

MAIDSTONE BOROUGH COUNCIL

CABINET

22 DECEMBER 2010

REPORT OF MANAGEMENT TEAM

**Report prepared by Paul Riley,
Head of Finance & Customer Services**

1. Budget Strategy 2011/12 Onwards

1.1 Issue for Decision

1.1.1 This report allows Cabinet to review the initial Budget Strategy agreed in July 2010, in the context of the changing economic climate, and the results of the spending review 2010 and the draft spending settlement published by the Government on 13 December 2010. This review should be completed with a view to consulting Corporate Services Overview and Scrutiny Committee, in accordance with the constitution, on the updated strategy prior to submitting proposals to Council in March 2011.

1.2 Recommendation of Management Team

1.2.1 It is recommended that Cabinet:

- a) Consider the potential changes to the growth items as identified in section 1.7 of this report;
- b) Consider the revised strategic projection set out in Appendix A;
- c) Consider the options for contributions to the pension fund for the funding of the deficit, as outlined in paragraph 1.8.4.4;
- d) Consider the potential savings as identified in Appendix B;
- e) Consider the provisional Capital Programme detailed in Appendix C;
- f) Consider the options for the level of working balances as outlined in section 1.10;
- g) Consider the proposed additional use of balances detailed in Appendix D;

- h) Consider the results of the budget consultation as set out in section 1.11 and Appendices E and F;
- i) Consider the medium term financial strategy as set out in Appendix G in connection with the Strategic Plan elsewhere on this agenda;
- j) Agree a provisional spending and a Council Tax level, as set out in section 1.8, for consultation with Corporate Services Overview and Scrutiny Committee.

1.3 Executive Summary

- 1.3.1 This report builds on the initial budget strategy and strategic financial projection agreed in July 2010. It reviews the factors used in developing that initial strategy and identifies issues that have had an impact on the projection since that date. From that data it then produces a new strategic financial projection. The projection revises the budget requirement (resources available) in 2011/12 to £20.2m.
- 1.3.2 The factors influencing the initial strategy are set out in section 1.4. This details the previous decisions and assumptions that formed the basis of Cabinet's decision in July 2010.
- 1.3.3 Consideration of the economy, movement in economic indicators and the risks in relation to government strategy are set out in section 1.5. Inflation, as measured by the Consumer Price Index (CPI) and Retail Price Index (RPI), remain above the Government's target. Unemployment has reduced and the Office of Budget Responsibility predicts an increase in economic growth for the year of 1.8%.
- 1.3.4 The financial controls and mid year outturn for 2010/11 are considered in section 1.6.
- 1.3.5 A review of the budget pressures outlined in the strategic financial projection is carried out in section 1.7. A number of items have been considered for funding from balances due to their one-off nature. In addition the original provisions relating to an increase in employer contributions to the pension fund and the possible loss of homelessness strategy grant are no longer required.
- 1.3.6 Section 1.8 reviews the resources available to the Council. It identifies the factors that influence the level of Council Tax including the option for a single year freeze on Council Tax. It reviews the resources available from the recent Revenue Support Grant settlement consultation identifying the major changes from previous

assumptions. It finally summarises proposals for savings and efficiencies to bring the budget into line with these resources.

- 1.3.7 The current Capital Programme, a forward projection of the programme and the resources required to finance the full programme are considered in section 1.9. The programme for the period 2010/11 to 2012/13 requires £2.4m of additional resources or prudential borrowing. The report also shows that for each additional year that ongoing schemes are rolled forward at 2012/13 levels, and if no other capital resources are identified, the Council would require additional resources of £1.8m. Separate decisions are required before the Council makes any commitment to spend the resources associated with the schemes and programmes identified in the capital programme.
- 1.3.8 The level and use of balances are considered in section 1.10. The level of balances is higher than previously estimated primarily due to the VAT reclaim and proposals are put forward in this report to fund one-off pressures along with the identification of resources to support government initiatives.
- 1.3.9 The results of the budget consultation are set out in section 1.11. The consultation considered three elements: the proposals put forward by Cabinet Members; additional ideas not identified to date; and the importance of eight discretionary areas to the consultees.
- 1.3.10 The review of the Medium Term Financial Strategy (MTFS) is considered in section 1.12. The links to the Strategic Plan and a risk assessment of the factors influencing the strategic financial projection are outlined for consideration; this complements the authority's draft strategic risk assessment elsewhere in the Cabinet agenda.
- 1.4 Reasons for Recommendation
- 1.4.1 At the July meeting, Cabinet considered the initial budget projection for 2011/12 onwards, based on the financial information available at that time, and agreed the following:
- a) 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;
 - b) That the scenario to be adopted is the "most likely" as outlined in the strategic projections in the report of Management Team;

- c) That the extent of the Capital Programme for 2011/12 onwards be noted;
- d) That the timetable for the Budget Strategy 2011/12 be noted.

