



Direct Dial/Ext: 01622 694002
Fax:
e-mail: peter.sass@kent.gov.uk
Ask for: Peter Sass
Your Ref:
Our Ref:
Date: 2 February 2011

Dear Member

CABINET SCRUTINY COMMITTEE - WEDNESDAY, 9 FEBRUARY 2011

I am now able to enclose, for consideration at the Wednesday, 9 February 2011 meeting of the Cabinet Scrutiny Committee, the following report(s) that were unavailable when the agenda was printed.

Agenda No	Item
C1	<u>Medium Term Plan 2011-13 (incorporating the Budget and Council Tax setting for 2011/12) - Update (to follow) (Pages 1 - 58)</u>

Members are asked to bring their copy of the Draft Budget Book with them to the meeting

Mr P Carter, Leader of the Council, Mr J Simmonds, Cabinet Member, Finance and Procurement, and Mr A Wood, Acting Director of Finance, have been invited to attend the meeting between 10.30am and 11.15am to answer Members' questions on this item.

Yours sincerely

Peter Sass
Head of Democratic Services & Local Leadership

This page is intentionally left blank

To: Cabinet 2nd February 2011

From: Paul Carter, Leader of the Council
John Simmonds, Cabinet Member for Finance
Katherine Kerswell, Group Managing Director
Andy Wood, Acting Director of Finance

Subject: Budget 2011/12 and Medium Term Financial Plan 2011-13

Summary: To update the Cabinet on the proposed 2011/12 Budget and Medium Term Financial Plan 2011-13 published on 6th January. Cabinet is asked to endorse the proposed budget and Council Tax levels for 2011/12 for submission to the County Council on 17th February 2011.

The update includes:

- Changes to and any further announcement of grants since the draft Budget Book was published
- The final tax base information from District Councils which increases the council tax yield by £1.252m from the £572.4m included in the draft Budget Book
- The balances on District Council collection funds and KCC's share which provides a one-off sum of £1.991m
- The latest forecast for budget pressures in relation to Children's Social Services and further provision, should it be needed, for the Children's Social Care Improvement Plan
- Proposals from Children's Families and Education in response to the reductions in Early Intervention Grant and the loss of Area Based Grants which could not be included in the draft Budget Book
- Recommendations from the Schools Forum in relation to the allocation of Pupil Premium and the transfer of Standards Fund and other grants into the Dedicated Schools Grant
- Changes to the proposed Capital Programme
- Feedback from consultation on the draft budget

1. Introduction

- 1.1 The draft 2011/12 Budget and 2011-13 Medium Term Financial Plan (MTFP) was published on 6th January 2011 for formal consultation. These proposals have been developed in the most difficult fiscal circumstances faced for a very long time. In 2011/12 we will lose £58million in Government Grants (excl. schools) and face additional spending pressures of £75million (excl DSG), £34million of which to be funded by additional Government funding through the Learning Disability & Health Reform Grant. We planned to receive an additional £4m through increased Council Tax base and reversal of one-off issues in 2010/11 budget. To balance the 2011/12 budget, the draft Budget and MTFP included efficiency/policy savings and income generation totalling £95million. Despite these difficult circumstances, the 2011/12 Budget includes a Council Tax freeze at the same level as 2010/11.
- 1.2 At the time the draft proposals were published there were a number of unknown factors which could influence the final budget, these are dealt with in this update:
- (1) The Final Local Government Finance Settlement is scheduled to be approved by Parliament on 9th February 2011, however, no significant changes are expected from the Provisional Local Government Finance Settlement (although there may be some minor changes), an update on which was provided to Cabinet on 10th January 2011.
 - (2) Some grants were still to be announced when the draft budget was published. In particular this related to grants from Home Office and Department for Education. We assumed the Home Office grants would remain at the 2010/11 level and DfE grants would cease altogether. These grants have still not been announced and will have to be treated as in year variations to the approved budget changing gross spend and grant income equally if our assumptions are proved incorrect (a net £nil impact).
 - (3) District Councils are required to notify preceptors of the updated tax base by 31st January. This is essential to enable Authorities to calculate the level of Council Tax based on the charge for a Band D property and the total Council Tax precept from each Council.
 - (4) District Councils must also calculate and notify preceptors of any surplus or deficit on their collection funds for the current year. These amounts have to be shared out pro rata to all preceptors and must be taken into account when calculating the overall budget and Council Tax requirements for the following year.

- (5) The budget monitoring report to Cabinet on 10th January identified additional pressures on Children's Social Services and Asylum within Children's Social Services. This report identifies the consequential changes to the proposed 2011/12 budget to ensure the budget at the start of the year reflects the very latest forecast activity.
- (6) The reductions in the grants transferred into the Early Intervention Grant and the apparent loss of Area Based Grants from DfE were unexpected. The late announcement of these reductions meant that we could not provide any detail in the draft Budget Book and this report includes the proposals to reduce spending in line with the grant reductions.
- (7) At the time the draft Budget Book was published we had had no time to discuss the details of the Standards Fund and other grants transferring into the Dedicated Schools Grant (DSG) or the allocation of the Pupil Premium with the Schools Forum as there was insufficient time to analyse all the changes prior to the school holidays. This report includes an update on the allocation of schools' budgets and the impact on grant funded activities within the Children, Families and Education portfolio.

2. Consultation

- 2.1 We have undertaken a range of consultations to inform the Budget and MTFP. These have included formal consultation on the published draft Budget and MTFP and informal consultation on KCC's spending priorities and Council Tax levels.
- 2.2 A workshop was held on 2nd October 2010 organised by Ipsos MORI. This is the sixth year that such a workshop has taken place in order to seek views from a representative sample of Kent residents. Having identified that local government would be facing significant cuts in 2011/12, the focus of the workshop was to identify which service areas participants felt we must always continue, and those that were more acceptable to reduce, stop, or charge for. An executive summary from the main report by Ipsos Mori is attached as Appendix 1. The priorities identified by the representative groups have been taken into account when developing the draft Budget proposals.
- 2.3 A similar workshop session was undertaken with representatives from the Kent Youth County Council (KYCC) on 26th October 2010. As with the public event, KYCC members were given the opportunity to express which service areas should be protected and which services it would be more acceptable to reduce, stop, or charge for. The report to the Youth County Council is attached as Appendix 2.

- 2.4 Policy Overview and Scrutiny Committees considered the draft Budget and MTFP at their meetings between 11th and 18th January 2011. A summary of the comments and recommendations from each Directorate's January POSC meeting are attached as Appendix 3.
- 2.5 Cabinet Scrutiny Committee considered the draft 2011/12 Budget and MTFP 2011-13 at its meeting on 24th January 2011, the minutes of that meeting are attached as Appendix 4.
- 2.6 A forum held with Kent business leaders took place on 26th January 2011. This forum focussed on the proposed 2011/12 Budget and MTFP 2011-13 with a particular emphasis on the benefits and implications for businesses in Kent. The main points raised by the business leaders are attached as Appendix 5.
- 2.7 We have engaged in both formal and informal consultation on the County Council's budget with Trades Union and professional association representatives. The formal consultation meeting took place on 20th January and the main points raised are attached as Appendix 6. In this year's local pay bargaining we have formally proposed that there should be no cost of living increase for any staff in the Kent Scheme for 2011/12. Trade Unions have requested that all staff earning under £20,000 should have a £250 increase. At the time of writing this report there had still been no formal response from the Employers side.

3. Provisional Local Government Finance Settlement

- 3.1 The Provisional Local Government Finance Settlement (provisional settlement) was announced on 13th December 2010. This provided the first opportunity to see the impact of the Coalition Government's spending cuts heralded in the Emergency Budget statement and Spending Review 2010 on individual authorities.
- 3.2 The overall amount for the Department for Communities and Local Government (CLG) was broadly as outlined in the Spending Review 2010, an update on which was provided to Cabinet on 29th November 2010 in the Autumn Budget Statement.
- 3.3 In our response to the consultation on the provisional settlement, we have welcomed the Government's attempt to simplify the grant system and un-ringfence Specific Grants. However, we have also had to raise our concerns about the unexpected nature of some of the changes (resulting in a greater loss of grant than we had anticipated from earlier announcements) and the misleading nature of the impact of spending reductions.

- 3.4 The estimated Dedicated Schools Grant (DSG) has changed from the draft budget following confirmation of the transfer of specific grants, adjustment for academies, revision to pupil number estimates and confirmation that the Pupil Premium will be allocated as a separate grant in addition to DSG. Pupil numbers are still an estimate and will be confirmed in the next few weeks following validation of the Annual Census and schools' budgets are due to be finalised by 5th March. As previously reported the final DSG figure will not be known until June.
- 3.5 The final settlement had not been announced at the time of publishing this paper. An update will be provided to Cabinet at the earliest opportunity after the settlement has been released.

4. Council Tax Base

- 4.1 KCC's calculation of Council Tax depends on the number of equivalent Band D properties within the area. This constitutes the tax base and is the basis of the precept we make on District Councils. District Councils must notify all preceptors of the tax base by the end of January. This calculation is based on the assessment of the number of properties in each band as at 30th November less each council's estimate for discounts for single occupancy, empty properties, exemptions and collection rates. This is then converted to the Band D equivalent.
- 4.2 For the purposes of the draft 2011/12 Budget we estimated a Band D equivalent tax base of 546,198.5, yielding £572.436million. This represents a 0.5% increase on the equivalent figure for 2010/11. We are proposing a Council Tax freeze in the 2011/12 Budget, meaning that the Band D rate would remain at £1,047.78 (the same as the 2010/11 Band D rate). This would levy the total council tax yield necessary to fund the proposed 2011/12 Budget.
- 4.3 The Band D equivalent tax base now notified by District Councils is 547,528, which will yield £573.688m. This figure includes the impact of some districts reviewing the entitlement to single person discounts, which has slightly increased their previously estimated tax bases. The notified tax base represents 0.74% increase on 2010/11 and will yield £1.252m more than estimated in the draft Budget and MTFP.
- 4.4 We propose that the increased tax base should be used to fund additional pressures in children's social services (see section 6 below) and an additional £100k to protect the highway maintenance budget from the loss of ABG from Department of Transport. £70k is needed for District Council's share of the increased tax yield relating to the reduction in the discount on second homes and the remaining balance is proposed to be held in the Finance portfolio to fund the increased borrowing on the Rushenden Link highways scheme.

