

To: Communities Policy Overview Committee

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

Subject: **Budget 2008-09 and Medium Term Plan 2008-09 to 2010-11**

Classification: Unrestricted

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### **Summary:**

The purpose of this report is to consult the Committee on budget proposals for the Directorate, with reference to the KCC published consultation paper issued on 21<sup>st</sup> January 2008 .

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

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### **1. Introduction**

- 1.1 The Autumn Budget Statement report by the Leader, Cabinet Member for Finance, Chief Executive and Director of Finance to Cabinet on 17 September 2007 set out the national and local context for KCC's medium term plan (MTP) for the period 2008-09 to 2010-11.
- 1.2 The report 'Update on CSR 07 and the Local Government provisional finance settlement' to Cabinet on 14 January 2008 updated the overall budget position to reflect the provisional local government finance settlement for the years 2008-2011. As reported, the provisional grant settlement was better than expected and has provided a small degree of flexibility for the overall proposed budget package.
- 1.3 We reported the national and local context to the last Policy Overview Committee meeting and outlined the existing MTP priorities.
- 1.4 Since that meeting there have been a number of further developments that have resulted in the budget proposals being presented for consultation. Members are invited to comment on the key issues for the services provided by the Communities Directorate so that these can be taken into account at the budget meetings of Cabinet on 6 February and County Council on 19 February 2008.

## 2. Background

- 2.1 The consultation papers include an overall summary of the proposed Communities portfolio budget for 2008-09 showing the amounts proposed for each service within the portfolio/directorate. This now identifies the gross expenditure, income and net expenditure.
- 2.2 The papers also include the proposed capital investment programme and the medium term revenue and capital plan for 2008-09 to 2010-11 expressed as figures and portfolio priorities. All papers are presented in a consistent format for every portfolio.
- 2.3 Due to the timing of the consultation release (21 January 2008) we cannot include any papers with the agenda for this Committee but copies of the draft budget book and medium term plan will be available from 21 January 2008 and at the meeting.

## 3. Revenue Budget

- 3.1 The starting point for the budget is derived from the existing MTP. As indicated in the previous report, there have been some adjustments to reflect transfers between portfolios, service pressures, and efficiency savings and income generation.
- 3.2 Areas of spending priority for which significant additional funding is proposed to be added to the base budget are as follows (this represents an updated position since the November report where there have been changes and to avoid confusion we have identified the amounts to be added to the budget each year rather than overall spend across the 3 years):

**Pay £987k in 2008/09 and £2,821k over the MTP** – This represents the unavoidable pressure as result of the annual pay award for staff in the Kent scheme and in other schemes (Youth Workers, AE Lecturers, Coroners). We have allowed 2.5% in the cash limit for 2008/09 and 2% for other years. We have not made provision for staff funded by external partners as we have not received notification of funding settlements and it would be inappropriate to include cost increases in the budget and MTP without the increase in funding. If providers do not include sufficient funding for pay awards then services will have to make consequential savings elsewhere.

We have included provision for AE staff and a matching increase in AE tuition fees as LSC funding changes in recent years have provided no allowance for inflation and it is likely this will continue.

In addition to the overall increase in the cash limit for 2008/09 of £987k there is a further base budget transfer of £254k to cover pay awards for staff who transferred to Communities in 2006/7 and were included in the MTP of other portfolios. 2008/09 is the last year of the arrangements for funding to be provided within the MTPs of portfolios following the setting up of the new directorate in April 2006.

**Adult Education £500k in 2008/09** – This increase restores the reduction taken out of the service's base budget in 2007/08 to repay the £500k from Finance Portfolio to cover the deficit rolled forward from 2006/07. As indicated in the monitoring report the service has been unable to implement its plans to repay this loan and it is proposed that this will be repaid as £250k in 2008/09 and 2009/10 (shown as revised base adjustment in 2008/09 which is reversed in 2010/11). These adjustments do not represent additional funding for the service which continues to operate with a zero base budget form KCC and has to cover all of its operational and strategic management costs from LSC and tuition fee income

**Turner Contemporary £120k in 2008/09** – We have received notification from the Arts Council of the proposed allocations as a regularly funded organisation (RFO) for 2008/09 to 2010/11. The proposed allocations are £200k in 2008/09, £300k in 2009/10 and £500k in 2010/11. These will not be confirmed until after 24<sup>th</sup> January and therefore have not yet been included in the MTP. The £200k for 2008/09 is the same as the grant finally received in 2007/08 although at the time the budget was set we had had no notification of proposed allocation and the budget was set at the same level as the grant received in 2006/07 (£80k). The Arts Council grant does not affect KCC's contribution (which remains at approx £800k) and thus to correct the base budget we need to show the additional £120k income and expenditure in the MTP and budget book.

**Trading Standards Grants £168k in 2008/09** – At the November meeting we raised that the Government had indicated that they would identify the amounts transferring from specific grants into the Local Government Finance Settlement but we would not be able to confirm this until we received the provisional settlement. We have been able to confirm that additional money has been included for the transfer of grants for Intellectual Property Enforcement, Food Hygiene and Animal Feed. We have only been able to identify the amount added to KCC's base settlement and have not been able to identify any increase in the overall amount in the settlement for Intellectual Property Enforcement or new money for enforcement of Energy Performance Certificates.

