

To: Communities Policy Overview Committee – 13 January 2009

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

Subject: **Budget 2009/10 and Medium Term Financial Plan 2009/12**

Classification: Unrestricted

---

Summary: The purpose of this report is to consult the Committee on the budget proposals for the Communities Directorate with reference to the KCC published budget consultation paper issued on 7 January 2009. The report also provides a response to the issues raised at the November 2008 meeting of this Committee.

Recommendation: Members are invited to note and comment on the revenue and capital budget proposals, and to note the response to previous discussion at this committee.

---

## **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 15 September 2008 set out the national and local context for KCC's Medium Term Plan (MTP) for the period 2009-10 to 2011-12. The report to Cabinet on 12 January 2009 set out the provisional Local Government Finance Settlement, which confirmed that the level of Formula Grant was precisely as announced this time last year.
- 1.2 We reported the national and local context to the last Policy Overview Committee meeting and outlined the existing MTP priorities. The Committee discussed the policy issues from that report, questioned a number of budget headings and pressures, and offered areas for possible budget savings. This report provides a response to the issues raised.
- 1.3 Since the November meetings, 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, in order that these can be taken into account at the budget meetings of Cabinet on 2 February 2009 and County Council on 19 February 2009.
- 1.4 Members are asked to read this report in conjunction with the draft Medium Term Plan and Budget Book, issued on 7 January 2009.

## **2. Background**

- 2.1 The budget consultation papers include an overall summary of the proposed Portfolio budgets for 2009-10, showing the amounts proposed for each service within the portfolios. This 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 2009-10 to 2011-12. All MTP entries and budget book pages are presented in as consistent a format as possible for each Portfolio.
- 2.3 Copies of the draft Budget Book and Medium Term Plan have been distributed to all Members (on the 7 January). You are asked to ensure you bring those to this meeting.
- 2.4 The MTP and Budget Book reflect the new Portfolio responsibilities for Communities including the transfer of the Contact Centre. Some further adjustments may be necessary as the changes are worked through in detail. It also reflects the 'Delegation of Corporate Budgets' which impacts on all directorates. Further information is provided in Section 5 of this report.

### 3. Revenue Budget

- 3.1 The overall direction for the Communities Directorate is now well established, and the current Medium Term Service Priorities for Communities are included in Appendix B of the draft MTP (pages 91 to 93).
- 3.2 We are setting this budget in a period of great economic instability. This Committee received a report at the last meeting on the impact the economic situation is having, or could have, on Communities' services. This made reference to the fact that with threats come opportunities, for example, although an economic downturn might mean people have less money to spend which may mean they choose not to purchase services such as Adult Education there is also an opportunity for Adult Education to help people learn new skills to help find alternative employment. This is reflected in our budget proposals where we are not anticipating a decline in Adult Education fee income. The proposed revenue budgets for 2009/10 for each of the services within Communities portfolio are set out on pages 35, 36 and 37 of the draft budget book.
- 3.3 Areas of spending priority in 2009/10 for which significant additional funding is required are:

**Pay; £453k** in 2009/10 – this reflects a 1% provision for the 2009 cost of living pay award for staff in the Kent scheme and in other schemes (NJC and Soulbury for Youth Workers, NJC for drivers in the Library Service, and Coroners) and 2% for 2010/11 and 2011/12. If the awards for staff in other pay schemes work out more than the provision made in the 2009/10 budget we will have to make consequential savings elsewhere.

We have not made provision for staff in KDAAT, Youth Offending, Adult Education, Sports, KEY Training, Kent Scientific Services and Registration funded by external partners/trading income as we have not received notification of funding settlements or set price increases and it would be inappropriate to include cost increases in the budget and MTP without the relevant increase in income. If partners do not include sufficient funding for pay awards in settlements then these services will have to make consequential savings elsewhere.

We have included additional provision for Coroners pay claims to reflect the above cost of living increase awarded by the National Joint Council for Local Government Services to link Coroners pay increases with local authority chief officers.