- 4.5 Table 1 below shows the increase in the Authority's Band D equivalent tax base for 2011/12 and previous years.

Table 1 Band D Equivalentents	2008/09	2009/10	2010/11	2011/12
Total	535,857.71	540,114.82	543,481.14	547,528
% Increase	1.0%	0.79%	0.62%	0.74%

5. Collection Funds

- 5.1 Legislation requires that where a District Council has collected more or less Council Tax than planned that the surplus or deficit on the collection fund must be shared pro rata with all preceptors. Across all District Councils there is an overall surplus of £2.7m, of which KCC's share is just under £2m.
- 5.2 Cabinet Members should be aware that surpluses and deficits can arise for all sorts of reasons e.g. collection of debts, change in the number of single occupancy discounts, change in number of empty properties, etc. Such factors are unpredictable and the impact results in a one-off adjustment each year which cannot be fully factored into future years' tax bases.
- 5.3 Table 2 below provides details of KCC's share of the 2010/11 and previous year's surpluses and deficits on collection funds. This is included to demonstrate the relative accuracy of the tax base estimates and the amount from the 2010/11 collection funds which needs to be factored into the 2011/12 Budget.

Table 2 Collection Fund	2008/09 £000	2009/10 £000	2010/11 £000
Ashford	-268,376	245,609	0
Canterbury	0	217,989	0
Dartford	597,517	654,915	840,915
Dover	0	0	0
Gravesham	-750,865	-116,650	-45,520
Maidstone	77,638	46,396	68,193
Sevenoaks	0	0	0
Shepway	-404,429	-357,926	0
Swale	292,210	431,890	524,950
Thanet	41,414	-244,513	55,209
Tonbridge & Malling	266,318	583,770	0
Tunbridge Wells	378,680	0	547,554
Total	230,107	1,461,480	1,991,301

- represents a deficit

6. Children's Social Services and Asylum Pressures

- 6.1 The draft budget was based on the latest forecast activity from the full monitoring report for the second quarter reported to Cabinet on 29th November. The exception report on 10th January identified additional pressures, particularly on fostering and Asylum seekers.
- 6.2 We have revised the sum of £4.8m included in the draft Budget Book for the demand led pressures on children's social services by an additional £1m. This comprises of an additional £1.4m on fostering taking the total pressure to £2.9m (£1.8m on independent fostering and £1.1m on in-house) and a reduction of £0.4m on the pressures for children aged 16+ staying in care and independent sector residential care.
- 6.3 We are proposing that the additional one-off funding arising from the surplus on collection funds is added to the £1.5m contingency held in the Finance Portfolio earmarked for the Children's Social Care Improvement Plan. This money would be allocated if necessary as and when the Improvement Plan is agreed.
- 6.4 We are not proposing any changes to the budget for Asylum seekers for 2011/12 in spite of the pressures reported in the budget monitoring. It is our intention to negotiate with the Home Office to ensure that the strategy agreed last year to resolve the Asylum grant is honoured as the overspends either relate to the UK Border Agency (UKBA) not honouring their commitment to speed up the return to their country of origin for those with "All Rights Exhausted" within 3 months or one-off issues arising from previous year's grant claims. (We are on target to meet our part of the bargain to reduce the cost of housing provision down to an average of £150 per week consistent with the grant provided by the UKBA)

7. Children, Families & Education – Area Based Grant & Early Intervention Grant savings

Area Based Grant

- 7.1 We are still assuming that £9.182m of Area Based Grants which have not been transferred into either Formula Grant or Early Intervention Grant will not be replaced. We propose to cease the relevant activities based on the ABG originally allocated in the 2008/09 budget. This includes £2.834m of staffing (principally in the Learning Group), £1.505m to provide start-up grants for extended schools, £1.174m saving on home to school transport. Full details are set out in the revised Medium Term Financial Plan submission for CFE attached as Appendix 7.

Early Intervention Grant

- 7.2 On a like for like basis the Early Intervention Grant has reduced by £11.520m between 2010/11 and 2011/12. We had already proposed a reduction in the contract with Connexions saving £2m in 2011/12 (and a further £3m in 2012/13). Our revised budget proposals include £1.865m reduction in staffing costs (principally those staff funded out of the Sure Start grant for sustainability and workforce which supported staff working in Early Years quality and outcome teams).
- 7.3 Our revised proposals also include a saving of £2.618m (11%) contribution towards the running costs of Children's Centres (although those centres serving deprived communities will be protected), £3.310m Sure Start funding spent on training and grants to Private Voluntary and Independent (PVI) early years providers, £434k respite efficiencies (once again protecting services for those from deprived families) and £316k reduction in budgets spent within Communities (Positive Activities for Young People, Youth Substance Misuse and Youth Opportunity Fund). Full details of the Early Intervention Grant savings are set out in the revised Medium Term Financial Plan submission for CFE.

8. Schools

- 8.1 Due to the late announcement, it was not possible to talk to schools about the implications of the settlement before the publication of the "draft for Cabinet" version of the MTP. The DSG figures contained in the draft for cabinet version of the Medium Term Financial Plan 2011-13 and Budget 2011/12 were therefore based on our earlier assumptions on the funding settlement, pressures and savings.
- 8.2 The funding announcement from the Department for Education were received on 14th December, and they confirmed that the Dedicated Schools Grant (DSG) settlement for 2011/12 is going to be at "flat cash" level, i.e. 0% increase, and that 23 former specific grants are to be mainstreamed into the DSG at their 2010/11 levels. In addition, the announcements confirmed that the minimum funding guarantee for 2011/12 is -1.5%, a negative figure for the first time.
- 8.3 On 21st January we discussed in detail the pressures and savings facing the DSG budgets with the Schools Funding Forum. The key headlines are:
- We are able to maintain the current funding rates for PVI providers at their 2010/11 levels
 - We have made additional funding available for anticipated growth in demand in early years education in the PVI sector, and we have provided additional funding to implement improvements to the local PVI formula as previously agreed

- Within the DSG we have been able to make funding available for schools to fully fund the costs of broadband following the Government's decision to cut the harnessing technology grant in October 2010. This addressed a key concern from schools.
- The impact on the local authority's centrally retained DSG budgets of schools converting to academies now stands at £1.5m. This is based on the current number of schools who have converted, and as more convert this figure will increase and become an in year reduction to manage. We intend to offset some of this reduction by income generation through increased trading activities with academies.

8.4 In addition to the DSG funding settlement, the Government has announced details of the new pupil premium. This will be introduced from 1st April 2011, and will be paid at a rate of £430 for every pupil eligible for a free school meal (January 2011 census) or every pupil who is looked after, and at a rate of £200 for every service child. In total it is estimated that this new grant will total £12m in 2011/12 and must be fully passed to schools with eligible pupils (although schools are free to spend it for any purpose).

9. Capital Programme

9.1 We have made very few changes to the draft Capital Programme. We have updated the programme for the latest rephrasing of projects as reported to Cabinet on 10th January 2011 as part of the Revenue and Capital Budget Monitoring Exception Report.

9.2 We have revised the estimated funding of the Rushenden Link scheme within the Environment, Highways and Waste Portfolio as a result of the loss of SEEDA funding. The additional borrowing is funded from the balance of the additional Council Tax base to increase capital financing revenue budget in Finance portfolio.

9.3 Since the draft programme was published we have had notification of approval of schemes for new academies which includes one new scheme not previously identified in the draft programme and reductions to 3 schemes resulting in a net reduction of £29.432m.

10. Conclusions

10.1 In summary there have been the following changes since the draft revenue 2011/12 budget and MTFP 2011-13 were published:

- Increase in the notified Band D equivalent tax base of 0.74% on 2010/11 (compared to 0.5% in the draft budget proposals), increasing the Council Tax yield from the amount included in the draft Budget by £1.252m to be allocated to CFE, EH&W, L&P and FIN portfolios

- Identification of £1.991m overall surplus due to KCC from District Council collection funds to be earmarked for Children's Social Services Improvement Plan
- Details of the savings proposals in CFE in response to the reduction in Area Based Grant and Early Intervention Grant
- Updates to the Dedicated Schools Grant to take account of the transfer of Standards Fund and other grants, adjustments for academies

10.2 Table 3 summarises the revised proposed budget requirement and proposed Council Tax precept for 2011/12.

Table 3 – Calculation of Council Tax	Published Proposed Budget 2011/12	Revised Proposed Budget 2011/12
Proposed Budget Requirement	£905.825m	£909.206m
Financed from:		
Formula Grant	£316.139m	£316.139m
Council Tax Freeze Grant	£14.325m	£14.325m
New Homes Bonus	£1.400m	£1.400m
Home Office Grant	£1.525m	£1.525m
Area Based Grant		£0.138m
Council Tax collection surplus/deficit	0	£1.991m
Precept requirement from Council Tax	£572.436m	£573.688m
Band D equivalent tax base	546,198.5	547,528
Council Tax Band D rate 2011/12	£1,047.78	£1,047.78
Council Tax Band D rate 2010/11	£1,047.78	£1,047.78
Increase	£nil	
	0%	

10.3 The final position for the Children, Families and Education Portfolio in relation to the estimated DSG will be subject to recommendations from the Schools Forum and the finalisation of individual school's budgets. Recommendations on the final CF&E Portfolio budget need to be delegated to the Portfolio Cabinet Member.

10.4 Any further notification of grants, particularly affecting CFE and Communities will now have to be reflected as in-year variations under the approved virement procedures.

- 10.5 We have made changes to the draft capital programme related to academies, the funding for the Rushenden Link road and rephrasing of projects as previously reported to Cabinet. We have also made the consequential increase in the capital finance budget within the Finance portfolio funded from the balance of the additional Council Tax yield resulting from a larger than anticipated increase in the tax base.
- 10.6 The revised draft Budget Book for County Council includes some other minor presentational changes and we have included a revised order of the A to Z of services in portfolio order to aid the debate on the day.

11. Recommendations

Members are reminded that Section 106 of the Local Government Finance Act 1992 applies to any meeting where consideration is given to matters relating to, or which might affect, the calculation of Council Tax.

Any Member of a Local Authority who has not paid Council Tax for at least two months, even if there is an arrangement to pay off the arrears, must declare the fact that he/she is in arrears and must not cast their vote on anything related to KCC's Budget or Council Tax.