**Charlton Athletic Agreement £75k in 2008/09** – The authority entered into an agreement with Charlton Athletic Community Trust in 2006/07 to provide a range of sport and football related activities for young people and in particular disruptive children or those at risk of exclusion from school. The agreement was a one-off and was supported by £150k rolled forward from the Finance portfolio under spend in 2005/06. The trust attracted funding from a number of other agencies (Football Foundation, Kent Police, District Councils, Network Rail, etc.). The Trust has approached KCC and other partners with and extended and enhanced scheme and is looking for a commitment to provide annual funding. KCC's contribution of £75k would help to secure funding from other agencies.

- 3.3 Provisional cash limits for each Portfolio have been set, and therefore to balance to those cash limits, given the pressures outlined above and in November report, we will need to propose efficiency savings and new/enhanced income streams to deliver a balance budget. The MTP sheets released on 21<sup>st</sup> January outline the proposed savings required in 2008/09. Some further commentary is provided below:

*Income Generation*

**Adult Education** – As outlined under the pay pressures we are assuming there will be no increase in LSC funding to cover unavoidable cost increases and the AE service will need to increase the fees paid by students and review concessions by around £250k. Since fees represent less than ¼ of the total income for the service there is a significant gearing effect which means that 1% increase in total costs equates to an increase in fees of over 4%.

**Registration Service** – The service receives fee income for a range of statutory services with fee levels set by Government. In addition to statutory services the registration provides a range of other enhanced ceremonial services. We are proposing a significant increase in these ceremonial fees to generate an additional £350k towards balancing the overall cash limit. This is part of a long term strategy to move the Registration Service into a position where all costs are covered by fee income

**Youth Centres** – Youth centres have been increasing the amount of income they have been able to generate by letting out facilities when they are not used for youth service activities for a number of years. In this way individual centres raise a significant proportion towards their running costs. We are proposing to set increased targets for centres to raise an additional £65k income towards their running costs in 2008/09. Encouraging centres to raise more towards their running costs ensures that we can preserve the total spending on Youth Services.

### *Efficiency Savings*

**Library Service** – There will be a consequential saving in 2008/09 as a result of the library service restructuring agreed as part of 2007/08 budget which was implemented in September 2007. This saving will have to be offset by the additional costs to the Local Government Pension Scheme for those staff who opted for early retirement resulting in a net saving of £180k in 2008/09.

We are also proposing savings on library IT costs. The current contract with BT expires on 31<sup>st</sup> March 2009. In the build up to the new contract savings of £422k are possible in 2008/09 partly through not needing to replace equipment (£267k) and partly through other managed efficiencies in the build up to the new contract. We are also working on the basis that the new contract will deliver revenue savings in 2009/10 although these cannot be quantified at this stage.

**Grants to CDRPs** – The Community Safety unit provides £120k in grants to Crime and Disorder Reduction Partnerships (CDRPs) towards community safety projects and £60k to award for warden's projects. These grants represent a small element of the overall funding for CDRPs which in future will come through the Kent Partnership. We are proposing to remove these grants as it seems inappropriate that KCC provides specific additional funding when all the other funding for CDRPs will be determined through the Kent Agreement.

### **Registration Service Premises Rationalisation and Staff Efficiencies**

The registration service currently operates out of 6 main area offices, 5 local offices and 2 outstations. We are planning to reduce this number of offices saving on rent, rates and other costs associated with running the buildings. As part of this rationalisation we intend to explore the opportunity for registration services to be provided out of other Communities establishments. The registration service will also be able to deliver staffing efficiencies in 2008/09 following the introduction of a new management information system to manage appointments (CaRA)

- 3.4 The overall strategy for the revenue budget has been to accurately identify unavoidable budget pressures, provide additional funding in policy priority areas (particularly around Towards 2010 Targets), seek to maximise income (particularly where service users have the ability to pay more) and to only make efficiency savings which do not have a direct impact on front line services. We need to develop and expand these themes over the medium term as we aim to protect Communities Services over a continuing period of financial constraint, particularly to ensure services can support the more vulnerable groups in Kent.

## **4. Capital Budget**

- 4.1 The starting point is the existing published capital programme. This is adjusted for re-phasing of schemes from 2007/08, for schemes that are no longer going ahead, changes to the total cost or funding of schemes, and new schemes. The detailed programme is included in the budget papers released on 21<sup>st</sup> January. The programme has been represented to show annual rolling programmes, scheme that are underway and have been given approval to spend on contracts, schemes that are in the formal planning stage and any expenditure is limited to design and other professional fees, and schemes in the initial feasibility stage where no expenditure is envisaged for some time.
- 4.2 Although the Communities capital programme shows a significant reduction in spend in 2007/08 this mainly relates to the rephrasing of schemes still in the planning stage where changes are inevitable. We are now making significant progress on a number of the schemes.
- 4.3 The capital programme reflects the Council's and the directorate's capital strategy, and for Communities will deliver major projects for the Turner Centre in Margate, complete refurbishment/replacement/enhancement of libraries in Ashford, Canterbury, Gravesend and Maidstone, upgrade to the archive facilities in Maidstone, new youth/community centres in Edenbridge and Herne Bay, as well as the continued programmes for library upgrades and modernisation of Communities assets.

## **5. Recommendation**

- 5.1 Members are asked to note and comment on the above proposals.

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