



**REPORTS FOR DECISION BY THE
LEADER OF THE COUNCIL**

Date Issued: **21 January 2010**

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conclusion of 5 clear working days from the date of issue
of the Report**

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Agenda Item 1

MAIDSTONE BOROUGH COUNCIL

LEADER OF THE COUNCIL

REPORT OF HEAD OF FINANCE

Report prepared by Paul Riley

Date Issued: 21 January 2010

1. ESTIMATES 2010/11

1.1 Issue for Decision

1.1.1 This report presents the Revenue and Capital estimates for 2010/11 along with the revised estimates for the current financial year. The revenue estimates have been prepared on the basis of the latest instructions from the Cabinet, including agreed savings and growth options.

1.2 Recommendation of Head of Finance

1.2.1 That the Leader approves the revised revenue estimates for 2009/10 and the provisional revenue estimates for 2010/11 as contained in **APPENDICES A, B and C**.

1.2.2 That the Leader notes that there is no Capital Programme proposed for this portfolio.

1.3 Reasons for Recommendation

1.3.1 At the July meeting, Cabinet considered the initial projection for 2010/11 onwards and agreed the following:

- a) That the current Medium Term Financial Strategy as set out in Appendix B of the report of Management Team be noted and that it be updated in line with best practice to integrate service and financial planning for the next 3 year planning period.
- b) That the levels of council tax set out in Appendix F of the report of Management Team be used for budget planning purposes but the final council tax level will be set as low as possible.
- c) That the "most likely" scenario set out in Appendix F(ii) of the report of Management Team forms the basis of the need to identify savings of £1.4m in 2010/11 and that

officers work with Cabinet Members to present proposals for savings at the December Cabinet Meeting.

- d) That the current Capital Programme be noted.
- e) That the use of public consultation to inform the budget strategy be supported and that officers bring a report setting out the most effective consultation methods to the next Cabinet meeting.
- f) That the timetable for the 2010/11 Budget Strategy, as set out below (in the July 2009 report), be approved.

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

- a) An overall inflation rate of 2.5% per annum over the period.
- b) Anticipated grant based on the indicative figures provided by Government in 2007. This allowed for a 0.5% cash increase in the grant received over the level received in 2009/10 followed by 0% increases in future years.
- c) Additional resources for the completion of the new recycling contracts and for resolution of other budget pressures following changes to disposal arrangements.
- d) A continuation of the annual increase in the national concessionary fares scheme, based on previous trends in take up of the scheme.
- e) The use of all available capital receipts to fund the capital programme, reducing the level of investment income. The investment income is also affected by the rate of interest on the current investments, estimated at an average rate of 1.5%.
- 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 Council Tax increase be equivalent to the 2009/10 increase for the purpose of developing the strategy.
- i) That no increase in the Council Tax Base be assumed.

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

- a) The uncertainty surrounding the costs of the national concessionary fares scheme and the future proposals to transfer the function to upper tier authorities in two tier regions.
- b) The potential non-delivery of the capital receipts from sale of assets assumed during the programme period, leading to the possible need for borrowing to finance the programme.
- c) The potential future loss of HCA grant aid to the Council's capital programme following the intensive investment programme in 2008/09 and 2009/10.
- d) The continuing risk of income shortfall on the revenue budget due to the recession.

1.3.4 Following these decisions, further reports, to approve the medium term financial strategy and to agree the approach to budget consultation for 2010/11, were approved by Cabinet.

1.3.5 At its meeting on 16 December 2009, Cabinet considered the latest information relating to the budget strategy for 2010/11 onwards and agreed the following:-

- a) That a provisional spending level based upon the revised strategic projection set out in Appendix B of the report of Management Team, incorporating the revisions to growth items as identified in Appendix A of the report of Management Team and the savings as identified in Appendix C of the report of Management Team be agreed.
- b) That updates, as soon as available, on progress to achieving the savings targets from staffing as outlined in the report of Management Team be requested.
- c) That the updated Capital Programme detailed in Appendix D of the report of Management Team, along with the budget set out therein for 2012/13, be agreed.
- d) That the outcome of the budget consultation exercise set out in section 1.11 and Appendix G of the report of Management Team be noted and Cabinet's gratitude be expressed to all those who participated.
- e) That the updated medium term financial strategy as set out in Appendix H of the report of Management Team and its stronger connection to the strategic plan be agreed.