- 11.1 Cabinet is asked to endorse the following proposals for submission to County Council on 17th February 2011:
- (1) the Revenue Budget proposals for 2011/12. Cabinet is asked to note the proposed changes as a result of the equivalent Band D tax base from the estimate included in the published draft Budget, and the surplus/deficit on the District Councils collection funds. Cabinet is asked to endorse the resulting change to overall budget requirement.
 - (2) The savings proposals outlined in section 7 within Children Families & Education and Communities portfolios as a result of the loss of DfE ABG and Early Intervention Grant.
 - (3) a requirement from Council Tax of £573.688m to be raised through precept on District Councils.
 - (4) Council Tax levels for the different property bands as set out below, representing a freeze at the 2010/11 levels.

Council Tax Band	A	B	C	D	E	F	G	H
	£698.52	£814.94	£831.36	£1,047.78	£1,280.62	£1,513.46	£1,746.30	£2,095.56

Executive Summary

Background and methodology

This report details the findings of a citizen workshop designed and conducted on behalf of Kent County Council (KCC) by the social research agency, Ipsos MORI. The workshop, held on 2 October 2010, lasted an entire day and involved intense deliberations by 74 residents on how to best make savings to the Council's 2011/2012 budget. Participants were recruited from across Kent and represented a diverse cross-section of the local population.

Setting the scene

KCC has been consulting the public on budget savings for a number of years, but the immediate future will be a particularly difficult time for public finances; Local Councils as well as National Government are faced with the challenge of delivering services with a significantly reduced budget. In Kent, this translates to a loss of approximately £90m over the next four years (excluding schools). With additional funding pressures such as an increasingly ageing population also taken into account, the actual reduction in budget can be expected to be even larger. Given the sheer size of the savings that need to be made, the citizen workshop was radically changed this year to be more challenging. The day culminated in tasking participants to find £30 million of savings for 2011/2012. The vast majority of participants were keen to rise to the day's challenge and to engage with the proposals put before them. We observed that participants were more aware than any previous year of the fiscal challenges facing KCC. When asked to state what they perceived to be the biggest single challenge Kent faces in the years ahead, the most common response was *'fair and responsible budgeting'*.

Reaching consensus on proposed savings

A total of 20 proposals - each equating to £3 million savings - were debated by the 74 participants, who were split into 5 small groups for ease of discussion. A broad consensus on whether to accept or reject a proposal and associated savings (where 4 of 5 groups agreed), was achieved in 12 service areas. These were:

Accept proposal and £3 million savings	Reject proposal and maintain spend
Redesigning library services	Reducing payment to Foster Carers
Reducing the number of Early Years Advisors	Reducing subsidised bus routes
Reducing eligibility for Home to School Transport provision	Reducing spend on highway maintenance
Withdrawing the Community Wardens service	Reducing availability of waste disposal service
Reducing spend on the Connexions Service	Reducing the number of permanent social workers
Reducing spend on the Freedom Pass	
Switching off street lights between 12-6am	

It is worth noting that earlier in the day, and in line with other survey data, participants

stressed the importance of education/schools, healthcare and care for the elderly as the most valuable services provided by KCC. Furthermore, they had generally agreed these areas should be protected the most from a reduction in spending.

Yet, when it came to the budget balancing task towards the end of the day, participants were less dogmatic when considering savings options, with some groups accepting savings proposals in these priority areas.

We found that participants were able to look at each proposal on its own merits and were often guided by very pragmatic considerations. For example, the majority of groups were prepared to see a reduction in the Connexions Service as it was regarded as a poor and under-used service anyway, and that some of its activities could be shifted onto Job Centre Plus or the schools' careers services. Similarly pragmatic reasons were given for favouring some proposals over others. For example, the view that KCC was possibly over-providing (in the case of Home to School Transport), and whether other things were in place to mitigate the impact of the saving (such as OFSTED inspections being a good check on the reduction of Early Years Advisors).

None of these decisions were taken lightly and some of the respondents stated they were reluctant to agree savings but understood that decisions had to be made. Two golden threads were evident throughout the debates. The first related to whether accepting certain proposals still protected the most vulnerable in the community. It was important that those who could not help themselves and those who needed help through no fault of their own were still able to get the support they were used to. The second thread, was that savings should not have knock-on effects in other service areas. For example, the reduction in social workers was thought to be too short term and would result in long term problems with families and child protection. It is also important to note that savings decisions were often made with conditions attached – such as a guarantee that funding in another area would be maintained.

Underlying principles for savings

The 20 proposals could be notionally split into 4 different types of savings. Aside from tasking each group of participants to agree on £30 million of savings, we also wanted to test their tolerance and appetite for different ways of finding savings. These types of savings were first explored during the discussion of three case studies¹, and were presented as:

- Reducing the role of KCC in the provision of that service, radically redesigning the delivery of the service or stopping the service altogether
- Reducing the level of service or service standard
- Changing eligibility criteria
- Introduce or increase service charging.

Again, participants took an extremely pragmatic view and there was little objection in

¹ Findings from these three case studies (care for the elderly; Home to School Transport, and supporting business) are intertwined with those from the 20 specific savings proposals throughout the report; however a separate key findings annex report on each of the case studies can be found in the appendices.

principle to each type of saving presented. How each principle could be applied in a number of different scenarios was judged on a case by case basis. So for example, there was more willingness to see KCC roll back where they were perceived to be over-providing and allowing service users to discharge of their own responsibilities (in the case of some parents using Home to School Transport). Similarly, participants were willing to consider a changing role for KCC in the provision of services where there were plenty of other providers to take up the strain – with the proviso that the Council acts as a guarantor of standards and value for money.

A reduction in the standard of service being delivered was acceptable in some areas, although only after a careful assessment of the consequences or risks of providing a lower quality of provision. The knock-on effect of a reduced service in child protection, foster caring, waste disposal, and highway maintenance was seen to be too greater risk to accept such a savings proposal in these areas.

Participants became more comfortable with the principle of increasing service charges as the day progressed. Ability to pay was important, and charges were seen to be more acceptable for services that residents choose to use for personal pleasure (e.g. leisure services) rather than services needed by the whole community (e.g. waste services – albeit a district service) or used out of necessity (e.g. social care). As we noted earlier, a golden thread throughout the debates related to protecting those most in need. When polled during the day, three-quarters preferred to protect services for people who most need help, even if that means others are harder hit. It was commonly expressed that more able residents should take more personal responsibility and not use some currently free Council services. As such, changing eligibility criteria as a principle of saving was therefore more acceptable in areas perceived to be 'nice-to-have' rather than in those used by residents who cannot easily help themselves.

Feedback and recommendations for future budget consultation

Although participants found decision making difficult, feedback from the workshop was overwhelmingly positive. This is extremely welcome news given how radically we changed the design of the day from previous years. As the fiscal squeeze will continue for the foreseeable future, it will be important to continue to seek the views of those affected by spending decisions. The success of the deliberative workshop shows there are rewards for having difficult but mature engagement with local citizens. This is how we see future consultations on budgeting developing over the next few years. In particular, participants enjoyed learning more about Council spending and being able to speak directly to Council staff. This suggests that KCC should undertake a more proactive engagement strategy on what the Council is doing to ensure a fair budget, and how it has included citizens and other stakeholders in this process.

This page is intentionally left blank

Kent Youth County Council

Report: KYCC Budget Consultation
To: Kent Youth County Council
From: Dave Shipton – Finance Strategy Manager
Date: 26th October 2010

1. Introduction

On 26 October 2010 six members of the Kent Youth County Council (KYCC) attended a budget consultation afternoon run by Corporate Finance. Given the financial pressures Local Government is facing, the aim of the consultation was to identify which services young people feel:

- We must continue to do however bad things get
- It would be good to carry-on doing if we possibly can
- We can stop if the cuts are as bad as we think they will be
- We should stop doing anyway

The KCC presentation gave participants an overview of: how council tax works, KCC's budget and where our future pressures will come from, the impact of the national picture and Spending Review, and the expected cuts for KCC from 2011/12 onwards.

In addition to the presentation participants undertook three main exercises as a group, these included a service improvement exercise, case study debates and a budget saving exercise.

The purpose of the service improvement exercise was to get participants thinking about the extent to which they feel services should be provided from Council Tax or whether individuals should pay for some services and whether services could be delivered by the voluntary/private sector.

The case study debates focussed on home to school transport and care for older people. The purpose of discussing two case studies was to 'warm the group up' by discussing in depth the feasibility of making savings in two specific areas, before exploring more specific examples of savings in the later 'Budget Savings Exercise'.

For the budget saving exercise participants took on the role of Cabinet Members, and were asked to identify £30m of savings from 20 theoretical options put in front of them, each worth £3m.

Broadly the 20 savings options could be split into four types of savings. As well as tasking the group to achieve £30m of savings, we were also interested in the type of savings they were open to accepting; these are categorised as follows:

- Reducing the role of KCC in service provision, radically redesigning the method of service delivery, or stopping the service altogether
- Reducing the level or standard of service
- Introduce/increase service charging
- Changing eligibility criteria

2 KYCC Conclusions

From this cabinet discussion the following areas were identified as areas KCC must continue to deliver services

- Freedom pass - This service should continue to be delivered by KCC, although considerations must be given to rolling back the service in light of the provision of free transport to school, the KYCC was also in favour of introducing means testing for the freedom pass.
- Nursing and residential care – although the services do not necessarily have to be provided by KCC it is important for KCC to maintain a lead role in quality assuring the provision of care in private sector homes. The KYCC stressed the importance of maintaining the quality of services, and supported the idea of charging those who could afford to pay for the service.
- Community wardens should continue to be delivered by KCC
- Subsidised bus routes – Service should continue to be provided by KCC although alternatives for a cheaper method of delivery should be explored.

The following areas were identified as areas that should be delivered if possible and/or passed to voluntary/private organisation.

- Library services should be passed to the voluntary sector
- Environment services – increase charges to service user in order to ensure funding.

The following areas were identified as not important:

- Trading Standards
- Arts and Sports – service should be transferred to the voluntary sector
- Connexions

3 Recommendations

Many of these conclusions are in line with the outcomes from the public consultation undertaken with members of the public earlier in October.

KCC Corporate Finance would like to thank KYCC Members for participating in this consultation exercise. We would also like to propose that if this consultation is to take place in future years, a greater number of KYCC Members attend. This is in order to ensure a greater range of views are put across and a better representation of all areas of Kent is achieved.

