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Date: 4 November 2009

Dear Member

**COMMUNITIES POLICY OVERVIEW AND SCRUTINY COMMITTEE
WEDNESDAY, 11 NOVEMBER 2009**

I am now able to enclose, for consideration at next Wednesday, 11 November 2009 meeting of the Communities Policy Overview and Scrutiny Committee, the following report that was unavailable when the agenda was printed.

Agenda No Item

4. **Medium Term Financial Plan - 2010-11 to 2012-13** (Pages 1 - 32)

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Sass', written in a cursive style.

Peter Sass
Head of Democratic Services & Local Leadership

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To: Communities Policy Overview Scrutiny Committee – 11th November 2009

By: Mike Hill, Cabinet Member and Amanda Honey, Managing Director, Communities

Subject: BUDGET 2010/11 AND MEDIUM TERM FINANCIAL PLAN 2010/11 TO 2012/13

Classification: Unrestricted

Summary: This report identifies the proposed strategy for determining next year's budget and the financial plans for the following two years. This includes the latest indications of likely pressures facing the Communities portfolio, suggested areas for service improvements and the savings that may be needed in order to set a realistic three year budget plan.

Recommendation: Members are asked to review and comment on the overall strategy, the pressures identified for the Communities portfolio and to identify their priorities for savings if each portfolio had to deliver a 10% saving on gross expenditure over the next three years.

FOR COMMENT

1. Introduction

- 1.1 The Autumn Budget Statement to Cabinet on 12th October 2009 suggested that we are entering into more uncertain times for local government finance than has been the case for many years.

Whilst we have been assured that the Government will honour the third and final year (2010/11) of the current three-year Local Government Finance settlement there remain uncertainties on the level of efficiency savings that will be required for the year, the allocation of specific grants and the level of council tax capping.

- 1.2 Beyond 2010/11 the future is even more uncertain with the next three-year Comprehensive Spending Review (CSR) deferred until after the next general election, the general state of the UK economy continuing to be weak, and a big hole in public finances.

The most likely scenario is that we will be heading into a period of spending restraint compared to the relative prosperity of recent years.

2. Background

- 2.1 Indicative cash limits for 2010/11 and 2011/12 were approved by the County Council on 19th February 2009 in the Medium Term Plan (MTP) for 2009/12. These have been updated for known changes such as transfers of activities or staff between portfolios following the announcement of the new Cabinet responsibilities in May.
- 2.2 We are proposing a minor restructuring of the presentation of the MTP so that we can more clearly distinguish between unavoidable pressures (such as the impact of inflationary pressures on pay and prices, demographic pressures due to changes in Kent's population, and legislative pressures from Government) and pressures arising from local decisions on service levels and policy led improvements. The indicative cash limits have been updated for the latest forecast of these pressures.
- 2.3 We are also proposing a minor re-presentation of savings and income sections to more closely match the strands set out in the budget strategy below. Managing Directors have been set targets to make efficiency savings on staff overheads and procured services. In setting these targets we have been clear that we need to drive out as much as possible from efficiency savings before we look at any other savings.
- 2.4 We are setting POSCs the challenge to identify their priorities for areas for savings – from both an efficiency and policy perspective - if we had to make a 10% reduction on gross expenditure over the next 3 years.

At this stage in the process this is a scoping exercise to inform policy development over the medium term (and we have no intention to take such a blunt salami slicing approach to policy development) rather than to bring forward specific proposals.

However, POSCs will have the opportunity to identify any areas where they think savings can be achieved from policy changes affecting the 2010/11 budget.

3. Budget Strategy

- 3.1 In light of the national situation outlined in this report we are proposing a budget strategy based on the following assumptions:
 - A £9m increase in formula grant for 2010/11 from £267m to £276m. Thereafter we are estimating a 3% per annum reduction in cash terms.
 - A reduction in the growth in the council tax base due to additional households from 0.8% in 2009/10 to 0.5% p.a. for the period of the next MTP.
 - As low an increase in council tax as possible.

- 3.2 Based on these assumptions this would see a small increase in the council's net spending of £822m in 2009/10 (excl. Area Based Grant) and thereafter standstill or reduced net spending.

This represents a substantial shift over the previous three-year period which saw net spending rise from £710m in 2006/07 to £742m in 2007/08 to £796m in 2008/09.

- 3.3 In order to deliver a change of this magnitude we have calculated we would need to reduce spending in real terms by nearly £200m over the period of the next MTP.

We are proposing this would be achieved through a combination of resisting budget pressures and making savings through efficiencies/income generation (i.e. delivering the same or similar level of service at lower cost) and policy led changes (i.e. delivering a different level of service).

- 3.4 In the normal course of events we could have anticipated budget pressures of circa £190m over the period of the next MTP. This assumes inflation running within the government target of 2.5% pa, demographic changes arising from an increasingly elderly and needy population, and legislative changes adding additional burdens on local authority services.

Under the budget strategy we propose to resist 1/3 of these pressures through taking a robust stance in negotiating pay and price increases and responding to demographic and legislative pressures through innovative cost effective approaches.

- 3.5 Even after resisting some pressures this would still leave the authority needing to find around £130m of cashable savings to deliver a balanced budget within the overall strategic assumptions outlined in paragraph 3.1.

This equates to the 10% that we are asking each POSC to consider (assuming schools spending/grants continue to be outside of KCC's direct influence).

To put savings of this magnitude into context, over the preceding three-year period from April 2007 to March 2010 we will have delivered over £110m of efficiency savings/income generation as part of delivering each year's budget.

- 3.6 Chief Officers have signed up to identifying £10m of efficiency savings in 2010/11 from reducing staff overheads through a review of support functions. Chief Officers have also agreed to identify £6m of savings on procured services in 2010/11, through driving out efficiencies between the authority and contractors.

POSCs can consider and comment on these proposals as part of their deliberations on identifying the scope for 10% savings on the total portfolio spend.

4. Latest Developments: National Context

- 4.1 There are a number of national factors to take into account.
- 4.2 The Government's Comprehensive Spending Review 2007, published on 9 October 2007, set out national spending plans for 2008/11. The overall state of public finances and direction of the UK and world economy has significantly deteriorated since these plans were published.

