rules in the Council's constitution set out that Budget making includes referral of the documents to the relevant Overview and Scrutiny Committee for further advice and consideration.
- 1.4.2 An alternative course of action would be for Members not to consider the initial Budget Strategy at this stage and to defer to consideration of the issues to a later time in the financial year. However, based on practical experience of previous financial years, both Members and officers have generally agreed that an early consideration of budget issues is beneficial in terms of forward planning. The flexibility of amending the Strategy as the year progresses has been acknowledged as an efficient method of delivery of a Strategy at the end of the timetable.

1.5 Impact on Corporate Objectives

1.5.1 It is the purpose of the Budget Strategy to allocate resources to the key objectives of the Council, including resources identified for their achievement in other plans and strategies.

1.6 Risk Management

1.6.1 Matching resources to key priorities, in the context of the government's in-year grant reductions, budget and the spending review 2010, is a major strategic risk. The early consideration of the issue is a significant factor in addressing this risk.

1.7 Other Implications

1.7.1

1. Financial	X
2. Staffing	X
3. Legal	
4. Equality Impact Needs Assessment	
5. Environmental/Sustainable Development	
6. Community Safety	
7. Human Rights Act	
8. Procurement	
9. Asset Management	X

1.7.2 The Budget Strategy will impact on all areas of activity of the Council. The future availability of resources to address specific issues will be pre-planned through the Strategic Planning and Budget Strategy mechanism. It is, therefore, important that Members give consideration to the potential levels of service delivery on key priorities through this process.

1.7.3 The process of developing the Budget Strategy will identify the level of resources available for staffing and will ensure that the setting of the Council Tax within legal requirements and statutory timetables is achieved.

1.7.4 It is apparent that the External Audit Assessment of the Council's arrangements will cover specifically arrangements for assessing and addressing environmental/sustainable development issues. Cabinet will be aware that this Authority has a Climate Change Plan in place which includes an Action Plan. Progress is reported to Cabinet twice a year.

MAIDSTONE BOROUGH COUNCIL
RECORD OF DECISION OF THE CABINET

Decision Made: 14 July 2010

BUDGET STRATEGY 2011/12 ONWARDS

Issue for Decision

To give initial consideration to a Budget Strategy for 2011/12 and beyond.

Decision Made

1. That for planning purposes, the Council Tax increase for 2011/12 and future years be set at 2.5% to inform the strategic projections provided in Appendix F of the report of Management Team.
2. That the scenario to be adopted is the "Most Likely" as outlined in the strategic projections in the report of Management Team.
3. That the extent of the Capital Programme for 2011/12 onwards be noted.
4. That the timetable for the Budget Strategy 2011/12 be noted.

Reasons for Decision

This Authority has, for many years, adopted best practice and considered strategic budget issues at this stage in the municipal year. This allows for the early consideration of key issues, with a view to setting a balanced budget for the following financial year at the Council meeting in March 2011.

The budget strategy needs to be considered in the context of the strategic plan and the resources necessary to deliver the key priorities identified therein. Although the correct context is with the 2011 update to the strategic plan for 2009-2013, this will not be considered by Cabinet until later in the year, at which time this budget strategy will be aligned with the priorities it will contain. The current strategic plan 2009-2013 contains five priority themes for which major elements of this budget strategy provide support and any necessary growth. The five priority themes are:

- A place to achieve, prosper and thrive
- A place that is clean and green
- A place that has strong, healthy and safe communities
- A place to live and enjoy
- A place with efficient and effective public services

Work on the Medium Term Financial Strategy is linked to the strategic plan and the service plans, which will consider resources over a three to five year timespan to ensure alignment of budgets and priorities.

Attached at Appendix A of the report of Management Team is the budget summary for 2010/11 which was agreed by Council in March 2010. This was developed in the context of the Strategic Plan 2009-2012.

For further background information, the following is also attached.

- a) The currently agreed Medium Term Financial Strategy is set out at Appendix B of the report of Management Team;
- b) The current statement of balances projected to 2010 is detailed in Appendix C of the report of Management Team, this takes into account the final outturn position for 2009/10 reported to cabinet in June 2010;
- c) The current capital programme is set out at Appendix D of the report of Management Team; and
- d) The current projection for the use of Capital Receipts is set out in Appendix E of the report of Management Team.

The Local Context

The outturn position for 2009/10 was reported to the Cabinet meetings in May and June 2010. These reports showed that income generation continued to be difficult for the Council. During 2009/10 the Council took action on the budget expectations for income reducing targets by £0.6m and through management action by a further £0.5m. In 2010/11 budget strategy and other actions reduced income targets by a further £1m. These adjustments, giving a total reduction in income expectation of £2.1m, will naturally carry forward into the base position for the development of the 2011/12 budget.

As a counterpoint to this loss of income, salary slippage was available to cover other overspending areas. This resource, created by the vacancy rate, is an annual occurrence that is diminishing as staffing levels reduce.

The 2009/10 outturn also reported a significant receipt from HM Revenue & Customs due to the Council's claims under the Fleming arrangements. The net effect after costs and commitments is £1.7m which has been added to balances for use in 2010/11. This is shown in Appendix C of the report of Management Team which also reports unallocated balances of £0.7m along with the minimum working balance of £2.3m.

The 2010/11 budget, detailed at Appendix A of the report of Management Team, is a balanced and deliverable budget that creates a base spending position of £22.8m for the commencement of the current Medium Term Financial Strategy.

The National Context

The economic conditions that have existed since 2008/09 have forced significant change on the public sector. In local government this has created increased demand and therefore increased the cost of welfare services such as housing benefit and homelessness. It has also reduced demand and therefore reduced the income generated by other services such as parking and planning. For all organisations declining interest rates and declining cash balances have meant significant reductions in investment income.

At the depth of the recession there are indicators of growth in the market coupled with debate about the extent of this move out of recession. Irrespective of these facts, it is clear that the public sector will continue to suffer from the effects of the recession long after the private sector has recovered.

Tabulated below are national indicators of growth and debt given as calendar year results:

Index	2008	2009	2010
			<i>PREDICTED</i>
Growth	3.5%	-3.6%	1.2%
Budget Deficit	£34.4 bn	£101.3 bn	£157.6 bn
Debt	£614.4 bn	£796.9 bn	£1,060 bn

Tabulated below are inflation and interest indicators at each year end over the period of the recession and the position for May 2010:

Index	March 2008	March 2009	March 2010	Current
RPI	3.8%	-0.4%	4.4%	5.1%
CPI	2.5%	2.9%	3.4%	3.4%
Base Rate	5.25%	0.5%	0.5%	0.5%
7 Day LIBOR	5.71%	0.67%	0.55%	0.55%

Through the budget speech on 22nd June 2010 the Government introduced a five year plan of actions to achieve economic growth. A major objective of the plan is a move away from borrowing through targeted reductions in debt (expressed as a percentage of Gross Domestic Product [GDP]). A central element to this objective is £30 billion annual spending reductions until 2014/15. This has been reported as a 25% reduction in public sector spending over four years.

The most direct effects of this plan upon local government are:

- a) The spending reduction, which equates to 25% over the next four years, is expected to see a proportionate effect upon support for local government when details are announced in the spending review expected in October 2010;

- b) A two year freeze on public sector pay has been introduced for all employees earning more than £21,000 per annum. Those earning less than this sum will receive a flat rate increase of £250 per annum;
- c) Arrangements will be made to enable local authorities to freeze Council Tax for 2011/12.