By: Head of Democratic Services & Local Leadership

To: Cabinet – 2 February 2011

Subject: **MEDIUM TERM FINANCIAL PLAN 2011-14
BUDGET 2010/11 COMMENTS FROM POLICY
OVERVIEW & SCRUTINY AND CABINET SCRUTINY
COMMITTEES**

Classification: Unrestricted

Introduction

1. The Policy Overview & Scrutiny Committees and the Cabinet Scrutiny Committee considered the budgets that related to their current areas of responsibility. This report provides a summary of the comments on the Draft Medium Term Financial Plan 2011-14 and Draft Budget for 2011/12 made at the following meetings:

Communities Policy Overview and Scrutiny Committee
11 January 2011 (**Annex 1**)

Adult Services Policy Overview and Scrutiny Committee
12 January 2011 (**Annex 2**)

Corporate Policy Overview and Scrutiny Committee
13 January 2011 (**Annex 3**)

Joint meeting of the Children, Families and Education Policy Overview
and Scrutiny Committees
14 January 2011 (**Annex 4**)

Environment Highways and Waste Policy Overview and Scrutiny
Committee
18 January 2011 (**Annex 5**)

Regeneration and Economic Development Policy Overview and
Scrutiny Committee
19 January 2011 (**Annex 6**)

Peter Sass
(01622) 694002
Email: peter.sass@kent.gov.uk

**Communities Policy Overview and Scrutiny Committee
11 January 2011**

31. Draft Budget and Medium Term Financial Plan
(Item B4)

(1) The Committee considered the Draft Budget proposals relating to the Communities Directorate's as set out in the Draft Budget 2011-12 and the Draft Medium Term Financial Plan (MTFP) 2011-2013 and also the report which was circulated specifically relating to the key areas of these documents for Communities Directorate.

(2) Mr Hill and Mr Tilson introduced the draft Budget and Medium Term Financial Plan for the Communities Directorate. Mr Hill and Officers answered questions from Members about the following issues:-

(3) Mr Tilson confirmed that the "new library and community centre, Cheeseman's Green, Ashford" (page 151 of the draft MTFP) was the only project which was reliant on specific grants and/or external funding and would only go ahead if the funding was achieved.

(4) Mr Tilson explained that in relation to Youth Centres that benefit from an 80% reduction in rates because a charity is accommodated onsite, there was legislation pending which may withdraw this exemption and a pressure has been provided for accordingly.

(5) In response to a question Mr Tilson confirmed that in the Registration and Community Learning and Skills services, the user did pay for the elements that were not paid for by grants or Government contribution but that a small KCC budget was prevalent for Registration. In relation to Adult Education, if enrolment figures fall this can cause a funding pressure, as it is difficult to react quickly to reduce costs. It was important to get the right mix of fixed and variable costs in order to react for a change in the enrolment figures and to balance the books. He stated that it was also a mid to long term aspiration for the Registration service to be cost neutral, or as close as.

(6) Regarding funding for Supporting People, Mr Tilson explained that the partner agencies in receipt of cascaded funding e.g. Borough/District Councils, were aware of funding cuts driving the need to do things differently, for example providing floating support, and we were working closely with all partners. In relation to Community Safety, Borough/District Councils had been consulted and there were partnership arrangements in place or negotiations ongoing.

(7) In relation to budgets which had been un-ring fenced, Mr Hill stated that the responsibility rested with the County Council to decide how to allocate these funds.

(8) Mr Tilson explained how the County Council's capital programme was funded and explained the term of prudential borrowing.

(9) In response to a further question on Supporting People, regarding floating support, Mr Tilson stated that services and the way in which they were delivered were under review. The intention is to provide one countywide approach to create an efficient and cost effective service that continued to protect the most vulnerable people in Kent. The resulting plan would be shared with the Committee when it was available.

(10) In response to a question on the reduced figure for the contribution towards the running costs for The Bridge (page 93 – Draft Budget) from £32,000 to £2,000, Mr Tilson explained that £32,000 had been added to the base budget, not reduced, and that the £2,000 was the inflation element in future years e.g. they were not yearly increases but the movement in the base budget. He also gave an explanation of the £838,000 in 2012/13 (page 93 – Draft Budget) for Review of service provision – creation of commissioning budget and how this needed to be viewed in tandem with the gross savings that are identified on the following page to get back to the £0.9m Youth Service saving that is identified in the Budget MTP paper.

(11) There were a number of questions relating to the Youth Service and in response Mr Hill stated consideration was being given to re-modelling the Youth Service including commissioning more work in the voluntary and private sectors, where capacity existed already or had the potential to increase in the future. He undertook to ensure that when a plan had been developed it would be shared with the Committee.

(12) RESOLVED that the revenue and capital budget proposals included within the Medium Term Financial Plan 2011/13 be noted and the comments made by Members on the revenue and capital budget proposals be fed into the Cabinet Budget meetings and County Council in February.

Adult Social Services Policy Overview and Scrutiny Committee

12 January 2011

105 - Draft Revenue and Capital Budgets 2011/12 and Medium Term Financial Plan 2011 - 2013

The Chairman secured the Committee's agreement to consider this item as urgent business, as the papers could not be placed in the public domain with the required five clear days' notice, due to the late publication of the draft budget.

1. Miss Goldsmith introduced the report and she and Mr Mills and Mrs Howard answered questions from Members. The issues highlighted in Members' comments and in answers to questions were as follows:-

- a) KASS headings in the published budget book showed net budgets reductions in some service areas. Some/many of these had been caused by the end of some specific grants including Transforming Social Care Grant. Some payments to the voluntary organisations were time limited specifically whilst this grant funding existed. No cuts to specific voluntary organisations are proposed other than for this reason;
- b) KASS had strategies in place to address these reductions, as well as ways to generate income, and these are listed on pages 89 and 90 of the budget book;
- c) the ongoing increase in the number of clients using Direct Payments to buy services would lead to reduced expenditure on residential services;
- d) the KCC was previously expecting to lose £5m of funding (a reduction of 50% from the former level) when the Preserved Rights formula changed, but this expected loss had not materialised. Similarly, other funding which the KCC had feared would move from specific grants to formula funding had not changed;
- e) Members expressed the opinion that the layout of the budget book made it difficult to follow, and some entries did not show enough detail to give a helpful picture. Miss Goldsmith undertook to advise Members outside the meeting of specific details requested; and
- f) the headings presented in the budget represented the headlines only, and if these were agreed by the Council in February, the detail of the budget would then be worked out, using the Fairer Charging guidance.

2. RESOLVED that the information given in the report and in response to Members' questions be noted, with thanks.

Corporate Policy Overview and Scrutiny Committee

13 January 2011

32. Budget 2011/12 and Medium Term Financial Plan 2011/14
(Item B5)

(1) The Committee considered the Chief Executives Departments (CED) Draft Budget proposals set out in the Draft Budget 2011-12 and the Draft Medium Term Financial Plan (MTFP) 2011-2013 and also the report which was circulated specifically relating to the key areas of these documents for this Department.

(2) Mr Wood, Mr Shipton and Mr Simmonds introduced the Draft Budget 2011-12 and the Draft MTFP 2011-2013 for the Chief Executives Department and Financing Items and then answered questions from Members about the following issues:-

(3) Clarification was sought on the "Reduction in Member Allowances & Overheads" of £200,000 (page 99 of the Draft Budget). Mr Simmonds explained that there would be full details by 1 April 2011. This reduction reflected the new Directorate and Cabinet Member responsibilities and would depend on the way that the Cabinet was restructured and the number of Deputy Cabinet Members.

(4) Mr Shipton explained that currently they did not know where the staffing efficiencies would occur, it was expected that that they would be delivered through natural turnover and not filling vacancies, which would emerge during the year. Business units had been given a target figure. The top tier re-structuring had already delivered savings and it was expected that further savings would be delivered as this process went through the next tier.

(5) Mr Simmonds explained that £750, 000 had been allocated for savings from the top tier review. He stated that in the Finance Unit it was difficult to say where the staff saving would come from, as finance staff from the directorates were being re-absorbed into the Finance Unit. Mr Shipton stated that unit staffing figures would be available for the final version of the Budget Book following the County Council agreement of budget (as has been the case in previous years).

(6) In relation to savings from "changes to human resources policies" (page 102 of the Draft Budget), Mr Shipton stated that Ms Beer was working on a proposal and this would be the subject of a consultation.

(7) Mr Shipton confirmed that the largest part of the "other" savings of £1.7million was the reduction in the cost of employer's pension contributions from 2.31% to 2.1% which would save a significant amount (£526,000) with little direct impact on staff.

(8) In response to a question on what budget consultation would be carried out following the cessation of consultation work by Ipsos MORI, Mr Shipton explained that although the work of Ipsos MORI had been helpful in obtaining in depth feedback from a small group, he confirmed that they were looking at other ways of achieving this including using on line consultation.

(9) Mr Shipton stated that the un-ring fenced grants for LINKs could now be used to contribute to the funding of Healthwatch.

(10) RESOLVED that the revenue and capital budget proposals included within the Medium Term Financial Plan 2011/13 be noted and the comments made by Members on the revenue and capital budget proposals be fed into the Cabinet Budget meetings and County Council in February.

**Joint meeting of the Children, Families and Education
Policy Overview and Scrutiny Committees**

14 January 2011

**55. Draft Revenue and Capital Budgets 2011/12 and Medium Term
Financial Plan 2011 - 2013**

(Report by Mrs S Hohler, Cabinet Member, Ms R Turner, Managing Director)

(1) The Committee considered the Children, Families and Education Directorate's Draft Budget proposals set out in the Draft Budget 2011/12 and the Draft Medium Term Financial Plan (MTFP) 2011/2013. Also circulated was a revised page of Appendix A relating to the correct page numbers of the Managing Directors comments.

(2) Mr Abbott and Mr Ward introduced the draft Budget and draft Medium Term Financial Plan for this Directorate. Officers answered questions from Members about the following issues:-

(3) Members were given the opportunity to make comments and ask questions that included the following:

(4) In response to a question by Mr Tolputt, Mr Abbott advised that it was not the Schools Funding Forum's role to control the distribution of the funds. Most decisions remain the responsibility of Members. He advised that he was preparing an analysis with options for the Schools Funding Forum to consider but due to the late publication of crucial information by government during the last week of the autumn term it had not been possible to share this with schools in advance of meeting with the Forum.

