To: Customer & Communities Policy Overview & Scrutiny Committee

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Subject: Budget 2012/13 Medium Term Plan 2012/15

Classification: Unrestricted

Summary: The purpose of this report is to consult the Committee on the budget proposals for the Customer & Communities portfolio, with reference to the draft KCC budget launched on 19/20 December 2011.

Members are invited to comment on the key issues on the proposed budget changes for the services provided by the Customer & Communities Directorate.

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1. Introduction

The Chancellor of the Exchequer made his Autumn Budget Statement to the House of Commons on 29 November 2011. This coincided with the latest economic forecast from the Office for Budget Responsibility (OBR) which predicted the recovery from recession would take longer than previously forecast and economic growth projections for the remainder of 2011 and throughout 2012 would be substantially less than earlier forecasts.

The Government's deficit recovery strategy relies on steady and sustainable economic growth in order that tax revenues recover from the effects of recession and remain buoyant in the future. In spite of lower growth predictions the Chancellor has stuck with the spending plans outlined in the 2010 Spending Review (SR2010).

The provisional Local Government Finance Settlement for 2012-13 was announced on 8 December 2011. This sets out the provisional grants for 2012-13 from the Department of Communities and Local Government (DCLG). This includes the vast majority of un-ringfenced grants. The grants from DCLG were in line with the provisional figures included in the 2011-12 settlement, but no provisional amounts have been announced for the following years.

Following these announcements Kent County Council (KCC) launched its draft 2012-13 Budget and 2012-15 Medium Term Financial Plan (MTFP) for consultation on 20 December 2011. The documents include much more information about the national economic context and grant settlement, as well the Council's proposals.

Members are asked to review these documents and bring them to the committee meeting where the proposals affecting the Customer & Communities portfolio will be considered.

For 2012-13 the draft budget proposes freezing Council Tax at the same level as 2011-12 ie. £1,047.48 for a band D property and taking up the one off grant offered by government. Taking up this grant means that £14.4m of additional savings/income will have to be found in 2013-14 to off set the loss of grant. The Council Tax freeze grant is factored into our calculations on the overall net loss of grant in 2012-13 and 2013-14.

The grant settlement for other Government departments had not been announced in time for the budget launch. Since these are largely ring fenced and its KCC policy to adapt spending in line with grant settlements, these will not unduly affect the proposed budget.

The directorate is not directly affected by such grant settlements but the sensitivity to changes in sales, fees & charges, as well as external funding streams, remains a significant risk.

A number of the Directorate's services - including Community Learning & Skills, Kent Drug Alcohol Action Team and the Integrated Youth Services - are reliant on such external funding and in-year changes require difficult decisions to be made.

The Community Safety unit previously administered the Stronger and Safer Communities Fund (SSCF) but this has tipped into the larger un-ringfenced Local Support Services Grant (LSSG) and has been reduced by just under £0.9m, with the service and its partners having to cut their cloth accordingly.

Other services - such as Kent Registration Service, County Parks and Kent Scientific Services - have gross budgets that are predominantly funded from income generation and merely maintaining these income levels in the current economic climate is a challenge but each has additional income targets to achieve.

2. Background and Changes to the Budget Book

The draft budget book includes a portfolio summary, an updated A to Z of services and for the first time a detailed variation statement for each line in the A to Z showing all the changes between 2011/12 and 2012/13.

The introduction of an A to Z of services rather than a portfolio by portfolio presentation of the budget was largely welcomed last year. The detailed variation statement is a further step towards greater transparency of the underlying assumptions behind the proposed budget. We recognise that removing the portfolio by portfolio presentation makes it more difficult for POSCs to scrutinise the proposals for individual portfolios and thus for ease of reference the A to Z entries for this portfolio are included as Appendix 1.

The MTFP sets out the overall assumptions about the likely resources available over the next 3 years. It also sets out the forecast additional spending demands and the savings/income which would be necessary to achieve a balanced budget each year.

The savings have been expressed as target amounts for efficiencies and service reforms under a number of themes. The MTFP has been redesigned to present a clearer overall picture over the three year period rather than portfolio by portfolio.

The MTFP includes a portfolio by portfolio analysis of the main changes within the proposed 2012/13 budget. This is presented in the same format as the previous multi-year presentation.

Experience has shown that although we produced a 3 year plan by portfolio nearly all of the issues relate to the first year and the detail for years 2 and 3 are largely aspirations and change significantly when the budget for these years comes to be approved at a later date. The one year presentation by portfolio should help POSC members to focus on portfolio priorities for the coming year.

As in 2011/12 the detailed budgets for individual service units and budget managers will be produced after County Council has agreed the draft budget in A to Z format. This detailed manager analysis will include staffing information for individual units.

Copies of the draft Budget Book and MTFP have been distributed to all Members (on the 16 December 2011). You are asked to ensure you bring those to this meeting, along with any previous budget and MTFP reports from recent POSCs.