- f) That a continued Council Tax strategy which is materially within the Government's Council Tax capping strategy as outlined in the report of the report of Management Team be agreed.
- g) That the Corporate Services Overview and Scrutiny committee be consulted on the budget strategy based on the above decisions.

1.4 Revenue Budget 2010/11

1.4.1 Attached at **APPENDIX A** and **APPENDIX B** are the detailed estimates for 2010/11 along with:-

- a) actual spend for 2008/09;
- b) original estimate for 2009/10;
- c) revised estimate for 2009/10.

1.4.2 **APPENDIX A** gives a summary of the net expenditure for each service head which produced a total of £1,497,950 for 2010/11. This figure will be reported to the Cabinet and included within the Council's spending plans for 2010/11 to be considered by Council on 3 March 2010.

1.4.3 Following the summary of net budget requirement more detailed estimates for each service head are given at **APPENDIX B**. Each service head details the individual expenditure requirements analysed between employee expenses, other running expenses, internal recharges, central recharges and capital costs. The expenditure is then reduced by income, such as fees and charges, and recharges to other service heads. Against each service head are notes which identify any special circumstances relating to that service head and any major items of budget variance.

1.4.4 The cumulative impact of recent reviews of the structure and the impact of the recession has altered the focus of staff resources. The consequence of this shows in the alterations in internal and central recharges.

1.4.5 Also attached at **APPENDIX C** are detailed growth and savings proposals that have previously been considered by Cabinet. These proposals have been incorporated into Appendices A and B in order to properly reflect their potential effect upon the portfolio.

1.4.6 The estimate for 2010/11 totals £1,497,950 an increase of £244,880 (19.5%) on the original estimate for 2009/10. The main reasons for this variation are as follows:-

- a) Emergency Centre – much of the preparatory work on the new emergency plan is now complete as is the centre at the new depot. In addition the restructure has redirected staff resources.
- b) Corporate Projects – this service head bears initial internal recharges for major corporate projects only. There are few such projects in initial development stage at present.
- c) Corporate Management – the cost of corporate management of the organisation has been affected by recent changes of structure.
- d) Contingency – the major variance arises from stage 2 of the restructure in February 2009. This cost centre held the assumed saving to be made in 2009/10 and this has now been reflected in the salary estimates. In addition there is an increase in budget to support cost pressures, which will be utilised across all portfolios during 2010/11.

1.4.7 The revised estimate for 2009/10 is £1,260,540 an increase of £7,470 (0.6%) on the original estimate for 2009/10. The major reasons for the variation are:

- a) Emergency Centre, Corporate Projects & Corporate Management have similar variations with similar explanations to those detailed in 1.4.6 above.
- b) Contingency – the revised estimate for 2009/10 does not reflect the budget strategy growth and savings but does incorporate budgets for the use of performance reward grant by the LSP and the initial receipt of the LABGI resource for 2009/10 which has been set aside against budget pressures in 2009/10.

1.5 Capital Budget

1.5.1 Attached at **APPENDIX D** is the proposed medium term capital programme covered by this portfolio.

1.5.2 The appendix shows that no ongoing schemes exist for this portfolio which is a reflection of the current situation for funding of the capital programme as reported previously to the Cabinet.

1.6 Alternative Actions and why not Recommended

1.6.1 Alternatives have been considered previously by the Cabinet Member and are not appropriate at this stage of the Budget Strategy process.