Nonetheless, the Government has assured local authorities that they will honour the third and final year of the current plan and that Formula Grant settlements will be as previously announced.

For Kent this represents an increase of around £9m on the £267m grant for 2009/10. The final figure will vary slightly for changes in the data used for the formula and the Government is due to issue revised indicative figures in late November/Early December and we should get final settlements in late January/early February.

- 4.3 Over the last 18 months inflation has initially gone up (exceeding Government targets) and subsequently reduced. There are different indices used to measure inflation, the indices enable an annual rate of underlying inflation to be calculated:

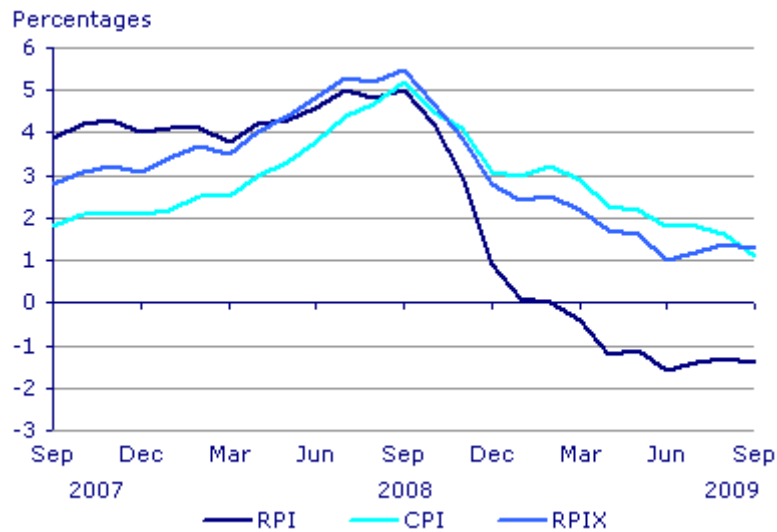
Retail Price Index (RPI) – This is the traditionally accepted measure for inflation and has been calculated continuously since June 1947. It is used by the government to update pensions, benefits and index-linked gilts. It is commonly used to uprate contracts, and is often taken into account in wage bargaining. RPIX is a variant excluding mortgage interest payments; RPIY is a further variant excluding mortgage interest and indirect taxes (e.g. VAT and council tax).

Consumer Price Index (CPI) – This is the measure now adopted by Government for targets on the economy. It is based on harmonised consumer index prices (HCIP) and enables comparison on internationally agreed standards throughout Europe. It does not include mortgage interest or indirect taxes but does include some financial services not included in RPI.

- 4.4 The chart below shows the changes in inflation over the last 2 years. In summer 2008 we experienced relatively high levels of inflation (CPI 5.2%, RPI 5.0% both peaked in September 2008) well above the levels assumed in the government's spending plans. At the time was attributed to rising fuel prices.

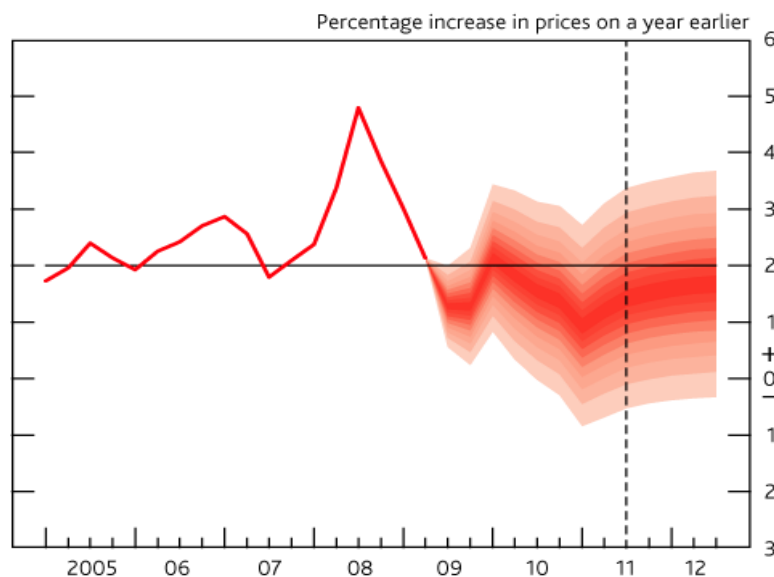
Since then RPI has declined steadily dropping to 0% in January 2009 and currently stands at an annual decrease of -1.4% as at September 2009. This is mainly on the back of reduced interest rates affecting mortgage payments and reduction in VAT.

CPI has declined less rapidly and currently stands at an annual increase of +1.1% as at September 2009 (down from 1.6% in August). The largest downward factor on CPI over the last year has come from housing and household services particularly energy prices which have remained largely constant following increases last September.



4.5 The Bank of England Monetary Policy Committee (MPC) produces monthly “fan charts” with forecasts for inflation (CPI) and economic growth (Gross domestic Product – GDP).

The idea of the fan chart is that it provides a range for forecasts which expand the further into the future to allow for greater uncertainty. The latest fan chart for inflation is reproduced below.



As can be seen from the fan chart the MPC is forecasting a rise in inflation (as measured by CPI) to around 2% by the end of the year with a steady decline throughout 2010 (down to around 1%) and thereafter a small but steady rise up to around 1.8% by the end of 2011.

