

**To:** Customer & Communities Policy Overview Committee

**By:** Elizabeth Tweed - Chair  
Mike Hill - Cabinet Member  
Amanda Honey - Corporate Director

**Date:** 18<sup>th</sup> November 2011

**Subject:** **ITEM B6 - REVENUE BUDGET 2012/13 AND MEDIUM TERM FINANCIAL PLAN 2012/13 TO 2014/15**

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**Classification: Unrestricted**

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**Summary:** This report identifies the latest forecasts for next year's budget and the financial plans for the following years. This includes an analysis of the overall financial outlook for the whole council, appraisal of the existing plans for 2012/13, an update on the budget pressures facing the Customer & Communities portfolio and recommendations from the Informal Member Group on areas for budget savings.

**Recommendation:** Members are asked to review and comment on the pressures outlined for the Customer & Communities (C&C) portfolio and to identify their priorities for savings in light of the overall financial outlook for the next three years.

## **FOR COMMENT**

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### **1. Introduction**

- 1.1 The Autumn Budget Statement is due to be presented to Cabinet on 5<sup>th</sup> December 2011 and will set out the County Council's proposed budget strategy following the Chancellor of the Exchequer's statement to Parliament on 29<sup>th</sup> November.

The Chancellor's statement will include the latest economic forecasts from the Office for Budget Responsibility (OBR). All the indications are that these forecasts will show the economy has not recovered from recession as quickly as earlier predictions on which the 2011 Budget, announced on 23<sup>rd</sup> March 2011, were based.

- 1.2 The Spending Review 2010 (SR 2010) set out the Government's four year plan to reduce the budget deficit. This showed an anticipated

21.9% reduction in the Formula Grant for local government over the four year period<sup>1</sup>.

The Local Government Finance settlement for 2011/12 was published on 13<sup>th</sup> December 2010 and included provisional grant figures for 2012/13 but did not provide any provisional figures for 2013/14 or 2014/15. The 2012/13 provisional grant showed a £26.9m reduction in Formula Grant on 2011/12 (8.5%) for KCC.

- 1.3 Our overall planning assumption for the next medium term financial plan (MTFP) remains that we will need to make a £340m reduction in spend in real terms between 2011/12 and 2014/15.

## **2. Background**

- 2.1 The MTFP for 2011/12 to 2012/13 was approved by the County Council on 17<sup>th</sup> February 2011. The approved MTFP for the Customer & Communities portfolio is included as appendix 1.

At the time the plan for the authority was approved, we had £15m set aside for unforeseen “emerging” budget pressures and £28m of savings still to be identified in order to balance the budget for 2012/13 against the anticipated level of resources (CLG grants and Council Tax).

- 2.2 Monitoring reports during 2011/12 have identified a number of additional budget pressures arising during the year, which will have a full year impact in 2012/13 and some changes in the planned savings. The overall position for the County Council is that we are preparing for £25m of additional pressures in 2012/13.

The directorate itself has reported an overspend against budgeted figures during 2011/12 but it is hoped that this will not present any implications on the MTFP, as the shortfall against savings options are expected to be achieved in 2012/13 and were caused by timing differences as opposed to underlying base pressures.

Changes to the MTFP for this directorate are mainly focused around slight amendments to the assumptions used in estimating price pressures, with the Consumer Price Index (CPI) now being used - consistent across the authority - as opposed to the Retail Price Index (RPI) which was used in the prior year.

- 2.3 In addition to the changes already identified from in-year budget monitoring we will need to review the indicative pressures included in the

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<sup>1</sup> The overall reduction in resources from the department for Communities and Local Government (CLG) was 19.6% over the four years after taking account of new money for Council Tax Freeze, New Homes Bonus and Transitional Protection.

plan for 2012/13 in light of the latest activity information and identify any new pressures likely to arise in 2012/13 to 2014/15.

The current assumptions for the Customer & Communities portfolio are set out in table 1 below.

Table 1	2012/13 £000s
Existing Approved MTP	
Base	90,469
Pressures	2,667
Grants Increases	0
Savings & Income	-15,635
<b>Total Existing MTP</b>	<b>77,499</b>
New Base Budget Adjustments	1,065
Changes to Pressures	-58
<i>New Forecast Pressures</i>	<i>2,609</i>
Changes to Savings*	-1,014
<i>New Proposed Savings</i>	<i>-16,649</i>
<b>Proposed Budget</b>	<b>77,494</b>

\* The changes to savings of £1,014 are primarily concerned with the reduction of one grant (see below) within the Community Safety budget, totalling £894k.

- 2.4 There have been some changes in the likely grant settlements since the budget and MTFP were agreed by County Council on 17<sup>th</sup> February, which improve the position of the authority slightly. In particular the Chancellor announced in October 2011 a further one-off grant would be available in 2012/13 where councils agree to a continued freeze on Council Tax.