1.4.2 The initial financial projection was selected by Cabinet as the most likely of three scenarios. The key assumptions from that scenario were:

- a) An inflation rate of 2% per annum over the period, but dropping to 1% in years 2 and 3;
- b) Anticipated grant reductions of £3.2m or 32% over four years. This was assumed to be evenly spread over the four years;
- c) Additional resources would be required for a number of initiatives including the Local Development Framework, the homelessness strategy and the leisure centre;
- d) A continuation of the annual increase in the national concessionary fares scheme, to facilitate transitional costs of the transfer of the scheme to KCC;
- e) The use of all available capital receipts to fund the capital programme, reducing the level of investment income;
- f) A need to borrow up to £2.0m to finance capital expenditure, creating a need for revenue resources to service the debt;
- g) That the current policy to maintain a minimum balance of 10% of net revenue spend is maintained;
- h) That future Council Tax increases be equivalent to the 2010/11 increase for the purpose of developing the strategy;
- i) That a 0.5% increase in the Council Tax Base be assumed;
- j) That the triennial review of the pension fund would produce a valuation that required an increase in the Council's contribution equivalent to £0.5m per annum for three years.

1.4.3 A number of risks were identified as part of the initial projection as follows:

- a) The uncertainty surrounding the spending review and its effect upon the formula grant assumptions made in the strategy;

- b) The potential non-delivery of the capital receipts from the sale of assets assumed during the programme period, leading to the possible need for additional borrowing to finance the capital programme.
- c) The potential future loss of Homes and Community Agency (HCA) grant aid to the Council's capital programme following the intensive investment programme since 2008/09.
- d) The continuing risk of an income shortfall on the revenue budget due to the recession.

1.4.4 Following these decisions a further report to agree the approach to budget consultation for 2010/11, was approved by Cabinet.

1.5 Economic Background

1.5.1 The recession has had a significant impact upon the Council over the past three years. This impact has led to major changes in the Council's financial strategy. This is most noticeable in its effect upon the income levels achieved by Council services.

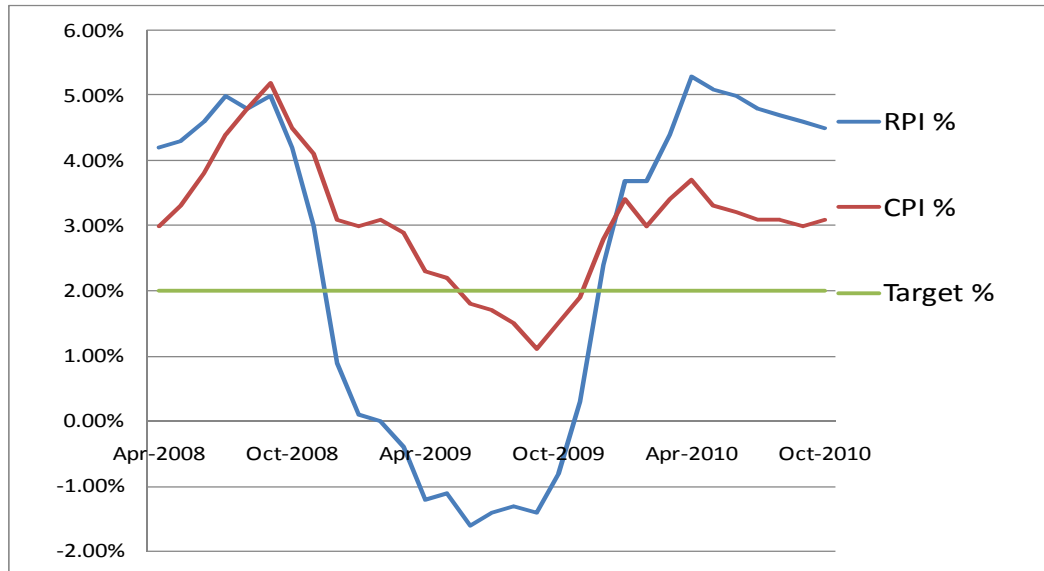
1.5.2 By the end of 2010/11 the Council will have reduced budgeted expectations of income generation by £2.1m per annum. The mid year projection suggests that this reduced target will be achieved. The projection was previously reported to Cabinet as part of the second quarter's budget monitoring report.

1.5.3 The economic indicators for October 2010, the most up to date indicators available at the time of writing, give a mixed message on the strength of the economy.