There are also a number of measures that will have either a lesser effect or an indirect effect upon local authorities:

- a) A review of public sector pensions which may have a future effect;
- b) Changes to small business rate relief and benefit payments both of which are administered by local authorities;
- c) A change to the VAT rate from January 2011 which will effect local government charges for those services that include VAT;
- d) Changes to employer national insurance through raised thresholds;
- e) A commitment to make no further cuts in capital spending beyond those already announced.

As part of the Governments in-year saving, announced on 10th June 2010, a number of grant based initiatives including Housing and Planning Delivery Grant (HPDG) and Local Authority Business Growth Incentive Scheme (LABGI) were stopped. These grants were targeted at a priority issue for the Government but were considered ineffective. The Government intends to introduce an alternative incentive for Housing and Business Growth.

Another grant amended as part of the announcement on 10th June 2010 was the Local Area Agreement reward. This grant effects the funding for Local Strategic Partnerships and has been halved.

In addition to the national changes detailed above there is a major factor that exists on a county wide scale. Kent County Council, the pension authority, is completing a triennial actuarial review of the pension fund. This review will aid the calculation of accurate deficits for each authority's share of the fund. Consequently, it is expected that the contributions required to fund the deficit will change. Due to the economic decline this change is expected to be significant and adverse.

Strategic Projection

The strategic projection is a financial model used annually by Cabinet to concisely project the effect of major local and national priorities on the future financial circumstances of the Council. In the past Cabinet has used a document that models the most likely outcome, amending and updating the document as knowledge of the internal and external environment changes. Current best practice suggests that the strategic projection should be a scenario planning tool and that a number of models ranging from a best-case, to a worse case should be developed and used. Scenario planning was used by Cabinet for the first time last year and

officers have again developed three alternative models best, worst, and most likely cases, that the Cabinet considered.

All three alternatives included a number of assumed factors such as inflation rates, capital expenditure and capital resources available, government actions in relation to general grant levels and the council tax increase for each year. The model will be maintained and amended as more accurate information becomes available during the year. Cabinet agreed that the "Most Likely" scenario be adopted and future reports will be focused on this scenario, providing details of the others as background information.

The models were attached at Appendix F of the report of Management Team and were based on a series of financial assumptions. As the assumptions were compiled separately for each of the three scenarios the most appropriate way to display the necessary information is in a matrix which is shown at Appendix G of the report of Management Team.

Appendix F of the report of Management Team shows that, based upon the assumptions detailed, a significant level of saving will be required to ensure the provision of a balanced budget. The level of saving for each year, and for each of the three scenarios, is shown in the table below.

Year	Best Case Scenario £000	Most Likely Scenario £000	Worst Case Scenario £000
2011/12	2,086	2,771	3,527
2012/13	984	1,647	2,414
2013/14	1,583	2,168	3,257
2014/15	353	844	1,407
2015/16	397	976	1,454

The annual savings figures are based on the assumption that savings required for each of the previous years have been achieved in the base budget and not from use of balances.

At this early stage in the budget cycle the strategic projection, and therefore the level of savings required, will inevitably change according to changing requirements in council priorities, external factors and the progressive development of more accurate information with regard to the above assumptions.

It was noted that the strategic projection is intended to include the necessary resources to fulfil all developing partnerships and strategies. Any necessary changes to the strategic projection will be reflected in future budget strategy reports.

Key Risks

In developing the budget strategy over the following months a number of key risks must be addressed. These risks are identified in the strategic projections but constitute key risks for the council's financial stability and

are significant enough to be brought to Cabinet's attention individually.

The current revenue support grant (RSG) settlement will be formulated from the 2010 spending review to be completed by October 2010. In previous years this has been a three year indicative settlement. The previous three year settlement from 2007 was 0.5% per annum. In line with the Governments stated aim it is likely that there will be no change to the RSG formula over the forthcoming three years. There may be changes, in the longer term, as the resources required for some policies, such as a Council Tax freeze, have not yet been identified. In addition pre-election policies of the current Government included planned changes.

The Government has immediately made £6.2bn in savings across the public sector for 2010/11. The impact of these savings on local government directly totals £1.2bn and has come in the form of reductions in specific grants. The Council is expecting to receive £48.8m in specific grant in 2010/11 from central government and these are detailed in Appendix H of the report of Management Team. The affected specific grants for the Council are HPDG & LABGI, neither of which are detailed in Appendix H of the report of Management Team because they are awarded based upon in year performance. Decisions on how such grants are utilised by the Council are delegated to responsible Cabinet Members and are excluded from base budget.

It is likely that the Government will maintain this approach to savings and efficiency through specific grant in future years. Using two separate sources of information, two possible projections can be made:

- a) Although Government plans will not be known until the autumn, the Budget on 22nd June 2010 outlined the total spending reductions across the public sector as 25% of current expenditure. This target distributed across local government on the basis of all government grants would mean reductions of £0.8m.
- b) In addition research by Deloitte on behalf of the Local Government Association suggests a likely target of £750m across local government. This target, distributed on the basis of net revenue spend, would mean grant reductions of £0.4m for the Council.

Throughout 2008/09 and 2009/10 Cabinet received quarterly budget monitoring reports which consistently identified significant shortfalls in income generated through council services. Action taken by Cabinet and service management ensured that the consequences of the shortfalls was minimised. The economic downturn gave rise to the problems with income generation which still exist. The budget for 2010/11 includes strategic growth to control the ongoing effect on income. It is likely that the risk of further income shortfalls exists for the remainder of the medium term financial strategy. The 2010/11 strategy assumed further shortfalls of £0.1m in 2011/12 and a levelling of income at this reduced level for the remainder of the medium term.

The triennial review of the pension fund is expected to produce an increase in the value of the liability of the Council. The actuaries performing the review on behalf of Kent County Council are expected to

provide individual district council reports in November 2010. Until such time as the report is available a model has been provided by Kent County Council that predicts a range of possible outcomes from no increase to an increase of £1.2m.

The Capital Programme as agreed by Council in March 2010 is funded by a mixture of resources, the major elements being revenue support, capital receipts and grants/contributions from government and other institutions. As advised in 2009/10 Cabinet will be aware of the risks associated with the effects of the economic climate upon asset sales and the government's savings plans upon government grant.

The current economic indices and commentary suggests changes are appearing in the economy. These include initial measures of growth, rising inflation and a growing interest in property and land for development.

- a) For the first three quarters of 2009/10 RPI slowly rose from negative by December 2009, with the return to 17.5% VAT, RPI was over 2%, by March 2010 RPI had increased to .3%. The current year on year increase, for May 2010 shows a reduction to 3%;
- b) The Bank of England base rate remains at 0.5%. It first reached this low in March 2009. Interest rates were expected to rise slightly during 2009/10 but there has been no indication of this in the Council's investments;
- c) Economic growth is evident however the Office for Budget Responsibility has recently downgraded forecasts and predicts 2.6% growth in 2011.

Key Opportunities

The Council has a track record of successfully addressing key risks in the budget and it has a balanced budget for 2010/11 that is based on a sound budget strategy without the use of balances to fund current service costs. In addition the delivery of value for money is embedded in Council decision making through a number of strands of activity such as business transformation, invest to save funding, robust procurement, regular benchmarking, performance measurement and joint working.

Balances can be utilised for one time costs and Council has confirmed a minimum balance, below which Cabinet cannot go without renewed permission, of £2m. Cabinet has agreed a minimum working balance of £2.3m which is 10% of net revenue spend. Available balances above that limit are £0.7m uncommitted general balances and £1.7m from the VAT refund detailed in section 1.3.