(5) In reply to a question by Mr Pugh, Mr Abbott advised that with regards to the impact of the budget on Children's Centres, he was currently working on the proposals and impact on the Centres. He advised that the current £60m budget would be reduced to £50m next year, which would have a significant impact on the Centres and other associated services in the Centres.

(6) Mr Vye suggested that the spread of figures within the Budget Book made it difficult to see how savings could be made. He considered that the local authorities support services for schools were crucial in achieving the prescribed levels of attainment and that there would now have to be a charge to the schools for our support services. He commended the work undertaken to achieve the £1.3m projected underspend in Special Educational Needs (SEN) transport and acknowledged the increase in the parental contribution on transport to schools. He then questioned why the local authority was still being cautious. In response Mr Abbott, referring to page 86, advised that in addition to the specific savings on SEN transport of £1½m there were also

savings with the ban on single occupancy taxis and with the savings on transport procurement.

(7) RESOLVED that:

- (a) the responses to Members questions and comments on the revenue and capital budget proposals for the Children, Families and Education as detailed above be noted; and
- (b) the comments be fed into the Cabinet Budget meetings and County Council in February 2011.

**Environment Highways and Waste Policy Overview and Scrutiny
Committee**

18 January 2011

5 Budget 2010/11 and Medium Term Financial Plan 2011-13

(Item B3 – Report by Mr Nick Chard, Cabinet Member for Environment, Highways and Waste; and Mr Mike Austerberry, Executive Director of Environment, Highways and Waste)

(1) The Committee considered budget proposals for the Environment, Highways and Waste Directorate, with reference to the KCC published budget consultation paper issued on 6 January 2011. Members were invited to comment on the key issues on the proposed budget changes for the services provided by the EHW Directorate.

(2) The total of the proposed savings and income generation required in order to meet the indicative cash limit for 2011/12 was £11.9m. The majority of the savings would come from efficiencies (£6.9m) and new income streams (£0.8m).

(3) The biggest element of the new income would be from increasing the cost of the Freedom Pass from £50 to £100. The cost to children in receipt of a free school meal would remain at £50 and it would become free to looked after children.

(4) The efficiencies would be a combination of management reductions, streamlining and reduced assessment, and improvements in procurement and contracting in highways and waste. Because of the level of savings required, efficiencies and new income were not sufficient and some service reductions would also be required (£4.1m).

(5) The largest of the reductions would correspond with the government reductions in ABG for highways and transportation, resulting in a reduction of £1.7m from road safety (mainly safety camera partnership) and sustainable transport initiatives. The transport offer would be reduced slightly, with the removal of support to those socially necessary but uneconomic bus routes that provided the least added value (£0.6m) and also the removal of the 9:00 - 9:30 discretion on concessionary fares (£0.6m). Third party recycling credits currently passed on to national bodies would be removed and the household waste recycling opening hours would be reviewed. There would also be savings across the environment and planning services, the most significant of which would be reductions in the level of public rights of way maintenance and countryside access services. It was proposed that no inflation was added to highways fees and charges for the new financial year. This continued the freeze in highways fees and charges in 2010/11 and would be a small help to business at this difficult economic time.

(6) The starting point for the capital programme was the existing published capital programme for 2010/13. The only significant change to the capital programme was the 28% reduction in government funding for the combined highways maintenance and integrated transport programmes. Frontline road surface was protected as far as possible from the reduction and the split between maintenance and integrated transport programmes was set out in the detailed capital budget in appendix D of the budget book, and in appendix 3 of the report.

(7) There followed a question and answer session which included the following issues:-

(a) Mrs Tweed asked if it would be possible to stagger payments for the Freedom Pass, after the initial payment of £50. Members supported the idea and Mr Hall undertook to look into this suggestion.

(b) Mr Harrison referred to

(i) the Coastal Protection service, and the payments to District Authorities towards the cost of coastal protection improvements. Mr Hallett stated that the payments were 'historic loans' for infrastructure at the 5 Coastal District Councils several years ago;

(ii) no provision having been made for an annual % increase on the freedom pass and asked if building that fact into costs could be investigated; and

(iii) the Countryside Access service and which portfolio would it be responsible to following the proposed re-organisation.

(c) Mrs Cole stated that having recently attended meetings of the Dartford Youth Advisory Group, students were struggling to meet the cost of a Freedom Pass, and asked if it would be possible to implement a direct debit system. Mr Hall undertook to look into the suggestion.

(8) RESOLVED that the revenue and capital budget proposals, together with the responses made to Members questions be noted.

**Regeneration and Economic Development Policy Overview and
Scrutiny Committee**

19 January 2011

**53. Draft Revenue and Capital Budgets 2011/12 and Medium Term
Financial Plan 2011- 2013**

(Item B8)

Mr D Shipton, Finance Strategy Manager, was in attendance for this item.

The Chairman secured the Committee's agreement to consider this item as urgent business, as the papers could not be placed in the public domain with the required five clear days' notice, due to the late publication of the draft budget.

1. Mr Shipton introduced the report and responded to questions and comments from Members. The issues highlighted were as follows:-

- a) the budget document which would be considered by the County Council in February would be presented in portfolio order, to aid the traditional debate, as well as the A-Z order of services currently used for the draft budget book. For the Regeneration & Economic Development Portfolio the proposed spending on project activities is shown on page 74 of the A to Z and strategic staff costs are shown on page 81 as part of the CED Directorate Management & Support. At this stage in the restructure proposals, it is not appropriate to identify budgets for individual units as this could only be presented for the old structures. It is intended that the final budget book will show budgets for new unit structures. The year-on-year change for the Regeneration and Economic Development Portfolio is shown on page 95. Members at some earlier POSC meetings had commented that the A to Z budget book format was difficult to follow;
- b) the report which had been prepared for the POSC contained more detail than included in the draft budget book, and provided detail of the staff costs included under the CED heading to reconcile the total proposed budget for the portfolio of £5.224m for 2011/12. Most of the reduction compared to the budget of £6.361m for 2010/11 will arise from reprioritisation of project activity; and
- c) the Cyclopark project listed in the report under the Revenue budget was being progressed under the headings of two portfolios – Regeneration will show the revenue costs and Environment, Highways and Waste the capital project.

2. The Chairman invited the Cabinet Member, Mr Lynes, to comment on the portfolio's budget. Mr Lynes said the budget for his portfolio was small in comparison to those of other portfolios, and entirely project-driven. Projects which are valued by the KCC and its partners will continue, always working to find new ways to achieve their aims. He explained the method used to calculate the budget; taking all lines back to zero and adding in funding based on agreed priorities. The Regeneration unit would seek to save on FTE posts, and if it proved possible to make more savings than planned, he would seek to be allowed to put those savings into the Regeneration Fund. He reminded Members that the Regeneration Fund had supported projects across portfolios other than his own, and as such was a practical example of cross-directorate working.

3. RESOLVED that the information given in the report and in response to Members' questions be noted, with thanks.

KENT COUNTY COUNCIL

CABINET SCRUTINY COMMITTEE

MINUTES of a meeting of the Cabinet Scrutiny Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Monday, 24 January 2011.

PRESENT: Mrs T Dean (Chairman), Mr L Christie, Mr R F Manning, Mr A R Chell, Mr R E King, Mrs J P Law, Mr R J Lees, Mr R L H Long, TD, Mr J E Scholes, Mr C P Smith, Mr M J Whiting and Mr A Sandhu, MBE (Substitute) (Substitute for Mr M J Jarvis)

PARENT GOVERNORS: Mr P Myers

ALSO PRESENT: Miss S J Carey, Mr P B Carter and Mr J D Simmonds

IN ATTENDANCE: Mr K Abbott (Director Resources and Planning Group), Mr D Shipton (Finance Strategy Manager), Mr A Wood (Acting Director of Finance), Mr P Sass (Head of Democratic Services and Local Leadership) and Mr A Webb (Research Officer To The Cabinet Scrutiny Committee)

UNRESTRICTED ITEMS

54. Budget 2011/2012 and Medium Term Financial Plan 2011 - 2013
(Item 4)

(1) The Chairman explained that the debate on the Budget would follow the order of the Medium Term Financial Plan (MTFP).

(2) Mr Simmonds introduced the Budget, explaining the aim had been to preserve frontline services, particularly to vulnerable people. In doing so, the administration had sought not to stop any services entirely, although some savings had to be proposed which changed the way services were delivered e.g. introducing self service in libraries. He emphasised that the Council had looked at every single aspect of spending and adopted a priority led approach to determining where savings should be proposed (rather than salami slicing from all services). Replying to a question about whether it was difficult to see where the cuts had been made in the Budget were, Mr Simmonds explained that it was clear, by portfolio in Appendix B where savings had been made and it had been made clearer by identifying whether savings were efficiencies or policy led.

(3) Responding to a comment that it was difficult to see where the reduction of approximately 1500 posts would be, Mr Simmonds explained that Managing Directors had undertaken to achieve these efficiencies throughout the year. The Leader added that in some Directorates conversations had already begun

about the lower tiers. Mr Wood explained that there were around 960 vacancies across the authority as at November 2010, although some were posts that would need to be filled.

(4) Referring to a need to front load staff reductions, the Chairman asked when Members would know the effects of this in terms of post reductions. The Leader responded that there might be some announcements before the end of February, with different parts of the organisation at different stages in the process (e.g. Environment, Highways and Waste were already beginning to look at interviewing for posts in the new structure). Mr Simmonds and Mr Wood explained that Finance were in the process of evaluating the tasks the unit had to undertake and which were essential and non-essential, and the risks associated with each, and the structure would emerge over the next three months.

(5) Mr Manning expressed a view that, given that savings had been forced on the Council by Government, the focus should be on finding the £95 million of savings and that there was not a need to scrutinise staff cuts as part of the debate on the Budget. Mr Christie thought that it was not unreasonable to ask where posts were going to go, since it was impossible to reduce 1500 posts without affecting services. Responding to a question from Mr Christie about whether the turnover of 10% of staff had been factored into the plans to reduce posts, the Leader explained that this would enable the reshaping of the organisation without significant compulsory redundancies, since 1500 posts corresponded to 10% of the workforce, and that there were already approximately 900 vacancies in the organisation.