In addition to this, a number of grants which were previously unclear have now been included in an un-ringfenced Local Service Support Grant (LSSG).

For this directorate, the LSSG replaces the Stronger, Safer Communities Fund (SSCF) that was previously part of area based grant. This grant now forms part of the base budget of the directorate but was reduced during 2011/12 by £279k and a further reduction of £615k (total reduction £894k as above) is to be applied in 2012/13.

- 2.5 The overall planning assumption in light of these changes is that some savings still need to be identified to balance the 2012/13 budget and that over the following two years substantial savings (estimated at £110m) will be needed.

In a break from previous convention we are not planning to set individual portfolio cash limit targets for the next three years. Cash limit targets were an appropriate mechanism in times of relative growth but are not an appropriate mechanism to determine spending priorities at a time of budget cuts.

- 2.6 For 2012/13 POSCs are asked to consider what savings would be feasible or acceptable within the Customer & Communities portfolio in order to close the estimated overall £32m gap (3.5% of net spend) for the authority.

This gap arises from the combination of additional pressures and the unidentified savings in the existing plan, partially offset by the additional grant that will be available.

For the medium term POSCs are asked to consider what strategies should be considered for the Customer & Communities portfolio, if overall the council needs to make 15% savings over the next two years.

### **3. Latest Developments: National Context**

- 3.1 The Government has launched a consultation about re-localising business rates. If the proposals are implemented they would mean that, in effect, existing Formula Grant allocations would form a set base for the future (adjusted to the overall spending totals within the Spending Review) and any increase (or reduction) in overall resources available to the council would be determined according to changes in the business rate tax base.
- 3.2 Local authorities would also still be able to set the level of council tax and would also receive any resources from changes in the Council Tax base (as now). The effect of these changes mean that any increase in funding can only come from increase in the local business rate base or Council Tax and local authorities would no longer be reliant on Government grants.
- 3.3 At this stage we have no announcements on decisions following the consultation which is due to be implemented from 2013/14. We have factored in our best estimates into the planning assumptions for 2013/14 and 2014/15 but POSC members need to be aware that the overall funding available is likely to be heavily reliant on local factors in future rather than Government decisions on the allocation of grants.

### **4. Revenue Budget Strategy**

- 4.1 The council's overall strategy will be outlined in the Autumn Budget Statement, setting out how the authority plans to deal with reducing funding and continuing additional spending pressures.

POSC is invited to comment on the strategy proposed within the Customer & Communities portfolio.

- 4.2 The directorate, similar to the authority as a whole, is aiming to review the services it provides and to look at new ways of working with its partners, its suppliers and with the residents of Kent, whilst at the same time working within the context of the current economic environment.

The directorate will aim, where appropriate, to; align with the localism agenda; actively manage demand for its services and enable people to help themselves; incentivise individuals and suppliers; personalise budgets by putting the citizen in control of their own well-being, as opposed to offering a “one-size” fits all service offer.

Discussions around the future visions for the youth and library services will engage the newly formed locality boards (some do not yet exist admittedly) around local need; the Contact Centre is looking to loosen certain internal key performance indicators in order to resist the pressure of increased call volumes; KDAAT is piloting the payment by results model with its suppliers/partners, hence the directorate is embracing the authority’s approach to these four themes.

The directorate has had to deliver savings of 10% of its net budget in the current year, with a similar figure to be achieved in 2012/13 so the financial climate is at the forefront of our minds.

However, service delivery and safeguarding/protecting the vulnerable in society: the elderly; the young; the disabled; those with addictions or mental health issues, remains the focus of this directorate.

Services may not all be provided by Kent County Council in the future - indeed some are not provided directly currently - but the focus of the directorate is the customer, irrespective of who provides, with the aim of the authority to work with these four themes - and the three ambitions of Bold Steps for Kent - to ensure that our residents continue to receive high quality, relevant and cost effective services.

## 5. The Current Budget for the Customer & Communities Portfolio

- 5.1 POSC members should be well informed on the current budget through the regular monitoring reports and should refer to these as part of their discussions.

The current budget, as reported in the most recent monitoring report to Cabinet, for this portfolio, is summarised in table 2 below:

Table 2	Gross Exp £'000	Service Income £'000	Net Exp £'000	Gov't Grants £'000	Net Cost £'000
Portfolio controllable	150,056	58,770	91,286	-218	91,068

- 5.2 More details on the 2011/12 budget and future savings are included in appendix 1. The following was intended to highlight - in brief - the outputs or service improvements the directorate has delivered in 2011/12.

However, as this directorate consists of over 20 services - a mixture of direct delivery and commissioned - and has the lead on a number of thematic services (locality boards, community budgets and Big Society), it is very difficult to summarise given that the services are so diverse.