The average council tax increase for 2010/11 was 1.8%. In recent years this has been a benchmark for potential capping. The Government has indicated its desire for no council tax increase in 2011/12. The 2010/11 medium term financial strategy assumed a 2.5% increase in council tax for the Council, valued at £0.3m. Although the Government has stated that it will provision any lost income it will, at best, be based on an

increase considered suitable to the government. The LGA bulletin on the Budget provides the following information regarding this freeze:

“The Chancellor announced that the Government will help councils to freeze or reduce council tax in 2011/12. The Budget documentation assumes that this help will be given assuming a loss of revenue to authorities of 2.9% - the average of the three years’ most recent council tax increases. The Government assumes that this will lead to a loss of revenue of £625m.”

In considering the possible options for Council Tax, Cabinet agreed to a 2.5% increase purely for the purpose of planning a strategy development.

Capital Programme

Appendix D of the report of Management Team shows the current Capital Programme, as agreed by Council in March 2010, and amended for slippage from 2009/10, as agreed by Cabinet in May 2010. As part of the process of developing the MTFs the programme for 2013/14 will need to be developed. At this stage no resources have been identified to support the programme beyond 2012/13 and the column for 2013/14 is set at zero.

The programme reported has been amended for changes to revenue contributions agreed as part of the carry forward of resources from 2009/10. In addition £1.9m is available from usable capital receipts carried forward from 2009/10. All other receipts and grants used in funding the programme are assumed values at this stage.

The capital receipts that have been assumed from asset sales relate to four assets currently being marketed. These are Armstrong Road Depot, 13 Tonbridge Road, 26 Tonbridge Road and Hayle Place.

The capital grants that have been assumed in the programme relate to a mix of annual grants for private sector housing work and specific grants from the Heritage Lottery Fund. Two grants in the programme are currently identified as specific risks. These are the Growth Point Grant and the Gypsy Site Grant.

The programme currently requires prudential borrowing in 2011/12 and 2012/13. The total borrowing currently planned is £2.6m. The Council has set a prudential borrowing limit of £4m and the planned borrowing is currently within this limit. Revenue resources to service £4m borrowing form part of the financial projections given at Appendix F of the report of Management Team.

These issues are subject to enhanced monitoring by officers in 2010/11 in recognition of the risks in the timing of funding. Cabinet will receive quarterly reports and part of the normal monitoring reports.

In addition to these monitoring procedures, the constitution and legislation provide further mechanisms for the control of projects within the programme. Examples include the constitution’s control over the

acceptance of tenders for projects within the capital programme and the legislative sanctions against expenditure incurred without appropriate resources being in place.

Consultation

It is normal practice to consider the options for budget consultation at an early stage each year. This year a separate report on options and costs will be presented to Cabinet in August 2010.

Timetable

Cabinet considered the timetable for the Budget Strategy. The updated timetable given below has enabled previous Cabinets to achieve full consideration of all issues in a timely manner.

Action	Date
Initial consideration by Cabinet, including reference to Corporate Services Overview and Scrutiny Committee.	14 July 2010
Consideration by Corporate Services Overview and Scrutiny Committee	3 August 2010
Detailed consideration by Cabinet Members of budgets, savings options, service enhancements and fees and charges	September to October 2010
Public Consultation	September to October 2010
Cabinet review of budget strategy including reference to Corporate Service Overview and Scrutiny Committee. Data updated by previous activity and external factors	22 December 2010
Consideration by Corporate Services Overview and Scrutiny Committee	10 January 2011
Reference back to Cabinet from Corporate Services Overview and Scrutiny Committee	12 January 2011
Approval by Cabinet Members	January to February 2011
Approval by Cabinet and reference to Council	9 February 2011
Approval by Council and setting of Council Tax	2 March 2011

Conclusions

The report of Management Team detailed a series of financial pressures on the medium term financial strategy for 2011/12 onwards. The most significant were:-

- a) Government plans to reduce public sector expenditure by 25%, which will impact the Councils resources through reduced Government Grant.

The estimated impact is £0.8m per annum;

- b) The triennial review of the pension fund which is expected to result in an increased cost to Kent employers. The estimated impact is £0.5m per annum;
- c) A number of national and local initiatives that require budget growth. These items are detailed in Appendix F of the report of Management Team.

The report identified a number of opportunities available to the Council to assist in reducing the financial pressures. These included:-

- a) Opportunity to benefit from financial support to maintain a Council Tax freeze in 2011/12;
- b) A two year public sector pay freeze reducing the level of inflation required;
- c) The full year effect of the Chief Executive's review of structure;
- d) Balances of £0.7m and other resources set aside for priorities of £1.7m from VAT refunds.

The capital programme contains a series of risks in relation to the resources available. These risks have been outlined in the report of Management Team and similar reports during 2009/10. The major risks relate to the delivery of some grants and advances and the timing and value of certain asset sales.

The situation outlined in the report of Management Team showed a significant level of financial pressure over the five year period of the strategy. The required level of efficiency and savings required to formulate a balanced budget in 2011/12 is in excess of £2m for all scenarios developed and is £2.7m for the most likely scenario.

Alternatives considered and why rejected

An alternative course of action would be for the Cabinet not to consider the initial Budget Strategy at this stage and to defer consideration of the issues to a later time in the financial year. However, based on practical experience of previous financial years, both the Cabinet and Officers have generally agreed that an early consideration of budget issues is beneficial in terms of forward planning. The flexibility of amending the Strategy as the year progresses has been acknowledged as an efficient method of delivery of a Strategy at the end of the timetable.

With reference to the specific issues and assumptions within the report of Management Team, it was inevitable that the Cabinet would need to take a view on these and assess, at this early stage, the impact in future years. It was the purpose of the report of Management Team to initiate discussion and to facilitate the opportunity for the Cabinet to raise issues and to include other issues in their initial projection. Regular updates will

be presented to future meetings of the Cabinet to reflect discussions at this meeting and future meetings.

Background Papers

None

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Head of Change and Scrutiny by: **23 July 2010**

MAIDSTONE BOROUGH COUNCIL**BUDGET 2010 / 11****SUMMARY**

SERVICES	2008/2009	2009/2010		2010/2011
	ACTUAL	ESTIMATE	REVISED	ESTIMATE
	£	£	£	£
Leader of the Council	767,741	1,253,070	1,260,540	1,497,950
Community Services	1,605,932	1,559,950	1,521,490	1,487,370
Corporate Services	-1,493,873	-3,291,680	-2,695,400	-427,190
Environment	8,049,778	8,821,310	8,776,940	8,820,580
Leisure and Culture	5,572,291	4,977,780	5,219,010	4,489,470
Regeneration	8,256,376	10,221,190	11,771,750	7,841,630
TOTAL SERVICE SPENDING	22,758,245	23,541,620	25,854,330	23,709,810
General Underspend	0	-317,290	-115,100	-317,970
NET SERVICE SPENDING	22,758,245	23,224,330	25,739,230	23,391,840
Contribution to (from) Balances				
- Planned - General	-445,000	-114,000	-114,000	-255,000
- Planned - In Year General	-418,853	-55,000	-1,527,550	0
- Carry Forward	371,460	-755,000	-1,140,770	0
- Asset Replacement	80,600	49,900	-103,000	40,000
- Invest to Save	-365,854	15,100	-27,740	-11,640
- LDF Earmarked Reserves	-116,000	-70,000	-530,840	-352,960
- Large Building Maintenance Fund	-55,758	0	0	0
- Slippage and Extra Commitments	-175,440	0	0	0
TOTAL CONTRIBUTION TO (FROM) BALANCES	-1,124,845	-929,000	-3443,900	-579,600
BUDGET REQUIREMENT	21,633,400	22,295,330	22,295,330	22,812,240

Maidstone Borough Council
Medium Term Financial Strategy 2010 Onwards

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Introduction

This financial strategy aims to support the council's corporate objectives as identified in the strategic plan 2010 onwards. Whilst achieving this, major issues relating to resources and facing the council in the medium term will also be highlighted.