(6) The Leader explained that there was a desire to give staff certainty and reshape the organisation as quickly as possible but that it was difficult to identify what services would be stopped, because of the move to different and creative means of service delivery. There would be reductions to staff within Children, Families and Education (CFE), as the Council began to deliver the Secretary of State's more minimalistic approach; in Highways, as highways maintenance would be a priority and traffic improvement schemes would not take place over the next three to four years; and in Libraries, as the service was modernised through the use of technology. Mr Simmonds added that the Budget set out savings through efficiencies, policy savings and changes to procurement and this should give Members some indication where savings would be made within Directorates. Mr Wood's team had been as specific as possible about savings through the introduction of an A-Z of services in the Budget Book.

(7) The Chairman stated that it was difficult to see from the A-Z where reductions had been made without being able to compare the previous year's spending. Mr Shipton explained that officers had included the previous year's approved net budget in the A-Z so that direct comparisons could be made; however the Chairman made the point that it was not possible to easily ascertain how exactly savings would be achieved or how the amounts had changed between 2010/11 and proposed for 2011/12. A view was expressed that it was common in such situations for a strategic direction to be set, and

further detail to be worked up in the future; if Members and Finance Officers had waited until all the detail was available, they would be criticised for not making the information available sooner. The Leader concurred with this view, stating that the Corporate Management Team and Cabinet had agreed the proposed Budget was deliverable, and that the next stage would be look at the staffing levels required to balance the books.

(8) Mr Simmonds explained that over the previous few months, Members and officers had looked at the efficiency and cost of each of the more than 300 services delivered by the Council, had had detailed discussions with Directorates and had asked whether the Council should continue to do certain things and whether certain services could be reduced.

(9) Mr Christie stated that he recognised that Government had imposed budgetary limits upon Councils and cited the example of Manchester City Council, which was facing problems implementing the savings. Referring to announcements that the Council would save £20 million in staff costs, he asked whether the need to make the saving had caused KCC to look at how staff cuts could make up that amount or whether the Council had looked at how many posts could be reduced and that happened to equate to £20 million. Assuming that the headings 'modernisation' and 'improvement' corresponded to staffing reductions, Mr Christie referred to savings of £21 million, £5 million and £4 million in the CFE, Kent Adult Social Services (KASS) and Communities Directorates respectively and asked for the detail used to arrive at these figures.

(10) The Leader responded that the Council would need to reduce the cost of procurement, change service specifications, reduce staff costs or raise income, and it could be assumed that staff reductions would comprise part of the necessary savings. Using schools as an example, the Leader cited the direction of travel of Government and stated that changes in the Budget book reflected this, with more funding being given to schools and support services provided by the Council being reduced. Mr Simmonds added that Manchester had admitted that they had not made savings in previous years, but that Kent had been more proactive in anticipating the cuts; it was the element of front-loading which had taken the Council by surprise. Miss Carey stated that the savings that KCC was seeking to make, including staff reductions, were in-line with those of neighbouring authorities.

(11) Mr Manning made the point that uncertainty affected staff morale and performance, and asked when Members would know where the reductions would take place. Mr Wood explained that, in the case of Finance, this would probably be May with some colleagues in other Directorates further on in the process, while others were further behind. The Budget book assumed the process would take ten months.

(12) Using his own unit as an example, Mr Wood explained that initially officers had been asked to identify savings within their teams, but when the new structure of the Council had been agreed at County Council, and it was clear the Finance function had been centralised, officers had looked at how

they could make savings of 30% over the next 2-3 years across the piece, rather than proceed with reductions in the Directorates. A draft would be presented to the Finance Strategy Board, then to Senior Management Teams and then to the Policy Overview and Scrutiny Committees (POSCs) before staffing changes could be confirmed. Mr Simmonds added that in some cases, contractual obligations would have an impact on the staff changes.

(13) Mr Christie requested that, in addition to the response from KCC to consultation on the Provisional Local Government Grant Settlement for 2011/12 which accompanied the agenda, a copy of the previous year's response be provided.

(14) The remainder of the discussions related to specific elements of the budget book

Introduction

(15) Responding to a question as to whether the funding settlement received by Kent was disadvantageous compared to other Councils, including its neighbouring or comparator authorities, Mr Simmonds explained that one area it had been affected more than other Councils was connected to 'damping', which meant that those authorities least dependent on Government Grant funding compared with council tax faced the largest proportionate reductions. Mr Shipton explained that there had not been a detailed comparison with other Councils in the Budget book at this stage due to the complexity of grant changes, but an initial comparative exercise by KCC officers had shown Kent had fared slightly worse than the average for all County Councils and a comprehensive exercise would be undertaken once the information was available.

(16) Miss Carey informed Members that there was going to be a review of Local Government funding, and this is why there had only been a two year settlement. There would be a need to press for fairer and more transparent funding. Replying to a question about whether Kent had received a response to its request for an earlier review of the funding formula, and whether any indication had been given about what changes may be made, the Leader responded that the Government's intent was to reduce the amount of recycled non-domestic rates and allocate spending to where commercial and domestic council taxes were collected, to reduce the amount of recycled money from the treasury. South East England Councils would be producing a report evaluating the various funding options, including the option put forward by Government, to arrive at a solution which was needs-based and transparent.

(17) The Leader explained that he, Mr Simmonds and Mr Shipton had met with the Parliamentary Under Secretary of State for Communities and Local Government, and on asking about the timeframe for the funding review, had been informed that it was expected to be completed by June. Mr Shipton added that this would take effect from the 2013-14 settlement onwards.

(18) Responding to a question about whether Kent had been treated unfavourably as a result of damping, Mr Simmonds explained that the Council's fears about what might happen to Preserved Rights grants had not been realised, but the Council had been worse hit by the education budget remaining static, cuts to education grants such as the Early Intervention Grant and in-year cuts that had taken place the previous May. On the question of whether Kent had more academies than other councils, the Leader responded that Kent was at the higher end, but that as the largest council it had more schools than other local authorities.

(19) There was a discussion about how Kent had fared in terms of funding allocated on the basis of deprivation, and whether more of this money had been allocated to Councils in the North of England. Mr Shipton commented that there was no particular pattern to the funding changes, except that they depended on the grants that Councils previously received and which had now been cut (e.g. the majority of the former recipients of the Working Neighbourhoods Fund had benefitted from the new Transitional Grant). The Leader added that where Councils were dependent on grants in addition to the Revenue Support Grant, for example due to areas of high deprivation, when grants had been amalgamated this had meant some Metropolitan authorities had seen a larger reduction in funding. Mr Christie requested a comparative table of how each Council had fared as a result of the grant settlement.

(20) Referring to the Council's response to the Government consultation, the Chairman made the comment that the situation regarding some of the grants was still undecided, and asked if it could be assumed that these grants were being discontinued. Mr Shipton explained that in the Budget, it had been assumed that all the grants in Table 5 on page 27 of the Budget book would be discontinued, except those from the Home Office which would be announced by the end of January. This would amount to a loss of approximately £10 million in grant funding.

(21) Regarding the capitalisation of redundancy costs, the Leader explained that the Local Government Association had been pushing for relaxation of the rules. Officers had assumed that this would not be able to be capitalised and would instead need to be dealt with under revenue. The assumption was that the £4 million in the Budget for modernisation would meet all redundancy costs.

(22) Responding to a question about Pupil Premiums, the Leader explained that he had attended a meeting of the Schools Forum the previous Friday where the matter was discussed. The premium allocated more money to schools with high deprivation indicators, and there had been a discussion that resolved that the Council should use the regulation that allowed it to seek the Secretary of State's approval to vary the allocation of existing targeted funding to avoid double funding. Mr Abbott stated that the premium amounted to £430 for each qualifying pupil, and £200 for each child from a service family, but this amount could treble through the lifetime of the process.

(23) Regarding the removal of the Early Intervention Grant (EIG), Mr Abbott stated that he was working through the issue with a number of managers, and a number of proposals were being worked up. There was a one off pressure arising from the fact that the funding would cease on 1 April, but some contractual obligations could not be terminated before this date. All the detail of how the EIG pressures would be dealt with would be available in the Budget Book that went to County Council. The Leader suggested that debates on how cuts resulting from the EIG reductions would be achieved could take place at the relevant POSCs, and that proposals could be circulated for wider Member consultation.

Revenue Strategy

(24) Mr Christie referred to the lowering or stopping of pension contributions (a 'pension holiday') and asked why the Council was confident that it would not create problems in the future, with demographic predictions suggesting that people were living longer and therefore drawing their pensions for longer. Mr Simmonds explained that the actuarial review had analysed the liabilities and assets of the pension fund, the diversification of its investments had created income which had enabled the fund to maintain its capital position in adverse market conditions, and he was confident that the fund would be able to meet its liabilities. Mr Christie asked whether the impending report from the Hutton Review of public service pensions could have a significant impact, and whether it was taken into account; Mr Scholes, Chairman of the Superannuation Fund Committee, responded in the affirmative.

(25) Referring to paragraph 3.14, Mr Christie asked for more information about the £5 million that had been set aside for a Big Society Fund, including whether it would only be available during the next financial year. The Leader explained that the fund was to encourage new social enterprises and entrepreneurship, and for existing social enterprises to expand. The criteria for which money could be bid for would need to be worked out, but there would be several key themes such as creating job opportunities, aiding community cohesion and health delivery in line with the aspirations of Equity and Excellence.

(26) The Chairman made the point that some social enterprises could be of relatively small scale, and asked whether the Council would have difficulty in engaging so many small organisations. The Leader explained that the detail around how social enterprises would be engaged and how the money would be allocated was still being worked on.

(27) The Chairman referred to the fact that the Moderate level of eligibility for Adult Social Services had been maintained and asked whether this was because it was cheaper for the Council to do so. Mr Simmonds responded by saying that work had been done within KASS which looked at the effect on councils which had changed to more stringent criteria, and the result had been that their costs had increased. Mr Wood commented that those councils which had raised their eligibility criteria had experienced a steeper

demographic increase against the budget in the ensuing 2-3 years, although there was not evidence to be certain of a link.

(28) There was a discussion around the management of risk. A question was raised about the fact that a number of risks in the Corporate Risk Register were allocated to officers who were leaving the organisation. Mr Wood explained that every departing officer was asked a series of questions about the risks they were holding as part of the handover, and where appropriate, risks would be transferred to a new named owner. The Chairman referred to the risk related to Organisational Transformation, and asked whether risks relating to the restructure had changed since they were first reported to the Corporate POSC. Mr Wood explained that they had not changed significantly, since the Council was still early on in the process and it was not possible to see if the risks had been mitigated.