**Prices; £431k** in 2009/10 – this reflects an increase in residential care placements for KDAAT and YOS in line with the increases proposed in the Adult Social Services and Children Families and Educational Achievement portfolios to ensure consistence, We have also made provision for electricity and other fuel price increases although prices are stabilising with the reduction in oil prices and we have been able to reduce the amount we anticipate we will need from that reported in November. We have also included provision for increases in rents, rates, utilities and contracted services.

We are including a reduced provision for the increase in the contract for the removal of bodies to mortuaries following referral to the Coroner. Since the Committee meeting in November we have been negotiating with the funeral directors who tendered for the contract and have been able to make a substantial reduction on the original tenders through letting a single contract to cover the majority of the county rather than as individual district based contracts.

**Coroners; £150k** – despite the injection of an additional £200k in 2008/09 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 rather than more cases being referred. The Queen's speech announced long awaited legislation for the reform of the Coroners service and we are anticipating that this will enable us to make some changes to reduce pressure on the budget. Nonetheless, we will need to make provision for some increase to address the underlying pressure on external fees.

**2012 Olympic and Paralympic Games; £250k** – The proposals for investment in the legacy from the 2012 London Olympic and Paralympic Games remains unaltered from the November meeting. The POC supported this proposed investment and identified the substantial benefits that could accrue to Kent and other services within KCC from the Olympic legacy. The additional spending in 2009/10 would provide support for Cultural Olympiad activities, the campaign for the Olympic torch to arrive in Dover, media relations and publicity and support for pre games training camps.

**Youth Offending; £90k** – Other partners have indicated that they will not be able to increase their contributions to support additional spending on parenting, restorative justice and victim liaison, and resettlement workers following inspection recommendations. However, following positive comments by POC members at the last meeting we are proposing to increase KCC's contribution to the service in 2009/10 to improve victim liaison. In particular we have identified that mediation services need to support all victims of youth crime and not just those victims of young people subject to Referral Orders and Final Warnings. The additional funding will be used to commission additional services from the voluntary sector.

3.4 The position on budget increases can be summarised as follows:

Table 1	2009/10	2010/11	2011/12
	£'000	£'000	£'000
Base adjustments	2,129	-177	0
Budget increased for:			
Pay	453	822	838
Prices	431	268	276
Legislative	150	0	0
Service Improvements	506	400	531
<b>Total Pressures and base adjustments</b>	<b>3,669</b>	<b>1,313</b>	<b>1,645</b>

3.5 Provisional cash limits for each Portfolio have been set, and therefore to balance to those cash limits, given the pressures outlined above, we will need to deliver savings, efficiencies and new income streams to deliver a balanced budget. The three-year financial plans, shown in Appendix A of the draft MTP (pages 59 and 60 for Communities), detail the proposed savings required in 2009/10. The major items are explained in the following paragraphs

### 3.6 Savings and Income generation

3.6.1 The total of the proposed savings and income generation required in order to meet the indicative cash limits is £3.36m.

3.6.2 Of the £3.36m, £2.995m is proposed to come from savings, the major themes being:

- Renewal of Libraries ICT contract; £1,300k
- Cease contribution to Homesafe vans; £197k
- Rationalisation of registration staff and premises; £160k
- Efficiencies in procurement; £174k
- Review of Publicity costs; £155k
- Vacancy management; £279k

The above items account for £2.265m of the £2.995m savings.

3.6.3 The library IT contract with British Telecom expires in April 2009. In January 2008 the decision was taken to join the South East Library Management Systems (SELMS) consortium with the aim of joining the contract SELMS had procured from Civica for their web based Spydus system when the BT contract came to an end. In addition to the Civica contract the new arrangements from April 2009 will enable all libraries to be networked through the Kent Public Services Network (KPSN) and hardware, support and maintenance will be provided through the contract with IBM for the Technology Refresh Programme. The net saving above compares to the current BT contract of £2.6m

3.6.4 The removal of the contribution to Homesafe vans will not mean this service has to cease. Within Community Safety we are focussing our spending on the Handyvan scheme in conjunction with Age Concern. The Homesafe scheme is largely an Adult Social Service activity rather than community safety. The Homesafe service will continue to operate but will now be funded from the Supporting People programme rather than Community Safety Partnership.