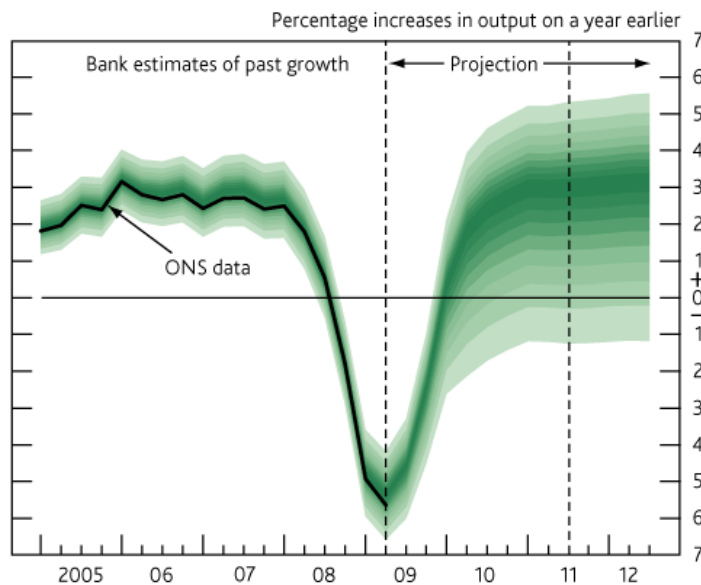
On the presumption that interest rates will remain low for the foreseeable future it seems likely that RPI will continue to be below CPI although the gap should close as the reductions in interest rates last year no longer have a negative impact on the annual underlying rate of inflation (when interest rates eventually rise this is likely to impact as an increase in RPI taking it above CPI).

- 4.6 We have dwelt on inflation in more depth than previous POC reports as it is an essential component of our budget strategy that the current low levels be reflected in our pay and price pressures and negotiations.

In particular RPI on which many of our contracts and wage bargaining is based is currently negative (and likely to remain so or at least negligible increase while interest rates remain low).

- 4.7 The other major economic factor which we have to take into account is that the UK economy has been in recession since Autumn 2008. The MPC is currently forecasting that we reached the bottom of the trough earlier in the year and the economy is slowly improving. The fan graph for GDP suggests the economy could be back into modest growth by the end of the year.

Should the forecasts prove to be inaccurate and the recession continue longer than expected this could have significant impact on the demographic forecasts within the MTP as there is much evidence that in a time of prolonged recession people's attitudes, behaviours and demands for public services change.



5. The current budget

5.1 The current budget for the Communities portfolio under the oversight of this POSC is as follows:

	Gross spend £'000	Income £'000	Net spend £'000
Portfolio controllable*	107,098	50,751	56,347

* The above excludes the transfer of Supporting People, approved in September 2009, and subsequent to the release of the Budget Book.

Further detail is outlined in Appendix 1.

5.2 In very brief summary this budget provides for the following outcomes, outputs and/or service improvements:

- Library service entertaining just over 7.0m physical visitors, issuing 6.6m books and 658k audio visual rentals.
- Adult Education service providing enrolments in excess of 43,000.
- Over 500 schools involved with inaugural Kent School Games.
- Youth service providing activities and guidance for approximately 20,000 young people as regular users.
- Youth Offending Service working with 3,700 young offenders.
- Trading Standards service assessing just under 45,000 businesses and dealing with 5,800 enquiries and complaints from consumers, leading to 46 prosecutions.
- Registration Service recording in excess of 30,000 births and deaths, and conducting 4,631 civil marriage ceremonies at both internal KCC venues and at external venues.
- Community Safety Partnership employing 101 community wardens.
- Coroners investigating nearly 7,500 reported deaths.
- Kent Scientific Services dealing with over 6,000 analytical samples and conducting just under 1,000 calibration tests.

Further detail is outlined in Appendix 2.

5.3 As reported in the first quarter's monitoring, there are pressures on our gross expenditure and savings targets in the following areas:

- £277k pressure on the Coroners Service;
- £18k pressure on the KEY Training Service (netted within KAES);
- £50k pressure on Kent Scientific Services;
- £100k pressure on Central Budgets regarding Maidstone Museum.

Management action to mitigate these pressures is as follows:

- The identification of consequential savings on staffing and non staffing budgets from other services within the Directorate;
- £100k virement from Finance to fund the Maidstone Museum contribution.

A net unmitigated overspend of £89k was reported to Cabinet and to POSC in September 2009 in relation to the quarter ended June 2009 and Communities are developing management action in order to attempt to achieve a balanced position by the end of the financial year.

Further detail is outlined in Appendix 3.

6. Communities Priorities for the Medium Term Plan

6.1 The overall direction for the Communities portfolio is now well established, and enclosed with this report at Appendix 4 is a draft statement of the Medium Term Service Priorities for Communities, which will shape our contribution to Section 3 of the Medium Term Plan.

6.2 Members will appreciate, from the information in Section 3 above, that the financial framework for the medium term will be very tough for all portfolios and comes at a time when demand for services has never been higher, both because more people need services and because of greater public expectations particularly at times of recession.

6.3 Whilst the Directorate is implementing modernisation changes that will increase efficiency and effectiveness, this will not avoid altogether the need for some difficult decisions over the medium term.

6.4 Areas of spending priority for which significant additional funding is proposed are as follows:

Pay: £1,461k – There is no provision currently included in cash limits for an annual pay award for Kent Scheme staff in 2010/11 as no proposal has been made. Thereafter cash limits include a provision consistent with the underlying rates of inflation throughout 2009 and the Monetary Policy Committee forecasts for the next two years.

Settlements continue to be the subject of local pay bargaining with recognised trade unions on an annual basis.

The only exception to the above is the Coroners service, amounting to £40k, where in the last two years there has been an additional uplift over and above the basic award by the National Joint Council for Local Government Services. The intent was to link pay increases for such national schemes with local authority chief officers.

The current pay provisions also do not include staff in externally funded or trading functions. At this stage we have not received notification of funding settlements from partner agencies or set price increases and thus we have made no allowance for cost increases or additional income. This affects KDAAT, Youth Offending Services, Adult Education, Sports Leisure and Olympics, Kent Scientific Services and Registration Service.

The majority of staff in the Kent Scheme benefits from incremental progression under the performance progression arrangements. On average incremental progression equates to a 2.7% increase in pay. No funding is provided within the overall cash limit for incremental progression on the grounds that the cost is offset by the effect of staff turnover.

Staff turnover levels have marginally declined in the current recession and we now have an average turnover level, across the whole of KCC, of around 12% of staff. For Communities specifically, this figure is significantly lower at around 6%, which is consistent with the prior year. Across the 16 different budget lines, staff turnover ranges from 0% up to 18% for both the current and previous year. This will continue to be closely monitored.