- a) Consumer Price Index (CPI) inflation rose to 3.2% (3.1% previous month)
- b) Retail Price Index (RPI) inflation fell to 4.5% (4.6% previous month)
- c) In the quarter to September 2010, the economy grew by 0.8% (1.2% in previous quarter)
- d) Unemployment fell to 2.45m or 7.7% of the economically active population in September 2010 (down 17,000 from a year earlier)

1.5.4 The CPI reported above is more than 1% above the Government's 2% target. To place the current position into context with the recession the chart below plots CPI and RPI as annual percentage

increases (or decreases) over the period since April 2008. As can be seen, the indices have fluctuated but have recently remained above 2% for a significant period.



- 1.5.5 At the time of writing the Office of Budget Responsibility predicts current year growth as 1.8%, then 2.1% and 2.6% in the following two years, 2011 and 2012. The CBI, however, see these figures as optimistic.
- 1.5.6 The economy will be affected by the Government's actions as part of the spending review announced in October 2010. The expectation nationally is that borrowing will be held just below £150 billion for the year. In future years public sector spending reductions will remove £103 billion of this annual borrowing.
- 1.5.7 The intended result of the combined effect of economic growth and a reduced annual deficit is to stabilise the economy and enable a rise out of the recession. The major risk to government strategy is that reduced public sector spending may adversely affect economic growth. Economists' views on this matter are very mixed at this time.
- 1.6 Review of 2010/11 to date
- 1.6.1 Cabinet has received two quarterly monitoring reports for 2010/11 in August and October 2010. It is clear from these reports that management action has ensured the current year's budget is resilient, enabling a stable base for future financial pressures to be addressed by the Council.

- 1.6.2 The mid year variance was reported to Cabinet in October 2010 as a favourable variance of £0.75m. A number of significant issues were identified that, in the main, related to time limited issues. Examples included an underspend on concessionary fares which will be the responsibility of the County Council from April 2011 and a business rates rebate for the Tonbridge Road property that has been demolished and will incur no future costs to the point of sale.
- 1.6.3 The Capital Programme, as approved by Council in March 2010, has been revised during this financial year by Cabinet's approval of slippage to future years. The current programme was last considered by Cabinet in November 2010 and expected expenditure in year has reduced to £8.2m. In addition the resources required to finance this reduced level of capital expenditure in 2010/11 are available to the Council. This is primarily due to the fact that the proceeds from the sale of Armstrong Road Depot have been received.
- 1.6.4 This slippage does not affect the overall programme for 2010/11 to 2012/13 as the majority of change relates to the re-profiling of scheme costs between years. This means prudential borrowing or additional capital receipts of £2.4m will still be required by 2012/13 based on current funding assumptions. This issue is considered further in section 1.9 which discusses the future Capital Programme.
- 1.6.5 Revenue balances continue to achieve the Council's policy of a minimum of 10% of net revenue spend after provisional allocation and use as approved by Council in March 2010. One significant variance to the use approved by Council in March 2010 is that there is no longer a requirement to repay VAT on exempt supplies, estimated at £0.2m as a consequence of the major works at the crematorium in 2009/10. This balance is now an additional uncommitted resource.
- 1.6.6 Along with the quarterly budget monitoring reports Cabinet has received quarterly performance reports during the year. At September 2010 the Council's performance showed that 82% of KPIs and LPIs are forecast to end the year at or above target. This is slightly down on the achievement reported to September 2009.
- 1.7 Review of Strategic Projection
- 1.7.1 In July 2010 Cabinet considered three scenarios for the strategic projection and approved their favoured option. This scenario has been used to complete all work since that time and all consultation.
- 1.7.2 Attached as **APPENDIX A** is a revised strategic projection. Since July a number of factors have changed. The major change is that,

following the announcement of the four year spending review, both the medium term financial strategy and the strategic plan have a minimum four year outlook. Specific changes since July 2010 that affect the four year period are given in the table below:

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Reduced Income from Regeneration			-230	+230
Pension Fund Valuation	-500	-500	-500	
Concessionary Fares	-150			
Refuse & Recycling			-300	
Local Development Framework	-400			
Homelessness Strategy	-70			
Cost of Borrowing	-150		+150	
Loss of Income	-50			
Growth Provision	+100			
	-1,120	-500	-880	+230

1.7.3 Further detail of each category of change is given below:-

- a) Reduced income from regeneration provided for the consequences of work on regeneration from a more focused use of some Council resources. Current plans no longer require the single year investment of £0.23m.
- b) Pension fund valuation provided for the expected increase in employer contributions to the pension fund. A successful year by the pension fund, maintained by Kent County Council, together with recent changes nationally, such as connecting future increases to CPI inflation and the move to increase the state pension age, have meant that the value of the fund in 2010 is similar to the value in 2007. The consequence of this is that the Council does not need to increase its contribution towards the deficit.
- c) Concessionary fares provided for transitional and residual costs of the transfer of the service to Kent County Council in 2011/12. Likely residual costs have been identified and funded from within current resources and transitional costs, if they occur, can be covered by the unallocated resources within balances.
- d) Refuse and recycling provided for a future increase in cost at the time of the new contract. At this time it is considered that the new contract in 2013 will not require growth, due to the potential for planned services changes.
- e) Local Development Framework (LDF) work was previously funded from balances. These balances were transferred to

finance the Council's work on the Kent International Gateway. The previous strategic financial projection assumed £0.4m growth for the LDF, but this is a one-off funding requirement. This has been removed and replaced with a proposal for a £0.4m allocation from balances.