1.7 Impact on Corporate Objectives

1.7.1 This report is part of the Corporate Budget process which will identify resources to deliver the corporate priorities and strategies agreed by the Council.

1.8 Risk Management

1.8.1 The level of resources, the impact of service demands and the overall budget process is a strategic risk. The Budget Strategy process, which commenced early in July 2009, incorporating an assessment of budget pressures, the level of resources available and the wide range of external factors, such as capping and government grants, enable the Cabinet to address the Strategic Risk in an effective and efficient manner. The inter-relationship of the Budget Strategy with the Strategic Plan and other important strategies also facilitates the management of this key strategic risk.

1.9 Other Implications

1.9.1

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

X

1.9.2 Financial Implications - The estimates presented here reflect decisions taken by the Cabinet at previous meetings.

Background Documents

Budget working papers file held in Corporate Finance.

How to Comment

Should you have any comments on the issue that is being considered please contact either the relevant Officer or the Member of the Executive who will be taking the decision.

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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?

Is this an Urgent Key Decision? Yes No

Reason for Urgency

[State why the decision is urgent and cannot wait until the next issue of the forward plan.]

MAIDSTONE BOROUGH COUNCIL**LEADER OF THE COUNCIL**

SERVICES	2008/2009	2009/2010		2010/2011
	ACTUAL	ESTIMATE	REVISED	ESTIMATE
	£	£	£	£
Performance and Development	192,013	197,680	148,660	174,200
Emergency Centre	98,597	114,670	67,930	65,540
Corporate Projects	431,129	297,250	204,840	192,900
Charities	10,265	11,340	9,800	9,610
Corporate Management	642,375	661,690	738,150	779,470
Press & Public Relations	123,893	133,160	106,330	105,360
Contingency	-660,653	-159,720	-12,020	173,920
Chief Executives Sections	-18,601	30	-10	120
Director of Change and Environmental Services Sections	-1,317	-3,060	-3,060	-3,060
Director of Prosperity and Regeneration Sections	-5,446	30	-80	-110
Net Expenditure Transferred to Summary	812,257	1,253,070	1,260,540	1,497,950

MAIDSTONE BOROUGH COUNCIL**LEADER OF THE COUNCIL****EXPLANATORY NOTES****Performance and Development**

This budget covers the corporate costs of developing strategic plans and performance systems, including Best Value. In particular, it covers the publication of the Strategic Plan and Performance Plan and promoting and monitoring the Council's Performance Management System.

Reductions in recharges from the Revised Estimate 2009/10 onward are a result of the restructure in February 2009.

Budget Holder: Policy & Performance Manager

Emergency Centre

This budget covers the cost of the Emergency Planning service

Reductions in recharges from the Revised Estimate 2009/10 are a result of the restructure in February 2009.

Budget Holder: Building Surveying Manager

Corporate Projects

This cost centre relates to the Council's corporate projects.

Reductions in recharges from the 2009/10 Revised Estimate, are due to the completion of office move in 2008/09.

The Estimate 2009/10 included a Budget Strategy Saving of £6,000.

The Capital charges for 2009/10 relate to the All Saints Link Road, which is not in the Capital Programme from 2010/11.