(29) Mr Wood explained that by the time the Budget was reported to Cabinet the following week, this section would be updated to reflect the known tax base position from the district councils and the balance on their collection funds. The amount in the draft budget for the increased cost of children's social services would also need to be revised because of the increasing numbers of children in foster care since the original draft. These revisions would then result in the final position.

Capital Strategy

(30) Referring to Table 14 on page 46 of the Budget Book, a question was asked why Developer Contributions were rising while less was being spent on Capital projects. Mr Wood explained that this was for longer term projects, and citing the example of Eastern Quarry development, explained that programmes were slowing down over the next two years but would gain momentum again in the future. If they were projected into the future, Developer Contributions would be shown to be increasing further still.

(31) The Chairman asked whether, in paragraph 4.21, the additional use of borrowing in the 2011-14 plan to accelerate improvements in facilities and address backlog maintenance issues would arrest or reverse the backlog of school buildings maintenance (£17 million) and roads (approximately £400 million). The Leader responded that the 80% reduction in devolved capital to schools and the cancellation of the Building Schools for the Future (BSF) programme would have an impact, but over the previous 10-12 years the Council had had some good years in terms of school maintenance and renewal programmes, resulting in stock that was in much better condition than in a number of years previously. The current year's schools maintenance budget of £14 million, which was a combination of revenue and capital, had been retained in the Budget Book, but the backlog maintenance figures might go up in the medium term, until the Government were in a position to be more generous with capital funding for schools. On the subject of roads, the Leader stated he was hopeful that the Council would be able to maintain its current position, with highways maintenance being a top priority but with less invested in new projects such as traffic calming or crossings, due to a reduction in

resources from £110 million to £80 million. The Leader agreed with the Chairman's assertion that, rather than addressing backlog issues, the Council may be in a position where the backlog may increase over the next two years, due to the challenging financial circumstances.

(32) Mr Simmonds explained that, despite an increase to the cost of borrowing of 1% from the Public Works Loan Board, the Council had managed to maintain a capital investment of £772 million over the next three years, and this would benefit Kent businesses.

Treasury Strategy

(33) The Chairman asked for an update on the position regarding the Council's deposits in Icelandic banks. Mr Simmonds explained that a dividend from Heritable had taken the amount recovered from that bank to over 50% and that there were two important cases coming up – Landsbanki in February, and Glitnir in March – where KCC's preferential creditor status would be under review. If the court cases went as expected, the Council could receive between 90% and 92% of its original investment. With time the economy would improve, meaning that the banks' underlying assets would increase in value; the worst case scenario would be that the Council would receive about 30 - 35% of its original investments. The position was clear under Icelandic law, and the Icelandic Government's priority was to maintain a good relationship with the European Union, which would increase the likelihood of the money being returned.

(34) Mr Wood explained that the current financial year was the first time that the Council had to formally write the impact of potential losses into the accounts, in accordance with guidelines from the Chartered Institute of Public Finance and Accountancy (CIPFA). To employ the previous year's thinking, where it was written into the accounts but did not impact, the Council would have to set aside approximately £6 million. Mr Wood explained that this figure was arrived at by calculating the lost interest into the future, but that the Council was already budgeting for the reduced interest received from the Icelandic investment, and would therefore need to adjust one of the figures in conjunction with the external auditor to avoid double counting. Responding to a question about how much of the original £50 million had been recovered, Mr Simmonds explained that the £9 million from Heritable constituted the total amount received to date.

(35) In relation to paragraph 5.8, a question was asked about when the sub-committee of the Cabinet had been established. Mr Simmonds explained that it was established in 2008 and that the last meeting was in December 2010; the issue of the Icelandic bank deposits had been discussed regularly by the Committee since the financial crisis.

(36) The Chairman spoke about a local authority bank which had been promoted by the Local Government Association, whereby local authorities pool their investments, and asked whether the Council had any intention to invest in such a bank. Mr Simmonds explained that a Treasury Management

paper would be going to Cabinet on 2 February, but that the issue would need to be explored in greater detail in the future. Mr Christie raised the concern that investing in a local authority bank would not spread the risk, and Miss Carey added that there was a likelihood of councils wanting access to funds at the same time.

Risk Strategy

(37) In relation to the roles and responsibilities set out in paragraphs 6.8 and 6.9, a question was asked about who was responsible for understanding the detail relating to risks and ensuring they were captured. Mr Wood explained that the ownership lay with CMT but the person overseeing the recording of risk was the Head of Audit and Risk. Mr Long added that the Governance and Audit Committee also took a continuing interest in the monitoring of risk. Referring to paragraph 6.26, which detailed the reporting between the Head of Audit and Risk and the Governance and Audit Committee, the Chairman asked whether the Informal Member Group on Budgetary Issues could also receive risk updates. Mr Simmonds thought the Governance and Audit Committee the most appropriate forum for Members to be kept updated on risk.

Appendices

(38) Making reference to page 78 of the 'A-Z of services' and the report to Cabinet on 10 January, Mr Christie inquired where exactly the pressure lay relating to Asylum Seekers and explained that when it had become a pressure the previous year, a figure of £3 million was quoted and special precept was being considered. The Leader stated that the Council had done a deal with the Home Office the previous year, that involved bringing down the weekly costs of looking after asylum seekers, but the Home Office was now suggesting that the terms of the deal were different to what was previously negotiated. Mr Abbott explained that the budget proposals reflected this previous agreement, and corresponded to a reduction of the unit cost of looking after asylum seekers from £200 to £150 per week. One of the issues that had arisen related to an agreement with the UK Border Agency that they would repatriate asylum seekers who had exhausted all rights of appeal, but this routinely took over a year to happen, yet the asylum seekers were no longer funded after three months. The Leader explained that Members and officers would be meeting the Immigration Minister jointly with the London Borough of Hillingdon to press the Home Office to honour the agreement.

(39) Referring to the footnote on page 83, Mr Christie inquired whether the Chancellor's announcement that pay would not be frozen for those earning less than £21,000 per annum and increases to inflation, the costs of rail travel and fuel, and VAT had been taken into account when arriving at the decision to freeze the pay of lower paid staff and whether it had been a political decision. The Leader explained that decisions about pay had not yet been taken, but the Budget book was based on a 0% increase in pay. He added that it would be interesting to reflect on Mr Christie's suggestion, and asked officers what a 1% increase for staff earning under £21,000 would cost. Mr

Wood estimated that this would cost just under £1 million excluding schools. *(Post meeting note: Mr Shipton confirmed that the figure for non-schools staff would be £932,000 and for schools staff an estimate was between £1.4 million and £1.5 million).*

(40) The Chairman referred to a statement by the Prime Minister about pursuing the concept of a 'living wage', and the approach by London Citizens to companies in the City of London to suggest that they took up this idea. All four companies which had adopted this policy had seen significant benefits, such as a reduction in staff turnover. The Leader explained that this had not yet been considered but that it would be an interesting piece of research to undertake, although allowances would need to be made for the significant variations in the cost of living throughout Kent.

(41) Mr Christie sought a definition of 'socially necessary but uneconomic bus routes', as mentioned on page 92 of the Budget Book. The Leader explained that a tendering process was currently underway which might lead to savings through better procurement. There were some services where the subsidy amounted to as much as £10 per passenger, and there was a need to rationalise timetables to make the best use of resources without isolating people who depended on the services. Mr Christie went on to ask about the removal of the 9am – 9.30am discretion on Concessionary Fares, and whether the £600,000 saving was based on usage from the previous year. The Leader explained that it was difficult to ascertain the exact cost, but £600,000 represented the amount demanded by district councils to run the service. There were plans to move to an 'Oyster Card' model, which would provide better information on the usage of the service. The Leader also informed Members that the Head of Transport and Development had been asked to approach bus companies to see if they would extend the concession free of charge.

(42) On the introduction of a parental contribution for denominational and selective transport, referred to on page 86, the Chairman asked for detail on the level of contribution expected, and how this related to the Freedom Pass. The Leader explained that the intention was to recover approximately 50% of the cost of providing this transport.

(43) Regarding transport for people with Special Educational Needs (SEN), a question was asked about why there was a discrepancy between the reduction from £18.74 million to £17.54 million on page 79 of the Budget Book and the savings of £500,000 on page 86. Mr Abbott explained that the £500,000 was the saving identified to reflect the underspend in the current year, and that there was also a saving of £100,000 to reflect the reduction in single occupancy taxi journeys but also a reduction due to the changes to the Area Based Grant relating to extended right to free travel, which it had been assumed would no longer be available.

(44) Responding to a question about whether there would be a grant from Government available for the adoption of Healthwatch nationwide, Mr Shipton

explained that there would be a grant, but it was not expected to be available until 2013/14.

(45) Referring to the reduction in reserves of £9 million in 2011/12 mentioned on page 211, Mr Christie inquired whether auditors would give a qualified opinion on this and whether it represented a risk. Mr Simmonds explained that the money had been taken from long term reserves such as Private Financial Initiatives which would not mature until 2019/20, that the money would eventually need to be repaid, but that the Council had weighed up the risks and judged that it was a prudent measure to take. Mr Wood added that there was no risk, and explained that reserves helped smooth out the impact of varying expenditure over a number of years. Category 1 reserves represented the Council planning ahead for upcoming financial commitments, but in this case the reserves could be used to even out the impact of the front-loading of grant reductions from Government, but the money would be there to meet the financial commitments when they arose.

(46) There was a discussion about Category 3 reserves. Mr Wood explained that officers expected there were no plans to reduce the Emergency Conditions Reserve as part of the general draw-down of reserves.

(47) The Chairman referred to the reduction of £400,000 to voluntary sector organisations detailed on page 86, and asked whether the Council was making any other reductions to the voluntary sector. Mr Wood explained that officers were hoping to draw together a briefing note to set out voluntary sector reductions across the piece, including from which organisations that funding was being reduced. Mr Simmonds explained that the intention was for funding to go to frontline services, and there were some organisations with increasingly heavy overheads so discussions would be taking place around the conditions under which this funding would be made available. Responding to a question about whether this would delay the provision of funding to organisations such as Age Concern, to which the Council was a major contributor, Mr Simmonds responded that the Cabinet Member, Adult Social Services had already made announcements around Age Concern at the Adult Social Services POSC. Mr Abbott explained that the £400,000 in the budget book had been identified the previous year as a result of examining the 23 local partnerships and looking at how savings could be achieved through more countywide procurement.