- f) Homelessness strategy provided replacement funding for a grant that was expected to cease in 2011/12. The recent finance settlement announcement that this grant will not only continue but be enhanced means there is no requirement to provide alternative funding.
- g) The cost of borrowing provided for the possibility that up to £2m of prudential borrowing would be required in 2010/11 and again in 2011/12. Although possibility of prudential borrowing being required to complete the full capital programme still exists, sale of assets and slippage in the programme during 2010/11 mean sufficient funding should be available for this year. This does not remove the possible future need and the pressure has been moved to 2012/13 and 2013/14 rather than removed.
- h) Loss of income provided for non-specific consequences of the recession on various income generating services. The Council has taken action each year of the recession to reduce its reliance on income in areas affected by the recession. As of 31 March 2011 the expected income from fees and charges has been reduced by over £2m since 31 March 2008. The budget monitoring for 2010/11 shows income generation to be matching this reduced target. This suggests the Council has matched expectation to demand and can reduce its assumptions relating to future losses.
- i) The growth provision has been amended to ensure that the one-off costs of achieving organisational change can be funded.

1.8 Available Resources

1.8.1 **The Council Tax**

- 1.8.1.1 As part of its initial consideration of the MTFS in July 2010, Cabinet agreed to use a 2.5% increase in Council Tax plus a 0.5% increase in the tax base as working assumptions.
- 1.8.1.2 At the meeting of the General Purposes Group on 9 December 2010, a tax base of 60,303.1 was set for 2011/12. This represents a 0.9% increase over the tax base set for 2010/11. The working assumption agreed by Cabinet in July 2010 was an increase of 0.5% which is equivalent to a tax base of 60,064.0. The revised tax base of

60,303.1 results in an increase of £53,000 in the base Council Tax position for 2011/12 before consideration of any percentage increase.

- 1.8.1.3 As part of the spending review 2010 the Government announced, in October, details of its council tax freeze proposal. The proposal is a single year tax freeze (or reduction). Compensation is available through a central government grant equivalent to a 2.5% increase in council tax. This compensation is for four years only and cash limited to the value of the first year's grant.
- 1.8.1.4 The strategic projection at **APPENDIX A** uses the tax base agreed by General Purposes Group and assumes a Council Tax freeze in 2011/12 with the receipt of the cash and time limited grant detailed above. When compared to a model with an actual 2.5% increase in Council Tax in 2011/12, the Council's resources will reduce by £62k which is the loss of that percentage increase over the four years of the grant. In addition, 2015/16 will require additional savings of £380k as a consequence of the loss of grant, a total loss of Council tax funding of £442k.
- 1.8.1.5 The Government is proposing legislation under the localism bill to ensure Council Tax increases cannot be excessive without approval through a local referendum. Until that time it is expected that the government will use capping powers to limit increases. These matters combined mean that it is unlikely that a later increase in Council Tax could compensate for the loss of grant in 2015/16.

1.8.2 **Revenue Support Grant**

- 1.8.2.1 Following the Local Government Finance settlement announcement on 13 December 2010 there have been significant changes to the profile of the Revenue Support Grant.
- 1.8.2.2 Nationally, the announcement's headline issues are:
 - a) A two year settlement with the second year remaining provisional.
 - b) The announcement of plans to adopt a new system of distributing local government funding from 2013; consultation to commence in early 2011.
 - c) A total reduction in grant from £28bn to £24.9bn in 2011/12 which is equivalent to a 12.1% real terms reduction.
 - d) An arrangement for the "tailored" distribution of grants that have previously been ring fenced.

- e) An arrangement for transitional grant for authorities where "revenue spending power" reduces by more than 8.9%.
- f) Changes to damping provisions including the categorisation of authorities into four groups, dependent upon the ratio of grant to Council Tax.

1.8.2.3 The Council's specific settlement issues are:

- a) A grant of £6.45m in 2011/12 and a provisional grant of £5.72m in 2012/13.
- b) A reduction in grant for concessionary fares of £1.77m coupled with a loss of £0.47m from the Department for Transport.
- c) A number of minor adjustments relating to other changes in responsibility, valued at a reduction of £56,495.
- d) Damping at the level of the highest floor group creating a final reduction of -16.58% from the adjusted 2010/11 grant.