The intention is to set out the revenue and capital spending plans of the council at a high level. The success of these plans will depend upon the resources available to the council, the approach taken to ensure that these resources are aligned over the medium term to reflect corporate objectives and these resources being controlled in a way that ensures long-term stability.

In recent years the Government's approach to financial management in local government is to focus upon three year financial commitments. These include three year grant projections and three year comprehensive spending reviews and efficiency targets. The approach of this strategy will therefore be to develop a plan for a three year period with a further two years considered where the three year plan has a material impact on those years.

Although this document is developed for the medium term with an outlook from three to five years, the council will review the strategy on an annual basis for the following period in order to reflect changes in circumstances which impact upon the strategy. This review will be completed to coincide with the annual review of the three year strategic plan. This will enable Members and Officers to ensure changes are appropriately reflected in both documents through links to the strategic plan key objectives (SPKO). Production of this document and the balanced budget it facilitates are a key objective of the strategic plan in their own right (see SPKO: 21).

In addition the council will consult with a wide range of stakeholders and partners during the development period and give serious consideration to their views and responses.

Revenue

Expenditure

The portfolio budgets in the full revenue estimates include detailed proposals for dealing with financial pressures and service demand, this strategic plan adopts a high-level review of the corporate objectives and budget pressures over the five-year period. This approach ensures a focus on factors that may influence the Council's stated aim to maintain working balances and ensure that they are used for specific and special activities and not to balance the budget. The financial projection assumes that the level of balances will be maintained, over the five year period, at or above the working level set annually by Cabinet.

Pay and price inflation:

The financial projection makes an allocation for pay increases on an annual basis. This increase must allow for a staff pay award, any incremental increases earned through competence appraisal and any increase in employer contributions such as national insurance.

Other costs will need to consider a suitable inflation index. Large elements of this cost will be tied to conditions of contracts which will specify the annual increase necessary, other costs will increase by the annual increase in an inflation index such as the retail price index or the consumer price index.

Table 1 below details the factors used for each year.

Strategic Issue	2010/11 %	2011/12 %	2012/13 %	2013/14 %	2014/15 %
Pay Inflation	1.0	1.0	2.0	2.5	2.5
Other Costs Inflation	0.0	1.0	2.0	2.5	2.5
Contractual Commitments	1.0	1.0	2.0	2.5	2.5

[Table 1: Pay & price Indices]

Corporate objectives and key priorities:

In addition to these inflationary pressures the Council will develop and implement improvements to the corporate objectives identified in the strategic plan, and where significant any local objectives identified in service plans.

The financial projection will also provide, where necessary, resources for national statutory responsibilities where these are to be provided locally.

Table 2 below identifies the links between the financial projection and key objectives.

SP KO	Strategic Issue	2010/11 £,000	2011/12 £,000	2012/13 £,000	2013/14 £,000	2014/15 £,000
-	National Concessionary Fares.	200	150			
12.1	Refuse & Recycling	115			300	
19, 20	Local Development Framework		400			
3, 6, 8, 18	Revenue Provision for Borrowing		150	150	159	
17, 14	Leisure Centre	275	155			
5	Park & Ride	200				

[Table 2: Strategic Issues, links to other documents]

Funding

Resources available for the revenue budget are heavily constrained making the issue key to the financial planning process. The financial projection assumes that resources are maximised. The strategy identifies three separate categories of resource government grant, locally derived income from fees and charges and council tax. Where the financial projection includes the use of fixed term grant or income sources each portfolio is responsible for preparing and acting on suitable exit strategies at the end of the fixed term.

Government Grant:

The current revenue support grant settlement comes under the three year notification commencing in 2007 is an increase of 0.5% for 2010/11. This three year notification ended with the 2010/11 notification and the future level of grant settlements is in doubt due to the national economy and public sector debt levels. Clarity on this issue is expected as a result of the comprehensive spending review 2010 expected in July 2010. Current indicative information available suggests a medium term need for extensive real term reductions in government support. A district council can expect to see support going to services provided elsewhere in the public sector and a projection of a 15% cut in the medium term is expected. The financial projection assumes a reduction in grant of 5% per annum.

Other grants received from the government are similarly under threat from the effects of the national economy and the efficiency agenda as it affects government departments. The strategy will assume future grant aid is likely to be at risk but only consider the freezing of such grants at their 2009/10 cash values unless further data is available. Table 4 identifies expected variances from this assumption.

Fees & Charges

The Council has a policy on the development of fees and charges that fall within its control. This policy ensures that an evaluation of market forces and links to the strategic plan or service plans are drivers of change in prices. This means that any increases in this funding source will be identified through each portfolio's detailed budget preparation work. At the level of this strategy the assumption is that in overall terms the increase will be commensurate with general inflation. Due to the final effects of the recession, for 2010/11 the financial projection will assume total cash income is frozen at 2009/10 values but will increase slowly in response to the predicted end to the recession.

Council Tax

The Council has a responsive approach to the level of Council tax and will set this at an appropriate level commensurate with the needs of the strategic plan. It has set a policy in recent years of an increase that avoids the threat of council tax capping but remains flexible on the level of that increase, thus focusing the strategy on its ability to set a balanced budget.

Table 3 below details the factors used for each resource type and Table 4 details the links between the financial projection and the major risk factors.

Strategic Issue	2010/11 %	2011/12 %	2012/13 %	2013/14 %	2014/15 %
Revenue Support Grant Increase	0.5	-5.0	-5.0	-5.0	-5.0
Fees & Charges Increase	0.0	1.0	2.0	2.5	2.5
Council Tax Increase	2.5	2.5	2.5	2.5	2.5

[Table 3: Resource and income indices]

SP KO	Strategic Issue	2010/11 £,000	2011/12 £,000	2012/13 £,000	2013/14 £,000	2014/15 £,000
21	Housing Benefit Admin Grant	80	40	40	40	40
4	Homelessness Strategy Grant		35	30		
21	Parking Income	50	50	50	50	50
21	Interest on Investments	370	150	100	50	
21	Income Generation	250	100			
14	Cobtree Charity	130	20			

[Table 4: Strategic Issues, links to other documents]

Capital

Programme

The strategy for the capital programme requires consideration of two issues, the scheme specifics and the overall programme.

The overall programme is considered in terms of the prudential borrowing principles of sustainability, affordability and prudence. The overall programme assessment also considers the relative priority of schemes as they enhance the provision of corporate or service based objectives.

The inclusion of capital schemes within the overall programme requires an assessment based on affordability in revenue and capital terms and deliverability in terms of ability to complete, whole life cost and risk assessment.

Prioritisation of schemes will occur in the following order:

- a) For statutory reasons;
- b) Fully or partly self funding schemes with focus on corporate objectives;
- c) Other schemes with focus on corporate objectives;
- d) Maintenance / Improvement of property portfolio not linked to corporate objectives;
- e) Other non priority schemes with a significant funding gearing.