In addition to staff turnover, vacancy management continues to be used to both balance budget provision and wherever possible to mitigate the impact of restructuring and any necessary downsizing for other employed staff.

Fuel Prices: £122k – We have identified a potential pressure on fuel prices (premises energy and petrol) over the three year period, although a negative pressure presents it self for 2010-11.

Our pressures are profiled as -13%, +12% and +20% for 2010-11, 2011-12 and 2012-13 respectively. The overall pressure is due to anticipated significant increases in the price of oil, although a reduction is expected in Year 1.

As with pay above the pressure on fuel prices for externally funded services (in this instance principally Adult Education) has been excluded.

Contractual price increases: £228k – We have identified pressures in relation to transport costs £151k, contract price pressures of £40k (1.5%) and increase contracts relating to residential placements of £38k (1.5%).

These pressures are in line with the Bank of England Consumer Price Index (“CPI”) inflation rates of 1.5%, 1.5% and 1.8% respectively, where applicable, or conform to other industry information.

Coroners and Body Removal contract: £187k – We currently have contracts with funeral directors in relation to the removal of bodies to mortuaries, following referral to the Coroner. Under the current arrangements our cash limit is £130k but the contract was re-tendered and signed in July 2009, with an annual cost of £230k. This presents a pressure of £70k for the remainder of this year and a full year effect of £100k, which has been identified in the MTP process.

The contract was put out to tender twice as the first tenders were significantly in excess of the final agreed figure. In the past funeral directors have tendered on the basis that removing the body to the mortuary would lead to them providing funeral services once the Coroner has finished enquiries.

Due to the economic downturn, this loss-leader is no longer being offered by the funeral directors and whilst a number of “nil bids” are included within the agreed contract price – including a number from local businesses – this remains a pressure for the service in the current year and moving forward.

In addition to the body removal contract, the Service Level Agreements (SLA) with the Primary Care Trusts (PCT) is at a level higher than inflation and presents a pressure of £57k over the three year period.

Despite the injection of additional funds in prior years to cover increases in mortuary and specialist fees, the budget for the Coroners service continues to be overspent. Coroners are reporting that this is due to the increased complexity of cases leading to more and longer investigations.

We are continuing to work with the Local Government Association (LGA) and other local councils to lobby government for a change in the funding and/or organisation of the Coroner’s service.

In the meantime we have had to resist further pressure from the Coroners and have tasked them with achieving savings to manage the pressures of long inquests and specialist fees.

Properties £191k – Other than the abnormal fuel increases in 2008/09 we have made provision for inflationary uplifts on all other premises related and running costs.

This includes increases in rents, rates, cleaning, waste, utilities, etc. The increases are linked to contractual commitments (or in the case of rates, a national formula) and again linked to the Bank of England CPI inflation rates.

Legislative pressures: £124k - We have identified pressures caused by changing, or anticipated changes to, legislation surrounding our services.

The annual grant of £22k from the General Registrars Office is being phased out over the next two years and there is a pressure of £60k in relation to the levels of rates facing our Youth Centres in the coming years.

A further Coroners led pressure of £20k is included due to the mandatory referral of certain child deaths with carries and individual fee of £1,000 per child.

Service Strategies & Improvement

Service strategies included within previous MTP: £794k – These pressures include a £400k contribution to Turner Operating Trust, £160k towards the 2012 Olympic / Paralympic Games, £295k contribution to the Rendezvous site and £80k contribution to Open Golf. Some of the above have been amended since the previous MTP.

The additional proposed spend relating to the Olympics is in addition to the £250k contribution of some two years ago and relates to Cultural Olympiad activities, the campaign for the Olympic torch to arrive in Dover, media relations and publicity, and pre games training camps.

New service strategies: £105k – The services strategies identified for the first time in this round of the MTP process amount to £584k gross, with only £75k posing a base pressure, with the remaining pressures then being alleviated in future years as the spend is not recurring.

The £584k can be allocated as follows: £350k transfer of the contribution to the Open Golf from Regeneration (reduced from £400k), £75k Sure Start monies that now have to be bid for in 23 regions rather than direct funding and £159k of premises related pressures, including dilapidation costs and increased rates that were caused to the increased specifications of a newly built library.

6.5 Areas where significant additional income generation is proposed

Registration Service – The fee generation target for weddings and ceremonies was increased in the prior round of MTP and a review is currently underway to assess where KCC are placed within the local authority charging structure to ascertain whether further funds can be generated to cover the increasing cost of our premises related expenditure.

However, care must be taken as income generation targets have steadily increased in recent years and any further increase could affect demand, which would have a significant impact on the budget which is already underpinned by 70% of income from fees and charges.

Library, Trading Standard and KSS Lab Services – These services provide a significant amount of income as a percentage of their gross expenditure but this trend has not continued, with notable reductions in AV income from the Library service.

The self verification of petrol has also led to reduction in Trading Standard income levels and the ability for KSS to generate internal and external income has not improved as the anticipated closure of other local authority laboratories has not occurred in line with previous expectation.

6.6 Areas where the Managing Director/Cabinet Member considers there is scope for efficiency savings are detailed below.

Section 3.6 refers to aggregate savings targets for 2010/11 and specifically in relation to staff efficiency and procurement savings.

For Communities, the impact over the next three years of the 2010-13 MTP period is as follows:

	<u>£000's</u>
Staff efficiencies - CMY	3,008
Staff efficiencies - Delegated Budgets	<u>286</u>
	3,294
Procurement savings	<u>867</u>
Total efficiency and procurement target	<u><u>4,161</u></u>

Staff efficiency savings will be achieved by reviewing management structures and back office support functions within the directorate. Certain reviews are already underway and will be effective in 2010/11.

The procurement savings will be achieved by a review of non essential expenditure on our non-staffing budgets so will include rationalisation of IT equipment, plant & machinery, subscriptions, printing & stationery and advertising to name but a few.

This will also look into the funding arrangements for some of our procured services.

The proposed savings and efficiencies are set out in the attached draft Medium Term Financial Plan, Appendix 5.