1.8.2.4 The two year settlement can be projected to cover four years, based on the spending review data announced by central government in October 2010. The grant reduction in each year, compared to the prediction made in the July 2010 report to Cabinet is given below:-

	Reduction in Grant July 2010 £000	Reduction in Grant Settlement £000
2011/12	-800	-1,282
2012/13	-800	-734
2013/14	-800	-69
2014/15	-800	-429
	-3,200	-2,514

1.8.2.5 There are two major differences between the initial projection and the settlement figures:

- a) The initial projection assumed an even spread of grant reductions however the government has "front-loaded" reductions for local government in order to protect other public services.
- b) The initial projection assumed the reduction to the Council's grant would be made before the transfer out of the £1.8m concessionary fares sum. The settlement reductions have

occurred after the transfer, which has reduced the loss of grant to £0.7m.

1.8.2.6 Although the tailored distribution of grants previously ring fenced has not directly affected this Council, such changes will have affected Kent County Council. The potential negative impact of the County Council's funding reduction will need to be considered and actions identified to mitigate the impact.

1.8.3 Budget requirement and Spending Level.

1.8.3.1 Following the detailed analysis of the level of Council Tax and the settlement notification, it is possible to identify a provisional spending level or budget requirement for each year of the spending review as follows:

	2011/12 £,000	2012/13 £000	2013/14 £000	2014/15 £000
Council Tax Collectable	13,411	13,813	14,227	14,654
Council Tax Adjustment	15	-	-	-
Council Tax Grant	335	335	335	335
Revenue Support Grant	6,449	5,715	5,646	5,217
Budget Requirement	20,210	19,863	20,208	20,206

1.8.4 Savings Target & Efficiency

1.8.4.1 The strategic projection approved by Cabinet in July 2010 required a total savings target of £7.4m over four years to 2014/15. The revised strategic projection at **APPENDIX A** takes account of all the changes detailed earlier in this report and identifies a four year savings target of £4.3m. Due to the profiling of the reductions this target is not evenly spread across the four years. The table below compares annual figures from July 2010 with the current projection.

	July 2010 £,000	Current £,000
2011/12	2,771	1,878
2012/13	1,647	1,068
2013/14	2,168	608
2014/15	844	773
TOTAL	7,430	4,327

1.8.4.2 Following the July 2010 Cabinet meeting a series of proposals have been developed that will achieve the targeted savings for each of the first three years with a contribution to the fourth year. Attached at **APPENDIX B** is a summary, by portfolio, of the value of the savings proposals in each year.

- 1.8.4.3 If the budget is set in March 2011 with a Council Tax freeze and the associated four year grant there will be an increase in the budget pressure in year five. This is set out above in paragraph 1.8.1.4 and the consequence is included in the financial projection at **APPENDIX A**. At this time it would be prudent for the Council to recognise this additional pressure and to identify actions to mitigate the additional pressure in advance of the end of the four year grant.
- 1.8.4.4 At this stage the proposals are being developed and, where they include organisational change in 2011/12, staff consultation has begun or will begin in January 2011. At this time proposals are not fully developed to provide specific details.
- 1.8.4.5 One major proposal included in the summary at **APPENDIX B** relates to the method of contribution to the back funding element of the pension fund. In the past the Council has contributed through a percentage on-cost to the contribution by employees. This could continue for the next three years at a rate based upon predicted employment levels over that period. Alternatively a lump sum payment can be agreed for each of the three years as follows:-

	£,000
2011/12	1,206
2012/13	1,260
2013/14	1,325

The summary given at **APPENDIX B** assumes that the option to pay an annual lump sum as detailed in the table above is agreed. This option produces an annual saving of £0.2m to the Council whilst removing the risk to the fund value from setting the on-cost percentage too low or too high.

- 1.8.4.6 Each of the proposals that make up the four year savings target has been risk rated and a monitoring process has been developed within the Council's performance management system "Covalent" in order to provide Cabinet and Management Team with detailed progress reports.

1.9 Capital Programme

- 1.9.1 The current Capital Programme 2010/11 to 2012/13 was approved by Council in March 2010 and subsequently amended by Cabinet in response to monitoring reports provided during the year.

- 1.9.2 As stated above a number of approved changes have occurred during the year. In addition, in preparation for this report, the schemes in the current programme have been reviewed to identify

where budgets could be reduced. During this time no new schemes have been proposed for inclusion and a number of current schemes have been identified as requiring a reduced budget. The changes identified through this review have been made and a proposed programme for the period 2010/11 to 2014/15 is attached as **APPENDIX C.**