- 5.3 Therefore, we have looked to group services and themes together and have attempted to summarise how the directorate is fully aligned to the design principles of Bold Steps for Kent.

#### 5.3.1 Grow the economy: -

The directorate - through its work with Turner Contemporary, the Olympic and Paralympic Games, the Open Golf and the Cultural Olympiad - has encouraged tourism into Kent which has enabled local businesses to flourish.

Through its work with the Skills Agenda (Community Learning and Skills) and Apprenticeships / Vulnerable Learners Project, the directorate is enabling the residents of Kent to better themselves, make themselves more marketable to employers and to give some basic life skills which all help the economy to grow.

Once the Big Society concept is launched later in the year, individuals, organisations, community groups and charities will all benefit from the availability of "start-up" funding in the form of a loan which will also open up opportunities that would not have existed previously and will encourage investment and employment within Kent.

#### 5.3.2 Putting the citizen in control: -

Through the Gateway Concept, our Community Wardens and through Community Engagement Officers, local communities have had the opportunity to become engaged in shaping future service development and communicating local need.

By supporting and developing capacity within the Third Sector, the residents of Kent are at the forefront of service delivery through volunteering and local engagement. The creation of Locality Boards will further enhance the engagement of the public with regard to local need and requirements, in order to shape future service delivery models.

#### 5.3.3 Tackling disadvantage: -

A number of services within the directorate are focused on safeguarding the vulnerable (see 4.2) and by tackling problems through offending, alcohol or drug misuse and rogue traders.

The supporting people programme, in addition to enabling independent living, delivers services to the most vulnerable in our society.

Through its work with partner agencies, one of the national pilots for the Community Budgets programme is focusing on families with complex needs (the other on worklessness) in an attempt to reduce the burden on public sector services but more importantly to find a solution for these complex individuals/families to enable them to help themselves as many come from backgrounds where drug and alcohol misuse is prevalent.

- 5.4 Included below is a snapshot of some key outputs and outcomes, as well as service improvements, for a sample of the directorate's services in the current year. This will allow you to fully appreciate the scope and breadth that the directorate is responsible for:

Service improvement:

- Libraries – Radio Frequency Identification (RFID – “self service”) terminals have been rolled out across 24 of the proposed 34 key community libraries. To date in excess of 1.3m books have been tagged. This new service is very popular with library users.
- Registration – the registration of births and deaths service is now being performed by the front of house staff within key community libraries and our Gateways, meaning increased access points for the public from the current 8 registrar offices.
- Country Parks – in August the new visitor centre at Trosley (one of our 17 parks) opened. The tender for running the new Bluebell Café was awarded to a local residence and has proven very popular. In addition, the new multi-purpose room has already been used by schools, internal and external parties and by our Education Rangers with visitor numbers visibly increased.

Key outputs and/or outcomes:

- Arts - this unit continues to leverage considerable sums into Kent and to date has leveraged in £7.2m by virtue of match funding or guidance/assistance in writing bids for external funding. Leverage ratios across the Arts Investment Fund, the Strategic Investment Fund and the Film office range from £8-20 of leverage for every £1 invested by KCC.

One example of a success has been an award of £50k to South East Dance who have relocated into Kent (into the studios attached to Hextable School), bringing £1.1m of resources with them, whilst at the same time preventing a penalty clause being enacted that could have caused significant financial hardship had the studios failed.

The grant to the Turner Contemporary Trust has also contributed to the Gallery attracting in excess of 300,000 visitors in the first six months since opening, against an annual forecast of 153,000.

- Supporting People – to date, the Supporting People programme has engaged with and is providing individual services to 24,049 of the most vulnerable people in our society.
- Countryside Access - the service continues to maintain and define in excess of 7,000km of Public Rights of Way (“PRoW”) within Kent, which represents 42% of the Highways network and actively uses volunteers and Kent small business as part of their strategy.

## **6. Informal Member Group**

6.1 Members of this POSC have had informal member group meetings (IMG) meetings throughout the summer/autumn. IMGs have found these meetings useful to gain a more detailed insight into budgets controlled by the Customer & Communities portfolio.

The IMGs recommendations will be presented to the meeting - under Item B7 - by the Chair, of this POSC and of the IMG, Elizabeth Tweed on behalf of the Members who comprised this group.