The programme for the period 2010/11 to 2012/13 focuses on a series of key projects reflecting the strategic plan and a series of projects providing investment in the property assets. The detailed Capital programme provides the link between the strategic plan key objectives and the current programme

The capital programme is a three year programme and Table 5 below summarises the 2010/11 to 2012/13 programme by portfolio. This table incorporates the programme for 2009/10 for information.

Portfolio	2009/10 £,000	2010/11 £,000	2011/12 £,000	2012/13 £,000
Leader	26	0	0	0
Community Services	331	81	81	50
Corporate Services	351	370	370	330
Environment	1,011	0	0	0
Leisure & Culture	2,703	4,147	3,129	680
Regeneration	9,451	4,618	5,257	3,070
	13,874	9,216	8,837	4,130

[Table 5: Capital programme]

Funding

Since 2004 the Council has been debt free and the major sources of funding for capital expenditure has come from capital receipts and government grant. The medium term financial strategy has, in the past, identified the time when such resources would reduce to the point where alternative funding would be required to support a continued programme of capital expenditure. The most recent strategy identifies that the most likely need for immediate funding will occur in 2011/12.

Previously the strategy required that where funding is based upon the use of capital receipts, that those receipts were received prior to capital commitments being made. The strategy can no longer maintain this commitment, a combination of economic conditions leading to low levels of asset sales and the use of the reserves of usable capital receipts means that the current strategy accepts funding from in year receipts. This assumption can only be maintained up to the level of the Council's prudential borrowing limit as set in the Prudential Indicators. The quarterly monitoring of the capital programme enables Cabinet to take effective decisions based on current levels of funding before major projects commence.

Table 6 below identifies the current funding assumptions and the minimum level of prudential borrowing.

Funding Source	2009/10 £,000	2010/11 £,000	2011/12 £,000	2012/13
Confirmed:				
Capital receipts	7,801	423	0	0
Capital grant	4,774	4,905	2,541	829
Revenue	1,299	1,043	630	630
Assumed:				
Capital receipts		2,845	4,000	0
External funding			400	900
Prudential Borrowing			1,266	1,771
	13,874	9,216	8,837	4,130

[Table 6: Capital financing, confirmed and assumed]

Reserves

The Council holds a series of balances and reserves in order to provide financial stability and protection from unforeseen circumstances or events. In setting the level of these balances and reserves an assessment is made of the potential risks and opportunities that could reduce or enhance those balances.

All revenue balances at 1st April 2009 total £7.2m and it is estimated that this balance will be £3.6m by 1st April 2010. The major items reducing the balance are approved budget carry forwards of £2.1m from 2007/08 and 2008/09 resources into 2009/10 for prior agreed purposes and support for cost to the Council of work on the Kent International Gateway of £0.8m with the remainder being minor use of balances agreed in the 2009/10 strategy.

The balances comprise a general balance and a series of specific allocations the breakdown of these is given in Table 7 below.

Balances	01/04/2009 £,000	01/04/2010 £,000	01/04/2011 £,000
General balance	5,601	2,704	2,449
Trading account surpluses	30	30	30
Asset replacement	110	7	47
Invest to save initiatives	579	551	539
Local development Framework	884	353	0
Total	7,204	3,645	3,065

[Table 7: Revenue balances]

Available capital receipts at 1st April 2009 total £7.6m and it is estimated that this balance will be used up during the period from 2009/10 and 2010/11.

Other capital balances include grants and contributions unapplied which total £3.3m at 1st April 2009. These balances are, in most cases, received for specific schemes and applied to finance those schemes specifically.

Efficiency

The council's strategic plan has a place with efficient and effective public services as a priority theme. This theme runs through service plans and is one of the five values to which the Council subscribes. Through this theme the Council's approach to efficiency is integrated in to all decision making.

The Council has successfully achieved all its government set efficiency targets and hopes to achieve the latest target figures as set for 2009/10 onwards. The current efficiency gains, since the commencement of the "Gershon" targets equals £2.9m.

The Council uses a number of measures to identify locations to achieve efficiency and gauge success. These include:

- a) Annual best value reviews performed by officers and by members.
- b) The Kent wide VFM price book. A benchmarking tool to measure unit cost and performance levels and compare these over time and across Kent.
- c) Other benchmarking exercises undertaken by local managers to challenge service delivery in their own area.
- d) The identification of efficiency targets that match the government's requirements over the period of this medium term financial strategy.

Efficiency proposals are carefully measured for effect upon capacity, acceptable levels of service, quality standards, and the potential of shared service provision. All efficiency proposals consider the effect of fixed costs and the effect on the base financial standing of the Council and the opportunity for reinvestment of gains into priority services or toward achievement of corporate objectives.

The adoption of efficiency and VFM as part of this strategy helps to ensure that the financial projection will remain within available resources.

The financial projection identifies the need for savings to make a balanced budget, which must be considered in line with the development of efficiency savings. Table 8 below details the required saving for each year, based on the factors used in the financial projection, and the percentage of net revenue spend the given saving represents.

Strategic Projection	2010/11 £,000	2011/12 £,000	2012/13 £,000	2013/14 £,000	2014/15 £,000
Annual Savings Requirement	1,604	1,992	892	1,251	1,083
Percentage Saving	7.00%	8.77%	3.93%	5.52%	4.77%

[Table 8: Annual savings requirement]

The savings identified for 2010/11 equate to the required £1.6 million. In general they are identified in areas where efficiency meets the requirements of the strategic plan. This is either through areas of low strategic priority or focused issues such as productivity.

The 2010/11 savings of £1.6m include reductions in staffing levels of over £0.7m and in total identify efficiency in services totalling £1m.

BUDGET STRATEGY 2011/12 ONWARDS

GENERAL FUND BALANCES

PROVISIONALLY ALLOCATED

	Total General Fund £000	Trading Accounts £000	Asset Replacement £000	Invest to Save £000	LDF Fund £000	Overall Total £000
Balance 31/3/2009	5,601	30	110	579	884	7,204
Use in 2009/10	1,751		-110	-15	-550	1,076
Projected Balance 31/03/2010	7,352	30	0	564	334	8,280
Proposed Use 2010/11	-255		40	-12	-334	-561
Use of 2009/10 carry Forward in 2010/11	-3,978					-3,978
Projected Balance 31/03/2011	3,119	30	40	552	0	3,741

MAIDSTONE BOROUGH COUNCIL - CAPITAL PROGRAMME 2010/11 - 2013/14

	Total Capital Cost - Current Schemes	Actuals 2008/09	Actuals 2009/10	Revised Estimate 2010/11	Estimate 2011/12	Estimate 2012/13	Estimate 2013/14
	£	£	£	£	£	£	£
CAPITAL PROGRAMME SUMMARY							
EXPENDITURE							
Leader of the Council	2,202,070	2,868,541	399,449	26,460	0	0	0
Community Services	985,000	165,546	54,707	357,280	81,000	50,000	0
Corporate Services	7,118,270	1,409,699	866,010	334,840	370,000	370,000	0
Environment	1,326,440	117,641	930,027	57,050	0	0	0
Leisure & Culture	8,207,850	1,342,091	2,523,036	4,102,130	2,499,000	50,000	0
Regeneration	41,106,999	5,349,648	8,184,090	6,186,720	5,257,000	3,070,000	0
Less: Assumed Slippage / Additional Resources	0	0	0	0	0	0	0
GRAND TOTAL - ALL PORTFOLIOS	60,946,629	11,253,166	12,957,319	11,064,480	8,207,000	3,540,000	0