- 1.9.3 The 2010/11 programme is fully funded from resources currently held or from grant commitments. The 2011/12 programme can be fully funded from the currently approved asset sales with a small balance being carried forward to 2012/13. Resources to complete the 2012/13 programme do not currently meet need. A balance of £2.4m is required from further asset sales, grants and contributions or prudential borrowing. This level of prudential borrowing is within the limit approved by Council in March 2010.
- 1.9.4 The extension to the programme for future years, by the continuation of ongoing schemes at their 2012/13 levels, would require identification of additional resources or further borrowing of £1.8m per annum. It should be noted that borrowing at this level would mean exceeding the current prudential limit, would place increased pressure on the strategic projection and require the approval of Council.
- 1.9.5 In accordance with the current MTFS policy, inclusion of a scheme in the programme does not confirm the ability to commence the scheme or permission to incur expenditure unless resources to finance the scheme exist and have been prioritised to that scheme. Cabinet will be required to consider the commencement of individual schemes as future resources become available to the Council.
- 1.9.6 Further opportunities for funding will continue to be explored and identified. It should be noted that a final recommendation on the Capital Programme 2011/12 to 2014/15 is not required until the February 2011 cabinet meeting. The draft programme is however required for the consultation with Corporate Services Overview and Scrutiny Committee.
- 1.10 Review of Balances
- 1.10.1 The MTFS has, in the past, envisaged that the Council will maintain a minimum level of revenue balances of £2m and that Cabinet will set working balances at 10% of net revenue expenditure.
- 1.10.2 Based on the current strategic projection this would set a working balance close to or below the minimum level set by Council. It may be appropriate this year to consider the level of both. The table below shows the value of 10% of net revenue expenditure for the

four years of the spending review period. It also considers the percentage level of working balance that Cabinet's current level of £2.3m would represent of the revised net revenue expenditure (NRE):

Year	Net Revenue Expenditure £,000	10% Balance £,000	Current balance as % NRE
2011/12	20,210	2,021	11.4
2012/13	19,863	1,986	11.6
2013/14	20,208	2,021	11.4
2014/15	20,202	2,020	11.4

- 1.10.3 At this time there is a significant level of unallocated balances available to the Council; there also remains significant uncertainty in terms of the economic environment. It is therefore recommended that the Council takes a prudent approach and maintains a minimum working balance at a cash value of £2.3m and reviews the position regularly taking into account strategic risk and the level of unallocated balances.
- 1.10.4 Cabinet have recently considered a report on the work of the Carbon Reduction Working Party. This group is developing proposals that will enable the Council to achieve reductions in carbon emissions and achieve long term reductions in energy costs. In order to achieve the necessary changes some schemes require up front investment. It is proposed to allocate resources from within balances to provide funding for an invest to save arrangement to achieve these carbon reduction proposals. At this time costs totalling £55,000 have been identified which all have longer term payback periods than the current invest to save payback period of 5 years. A detailed carbon reduction plan and programme of work is scheduled for presentation to Cabinet in March 2011.
- 1.10.5 In response to the Government's localism agenda it is proposed to develop the Council's role as an enabler of localism related activity through a fund of £0.1m that could be set aside from balances. The fund could enable the borough's community based groups and residents to deliver the Council's priorities and achieve efficiencies and improved outcomes. The purpose and use of the fund would be developed through discussion and engagement with Councillors, businesses and voluntary and community groups, which is planned to commence in January 2011, and could include facilitating the establishment of new community based initiatives and social enterprises through direct support and leveraging funds from other sources including the government and national lottery.
- 1.10.6 Attached at **APPENDIX D** is a summary of the current level of balances including a projection to 31 March 2011. Also shown are the proposals for the use of balances outlined elsewhere in this

report. As at 31 March 2011 balances are predicted to be £5.8m of which £2.3m is held as minimum working balance, a further £0.9m is unallocated general balances and £2m is available from the VAT reclaim. After incorporation of all uses proposed in this report balances will total £4.8m and including the VAT reclaim £1.9m of this will remain unallocated.

1.11 Budget Consultation

1.11.1 In August 2010, Cabinet considered a report on options for budget consultation for 2011/12 onwards. Cabinet approved a consultation in line with the programme set out below:

A minimum twelve week consultation to:

- Raise awareness of the budget situation, the statutory services the Council provides, and the savings options considered by Cabinet;
- To find out which discretionary services matter most to local people;
- To encourage comments on the service options considered by Cabinet; and
- To ask for other suggestions for savings.

1.11.2 A road show, website pages and a consultation leaflet was designed with the theme of "MY Council, what matters to ME" to focus the consultation on the issues that matter most to Maidstone people.

1.11.3 The main activity at each road show was designed to encourage respondents to indicate which discretionary areas of service matter most to them. Respondents were given a choice of eight discretionary services and asked to indicate up to four which matter most to them.