6.7 The position can be summarised as follows:

	2010/11 £'000	2011/12 £'000	2012/13 £'000
Existing pressures in published MTP 2009/12:			
Pay	822	838	-
Prices	268	276	-
Legislative	-	-	-
Service Improvements	400	531	-
Income Generation	(205)	(130)	-
Efficiency Savings	(820)	(1,551)	-
Change statement including new pressures/savings:			
Pay	(802)	(206)	809
Prices	(78)	(42)	254
Legislative	52	72	-
Service Improvements [^]	634	(454)	(81)
Income Generation	-	-	-
Efficiency Savings	(1,056)	94	(828)

* 2010/11 pay award is yet to be confirmed and any award will be included within the CED MTP until a decision is made.

[^] Service strategies in Years 2 and 3 are the net pressures as the figures above include a base reduction for pressures in Year 1. The gross pressures for service strategies in Years 2 and 3 are £425k and £199k respectively.

More detail is set out in the attached draft Medium Term Plan Financial Appendix 5. For reference, the previous published MTP for 2009/12 is reproduced in Appendix 6.

6.8 As previously indicated the POSC is asked to consider the gross spend within the portfolio and identify its priorities should the authority have to make a 10% reduction in spend over the period of the next MTP.

In making its recommendations the POSCs should consider the balance between efficiency savings in front line, procured and support functions, and policy savings influencing the level and scope of front line services to the public.

Detailed proposals will be discussed through a subsequent informal meeting, to which all POSC members are invited, and therefore the members at today's meeting are asked to share their initial thoughts as to where such savings could be made.

7. Recommendation

7.1 Members are asked to

(i) note and comment on the above proposals

(ii) identify and express their relative priorities for services in Communities giving broad indications of areas, or types of savings and efficiencies, that they consider could be realistically be achieved.

Amanda Honey
Managing Director

Contact officer:

*Kevin Tilson
Head of Finance and Asset Management
01622 696136*

Appendix 1 – Existing 2009-10 budgets (as recast to reflect new portfolio responsibilities)

Portfolio Service Budget

2008-09		2009-10			Managing Director	
Spending Plans £'000	Spending Plans	Total £'000	Income £'000	Net Cost £'000		
819	Turner Contemporary	1,090	-300	790	Promoting an understanding and enjoyment of historical and contemporary art and assisting in the regeneration of East Kent.	AH
1,706	Kent Drug & Alcohol Action Team	15,596	-13,414	2,182	Implementing government strategies for drugs and alcohol to combat effects of substance misuse on people & communities within Kent.	AH
3,690	Youth Offending Service	6,466	-2,639	3,827	Working to prevent offending by Children and Young people.	AH
7,506	Youth Services	12,367	-5,357	7,010	Providing personal and social development opportunities & support to young people to enable them to reach their full potential.	AH
-250	Adult Education Service	17,710	-17,710		Encouraging adults of all ages to enjoy gaining new skills to develop their confidence, improve their wellbeing and employability. Helping young persons aged 16+ to realise their career ambitions, providing training solutions to both companies and individuals in local communities across Kent	AH
1,249	Arts Unit	1,375	-15	1,360	Supporting & developing the Arts in Kent.	AH

2008-09 Spending Plans £'000	Spending Plans	2009-10			Net Cost £'000	Managing Director
		Total £'000	Income £'000			
22,383	Libraries, Archives & Museums	23,337	-2,862	20,475	Enhancing the quality of life for Kent residents and communities, by stimulating lifelong imagination, exploration and discovery.	AH
1,085	Sports, Leisure & Olympics	3,384	-2,184	1,200	Enabling the people of Kent to fulfil their sporting potential and ensuring Kent derives maximum benefit from the London 2012 Olympic and Paralympics games.	AH
1,166	Supporting Independence	1,388		1,388	Reducing the number of people dependent on welfare benefits, Kent Apprenticeships and community renewal.	
4,438	Kent Community Safety Partnership	4,195	-275	3,920	Ensuring the co-ordination and delivery of safer and stronger communities for the people of Kent.	AH
1,963	Coroners	2,421	-384	2,037	Investigation of sudden or uncertified deaths and ensuring the provision of post mortem, mortuary and body removal facilities for HM Coroners.	AH
595	Emergency Planning Group	781	-142	639	Ensures an effective response to major emergencies in Kent.	AH
-23	Kent Scientific Services Group	1,318	-742	576	Provides a scientific and calibration service to local authority enforcement agencies and others.	AH
1,471	Registration Service	4,138	-3,055	1,083	Registration of births, marriages, deaths and civil partnerships; licensing venues where civil ceremonies may be solemnised and conducting a wide range of ceremonies.	AH

2008-09		2009-10		Net		Managing
Spending	Spending Plans	Total	Income	Cost		Director
Plans		£'000	£'000	£'000		
£'000						
4,175	Trading Standards Group	3,821	-340	3,481	Protects consumers & ensures honest trading.	AH
1,219	Policy & Resources	1,349	-77	1,272	Working with colleagues in KCC and with external partners to ensure the Communities Directorate is responsive to the needs and aspirations of the people of Kent.	AH
	Business Development & Support	396		396	Provides Investors in people, Business planning, Business continuity, Health & Safety, Quality Assurance and Support services to the Regulatory Services' division	AH
	Corporate Support Services	4,241		4,241		AH
1,078	Strategic Management	996		996	Directorate senior management and support.	AH
-1,455	Centrally Managed Directorate Budgets	729	-1,255	-526	Operational budgets managed for a range of services where more cost effective to manage collectively.	AH
52,815	Budget Controlled by this Portfolio	107,098	-50,751	56,347		

PLUS:						
Budgets controlled by other portfolios:						
1,285	♦ Central costs	5,895		5,895		
4,943	♦ Devolved budgets					
	♦ Service costs	1,733		1,733		
Charges for using capital assets						
2,211		3,426		3,426		
61,254	TOTAL SERVICE COSTS	118,152	-50,751	67,401		

Staff Numbers (FTEs)