FUNDING							
Revenue Support		741,588	301,379	1,643,400			
Use of Capital Receipts - Asset Disposals		1,210,044	719,312	2,336,880	2,507,120	2,000,000	0
- Fremfins		670,422	224,479	0	0	0	0
- Sale of Council Houses / VAT		981,038	89,369	0	0	0	0
- Previous Receipts/Carry Forward		5,524,862	5,670,945	1,955,200	0	0	0
Borrowing		0	0	0	1,833,880	790,000	0
Capital Grants and Contributions		1,983,647	5,773,332	5,129,000	3,866,000	750,000	0
Leasing (subject to appraisal)		141,565	178,503	0	0	0	0
GRAND TOTAL - ALL PORTFOLIOS		11,253,166	12,957,319	11,064,480	8,207,000	3,540,000	0

	Total Capital Cost - Current Schemes	Actuals 2008/09	Actuals 2009/10	Revised Estimate 2010/11	Estimate 2011/12	Estimate 2012/13	Estimate 2013/14
	£	£	£	£	£	£	£
LEADER OF THE COUNCIL							
Support for Grant Applications	26,460	0	0	26,460	0	0	0
Office Accommodation	2,175,610	2,868,541	399,449	0	0	0	0
LEADER OF THE COUNCIL TOTAL	2,202,070	2,868,541	399,449	26,460	0	0	0

	Total Capital Cost - Current Schemes	Actuals 2008/09	Actuals 2009/10	Revised Estimate 2010/11	Estimate 2011/12	Estimate 2012/13	Estimate 2013/14
	£	£	£	£	£	£	£
COMMUNITY SERVICES							
CCTV	830,000	135,661	42,187	307,800	50,000	50,000	0
Village Hall Grants	155,000	29,885	12,520	49,480	31,000	0	0
COMMUNITY SERVICES TOTAL	985,000	165,546	54,707	357,280	81,000	50,000	0

	Total Capital Cost - Current Schemes	Actuals 2008/09	Actuals 2009/10	Revised Estimate 2010/11	Estimate 2011/12	Estimate 2012/13	Estimate 2013/14
	£	£	£	£	£	£	£
CORPORATE SERVICES							
Asset Management / Corporate Property	1,226,770	202,097	228,406	151,590	190,000	190,000	0
Corporate Leasing Provision	1,091,600	141,565	178,503	0	0	0	0
Fremlins Development	1,382,390	670,422	224,479	0	0	0	0
Land/ Property Acquisitions	2,000,000	0	0	0	0	0	0
Software / PC Upgrade and Replacement	1,317,510	395,615	234,622	180,000	180,000	180,000	0
Upgrade Amenity lighting	100,000	0	0	3,250	0	0	0
CORPORATE SERVICES TOTAL	7,118,270	1,409,699	866,010	334,840	370,000	370,000	0

	Total Capital Cost - Current Schemes	Actuals 2008/09	Actuals 2009/10	Revised Estimate 2010/11	Estimate 2011/12	Estimate 2012/13	Estimate 2013/14
ENVIRONMENT	£	£	£	£	£	£	£
All Saints Link Road	50,000	0	33,162	0	0	0	0
CCTV - Park & Ride Sites	60,000	0	54,800	5,200	0	0	0
Environmental Improvements	32,030	503	0	0	0	0	0
Improvements to the Council's Car Parks	70,000	44,221	21,648	27,150	0	0	0
Land Drainage/Improvement to Ditches & Watercourses	161,410	0	25,980	24,700	0	0	0
Recycling	913,000	34,338	792,600	0	0	0	0
Replacement Litter Bins	40,000	38,579	1,837	0	0	0	0
ENVIRONMENT TOTAL	1,326,440	117,641	930,027	57,050	0	0	0

	Total Capital Cost - Current Schemes	Actuals 2008/09	Actuals 2009/10	Revised Estimate 2010/11	Estimate 2011/12	Estimate 2012/13	Estimate 2013/14
LEISURE & CULTURE	£	£	£	£	£	£	£
Athletics Track	294,130	0	294,615	0	0	0	0
Brenchley Gardens - Upgrading & Improvements	130,030	35,114	81,278	8,650	0	0	0
Changing Rooms - Staplehurst	65,000	65,000	0	0	0	0	0
Cobtree Golf Course	137,560	16,260	808	6,950	0	0	0
Continued Improvements to Play Areas	602,860	223,226	573,828	196,200	125,000	50,000	0
Exchange Studio Development	273,000	89,520	0	0	0	0	0
Green Space Strategy	798,470	135,353	19,132	73,040	0	0	0
Improvements to the Crematorium	40,000	1,296	601	37,200	0	0	0
Leisure Centre Repairs & Improvements	1,557,050	155,354	324,052	17,950	0	0	0
Leisure Centre Roof	385,000	0	0	570,830	0	0	0
Mercury Abatement Works and Cremator Replacement	1,250,000	325,783	845,719	75,000	0	0	0
Mote Park Car Park Resurfacing	0	0	0	0	0	0	0
Mote Park Regeneration	1,840,000	76,810	87,318	725,680	1,723,000	0	0
Museum Improvements (Access / Toilets)	304,800	165,675	238,458	2,325,430	616,000	0	0
Small Scale Capital Works Programme	529,950	52,700	57,227	65,200	35,000	0	0
LEISURE & CULTURE TOTAL	8,207,850	1,342,091	2,523,036	4,102,130	2,499,000	50,000	0

	Total Capital Cost - Current Schemes £	Actuals 2008/09 £	Actuals 2009/10 £	Revised Estimate 2010/11 £	Estimate 2011/12 £	Estimate 2012/13 £	Estimate 2013/14 £
REGENERATION							
Gypsy Site Improvements	632,906	8,906	0	624,000	0	0	0
Growth Point - High Street Project	4,000,003	7,000	344,373	198,630	2,260,000	1,190,000	0
Planning Delivery	152,760	63,663	13,175	9,350	0	0	0
Renovation Grants	9,976,920	1,853,862	1,893,291	1,844,000	1,844,000	1,380,000	0
South Maidstone Project	5,873,300	1,171,674	2,916,562	181,950	0	0	0
Support for Social Housing	18,812,110	2,145,346	2,997,382	2,606,790	968,000	500,000	0
Development & Promotion of Sites	304,000	0	0	197,000	25,000	0	0
Employment Skills	60,000	0	0	60,000	0	0	0
Response to Economic Downturn	55,000	0	0	35,000	20,000	0	0
Regeneration Schemes	120,000	0	0	20,000	40,000	0	0
Infrastructure Requirements	560,000	0	0	210,000	50,000	0	0
Transport Improvements - Pump Priming	560,000	0	0	200,000	50,000	0	0
Youth Café Refurbishment Works	0	99,197	19,307	0	0	0	0
REGENERATION TOTAL	41,106,999	5,349,648	8,184,090	6,186,720	5,257,000	3,070,000	0

BUDGET STRATEGY 2011/12 ONWARDS

PROJECTED CAPITAL RECEIPTS

	2010/11 £,000	2011/12 £,000	2012/13 £,000
Balance Available 1st April	1,955	1,812	2,000
Avaliable in year:			
Asset Sales	3,994	2,850	
Balance Available 31st March	<u>5,949</u>	<u>4,662</u>	<u>2,000</u>
Receipts Used	4,137	2,662	2,000
Receipts to Carry Forward	<u>1,812</u>	<u>2,000</u>	<u>0</u>

