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To: Communities Policy Overview & Scrutiny Committee – 12 January 2010

Subject: Budget 2010/11 and Medium Term Financial Plan 2010/13

Classification: Unrestricted

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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 5<sup>th</sup> January 2010.

The report also provides a summary of the relative priorities discussed at the IMG of this Committee, which met in November 2009.

Members are invited to comment on the proposed budget changes for the services provided by the Communities Directorate, to note the relative priorities of the IMG and the ongoing corporate led policy review process.

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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 12<sup>th</sup> October 2009 identified that we are likely to be entering more uncertain times for local government finance.

The report to Cabinet on 11<sup>th</sup> January 2010 sets out the provisional Local Government Finance Settlement, which confirmed that the level of Formula Grant was as announced in the three year settlement.

However, there are still uncertainties over some specific grants and the level of council tax capping, and the announcement on 25<sup>th</sup> November that the Government intends to fund some of the free “Personal Care at Home” from local government efficiencies was a surprise.

Furthermore, the next Comprehensive Spending Review, which was due to start in the summer, has been delayed until after the forthcoming general election.

1.2 We reported the national and local context to the last Policy Overview & Scrutiny Committee meeting and outlined the proposed MTP priorities and efficiency savings. The Committee discussed the policy issues from that report, and used an Informal Member Group (IMG) to look at the budget details.

The IMG met on 18<sup>th</sup> November and questioned a number of budget headings and pressures and then offered its relative priorities for services that it wished

to retain, as well as those services where inclusion in a corporate review may be possible. This report provides a response to the issues raised.

- 1.3 Since the November meetings, there have been a number of further developments, many still ongoing, that have resulted in budget proposals being presented for consultation such as the removal of certain Towards 2010 monies from a number of our services.

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 1st February 2010 and County Council on 18th February 2010.

- 1.4 Members are asked to read this report in conjunction with the draft Medium Term Plan and Budget Book, issued on 5th January 2010.

## **2. Background**

- 2.1 The budget consultation papers include an overall summary of the proposed Portfolio budgets for 2010/11, 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 2010/11 to 2012/13. All MTP entries and budget book pages are presented in as a consistent 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 5th January). You are asked to ensure you bring those to this meeting.
- 2.4 The MTP and Budget Book reflect the new portfolio responsibilities following the County Council elections in June.

## **3. Revenue Budget**

- 3.1 The overall direction for the Communities directorate is now well established, and the current Medium Term Service Priorities are included in Appendix B of the draft MTP (pages 95-97).
- 3.2 We are setting this budget in a period of great economic instability. The recession has hit deeper and lasted longer than earlier forecasts and inflation (as measured by Retail Prices Index) has been negative all year.

The Bank of England Monetary Policy Committee is committed to achieving the 2% target for Consumer Price Index over the medium term.

The continuing economic also increases the likelihood of new pressures arising, as a significant proportion of the Communities budget relies on income generation from fees and charges and also from external funding.

- 3.3 The position on budget increases can be summarised as follows:

	2010/11	2011/12	2012/13
	£'000	£'000	£'000
Base adjustments	32,308*	-19	-2
Budget increased for:			
Pay	99	0	0
Prices	190	234	254
Legislative	52	72	0
Service Improvements	749	-54	-81
<b>Total Pressures and base adjustments</b>	<b>33,398</b>	<b>233</b>	<b>171</b>

*Table 1: Summary of value of base budget adjustments and budget pressures*

*\* Includes the transfer of Supporting People of £31,990,000.*

- 3.4 Areas of spending priority in 2010/11 for which significant additional funding is required are summarised below:

**Pay: £99k** – The authority has, under the local pay bargaining process with trade unions, proposed that there should be no increase in pay for cost of living award for all staff in the Kent scheme from April 2010.

This position has not been taken lightly but is we believe reasonable at a time when employees in other sectors are being asked to take pay cuts and many others are facing redundancy. It is also a matter of fact that for all of 2009 inflation has been low/negative.

The £99k pressure relates to non Kent Scheme staff, whose pay is determined by national pay bodies (such as JNC, NJC and Solbury) and is outside of the control of the Directorate and the authority as a whole. The Coroners service for example has seen an additional uplift over and above the basic award by the National Joint Council for Local Government Services for the past two years.

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 will be eligible to benefit from incremental increases in their salary under the performance assessment process. On average incremental progression equates to a 2.7% increase in pay. No funding is provided within the overall cash limit for incremental progression, as in prior years, 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 the authority now has an average turnover level 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 and this will therefore continue to be closely monitored.

We have started consultation with staff and unions about changes to the pay structure and performance progression but any financial impact would not come into affect until April 2011. We are assuming the new arrangements will continue to be cost neutral after taking into account staff turnover.

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

**Prices: £678k** – We have identified potential pressures in relation to fuel, transport, social care provision, rent, rates and other ancillary costs over the three year period, although a negative pressure presents itself for 2010-11 in relation to fuel.

The above pressures are in line with the Bank of England Consumer Price Index (“CPI”) inflation rates, where applicable, or conform to other industry information. As with pay, the pressure on fuel prices for externally funded services (in this instance principally Adult Education) has been excluded.

Included within these costs are the ongoing pressures associated with the Coroners service, as previously reported to this committee. 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.

**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 Youth Centres in the coming years.

A further Coroners led pressure of £20k is included due to the mandatory referral of certain child deaths, which now carry an individual fee of £1,000 per child.