Why the budget has changed	£'000
♦ Changes in responsibilities and specific grant funding	5,216
♦ Dedicated Schools Grant	
♦ Inflation and rising costs	884
♦ We have changed spending on:	
♦ Delegated Schools Budget (includes pay, prices, rising rolls, teacher superannuation etc)	
♦ Government/Legislative pressures	150
♦ Pressures from 2006-07	
♦ Pressures from 2007-08	
♦ Increased demand for services	
♦ Demand led	
♦ Delivery of Towards 2010 Targets	
♦ Service strategies & improvements	506
♦ We have income generation of:	-365
♦ We have made savings of:	-2,995
TOTAL	3,396

Portfolio Subjective Budget

		Includes SIP
2008-09		2009-10
Spending		Spending
Plans		Plans
£'000		£'000
	Employee Costs	
56,077	Salaries and Wages	56,882
371	Pension and Severance Payments	371
468	Training Expenses	480
59	Other Employee Costs	114
56,975	Total Employee Costs	57,847
	Premises Costs	
1,026	Repairs, Alterations and Maintenance	856
691	Energy Costs	1,011
2,026	Rent	2,209
1,353	Rates	1,470
969	Other Premises Costs	1,079
6,064	Total Premises Costs	6,625
	Transport Costs	
314	Vehicle Expenses	273
37	Hire and Pool Car Charges	37
-	Home to School / College Transport	-
345	Public Transport	254
-	Public Transport Revenue Support	-
1,190	Car Allowances	1,316
1,886	Total Transport Costs	1,880
	Supplies and Services	
2,480	Equipment and Services	1,477
2,434	Book Fund	2,465
-	Highways Contracts	-
5,340	Communications and Computing	2,861
182	Expenses and Allowances	163
6,371	Grants and Subscriptions	6,603
3,305	Levies and Other Expenses	3,939
-	Free School Meals	-
20,111	Total Supplies and Services	17,508
14,614	Third Party Payments	15,823
-	Coast Protection	-
-	Transfer Payments and Awards	-

8,625	Central Support Costs	6,074
600	Internal Recharges	8,947
2,211	Capital Financing Costs	3,426
-	Capital Expenditure Financed by Revenue	
102	Contribution to Reserves	22
111,189	GROSS EXPENDITURE	118,152
-	Central Support Cost Allocations	-
111,189	GROSS EXPENDITURE after Central Support Cost Allocations	118,152
	Income	
23,718	Contributions	21,246
302	Sales	383
13,093	Fees and Charges	14,005
215	Other Income	1,263
37,328	Total External Income	36,897
10,595	Specific and Supplementary Grants	13,854
47,923	TOTAL INCOME	50,751
63,266	NET EXPENDITURE	67,401

Appendix 2 – Activity and output data – what the current budget “buys”

Unit	Permanent FTE	Principal Activities and Outputs
Turner Contemporary	10.6	174 events (talks, workshops etc) held 66,524 attendees at events (estimate) 123,053 visits to website 5,244 people on mailing list
Kent Drug and Alcohol Action Team	39.0	3,443 adult drug users in treatment 5,007 young people receiving targeted interventions
Youth Offending Service	120.1	3,729 young people in the youth justice system
Adult Education	212.1	43,149 course enrolments 2,474 learners on literacy and numeracy programmes 1,472 learners on ESOL (English for Speakers of other languages) courses 266 adults with learning difficulties / disabilities engaged on the Independent Living Skills programme
KEY Training	93.8	1,864 course enrolments 645 NEET young people engaged on educational / training programmes
Arts Development	11.5	5,321 participants in Youth Theatre activities facilitated by the Service £2.7m of external funding & investment levered into the arts in Kent
Libraries, Information and Archives	624.4	6,604,422 book issues 7,075,709 physical library visits 658,040 Audio Visual rentals
Sports, Leisure and Olympics	26.5	30,376 estimated contacts made with Kent 2012 support office £4.7m of external funding & investment levered into sport in Kent 133,875 website visits 732 athletes supported to compete at national level
Youth Services	284.0	295,099 attendances at organised sessions 37,054 bed nights at residential/outdoor education centres 30,811 votes cast in Kent Youth County Council elections
Community Safety	128.0	2,996 homes assessed and secured by Handyvan scheme 101 KCC Community Wardens operating in Kent 48,794 Community Warden “interactions” with the public or their local communities

Unit	Permanent FTE	Principal Activities and Outputs
Coroners	4	7,431 deaths reported to Coroners 4,478 post mortems carried out 751 inquests held 3,160 body removals conducted
Emergency Planning Group	14.1	50 training sessions on rest centre management, oil pollution awareness and other relevant disciplines
Kent Scientific Services	24.8	6,100 analytical samples 980 calibration tests
Registration	71.2	30,669 birth & deaths registered 192 venues licensed for civil marriages 2,302 marriage ceremonies at external licensed venues 2,329 marriage ceremonies at KCC venues 1,484 new citizens welcomed
Trading Standards	107.7	44,926 businesses risk assessed 5,876 enquiries and complaints from the general public 3,287 advice requests from business 46 prosecutions

Appendix 3 – Current budget monitoring details

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Sports, Leisure & Olympics	2,486	-1,287	1,199	177	-177	0	Additional income from partner agencies to fund new projects, with associated spend on contracts with private/public sectors
Supporting Independence	1,616	0	1,616	0	0	0	
Kent Community Safety Partnership	4,203	-283	3,920	-32	32	0	
Coroners	2,421	-384	2,037	277	0	277	Continuation of 2008-09 pressures on Mortuary fees/long inquests, Pathology costs and new pressure regarding body removal, toxicology & histology
Emergency Planning	807	-168	639	0	0	0	
Kent Scientific Services	1,327	-752	575	0	50	50	Unachievable internal income target
Registration	4,224	-3,140	1,084	-14	14	0	
Trading Standards	3,820	-340	3,480	-90	14	-76	Extended vacancy management policy to contribute to divisional overspends, with view to appoint to posts in 2010-11. Reduced fees due to self verification of liquid fuel measurements
Policy & Resources	1,349	-77	1,272	-14	14	0	
Business Development & Support	650	-220	430	0	0	0	
Strategic Management	997	0	997	0	0	0	
Centrally Managed directorate budgets	811	-1,320	-509	100	0	100	Contribution to Maidstone Museum, in relation to joint working projects and capital cost of extension
Support Services purchased from CED	4,109	0	4,109	-21	0	-21	Reduced charge for KPSN
Total Communities controllable	108,975	-52,504	56,471	541	-352	189	
Assumed Management Action				-100	0	-100	£100k virement requested from Finance portfolio regarding funding for Maidstone Museum pressure
Forecast after Mgmt Action				441	-352	89	

Appendix 4 - Draft for Section 3 of the Medium Term Plan.