- 3.6.5 A further £0.365m of income is to be generated by Communities services in 2009/10. The major element (£200k) is through a further increase in ceremonial fees by the Registration service. We made a substantial increase in 2008/09 for weddings and other ceremony fees and there is scope for further increases to ensure that the fees paid by customers cover the full cost of running buildings and paying staff to conduct ceremonies. We are also taking the opportunity to rationalise the provision of Registration services and co-locate provision with other Communities services. In a time of recession we are not proposing to increase the yield from Adult Education tuition fees and we have put in place a financial strategy for the service to ensure that it can be more responsive to fluctuations in income without running into deficit.
- 3.6.6 The proposed savings from procurement, publicity and vacancy management are cross directorate in order to meet KCC's overall budget requirement. Whilst we have focussed efficiency savings and income generation on priority areas identified within the directorate (see section 4 below) we need to apply these cross cutting savings consistently across all services within Communities according to spending in these areas and ability to make savings in line with the cross cutting themes.
- 3.6.7 The proposed net position is therefore as follows

Table 2	2009/10	2010/11	2011/12
	£'000	£'000	£'000
Base budget	54,650	54,959	55,247
Total Pressures and base adjustments (from Table 1)	3,669	1,313	1,645
Savings	-2,995	-820	-1,551
Income Generation	-0.365	-205	-130
Revised base budget	54,959	55,247	55,211

#### **4 The Committee's November Budget Debate**

- 4.1 Within Communities we remain committed to prioritising spending between the services within the portfolio. This means that we need to make satisfactory provision for unavoidable increases in pay, prices and legislation in order to avoid placing unwitting burdens on individual services. Unlike other Council services we have concluded that there is no significant impact on Communities services from demographic changes (ageing population and migration) or from demand led pressures. We have also focused additional spending on service improvements and efficiency savings/income generation in key priority areas.
- 4.2 We have previously identified that spending on the Library Services and Community Safety is above average compared to other county councils. We have also identified that spending on the Youth Service and Trading Standards is below average and yet these services continue to perform well in comparison to others. We have also previously identified the scope for efficiency savings/income generation through the Registration service since deregulation. These priorities are reflected in the 2009/10 budget proposals and MTP for 2009/12.

- 4.3 Members of the POC supported further investment in the legacy for 2012 London Olympic and Paralympic games which is reflected in the proposals. We have also safeguarded the funding added to the budget in 2007/08 and 2008/09 for the Kent School Games which remains as £181k in the base budget (supporting higher net expenditure in the year of the games which will be funded by establishing a reserve from the lower net spending in the non games year).
- 4.4 We are not proposing any fundamental change in the funding of Adult Education services. The service has been through difficult times in recent years following significant reductions in funding from the Learning and Skills Council (LSC) and lower than anticipated enrolments. We have undertaken a significant restructuring to reduce overheads and make the service more responsive to changes in demand. We have reviewed the fee structure and frozen the fees for many courses and increased the number of premium courses. We have embarked upon a property review to ensure that in future that we deliver courses in the most appropriate venues and do not maintain large under utilised premises. We will be looking into improving enrolment arrangements to enable potential students to continue to receive a personalised service which matches their needs with the efficient delivery of courses. We have also maintained a number of KCC priorities such as age related concessions and free signing for the deaf. Any revenue savings which accrue over the period of the MTP will be used to invest in further improvements within the service.
- 4.5 Now that KEY Training is under the management of the Adult Education Service we will be looking to take a similar approach to managing its funding. Like Adult Education, KEY Training will be expected to manage its costs within the funding available from LSC contracts and tuition fee income with no subsidy from the County Council. KEY will continue to deliver core KCC priorities within these parameters in a similar way to Adult Education.
- 4.6 Work with the voluntary sector and employee volunteering will continue to be a priority within the portfolio. The 2009/10 budget does not include any specific proposals to transfer any additional activities or funding to the voluntary sector but we will continue to explore opportunities