1.11.4 The eight discretionary areas were:

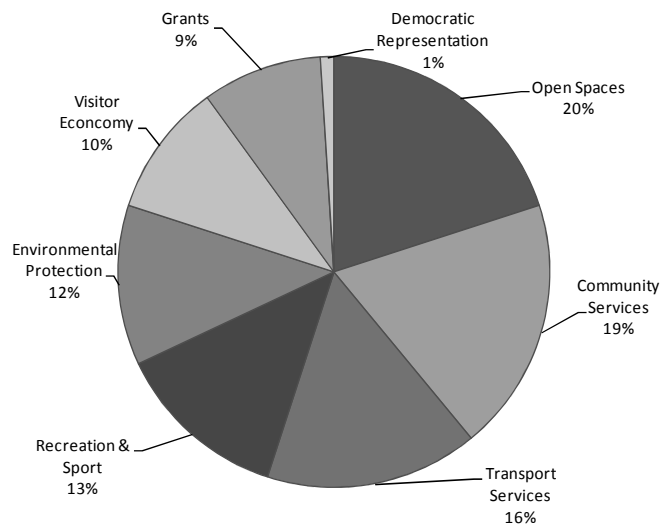
- Community Services – community safety, CCTV and community development
- Democratic Representation – civic occasions and events
- Environmental Protection – health promotion and toilets
- Transport Services – bus shelters and rural bus services
- Recreation & Sport – Maidstone Leisure Centre, sports and youth activities
- Open spaces, parks and recreation grounds
- Grants to voluntary and charitable organisations
- Tourism, visitor information centre, town centre management, conference venue marketing and Christmas light

- 1.11.5 Officers and Members of the Cabinet took the road show to 12 public events at locations such as Tesco Grove Green supermarket, Maidstone Leisure Centre, Staplehurst Library, Yalding Farmers Market and Maidstone Gateway. The events were a mix of rural and urban locations. In all 1,829 respondents completed the discretionary services activity.
- 1.11.6 In addition to this activity, the road show was taken to the four neighbourhood forums, the Citizens Advice Bureau (CAB) meeting, the Older Person's Forum and the Voluntary and Community Sector focus group. In addition, at the rural conference, where a briefing on the budget strategy was given, the leaflet was handed to all attendees.
- 1.11.7 Council staff were consulted through the Staff Forum and at a series of listening days. A briefing was given at the rural conference and delegates were given the explanatory leaflet.
- 1.11.8 The notes of the neighbourhood forum meetings are attached at **APPENDIX E**.
- 1.11.9 More than 50 people completed the consultation leaflet or web form. A full list of the comments is attached at **APPENDIX F**.
- 1.11.10 These comments show that there is a consensus of opinion on a number of issues including the need to maximise efficiency through savings on consumables such as paper, envelopes and postage, using buying consortiums and reducing office and buildings costs such as heating and lighting and opening hours.
- 1.11.11 There is support, particularly at the Neighbourhood Forums for more partnerships working and outsourcing work and a suggestion that powers and services could be devolved to parish councils to save money.
- 1.11.12 A number of people have written about concurrent functions with comments about fairness.
- 1.11.13 Several consultees encouraged the Council to consider raising more income from services. Suggestions include planning, parking, waste collection, planning enforcement, charging entry at the museum, and charging for bus passes.
- 1.11.14 Democratic services were mentioned at the Neighbourhood Forums and by other consultees. Suggestions included saving money on elections costs, reducing the number of councillors and going to four yearly elections. This area was ranked the least important discretionary area by consultees.

- 1.11.15 Grants were the second least important area for consultees but there was an acknowledgement in the comments of the part played by the voluntary sector now and in future.
- 1.11.16 Capital spending was mentioned by some with suggestions that the programme should be rescheduled or the High Street Regeneration programme or Museum East Wing project cut or reduced.
- 1.11.17 Officer and Councillor remuneration and expenses were mentioned by several consultees suggesting savings in salaries and pension costs.
- 1.11.18 There were several comments in support of the cabinet's initial thoughts on savings and efficiencies. These included "Cabinet's proposals to return people to work are a real step in the right direction". "Focus on central services is the right focus". "Savings should be focused around lean processes of shared services and procurement".
- 1.11.19 The comments and opinions are detailed in the appendices however the key issues that require further review are detailed below:
- Areas requiring more consideration:
 - Joint Working, including procurement;
 - Central service reductions;
 - Staff and Member direct cost reductions.
 - New areas for focus:
 - Office Accommodation;
 - Cost of democracy; and
 - Income generation.
 - Areas of conflicting public opinion:
 - Reductions in grant aid;
 - Extent of outsourcing; and
 - Extent of localism.
- 1.11.20 In addition to these issues, the table highlights the result of the survey into discretionary services that matter most to the residents of the borough. This table is reproduced in the order of importance according to the result:

Service Area	Description	% of Vote
Open Spaces	Parks & open spaces	20
Community Services	Community Safety, Community Development & CCTV	19
Transport Services	Support for socially desirable buses & Bus shelter maintenance	16
Recreation & Sport	Leisure Centre, youth & sport provision	13
Environmental Protection	Public conveniences and health promotion	12
Visitor Economy	Tourism and visitor information centre	10
Grants	Grant aid	9
Democratic Representation	Town Hall and civic events	1

This result is represented below as a pie chart for ease of comparison:



1.11.21 It should be noted that the number of issues identified through the consultation for further consideration is low. The vast majority of opinion and commentary supports the actions already taken by Cabinet or recommended in this report.