COMMUNITIES

1. Overall Objectives of the Portfolio

The Communities portfolio is a reflection of KCC's commitment to providing a dynamic focus on Communities.

Our objectives include:

- Improving the quality and value of our services
- Improving access to services through Gateways and through innovative technology such as the web and the Contact Centre
- Involving our customers in the way services are shaped and delivered
- Increasing community participation and local engagement
- Enhancing users' experience and making a difference to local communities

The Communities Directorate also contributes to the delivery of the objectives of the "Vision for Kent" and "The Kent Agreement", working with other portfolios and partners to ensure that Kent continues to be seen as an excellent place to live and work.

2. Medium Term Service Priorities

All services in the Communities portfolio are committed to quality, efficiency and accessibility. They are embracing a programme of innovation and modernisation which takes account of opportunities provided by technology, income generation and a commitment to community involvement in order to meet the changing needs of Kent residents. The following medium term priorities have been identified:

- Promote apprenticeships in the county to provide opportunities for people to gain skills for employment.
- Ensure a focus on the special contribution Community Services can make towards strategic priorities, such as narrowing the Health Inequalities gap in the county and enable people to live in their own homes.
- Develop a cultural strategy in Kent which delivers opportunities for people to take part in the arts for pleasure, for personal fulfilment and as a career. Continue to drive ahead with the Turner Contemporary project which will be a catalyst for regeneration in Margate and East Kent;
- Widen community access to Kent's rich culture and heritage and continue with the library service modernisation programme
- Maintain high quality Adult Education services through the transition from the Learning and Skills Council to new national funding arrangements and continuing emphasis on fee income;
- Promote involvement in preparation for the Olympic and Paralympic Games in 2012 in such a way as to secure long term improvements in sporting and other facilities for the county.

- Increase participation in sport by young people across the county, supporting those striving for competitive excellence and those seeking better health and enjoyment;
- Encourage young people to reach their individual potential through taking part in other activities including arts and volunteering; and through tackling urgent problems they may face through offending, or drug and alcohol misuse;
- Contribute to the priorities in the “Vision for Kent”; ensure continued good progress on commitments in “Towards 2010”; and ensure delivery of the seven targets (out of a total of 35) in its final year; the new Kent Agreement 2, which are led in Communities.
- Continue to develop the Registration Service following deregulation by central Government and to lobby for a proper financial footing for the Coroners service.
- Continue to promote a sense of confidence and security in local communities by helping to reduce crime and fear of crime; and by ensuring consumers are protected;
- Work with the community and voluntary sector wherever appropriate to support their work in building community capacity, local engagement and encouraging volunteering;
- Encourage public involvement in service development in the portfolio and continue to work in partnership with others on the Gateway concept. Ensure that everyone who contacts the County Council is listened to; their views are taken into account and that information technology is fit for purpose in enabling access to services.

3. Risk Assessment

The portfolio operates in a complex environment of partnerships, charitable trusts, joint working and external funding, some of which will be subject to change and restructuring during the short and medium term. This creates risk in relation to potential withdrawal of funding, and uncertainty about accountability and networks.

- A number of services within the portfolio rely on charging fees to service users. The current economic climate represents a potential risk to those services if users reduce spending, which has been experienced in the current year and has presented pressures within our Library and Trading Standards services.

If necessary we would have to make structural changes in response to these market forces or develop other mitigating saving options, some of which have been enacted in order to present a forecast balanced position for these services.

- Pressures on all services continue to mount from increasing legislative requirements, and the complex operating environment of grants, partnerships, external funding and Local Development Frameworks.

This requires imaginative, flexible and robust responses in the way services are delivered, taking account of opportunities arising from use of technology, efficiency savings, income generation and from greater community involvement in service delivery and communication;

- The portfolio includes over 5,000 staff, working out of approximately 170 buildings and mobile locations that are controlled by the Directorate, some 48 other KCC buildings and many more locations where the KCC portfolio is unable to provide suitable or specialist provision. In the case of the former, maintenance and dilapidation has been and will become an increasing problem over the years but the Directorate is committed to reviewing its property portfolio in line with the Total Place project;
- Securing the Health and Safety of staff and members of the public is a matter for continued vigilance as there is risk to individuals and the authority's liability if there is a failure;

Appendix 5 – Draft of MTP financial appendices for Communities portfolio

Communities Portfolio Revenue Budget				
	2010-11	2011-12	2012-13	
	£'000	£'000	£'000	
Revised Base Budget	88,976			
<u>PRESSURES:</u>				
<i>Pay:</i>				
All	Kent Scheme	0	612	809
Youth, Lib	National Scheme - NJC,JNC, Solbury	0	0	0
Coroners	National scheme	20	20	0
	Performance Improvement	0	0	0
Total Pay		20	632	809
<i>Prices:</i>				
<u>Transport:</u>				
All	Transport related expenditure	48	50	52
<u>Social Care Provision :</u>				
KDAAT/YOS	External contracts for residential placements	12	13	13
<u>Gas & Electricity:</u>				
All	Energy & fuel price pressures	-93	75	140
<u>Rent:</u>				
All	Rent	16	17	17
Registration	Rent review for Maidstone and Tonbridge offices	19	0	0
		35	17	17
<u>Rates:</u>				
All	General rates inflation	17	17	18
<u>Other:</u>				
Coroners	Post mortem SLA rates above KCC standard	18	19	20
Coroners	Contract for the removal of bodies to the mortuary	100	0	-20
Coroners	Deputy coroner cover relating to long inquests	30	0	-30
All	Premises related pressures: water rates/cleaning contracts	10	30	31
All	Contractual price related pressures	13	13	14
		171	63	14
Total Prices		190	234	254