BUDGET STRATEGY 2011/12 ONWARDS

STRATEGIC PROJECTION MODEL - BEST CASE SCENARIO

2010/11 £,000		2011/12 £,000	2012/13 £,000	2013/14 £,000	2014/15 £,000	2015/16 £,001
	FINANCED BY					
9,510	RSG	9,510	9,510	9,510	9,510	9,510
11	COLLECTION FUND ADJUSTMENT					
13,290	COUNCIL TAX	13,689	14,100	14,523	14,959	15,408
22,811	TOTAL RESOURCES AVAILABLE	23,199	23,610	24,033	24,469	24,918
22,295	CURRENT SERVICE SPEND	22,811	23,199	23,610	24,033	24,469
	INFLATION INCREASES					
320	PAY AND CONTRACTUAL COMMITMENTS	359	65	66	299	296
	ADJUSTMENTS FOR CONTRACTUAL COMMITMENTS					
80	ELECTIONS			-80	80	
80	REDUCTION IN BENEFIT GRANT	40	40	40	40	
50	CAR PARK INCOME LOSS	50	50	50	50	
130	COBTREE FINAL PAYMENT	80	20			
	LOST INCOME FROM REGENERATION			430	-230	
	PENSION FUND VALUATION	400	400	400		
	ADJUSTMENT FOR NATIONAL INITIATIVES					
200	CONCESSIONARY FARES	150				
115	RECYCLING			300		
	LOCAL DEVELOPMENT FRAMEWORK	400				
	LOSS OF GOVERNMENT GRANT	400	400	400	400	400
	LOCAL PRIORITIES					
25	ASSET MANAGEMENT					
25	CIVIC WARDEN SERVICE					
	HOMELESSNESS STRATEGY	40	20			
370	LOSS OF INTEREST	150	100	100		
	COST OF BORROWING		150	150		
275	LEISURE CENTRE REFURBISHMENT	155				
250	LOSS OF INCOME	100				
200	PARK & RIDE					
	MINOR INITIATIVES					
	GROWTH PROVISION	150	150	150	150	150
24,415	TOTAL PREDICTED REQUIREMENT	25,285	24,594	25,616	24,822	25,315
1,604	ANNUAL SAVINGS TARGET	2,086	984	1,583	353	397

BUDGET STRATEGY 2011/12 ONWARDS

STRATEGIC PROJECTION MODEL - MOST LIKELY SCENARIO

2010/11 £,000		2011/12 £,000	2012/13 £,000	2013/14 £,000	2014/15 £,000	2015/16 £,001
	FINANCED BY					
9,510	RSG	9,510	9,510	9,510	9,510	9,510
11	COLLECTION FUND ADJUSTMENT					
13,290	COUNCIL TAX	13,689	14,100	14,523	14,959	15,408
22,811	TOTAL RESOURCES AVAILABLE	23,199	23,610	24,033	24,469	24,918
22,295	CURRENT SERVICE SPEND	22,811	23,199	23,610	24,033	24,469
	INFLATION INCREASES					
320	PAY AND CONTRACTUAL COMMITMENTS	359	248	301	390	475
	ADJUSTMENTS FOR CONTRACTUAL COMMITMENTS					
80	ELECTIONS			-80	80	
80	REDUCTION IN BENEFIT GRANT	40	40	40	40	
50	CAR PARK INCOME LOSS	50	50	50	50	
130	COBTREE FINAL PAYMENT	80	20			
	LOST INCOME FROM REGENERATION			430	-230	
	PENSION FUND VALUATION	500	500	500		
	ADJUSTMENT FOR NATIONAL INITIATIVES					
200	CONCESSIONARY FARES	150				
115	RECYCLING			300		
	LOCAL DEVELOPMENT FRAMEWORK	400				
	LOSS OF GOVERNMENT GRANT	800	800	800	800	800
	LOCAL PRIORITIES					
25	ASSET MANAGEMENT					
25	CIVIC WARDEN SERVICE					
	HOMELESSNESS STRATEGY	70				
370	LOSS OF INTEREST	150	100	100		
	COST OF BORROWING	150	150			
275	LEISURE CENTRE REFURBISHMENT	160				
250	LOSS OF INCOME	100				
200	PARK & RIDE					
	MINOR INITIATIVES					
	GROWTH PROVISION	150	150	150	150	150
24,415	TOTAL PREDICTED REQUIREMENT	25,970	25,257	26,201	25,313	25,894
1,604	ANNUAL SAVINGS TARGET	2,771	1,647	2,168	844	976

BUDGET STRATEGY 2011/12 ONWARDS

STRATEGIC PROJECTION MODEL - WORST CASE SCENARIO

2010/11 £,000		2011/12 £,000	2012/13 £,000	2013/14 £,000	2014/15 £,000	2015/16 £,001
	FINANCED BY					
9,510	RSG	9,510	9,510	9,510	9,510	9,510
11	COLLECTION FUND ADJUSTMENT					
13,290	COUNCIL TAX	13,689	14,100	14,523	14,959	15,408
22,811	TOTAL RESOURCES AVAILABLE	23,199	23,610	24,033	24,469	24,918
22,295	CURRENT SERVICE SPEND	22,811	23,199	23,610	24,033	24,469
	INFLATION INCREASES					
320	PAY AND CONTRACTUAL COMMITMENTS	420	315	540	553	553
	ADJUSTMENTS FOR CONTRACTUAL COMMITMENTS					
80	ELECTIONS			-80	80	
80	REDUCTION IN BENEFIT GRANT	40	40	40	40	
50	CAR PARK INCOME LOSS	50	50	50	50	
130	COBTREE FINAL PAYMENT	80	20			
	LOST INCOME FROM REGENERATION			430	-230	
	PENSION FUND VALUATION	800	800	800		
	ADJUSTMENT FOR NATIONAL INITIATIVES					
200	CONCESSIONARY FARES	150				
115	RECYCLING			300		
	LOCAL DEVELOPMENT FRAMEWORK	400				
	LOSS OF GOVERNMENT GRANT	1,200	1,200	1,200	1,200	1,200
	LOCAL PRIORITIES					
25	ASSET MANAGEMENT					
25	CIVIC WARDEN SERVICE					
	HOMELESSNESS STRATEGY	70				
370	LOSS OF INTEREST	150	100	100		
	COST OF BORROWING	150	150	150		
275	LEISURE CENTRE REFURBISHMENT	155				
250	LOSS OF INCOME	100				
200	PARK & RIDE					
	MINOR INITIATIVES					
	GROWTH PROVISION	150	150	150	150	150
24,415	TOTAL PREDICTED REQUIREMENT	26,726	26,024	27,290	25,876	26,372
1,604	ANNUAL SAVINGS TARGET	3,527	2,414	3,257	1,407	1,454