## **7. Recommendation**

7.1 Members are asked to

- (i) note the latest forecasts for 2012/13 and the next two years
- (ii) comment on the full year impact of additional spending pressures for the portfolio, outlined in paragraph 2.2 and the outline 3 year plan in table 1
- (iii) comment on the IMG recommendations (item B7)
- (iv) identify priorities within the directorate for delivering the 3.5% saving requirement for 2012/13 and 15% for the following two years

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## Appendix 1 – Existing 2011/13 Medium Term Plan

<b>Communities Customer Services &amp; Improvement</b>			
		2012-13	
		£'000	£'000
		Original	Latest
		Restated	Estimate
<b>Base budget for new portfolio</b>		<b>90,469</b>	<b>90,469</b>
Base Budget Adjustments - Internal		-2	513
Base Budget Adjustments- External		0	552
<b>Total Base Adjustments</b>		<b>-2</b>	<b>1,065</b>
<b>Revised Base Budget</b>		<b>90,467</b>	<b>91,534</b>
<b><u>UNAVOIDABLE PRESSURES FUNDED IN INDICATIVE CASH LIMITS:</u></b>			
<b>Pay:</b>			
	Staff Travel	0	92
		<b>0</b>	<b>92</b>
<b>Prices:</b>			
All	Transport	52	10
SP	Social Care Provision	272	0
All	Other	18	45
		<b>342</b>	<b>55</b>
<b>Unavoidable Government/Legislative Pressures:</b>			
		<b>0</b>	<b>0</b>
<b>Demand/Demographic Led:</b>			
Coroners	Increase cost of post mortem provision	50	50
KSS	Reduced Demand for analytical testing, income target reversal	0	80
		<b>50</b>	<b>130</b>
<b>Service Strategies &amp; Improvements:</b>			
Gateways	Gateways - continued roll out of the programme	300	300
Strat. Mngt	Replace one-off savings on in year management action	0	57
Youth	Review of service provision - Commissioning budget(linked)	838	838
Libraries	Implementation of RFID self service project (linked)	450	450
		<b>1,588</b>	<b>1,645</b>

<b>Repayment of one-off funding in 2011-12</b>			
	One-off reduction in Book Fund (reversal)	300	300
	One-off underspend - to be rolled fwd as a commitment (reversal)	387	387
		<b>687</b>	<b>687</b>
<b>Total unavoidable pressures funded in indicative cash limits:</b>		<b>2,667</b>	<b>2,609</b>
<b>Total Pressures</b>		<b>2,667</b>	<b>2,609</b>
<b><u>SAVINGS AND INCOME:</u></b>			
<b>Grant Increases:</b>			
		<b>0</b>	<b>0</b>
<b>Income Generation:</b>			
C. Parks	Country Parks (increase % income to 68%)	-50	-50
C. Access	Countryside access	-30	-30
		<b>-80</b>	<b>-80</b>
<b><u>Savings and Mitigations:</u></b>			
<b>Removal of one-off funding</b>			
B. Society	Big Society Fund	-5,000	-5,000
Sports	2012 Olympic & Paralympic Games (reversal)	-200	-200
Sports	Open Golf at Sandwich (reversal)	-80	-80
Contact Centre	Removal of EIG Transitional protection	0	-120
		<b>-5,280</b>	<b>-5,400</b>
<b>Current published 2010-13 MTP: Efficiency savings</b>			
All	Review of back office, management and support	-828	-828
Youth/YOS	Management review of integrated service	-400	-400
Various	Stream line of back office	-26	-26
		<b>-1,254</b>	<b>-1,254</b>
<b>Efficiency Savings:</b>			
Various	Management reductions	-137	-137
Contact Centre	Management, support, ICT & premises savings from services transferring	-433	-433
Various	Management Structure	-105	-105
CLS	Hosting charge for use of properties	-200	-200
Corp Comms	Review of activity and staffing expenditure	-500	-500
Corp Comms	Publicity	-10	-10
All	Essential/Lease User	-13	-13
		<b>-1,398</b>	<b>-1,398</b>

<b>De-prioritisation savings:</b>			
All	Remove all strategic external funding activities	-92	-92
Sup. People	Review of service provision - total £7m saving	-4,000	-4,000
Libraries	Other efficiency linked proposals	-500	-500
Libraries	Implementation of RFID and other efficiency linked proposals	-950	-950
Youth	Review of service provision - commissioning model staff impact	-1,577	-1,577
Trading Std	Review of service provision and management approach	-250	-250
C. Parks	Staffing review	-30	-30
PROW	PROW network maintenance	-75	-75
PubHlth	Rationalise Health-watch Programme	-78	-78
C. Access	Countryside Access	-71	-71
Comm. Safety	Reduction in HO Community Safety LSSG (11/12)		-279
Comm. Safety	Reduction in HO Community Safety LSSG (12/13)		-615
		<b>-7,623</b>	<b>-8,517</b>
<b>Total Savings and Mitigations</b>		<b>-15,555</b>	<b>-16,569</b>
<b>Total Savings and Income</b>		<b>-15,635</b>	<b>-16,649</b>
<b>Budget controlled by this portfolio</b>		<b>77,499</b>	<b>77,494</b>