Unavoidable Government/Legislative Pressures:

Youth	Loss of zero rates for youth centres	10	50	0
Registration	Loss of income from GRO	22	22	0
Coroners	Histology costs from referral of child deaths	20	0	0

Total Unavoidable Government/Legislative Pressures		52	72	0
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Service Strategies & Improvements:

Previous MTP:

Turner	Contribution to Operating trust	400	0	0
Libraries	Additional running costs of extended Canterbury library	0	35	104
Sports/Arts	2012 Olympic and Paralympic Games	50	110	-200
Various	Open golf	0	80	-80
Turner	Shortfall on levy from Rendezvous	0	200	95
		450	425	-81

New Proposals:

Libraries	Ramsgate Library	30	0	0
CMY	Dilapidations - Church Street	129	-129	0
Sports/Arts	Extended services SLA - CFE not guaranteed Sure Start monies	75	0	0
Various	Open Golf - previous MTP (£400k) but within Regeneration	350	-350	0
		584	-479	0

Total Service Strategies & Improvements		1,034	-54	-81
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Total Pressures		1,296	884	982
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Communities Portfolio Revenue Budget

		2010- 11 £'000	2011- 12 £'000	2012- 13 £'000
<u>INCOME GENERATION:</u>				
<i>External:</i>				
Libraries	Income from Kent on canvas	-10	0	0
KSS	Fee generation target	-50	-50	0
Youth	Income from youth centres	-65	0	0
Registration	Fee generation target	-80	-80	0
		-205	-130	0
Total Income Generation		-205	-130	0
<u>SAVINGS & EFFICIENCIES:</u>				
<i>Previous MTP:</i>				
Libraries	Prison service	-38	0	0
Libraries	Schools advisory services	-14	0	0
Registration	Rationalisation of premises	-60	0	0
Arts	Rationalisation of grants	-20	0	0
Libraries	Remove grants to Cobtree	-60	0	0
		-192	0	0
<i>Procurement savings:</i>				
All	General reduction to non staffing budgets	-100	0	0
Comm Safety	Alternative funding for Handyvans - move from KCC to external funding	-200	0	0
KAES	Review allocation of overhead recharge - current levels	-100	-100	0
		-400	-100	0
<i>Staff Efficiency savings:</i>				
Registration	Mngt restructure - full year effect	-100	0	0
Libraries	Review mobile Libraries operation - single staffing solution	-132	-88	0
Corporate - CED	Delegated budget review	-200	-86	0
All	Review of back office support & mngt	-647	-1,053	-828
		-1,079	-1,227	-828
TOTAL SAVINGS & EFFICIENCIES - EXCL. INCOME GENERATION		-1,671	-1,327	-828
TOTAL SAVINGS & EFFICIENCIES - INCL. INCOME GENERATION		-1,876	-1,457	-828
TOTAL SAVINGS & EFFICIENCIES -YEAR 1 TO 3				-4,161

Appendix 6 – The Existing 2008-11 MTP

		2009-10 £'000	2010-11 £'000	2011-12 £'000
Base Budget		54,650	56,347	56,635
Base Budget Adjustments:				
	ABG - KDAAT	459	0	0
	Other virements	-228	-177	0
	FM Devolved	405	0	0
	Supporting services purchased from CED	4,241	0	0
	Supporting Independence transfer from Regeneration	1,388	0	0
	Contact Centre	-2,748	0	0
		3,517	-177	0
Revised base budget after corporate adjustments		58,167	56,170	56,635
Pay:				
All	Pay (Kent Awards Scheme)	393	802	818
Coroners	Pay (national scheme)	60	20	20
		453	822	838
Prices:				
KDAAT, YOS	External contracts for residential placements	40	41	42
Coroners	Removal of Bodies	70	0	0
All	Energy & fuel price pressure	94	57	59
All	Premises and contractual price related pressures	227	170	175
		431	268	276
Government/Legislative Pressures:				
Coroners	Ongoing pressures for investigations	150	0	0
		150	0	0
Service Strategies and Improvements:				
YOS	Additional commissioned victim liaison services following inspection recommendation	90	0	0
Youth	ToGoGo website	12	0	0
Libraries	Additional running costs of extended Canterbury library	0	0	91
Sports/Arts	2012 Olympic and Paralympic Games	250	0	160
Community Safety	Contribution to The Kent People's Trust & Positive Ticketing	25	0	0
Emergency Planning	Training and Duty Officer scheme	79	0	0
Turner	Contribution to Operating Trust	0	400	0
Turner	Shortfall on levy from Rendezvous	0	0	200
Various	Open Golf	0	0	80
All	Urgent day to day building maintenance	50	0	0
		506	400	531

		2009-10 £'000	2010-11 £'000	2011-12 £'000
<u>Income generation:</u>				
Youth	Maximise income from youth centres	-65	-65	0
Youth	Outdoor education	-20	0	0
Libraries	Income from Kent on Canvas	-10	-10	0
Libraries	Research fees	-20	0	0
KSS	Services for other Directorates	-50	-50	-50
Registration	Income generation from fees	-200	-80	-80
		-365	-205	-130
<u>Savings and mitigations:</u>				
Youth	Restructure of in-house buildings maintenance services	-40	0	0
Youth	Recover full cost of Alternative Curriculum Programme	-47	0	0
Arts	Rationalisation of grants	-20	0	0
KEY Training	Remove KCC subsidy	-136	0	0
Libraries	Reduce Library ICT costs	-1,300	0	0
Community Safety	Homesafe Van service to be incorporated into Adult Social Care	-197	0	0
Registration	Rationalisation of premises	-60	0	0
Registration	Staff efficiency savings	-100	0	0
HQ	Management restructure	-67	0	0
All	Cross cutting	-174	0	0
All	Vacancy management	-279	0	0
All	Cross cutting review of publicity spend	-155	0	0
All	Review of essential users	-66	0	0
All	Premises savings	-75	0	0
All	General efficiency savings	-279	0	0
All	Targeted reduction in net spend	0	0	0
		-2,995	-820	-1,551
Portfolio Budget requirement Before Savings		56,347	56,635	56,599

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