### **Service Strategies & Improvement**

**a) Service strategies included within previous MTP:** These include a £115k contribution to Turner Operating Trust, £160k towards the 2012 Olympic / Paralympic Games, £295k contribution to the Rendezvous site and an £80k contribution to Open Golf. Some of the above have been amended since the previous MTP.

The additional proposed spend on the Olympics relates to Cultural Olympiad activities, the campaign for the Olympic torch to arrive in Dover, media relations and publicity, and pre games training camps.

**b) New service strategies:** The services strategies identified for the first time in this round of the MTP process amount to £584k gross, but only £75k poses

a base pressure. The remaining pressures are alleviated in future years as the spend is not recurring.

The £584k is 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 Local Children Partnerships, rather than direct funding, and £159k of premises related pressures which include dilapidation costs and increased rates that are due to the increased specifications of a newly built library.

- 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.

The three-year financial plans, shown in Appendix A of the MTP (pages 65-66), detail the proposed savings required in 2010/11. 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 £5.111m over the three year period of the 2010-13 MTP.

- 3.6.2 Of the £5.111m, £4.576m is proposed to come from savings, the major themes over the three year period being:

- Rationalisation of premises, services and small grants - £192k
- Single staffing solution for mobile libraries - £220k
- Review/restructure of back office and management - £2,845k
- Review of procurement costs and contracts - £500k
- Reduction/removal of certain Towards 2010 funding - £725
- Review of property maintenance costs - £94k

- 3.6.3 Of the £4.576m to come from savings, £2.371m will be achieved in 2010/11:

- Rationalisation of premises, services and small grants - £192k
- Single staffing solution for mobile libraries - £132k
- Review/restructure of back office and management - £878k
- Review of procurement costs and contracts - £400k
- Reduction/removal of certain Towards 2010 funding - £675
- Review of property maintenance costs - £94k

- 3.6.4 Of the £5.111m, £535k is proposed to come from additional net income to be generated by units over the three year period, with £305k to be achieved in 2010/11.

Income generation is a significant funding stream for this Directorate and any shortfall can have a severe impact on service delivery so each unit is looking to ensure that they are able to adapt to unanticipated changes to income levels and to amend their gross expenditure accordingly.

An income generation target of £80k has been included in the MTP in relation to the uplift of registration fees and it is felt that this is achievable but we

would like to draw to the attention of this committee a significant reduction in the forecast level of the number of ceremonies for the current and future years that may impact on the feasibility of this target.

The impact of this on the current year will be reported to Cabinet in January and subsequently to this Committee.

3.6.5 The proposed net position is therefore as follows:

	2010/11	2011/12	2012/13
	£'000	£'000	£'000
Base budget	57,204	87,926	86,083
Total Pressures and base adjustments (from Table 1)	33,398	233	171
Savings	-2,371	-1,846	-359
Income Generation	-305	-230	0
<b>Revised base budget</b>	<b>87,926</b>	<b>86,083</b>	<b>85,895</b>

*Table 2: Total proposed base budget for Communities.*

#### **4 The Committee's IMG to discuss budget issues**

4.1 The IMG met on 18th November and asked for members to individually and collectively provide a summary of their relative priorities for services within the directorate that they would like to protect from any efficiency or policy savings and also to contribute or suggest services that should be considered when setting the draft budget proposals for this Directorate.

The meeting identified the following services that its members felt were their relative priorities, in that the members wanted to protect the service from the most radical policy savings, and in some cases for no policy saving at all:

- Youth Service
- KDAAT
- Libraries
- Sports, Leisure & Olympics
- Community Safety (Wardens)

All savings relating to these services in 2010/11 are concerned with efficiency savings and/or income generation, except for the reduction or removal of Towards 2010 funding, a finite project leading up to the 2010 Olympics.

There are currently no proposals within the 2010/11 Budget book that will adversely affect the level of provision for these services. However this may need to be re-considered in years 2 and 3 of the MTP cycle.

The Directorate is currently involved in a corporate review process, as discussed at the previous committee meeting and at the IMG.

The results of the review will be made available to the committee as and when the potential impact on the Directorate has been finalised.

- 4.2 The IMG process has been a useful exercise in identifying the relative priorities of our POSC members and we endeavour to involve the POSC in any policy led decision making that will affect the level of service(s) that the Directorate may provide in the future.

## **5 Capital Budget**

- 5.1 The starting point for the capital programme is the existing published capital programme for 2009/12. This is adjusted for re-phasing of schemes from 2009/10, changes to the total cost or funding of schemes, and new schemes.

The detail of the proposed capital programme is provided in the draft budget book on pages 37 and 38, with the Directorate's Capital Strategy outlined on pages 119-121 of the draft MTP book.

- 5.2 Members should note that the level of financial support from Government in 2011/12 and 2012/13 is not known. It is very likely that across the authority, we will see a significant reduction in the grants and supported borrowing.

Because of the difficulty in predicting this we have presented the budget to show that the level of spend on certain schemes will be equal to the level of Government financial support. These schemes are identified in italic font in the draft budget book.

## **6. Recommendation**

- 6.1 Members are asked to note and comment on the revenue and capital budget proposals, and note the issues raised by the IMG, along with the resulting responses.

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### Footnote:

Background documents that the POSC members may need during this item:

- Autumn Budget Statement; Cabinet, 12<sup>th</sup> October 2009
- Medium Term Financial Plan 2010/11 to 2012/13 for the Department; POSC 11<sup>th</sup> November meeting papers
- Provisional Local Government Finance Settlement; Cabinet, 11th January 2010
- Draft Budget Book and Medium Term Plan 2010/13 (issued on 5th January 2010)