3. Base Adjustments and Pressures

The overview for Customer & Communities for 2012-13 in relation to total pressures and base adjustments is summarised as follows:

	2012-13	2012-13	2012-13
	At Jan 12	**At Nov 11**	**Change**
	£'000	£'000	£'000
Base adjustments	1,029	1,065	-36
Pay and Prices	147	147	-
Demand/Demographic Led	130	130	-
Unavoidable Legislative Pressures	150	-	150
Service Strategies & Improvement	1,792	1,645	147
Repayment of one-off funding	687	687	-
Total Pressures & base adjustments	**3,935**	**3,674**	**261**

Table 1 summary of value of Base Budget adjustments and budget pressures.

A number of the base adjustments were identified and discussed at the November 2011 POSC and therefore the text below is intended to reconcile the figures noted in November to the figures that were presented to Cabinet in December, and then to this POSC in January 2012 (far right column).

Overall there have been further net pressures of £261k identified, which are analysed below:

Unavoidable Legislative Pressures: a change of £150k - pressures arising from increased demand for our services, or increased costs associated with rising demand have been identified

This pressure, in relation to the potential loss of the zero rate exemption for youth centres, was reported in the previous MTFP by the then Communities directorate.

This potential change in legislation was initially shown in this MTFP within Business Strategy & Support (Corporate Landlord) but given that the Youth Service review will not be in place in 2012/13, all property related budgets (and pressures) were transferred back to the service and into this directorate and therefore this is not a new pressure for the authority.

Service Strategies & Improvements: a change of £147k (net) - additional costs and pressures that relate to changing the way in which our services are delivered have been identified, some of which have an initial cost but produce either a financial saving, or more effective service delivery.

Three new pressures are included under this heading, in addition to what was identified and discussed at the November meeting, namely:

- the recognition of an unachievable income target (+£250k) within the new centralised Communications and Engagement function,

- a switch in funding (+£250k) from capital to revenue of certain maintenance agreements in the capital programme, which is in line with accounting convention. The capital pressure has been released accordingly.

- an additional pressure (+£275k) in relation to the decision to reverse the proposed diminution of Community Engagement Officers (formerly Community Liaison Managers). This initially formed part of the proposals to deliver in excess of £1m from a staff restructure of the Communication and Engagement division. The cash limit was removed in 2011/12, so this reversal made this saving no longer possible, so this element had to be reinstated accordingly. These pressures amounted to +£775k.

In contrast to this, an adjustment has been made to a saving - and associated pressure in creating a commissioning budget - that was reflected in the previous MTFP in relation to the Youth Service Transformation. This has been delayed slightly, with only one quarter's effect of the saving now reflected in 2012/13 and the full year-effect delayed into 2013/14.

The creation of the commissioning budget, discussed at November's meeting was £838k, with now only £210k (a quarter) shown within the pressures reported to Cabinet in December 2011.

The deferral of this pressure amounts to a reduction of -£628k (£838k less £210k), which when combined with the three new pressures above of +£775k, aggregates to a net increase of +£147k (see 3.1 Table 1).

The detail of each of the base adjustments and pressures are shown in the appendix to this report, on a line by line basis, continuing the theme of openness and transparency.

4. Savings and Income Generation Proposals

The overview for Customer & Communities for 2012-13 in relation to total savings and income generation is summarised as follows:

	2012-13	2012-13	2012-13
	At Jan 12	**At Nov 11**	**Change**
	£000s	£000s	£000s
Base Budget	90,469	90,469	-
Pressures & base adjustments (Table 1)	3,935	3,674	261
Savings	*-15,445*	*-16,569*	*-1,124*
Income Generation	*-130*	*-80*	*50*
Total Savings and Income	-15,575	-16,649	-1,074
Revised Base Budget	**78,829**	**77,494**	**77,494**

Table 2 Total proposed Budget for Customer & Communities.

To balance the pressures outlined in section 3 above, the directorate will need to generate new or increased income streams, deliver savings through efficiency and service reforms, as well as deliver those savings that were identified within the previous Medium Term Financial Plan 2011-2013.

A number of the income and savings options were identified and discussed at the November 2011 POSC and therefore the text below is intended to reconcile the figures noted in November to the figures that were presented to Cabinet in December, and then to this POSC in January 2012.

Overall there has been further income of £50k identified but £1.124m of savings proposals are no longer deliverable. These are each analysed below:

Income Generation: a change of +£50k – the Kent Registration Service had already announced a 3% increase to its fees in 2012/13 but this has not been reflected in the MTFP and has therefore been added to reflect this change.

Savings and Mitigations: a change of -£1,124k - there are four key movements that amount to a movement of -£1,173k so my analysis below focuses on these elements, namely:

- A full year-effect saving of £500k had been identified in relation to reducing activity spend on communications, advertising and publications.

  However, given the current financial climate, services across the authority - who retained the activity budgets as part of the centralisation - had already reduced their spend to meet their own savings targets so this was not achievable. A review will still take place, although no specific target will be set.