## **5 Delegation of Corporate Budgets**

- 5.1 Staff in the Chief Executive's Directorate have been working very closely with the Resource Directors and Heads of Finance in service directorates, to determine how best to engage in a debate about support services' delivery and the resulting budget setting each year. The result is that the budget for services that are provided by CED Units directly to service directorates will be delegated to directorates. This has a number of advantages which, when aggregated, far outweigh the disadvantages in doing so.
- 5.2 A list of protocols have been drawn-up to ensure that proper and timely business decisions are taken about service levels, including quantity and quality, and that these decisions are properly reflected in the budgets and business plans.
- 5.3 The vast majority of the budget is delegated on the basis that directorates have to make unanimous decisions with regard to service provision. For

example, one directorate cannot suddenly choose to buy their payroll service from an external provider. Nor can another directorate, alone, choose to have an IT help-desk provided by anyone other than ISG. The Resource Directors' Group, on behalf of the Chief Officer Group, will manage these delegated budgets and make collective recommendations as appropriate.

## **6 Capital Budget**

6.1 The starting point for the capital programme is the existing published capital programme for 2008-11. This is adjusted for re-phasing of schemes from 2008/09, changes to the total cost or funding of schemes, new schemes, and the removal of completed schemes and those that are not feasible, or cannot be afforded or funded. The detail of the proposed capital programme is provided in the draft budget book on pages 38 and 39, and the capital strategy for Communities is included in Appendix B of the draft MTP (pages 106 and 107).

6.2 There are no new major projects in the Communities proposed capital programme, although we are continuing to identify projects in the revenue budget which should appear in the capital programme. In the main we have focussed our attention on delivering a number of major projects which have been in the capital programme for a number of years but have not previously progressed as quickly as we would like. These include:

**Turner Contemporary** – This project remains within the budget allocated (£17.4m for the design construction and fitting out of the gallery building) and on schedule for completion in 2010. We have now let a contract for the construction and the contractor (R Durtnell and Sons Ltd) have begun on site following a ground breaking ceremony on 25<sup>th</sup> November. We are planning the formal opening of the gallery in Spring 2011.

**Kent History Centre** – This project is also still within the budget allocated (£10.66m) although as reported to the November POC is not likely to start until 2009/10. The project has been affected by the downturn in the housing market as a key component is the enabling developments on the James Whatman Way site and Springfield. We are continuing to work with our preferred developer with the aim of signing a development agreement early in the next financial year

**Gravesend Library** – This project is making good progress and we are drawing to the end of the design phase. There has been some slippage due to conservation issues but we are planning on being able to let a construction contract in 2009/10

**Ashford Gateway Plus** – This project has been significantly enhanced since the capital programme was published for 2008/09 and now includes Gateway and Adult Social Services day care facilities as well as library, adult education and registration. The contribution for the day care and Gateway are included in the Adult Social Services and Corporate Support and External Affairs portfolios. The project has slipped due to planning delays and we are currently reviewing the assumptions on receipts from existing adult education and social services facilities. We are also still exploring alternative funding sources.

**The Beaney** – Canterbury City Council has now secured Heritage Lottery Funding and is currently finalising designs. They are planning to let a construction contract during 2009/10.

**Edenbridge Community Centre** – Formal planning consent was granted by Sevenoaks District Council in October 2008 and GOSE has confirmed that this will not be called in for review. In effect this is now final consent for the community centre and the enabling development. We are currently finalising plans for the community centre prior to going to tender for development and construction contracts.

## **7. Recommendation**

- 7.1 Members are asked to note and comment on the revenue and capital budget proposals, and to note the response to previous discussion at this committee.

Background documents:

- Autumn Budget Statement; Cabinet, 15 September 2008
- Medium Term Financial Plan 2009-10 to 2011-12 for the Communities Directorate reported to POC, 12 November 2008
- Provisional Local Government Finance Settlement; Cabinet, 12 January 2009
- Draft Budget Book and Medium Term Plan 2009-12 (issued on 7 January 2009)

Officer contact:

Dave Shipton, Head of Finance and Asset Management  
01622 696136