1.11.22 Additional areas for consideration include further efficiency in the use of office space, the cost of democracy and the opportunities for enhancing income generation. Further work on these issues will be undertaken to identify opportunities for savings.

1.12 Links to the Strategic Plan

- 1.12.1 The review of the Strategic Plan in preparation for 2011/12 onwards is presented to Cabinet elsewhere on this agenda. This draft Strategic Plan provides greater simplicity and focus on the priorities of the Council.
- 1.12.2 The review has been progressed jointly by the Policy & Performance Team and Corporate Finance. The purpose of the co-ordinated approach was to ensure appropriate links between the Strategic Plan and the MTFS.
- 1.12.3 An updated draft of the MTFS is attached as **APPENDIX G** and is, in essence, the formal statement of the objectives outlined in this budget strategy report. The final document will be published as an integral part of the budget and will therefore be directly linked to the final approved versions of the strategic projection at Appendix A, the savings proposals at Appendix B and the capital programme at Appendix C.
- 1.12.4 The MTFS has been enhanced by the inclusion of a full risk analysis and it is intended that, along with consultation with Corporate Services Overview and Scrutiny, this risk analysis will form the focus of additional consultation this year with the Audit Committee in relation to its impact on strategic risk and governance. The risk analysis is separately attached as **APPENDIX G**.
- 1.13 Alternative Action and why not Recommended
- 1.13.1 A number of alternative assumptions are included in the report and appendices for Cabinet's consideration.
- 1.13.2 The production of the budget for 2011/12 is an element of the statutory process of calculating the Council Tax for 2011/12. In addition the completed and approved document is required to be robust and adequate under the Local Government Act 2003. A statement to this effect must be given by the Chief Financial Officer. On this basis the actions outline in this report must be considered.
- 1.14 Impact on Corporate Objectives
- 1.14.1 The budget strategy and the resultant MTFS involve assessing the level of resources available for the delivery of the Council's key outcomes and is a means by which the Council directs these resources. In particular this report should be seen as complementary to the Strategic Plan report elsewhere on this agenda.
- 1.15 Risk Management

- 1.15.1 The level of resources, the impact of service demands and the overall budget process are all strategic risks. This is particularly so in a recession such as is currently being experienced. The process of development of this budget strategy commenced in July 2010 and is supported by the budget monitoring reports. Both contain assessment of budget pressures in 2010/11 and future years, consideration of the level of resources available, review of a wide range of factors affecting the budget and consideration of other financial activity of the Council. This work enables Cabinet to address the strategic risks in an effective and consistent manner over the medium term financial strategy period.
- 1.15.2 The projection discussed in this report includes a Council Tax increase that enables a balanced budget to be produced. This increase is considered in light of the recent announcement by central government regarding expectations on council tax increases. The increase used in this report is in line with the government expected Council Tax freeze.
- 1.15.3 The MTFs attached at **APPENDIX G** has undergone a risk assessment of the key risk incorporated within the strategy. This assessment is at a level below the strategic risk recognised above and is attached as **APPENDIX H**. This assessment will be monitored and, if the risks begin to materialise, the issues will be escalated to Management Team and Cabinet through the standard monitoring process and reports.

1.16 Other Implications

1.16.1

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

1.16.2 The financial implications are detailed in the body of this report.

1.16.3 The budget strategy considers the resources necessary to fund staffing levels and pay increments. In addition the report contains

proposals that may produce organisational change following the appropriate consultation.

1.16.4 This report intends to provide the Cabinet with firm proposals to enable the Council to set a balanced budget and a Council tax for the year 2011/12 as it is statutorily obliged to do.

1.17 Relevant Documents

1.17.1 Appendices

- A – Strategic Projection 2011/12 to 2015/16
- B – Potential savings 2011/12 to 2014/15
- C – Capital Programme 2010/11 to 2014/15
- D – General Fund Balances
- E – Comments from the Neighbourhood Forums
- F – Analysis of consultation responses
- G – Medium Term Financial Strategy
- H – Financial Risk Analysis.

1.17.2 Background Documents

Consultation from the Department for Communities and Local Government on Revenue Grant Settlement 2011/12

NO REPORT WILL BE ACCEPTED WITHOUT THIS BOX BEING COMPLETED

Is this a Key Decision? Yes No

If yes, when did it appear in the Forward Plan? August 2010.

Is this an Urgent Key Decision? Yes No

Reason for Urgency

N/A