- To part mitigate the above, as well as the new pressure alluded to in 3.2.2 above, the actual impact of the staff restructure in the Communication and Engagement division exceeded expectation and delivered in excess of the £1m target – an additional £225k of saving.

- The delay in the creation of the commissioning budget for the Youth Service Transformation alluded to in 3.2.2 above has a corresponding impact on the staffing and premises review. Only a quarter of those savings are now reflected in 2012/13, with £1,198k now being delivered in 2013/14.

- The Arts Unit were tasked with reviewing their staff structures and fund levels with a view to achieving a £300k saving.

These four items aggregate to a reduction in savings and mitigations of £1,173k which is slightly more than the net movement of £1,124k.

The total saving and income generation that is required from Customer & Communities is summarised as £15.6m for 2012-13 (see 4.1 Table 2).

The total savings of £15.6m can be analysed further into income generation of £0.13m, savings and mitigations of £6.683m (previous MTFP), efficiency savings of £1.113m and de-prioritisation savings of £7.649m (efficiency and de-prioritisation savings are new to this MTFP). Explanations as follows:

Income generation of £0.08m was included within the 2011-13 MTFP and reflect savings associated with the services that transferred into the Customer & Communities Directorate on 1st April 2011. A potential new income stream of £0.05m has subsequently been identified.

Efficiency savings of **£1.113m** can be analysed as follows:

- £0.675m - Management and Access & assessment savings facilitated by the Contact Centre
- £0.200m - CLS: Hosting charge for use of properties
- £0.013m - All units: savings on Essential/Lease car users
- £0.225m - Communications: Enhanced staff savings.

Savings & Mitigations of **£6.683m** can be analysed as follows:

- £5.4m - Reflects the removal of one-off funding in the existing Medium Term Plan and relates primarily to the removal Of: Big Society funding (£5m); 2012 Olympic and Paralympic Games funding (£0.2m); Open Golf at Sandwich (£0.08m) and Early Intervention Grant transitional protection (£0.12m).

- £1.283m - current published 2010-13 MTP efficiency savings, back office support & management (£1.254m) and transfer of savings into Service Improvement (£0.029m)

De- prioritisation savings **£7.649m** can be analysed as follows:

- £0.092m - All: removal of all strategic external funding activities
- £4.000m - Supporting People: Review of Service Priorities
- £1.450m - Libraries: Other efficiency linked proposals (£0.5m) and implementation of RFID proposals (£0.95m).
- £0.394m - Youth: Commissioning model (staff impact)
- £0.250m -Trading Standards: Review of service provision
- £0.030m - Country Parks: Staffing review
- £0.075m - PROW: PROW network maintenance
- £0.078m - Public Health: Rationalise Healthwatch Programme
- £0.071m - Countryside Access: Review of Service Priorities
- £0.894m - Comm. Safety: Reduction in HO Community Safety LSSG (11/12) and (12/13).
- £0.300m - Arts Development: Reduced support for Music & Arts.
- £0.015m - Youth: Commissioning model (property impact)

Taking into account all of the above, the proposed cash limit and net position for Customer & Communities for 2012/13, as per (Table 2), is £78.83m.

5. Capital

The starting point for the capital programme is the existing capital programme within the MTFP for 2011-14, which included a 5-year plan. We have revised the presentation of the capital programme for individual schemes to shift the focus away from planned spending year by year and more towards the totality of spend and how this is financed.

This will enable debate to focus on the merit of schemes, their affordability and overall timeliness rather than the detail of re-phasing individual amounts between years, which is not always known accurately when schemes are input into the MTFP.

The proposed programme for the Customer & Communities portfolio for 2012-15 is set out on page 12 of the MTFP. New projects have been transferred into Customer & Communities from other portfolios. Some of which were included in the 2011-14 programme.

The total costs of schemes that are now managed by the Customer & Communities Directorate are £27m. This is in contrast with the cost of the programme in 2011-12 of £77m, which represents a perceived diminution of £50m.

The £50m movement does not reflect a reduction in the County Council's investment in its capital programme, and in most parts, is due to completed projects expenditure being removed from the budget.

Project completion accounts for £42m of the movement and, therefore, the remaining £8m reflects changes to the presentation of the rolling programme, as the current MTFP shows the capital programme over five years, whereas, the MTFP 2012-15 shows the programme over a three year period.

The Customer & Communities' capital programme has a lot to be proud of, with the successful opening of: Turner Contemporary Gallery; Ashford Gateway Plus; and Gravesend Library already accomplished. The Kent History and Library Centre is expected to be completed by the end of the current financial year, with Edenbridge Community Centre and The Beaney, Canterbury, expected to be completed within the next financial year (2012-13).

6. Recommendations

Members of the POSC are asked to note, and are invited to comment upon the revenue and capital proposals included in the Medium Term Financial Plan 2012-15.

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Background documents:

- Autumn Budget Statement; Cabinet, 5 December 2011
- Draft Budget Book 2012/13 and Medium Term Financial Plan 2012/15
- Previous Budget Monitoring and Planning Reports to the POSC