Budget Holder: Head of Business Improvement

MAIDSTONE BOROUGH COUNCIL**LEADER OF THE COUNCIL**

SERVICES	2008/2009	2009/2010		2010/2011
	ACTUAL	ESTIMATE	REVISED	ESTIMATE
	£	£	£	£
<u>Performance and Development</u>				
Employees	0	3,000	2,000	2,000
Running Expenses	23,400	22,410	14,400	14,400
Central Charges	144,424	144,500	116,710	142,060
Internal Recharges	24,190	27,770	15,550	15,740
Total Expenditure	192,013	197,680	148,660	174,200
Net Expenditure Transferred to Summary	192,013	197,680	148,660	174,200
<u>Emergency Centre</u>				
Employees	8,101	8,400	13,040	12,730
Running Expenses	35,430	41,820	36,260	38,820
Central Charges	25,290	34,260	8,830	3,640
Internal Recharges	29,776	30,190	9,800	10,350
Total Expenditure	98,597	114,670	67,930	65,540
Net Expenditure Transferred to Summary	98,597	114,670	67,930	65,540
<u>Corporate Projects</u>				
Employees	108,185	29,830	0	0
Running Expenses	59,151	15,000	0	0
Central Charges	226,048	213,010	168,300	188,980
Internal Recharges	44,656	22,950	1,990	3,920
Capital Charges	0	16,460	34,550	0
Total Expenditure	438,040	297,250	204,840	192,900
Income	-6,910	0	0	0
Total Income	-6,910	0	0	0
Net Expenditure Transferred to Summary	431,129	297,250	204,840	192,900

MAIDSTONE BOROUGH COUNCIL**LEADER OF THE COUNCIL****EXPLANATORY NOTES****Charities**

This Budget covers the costs of administering charities e.g. Maidstone Relief in Need.

Budget Holder: Head of Finance

Corporate Management

This Budget covers the Authority's Audit Fee, Bank Charges, cost of Treasury Management together with other charges mainly relating to the Head of Paid Service as laid down by the CIPFA Code of Practice.

The increase in Running Expenses in 2010/11 is due to a higher level of bank charges as a result of the new banking contract effective from 1st April 2010.

The increase in Internal Recharges is a result of the 2009 restructure.

Budget Holder: Head of Finance

Press & Public Relations

This Budget covers communication with the Public and other Stakeholders. The estimate for 2009/10 includes a Budget Strategy Saving of £7,000 for budget consultation.

Budget Holder: Head of Communications

MAIDSTONE BOROUGH COUNCIL**LEADER OF THE COUNCIL**

SERVICES	2008/2009	2009/2010		2010/2011
	ACTUAL	ESTIMATE	REVISED	ESTIMATE
	£	£	£	£
<u>Charities</u>				
Central Charges	10,265	11,340	9,800	9,610
Total Expenditure	10,265	11,340	9,800	9,610
Net Expenditure Transferred to Summary	10,265	11,340	9,800	9,610
<u>Corporate Management</u>				
Employees	30,712	22,950	35,030	40,810
Running Expenses	146,016	119,680	129,680	146,220
Central Charges	328,682	371,260	382,950	390,510
Internal Recharges	136,965	147,800	190,490	201,930
Total Expenditure	642,375	661,690	738,150	779,470
Net Expenditure Transferred to Summary	642,375	661,690	738,150	779,470
<u>Press & Public Relations</u>				
Employees	67	0	0	0
Running Expenses	49,624	50,480	50,470	43,470
Central Charges	72,132	80,380	55,860	61,890
Internal Recharges	2,070	2,300	0	0
Total Expenditure	123,893	133,160	106,330	105,360
Net Expenditure Transferred to Summary	123,893	133,160	106,330	105,360