BUDGET STRATEGY 2011/12 ONWARDS

ASSUMPTIONS MODELLED IN STRATEGIC PROJECTION

Assumption	Best Case Scenario	Most Likely Scenario	Worst Case Scenario
Employee Costs	Three year pay freeze followed by increases of 1%	Two year pay freeze followed by increases of 1%, 1.5% and 2%	Two year pay freeze followed by increases of 2%
Inflation	Annually in order: 2%; 1%; 1%; 2%; 2%	Annually in order: 2%; 1%; 1%; 2%; 2%	Annually in order: 2%; 1%; 1%; 2%; 2%
Income	Annually in order: 0%; 1%; 1%; 2%; 2%	Annually in order: 0%; 1%; 2%; 2%; 2%	Annually in order: 1%; 2%; 3%; 3%; 3%
Pension Fund	At £0.4m per annum	At £0.5m per annum	At £1.2m per annum
Government Grants	At Deloitte's suggested £0.4m per annum	At 25% reduction in grant or £0.8m per annum	At 25% of net revenue spend or £1.2m per annum
Concessionary Fares	Administration costs of transfer £0.15m	Administration costs of transfer £0.15m	Administration costs of transfer £0.15m
Recycling	Contract renewal 2013/14	Contract renewal 2013/14	Contract renewal 2013/14
Homelessness Strategy	Grant reduced over 2011/12 and 2012/12	Grant reduced fully in 2011/12	Grant reduced fully in 2011/12
Interest Rates	Average 3% for all years	Average 3% for all years	Average 3% for all years
Cost of Borrowing	2011/12 & 2012/13 at £2m per annum at 4.5% for 25 years	2012/13 & 2013/14 at £2m per annum at 4.5% for 25 years	2012/13, 2013/14 & 2014/15 at £2m per annum at 4.5% for 25 years
Loss of Income	£0.1m for 2011/12	£0.1m for 2011/12	£0.1m for 2011/12
Revenue Support Grant	No change in formula or grant	No change in formula or grant	No change in formula or grant
Growth in tax base	Increase by 0.5% for each year	Increase by 0.5% for each year	Increase by 0.5% for each year
Council tax	Increase of 2.5% to replicate increase in 2010/11	Increase of 2.5% to replicate increase in 2010/11	Increase of 2.5% to replicate increase in 2010/11

BUDGET STRATEGY 2011/12 ONWARDS

SPECIFIC REVENUE GRANTS WITHIN 2010/11 BUDGET

E2237: maidstone	Issued by	£ 000
220 Concessionary Fares	DfT	467
405 Housing Benefit and Council Tax Benefit Administration	DWP	849
511 Homelessness	CLG	65
514 The Growth Fund	CLG	193
741 Council Tax Benefit: subsidy	DWP	10,215
745 Mandatory Rent Allowances: subsidy	DWP	36,691
746 Mandatory Rent Rebates outside HRA: subsidy	DWP	301
		<u>48,781</u>

Agenda Item 8

MAIDSTONE BOROUGH COUNCIL

CORPORATE SERVICES OVERVIEW AND SCRUTINY COMMITTEE

TUESDAY 3 AUGUST 2010

REPORT OF HEAD OF CHANGE AND SCRUTINY

Report prepared by Esther Bell

1. FUTURE WORK PROGRAMME AND FORWARD PLAN OF KEY DECISIONS

1.1 Issue for Consideration

1.1.1 To consider the Committee's future work programme and the Forward Plan of Key Decisions.

1.2 Recommendation of the Head of Change and Scrutiny

1.2.1 That the Committee considers the draft Future Work Programme, attached at **Appendix A**, to ensure that it is appropriate and covers all issues Members currently wish to consider within the Committee's remit.

1.2.2 That the Committee considers the sections of the Forward Plan of Key Decisions relevant to the Committee and discuss whether these are items requiring further investigation or monitoring by the Committee.

1.3 Reasons for Recommendation

1.3.1 **Future Work Programme**

Throughout the course of the municipal year the Committee is asked to put forward work programme suggestions. These suggestions are planned into its annual work programme. Members are asked to consider the work programme at each meeting to ensure that remains appropriate and covers all issues Members currently wish to consider within the Committee's remit.

1.3.2 **Forward Plan of Key Decisions**

At the meeting of the Corporate Services Overview and Scrutiny Committee on 3 February 2009, Members considered the Forward Plan of Key Decisions and agreed that "this should be a standing item on the agenda to ensure important issues were dealt with in a proactive, rather than reactive, manner." The Forward Plan will therefore now be

included on each Committee agenda under the "Future Work Programme" item.

1.3.3 The Forward Plan for 1 August 2010 – 30 November 2010 contains the following decision relevant to the Corporate Services Overview and Scrutiny Committee:

- Budget Strategy 2011/12 Onwards.

The report with further details on this is attached at **Appendix B**.

1.4 Alternative Action and Why Not Recommended

1.4.1 The Committee could choose not to consider its Future Work Programme, however considering it ensures that it remains appropriate, relevant and covers all issues Members currently wish to consider within the Committee's remit.

1.4.2 Furthermore, the Committee could choose to not consider the Forward Plan of Key Decisions; however this would prevent the committee from ensuring important issues are dealt with in a proactive, rather than reactive, manner.

1.5 Impact on Corporate Objectives

1.5.1 The Committee will consider reports that deliver against the following Council priority:

- 'A place with efficient and effective public services'.

1.5.2 The Strategic Plan sets the Council's key objectives for the medium term and has a range of objectives which support the delivery of the Council's priorities. Actions to deliver these key objectives may therefore include work that the Committee will consider over the next year.

1.6 Risk Management

1.5.1 There are no risks involved in considering the future work programme and the Forward Plan of Key Decisions.

1.7 Other Implications

1.7.1

1. Financial
2. Staffing

3. Legal
4. Equality Impact Needs Assessment
5. Environmental/Sustainable Development
6. Community Safety
7. Human Rights Act
8. Procurement
9. Asset Management

1.8 Relevant Documents

- 1.8.1 Appendix A – Future Work Programme
- Appendix B – Forward Plan of Key Decisions

Corporate Services Overview and Scrutiny Committee

Work Programme 2010-2011

Date	Items to be considered
1 June 2010	<ul style="list-style-type: none"> • Election of Chairman and Vice-Chairman • Work Programming 2010/11
6 July 2010	<ul style="list-style-type: none"> • Cabinet Member for Corporate Services – priorities for the year • Leader of the Council – priorities for the year • Performance Plan • Written Maidstone House Update (rec. 6 April 10) • Interview with the Democratic Services Manager (rec. 6 April 10)
3 August 2010	<ul style="list-style-type: none"> • Budget Strategy
31 August 2010	<ul style="list-style-type: none"> • Customer Services Review - Gateway • 1st quarter performance monitoring report • Corporate Improvement Plan Update
9 September	<ul style="list-style-type: none"> • Gateway Visit
5 October 2010	<ul style="list-style-type: none"> • Customer Services Review • LSP thematic quarterly performance report
2 November 2010	<ul style="list-style-type: none"> • Interview with Cabinet Member for Corporate Services – mid-year progress • Interview with Leader of the Council – mid year progress • Customer Services Review
30 November 2010	<ul style="list-style-type: none"> • Customer Services Review • 2nd quarter performance monitoring report
10 January 2011	<ul style="list-style-type: none"> • Budget Strategy • Strategic Plan • LSP thematic quarterly performance report
1 February 2011	<ul style="list-style-type: none"> • Customer Services Review Report
1 March 2011	<ul style="list-style-type: none"> • LSP thematic quarterly performance report • 3rd quarter performance monitoring report
5 April 2011	<ul style="list-style-type: none"> • Interview with Leader and Cabinet Member for Corporate Services – Progress Over the Year

**Forward Plan
August 2010 - November 2010**

MAIDSTONE BOROUGH COUNCIL

FORWARD PLAN

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**1 August 2010 to
30 November 2010**

**Councillor Christopher Garland
Leader of the Council**

**Forward Plan
August 2010 - November 2010**

Decision Maker, Date of Decision/Month in which decision will be made and, if delayed, reason for delay:	Title of Report and Brief Summary of Decision to be made:	Consultees and Method:	Contact Officer and deadline for submission of enquiries:	Relevant Documents:
Cabinet Due Date: 11 Aug 2010	Budget Consultation Budget Consultation		Paul Riley, Head of Finance & Customer Services 22 July 2010	Cabinet, Council or Committee Report for Budget Consultation