MAIDSTONE BOROUGH COUNCIL

LEADER OF THE COUNCIL

EXPLANATORY NOTES

Contingency

Budget Holder: Head of Finance

MAIDSTONE BOROUGH COUNCIL**LEADER OF THE COUNCIL**

SERVICES	2008/2009	2009/2010		2010/2011
	ACTUAL	ESTIMATE	REVISED	ESTIMATE
	£	£	£	£
<u>Contingency</u>				
Concessionary Fares Contingency	0	200,000	200,000	200,000
Consultancy Services	0	0	50,000	0
Contingency for new Legislation	0	34,420	34,420	34,420
Energy Costs	0	53,000	0	0
External Legal Advice Savings	0	-5,000	-5,000	-5,000
Extra Cost Pressures	0	119,000	143,950	333,600
Growth/Inflation Adjustments	0	-95,900	-2,070	7,930
MKIP Contribution	42,840	0	42,840	42,840
New Office Accommodation (Maidstone Hse)	0	-51,800	0	0
Performance Reward Grant	0	0	137,300	0
Planning Grant - Credit Control	0	0	-20,000	0
Procurement Savings	0	-77,900	-46,500	-46,500
Procurement-Temp Staff Savings	-27,956	-60,000	-60,000	-60,000
Restructure Savings	0	-260,000	47,010	7,230
Shared Services Savings	0	0	-70,000	-98,000
Small Budgets	0	2,300	25,240	25,240
Total Expenditure	14,884	-141,880	477,190	441,760
Total Income	-675,536	-17,840	-489,210	-267,840
Council Tax Leaflet Grant	-10,806	0	0	0
KCC Re: Second Homes	-15,800	-17,840	-17,840	-17,840
Local Authority Business Growth Initiative	-293,747	0	-94,450	0
Performance Reward Grant	0	0	-69,900	0
Planning Grant - Additional Staffing Costs	-355,184	0	32,980	0
Planning Grant - Credit Control	0	0	-340,000	0
VAT Refund	0	0	0	-250,000
Net Income / Expenditure Transferred to Summary	-660,653	-159,720	-12,020	173,920

MIDSTONE BOROUGH COUNCIL

LEADER OF THE COUNCIL

EXPLANATORY NOTES

Chief Executives Sections

This Budget represents the cost of the Chief Executives Sections in this Portfolio.

Director of Change and Environmental Services Sections

This Budget represents the cost of the Director of Change and Environmental Sections in this Portfolio.

Director of Prosperity and Regeneration Sections

This Budget represents the cost fo the Director of Prosperity and Regeneration Sections in this Portfolio.

MAIDSTONE BOROUGH COUNCIL**LEADER OF THE COUNCIL**

SERVICES	2008/2009	2009/2010		2010/2011
	ACTUAL	ESTIMATE	REVISED	ESTIMATE
	£	£	£	£
<u>Chief Executives Sections</u>				
Employees	330,928	365,140	356,160	362,980
Running Expenses	63,378	75,610	74,740	75,180
Central Charges	95,889	102,970	110,840	116,680
Internal Recharges	5,125	5,590	5,790	5,860
Total Expenditure	495,320	549,310	547,530	560,700
Income	-513,921	-549,280	-547,540	-560,580
Total Income	-513,921	-549,280	-547,540	-560,580
Net Income / Expenditure Transferred to Summary	-18,601	30	-10	120
<u>Director of Change and Environmental Services Sections</u>				
Employees	0	101,500	101,500	101,500
Running Expenses	-1,317	500	500	500
Total Expenditure	-1,317	102,000	102,000	102,000
Income	0	-105,060	-105,060	-105,060
Total Income	0	-105,060	-105,060	-105,060
Net Income Transferred to Summary	-1,317	-3,060	-3,060	-3,060
<u>Director of Prosperity and Regeneration Sections</u>				
Employees	103,367	107,640	117,550	121,730
Running Expenses	19,062	24,910	26,470	26,800
Central Charges	13,394	15,080	17,040	17,180
Internal Recharges	14,230	16,170	2,740	2,770
Total Expenditure	150,053	163,800	163,800	168,480
Income	-155,499	-163,770	-163,880	-168,590
Total Income	-155,499	-163,770	-163,880	-168,590
Net Income / Expenditure Transferred to Summary	-5,446	30	-80	-110

LEADER OF THE COUNCIL PORTFOLIO**Revenue Savings 2010/11****Scheme**

	£
Annual budget consultation	7,000
Contingency- Stage two of the 2008/09 Structure	240,000
Contingency- Balance of pay provision from 2009/10 pay award	160,000
	<u>407,000</u>

Revenue Growth Items 2010/11**Scheme**

	£
Contingency- Loss of income	250,000
	<u>250,000</u>

MAIDSTONE BOROUGH COUNCIL - CAPITAL PROGRAMME 2009/10 - 2012/13

NOVEMBER 2009

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