(48) Referring to page 71, under Contributions to Voluntary Organisations, Mr Christie identified a £1.5 million gap between the 2010/11 and 2011/12 net expenditure and asked for the detail behind it. Mr Wood undertook to ask for a formal response from KASS.

(49) In response to a question about whether £4.07 million was sufficient for workforce reduction over the next two years, Mr Wood explained that although just over £4 million was predicted to still be in the reserves at the end of the current year, there would be an additional £4 million put into the reserves in the next year and another £3.5 million the year after, which would provide approximately £12 million for meeting redundancy costs, which officers felt

was sufficient to meet redundancy costs over the next 2-3 years. Mr Wood also clarified that this sum did not include the £750,000 that was being saved as a result of the top tier restructure, although there would be costs associated with that process. Instead £750,000 represented the saving that was being made.

(50) The Chairman referred to the £162 million announced by the Secretary of State for Health, and asked how much of this Kent would receive and what the purpose of this grant would be. Mr Wood explained that the funding would be transferred to Councils and would have to be spent in the current year on services that benefitted Health; if Kent were to get its normal share of nationwide funding, it would amount to approximately £3 million.

(51) In response to a question about the Members Highway Fund on page 149, Mr Wood explained that the reason why no spend was shown for 2010/11 was because most of the money was being spent in a manner which was not deemed capital expenditure under the rules and was instead shown as revenue spend.

(52) Mr Manning posed a question about how the £75 million allocated to the Council through the Private Finance Initiative was accounted for in terms of cash flow. Mr Wood explained that the Council received a grant to meet its costs in any given year. Responding to a follow up question about a similar risk arising to the Asylum Seeker situation, with Government not honouring its commitments, Mr Wood explained that most grants have conditions attached to them so this could not happen.

(53) The Committee asked that formal thanks be recorded to the Finance team for their hard work in preparing the Budget.

RESOLVED: That the Cabinet Scrutiny Committee:

(54) Thank Mr Carter, Mr Simmonds, Ms Carey, Mr Wood, Mr Shipton and Mr Abbott for attending the meeting and answering Members' questions.

(55) Ask that the Cabinet Member, Finance, provides a copy of the letter sent by KCC to Government in response to the Provisional Local Government Grant Settlement 2010-11.

(56) Ask that the Cabinet Member, Finance, provides a table of the reduction in Government grants to other local authorities in England compared to Kent.

(57) Welcome the assurances given by the Leader that proposals on how reductions to the Early Intervention Grant will be implemented in Kent be put before Members for consultation, including through the relevant Policy Overview and Scrutiny Committee.

(58) Welcome the suggestion given by the Leader that research into implementation of a 'living wage' in Kent be undertaken, including mapping the variations in cost of living across the county.

(59) Ask the Group Managing Director to consider whether changes to the risks that the Council faces also be reported to the Cabinet Scrutiny Committee, no less frequently than every six months.

(60) Ask that the Cabinet Member, Finance, provides detail of the number of users of concessionary bus fares over the previous year, and how this relates to the £600,000 identified savings from providing this service from 9.30am.

(61) Ask that the Managing Directors of all Directorates affected provide detail of any reductions in funding to the voluntary sector.

(62) Formally commend Finance Members and Officers for their hard work during the run up to the publication of the budget.

This page is intentionally left blank

Summary of main points raised by Kent Business Leaders at the budget meeting on 26th January

KENT COUNTY COUNCIL

BUSINESS CONSULTATION FORUM

Notes of a meeting of the Business Consultation Forum held at the Village Hotel, Maidstone on Wednesday, 26 January 2011.

PRESENT:- KCC: Mr K G Lynes (in the Chair) and Mr J D Simmonds. Andy Wood, Acting Director of Finance and Dave Shipton, Finance Strategy Manager.

BUSINESS COMMUNITY: Kate Austen, PodPlus; Tim Bentley, Kent Ambassador; Steven Boxall, Regeneration X; Debbie Cameron, IoD Kent; Miranda Chapman, Pilory Barn Creative; Robert de Fougerolles, Kent Ambassador; Olga D'Silva, Zen Languages; Jill Edwards, Mid Kent College; Clive Emson, Clive Emson Auctioneers; David Holmes, Shepherd Neame Ltd; Katie Holmes, Chilston Park Hotel; Douglas Horner, Kent Ambassador; Andrew Ironside, Canterbury Christ Church University; Ray Johnson, Independent Insurance Services; Ian Legg, Kent Ambassador; Chris Long, Groundzero Productions Ltd; Graham Mead, Kent Messenger; Brigadier John Meardon, Canterbury Cathedral; Allan Mowatt, The Kent Foundation; Kirsty Newbury, Kent Film Office; William Opie, Bennett Opie Ltd; Adrienne Robins, Quantum Public Relations; David Rowls, Action Plus Media; Charlie Vavasour, Quantum Public Relations; and Ed Weeks, Cripps Harries Hall.

KCC OFFICERS: Allison Campbell-Smith, Programme Manager; Karen Mannering, Democratic Services Officer; Theresa Bruton, Head of Regeneration Projects; Liz Gilbert, Project Co-ordinator, Regeneration & Economy; and Serena Palmer, Graduate Accountant.

1. Introduction

Mr Lynes welcomed everyone to the meeting. Kent County Council published its Medium Term Plan 2011-13 (Incorporating the Budget and Council Tax Setting for 2011-12) for consultation on 6 January 2011, in line with the agreed process. Copies had been circulated prior to the meeting.

2. Medium Term Plan 2011-13 (Incorporating the Budget and Council Tax Setting for 2011-12) – Update

- (1) Mr Shipton gave a presentation on the budget proposals for 2011/12.
- (2) The presentation included information on –
 - The scale of the challenge (the 10%) – which means KCC finding £160m savings over the next 2 years
 - The £95m challenge for 2011/12
 - National Context – Emergency Budget & Spending Review; which Government Departments had been hit hardest; what might the future bring

- Local Context – priority-led budgeting; economic development; what KCC currently spent; revenue and capital funding 2010/11; revenue grants losses; grant cuts; extra spending; unavoidable pressures £26m; new priorities £15m; the £95m savings challenge; £38m efficiency savings; £6m increases in charges; £15m reserves and one-offs; £36m reducing services; Council Tax freeze proposed by KCC; business rates; capital investment

(3) There followed a question and answer session. Comments from the floor included the following:

- KCC continue to assist those wishing to set up small businesses, to encourage them to remain in Kent
- KCC continue to champion Kent Businesses and within the bounds of procurement legislation should seek to source supplies and services from local businesses
- KCC should continue to support the tourism sector
- Clarify the funding/programme for Local Enterprise Programme
- Support for improving the presentation of budgets to make them more meaningful to the public and those outside the council and suggestions for further improvements
- Support for continuing partnership working
- KCC should continue to support improved Broadband installation coverage across the County
- Landfill charges and how collection authorities can help to reduce the cost for the County
- Use of Consultants

3. Mr Lynes thanked all those present for attending the meeting and for their feedback. The meeting had proved very useful with an informative exchange of views. He stated that any further questions/queries would be welcomed.

Summary of main points raised by Trade Union and Professional Association representatives at the meeting on 20th January

FORMAL BUDGET CONSULTATION MEETING

20 January 2011

Garden Room, Oakwood House

Attendees:

John Simmonds – Cabinet Member (Finance) Paul Royel – Head of Employment Strategy, Colin Miller – Reward Manager, Andy Wood – Acting Director of Finance, Dave Shipton – Finance Strategy Manager

Unions:

David Buss - UNISON, Zoe Van Dyke – UNISON, Frank Macklin – GMB, Liz Heaney – NAYCEO, Mark Dawkins – ASCL, John Walder – NUT, Trevor Desmoyers-Davis NASUWT, Eddie Walsh - UNITE

Dave Shipton made a comprehensive presentation regarding the Budget for 2011/12 (a copy of which is attached with these notes).

KEY POINTS WERE:

- Government ministers have stated that the reduction in funding for 2011/12 was 1.8% for KCC, the reality is it is more like 10%. Key factors in this are:-
 - Reduction in Government Grants
 - Unavoidable spending pressures
 - New local spending priorities
 - The need to freeze Council Tax
- This equation equates to £160m reduction over the next 2 years. £95m in the first year and £65m in the second.
- Local Government is facing the biggest reductions in funding of all Government departments (and is expected to deliver savings earlier than other services).
- Provisional Grant Settlement is for 2 years. Previously it covered 3 years.
- KCC budget is 'priority led' as set out in Bold Steps For Kent.

Grant Cuts

- £58m (excluding Dedicated Schools Fund) equivalent to 10% of all grants on a like for like basis with grants originally allocated for 2010/11.
- A number of separate grants have been transferred into Formula Grant which allows the Authority complete discretion to decide how and where the money is spent. Previously money would have been allocated to spend in specific areas and activities as required under the terms of the grant.

Unavoidable Pressures

- £26m including contractually enforced price increases, and demands for services such as concessionary fares, vulnerable adults/older people, children placed in care etc.

New priorities

- £15m includes Capital Finance, Big Society Fund, IT Infrastructure and consequences on Children's Social Services of recent OfSTED inspection.

Savings

- £95m from grant cuts and spending pressures to be met from a combination of Efficiency savings (£38m), Income generation (£6m), Use of reserves and one-offs (£15m), and Policy changes (£36m)

Efficiencies

- Includes £20m from staffing (estimated approx 700 posts), £11m from procurement (services and property running costs), £4m from debt management

Income

- Includes uplift in existing charges for social services clients in line with benefits uplift, some new charges for social services clients and increased income from schools, legal and commercial services

Reserves

- Drawing down £14m from long-term reserves but adding £5m to short-term reserves to cover emergencies, plus £6m from under-spend in current financial year.

Policy Savings

- Includes some changes to service delivery but no services will cease entirely

Schools

- Schools grant protected in cash terms although 23 separate grants will now be transferring to delegated budgets. This could result in some schools losing and some schools gaining.
- No loss of more than 1.5% per pupil.
- Devolved Capital Grants reduced by 80%.

KCC Capital

- Reductions in Capital programme
- School maintenance funds sustained.

QUESTIONS & COMMENTS

C Freedom Pass – the increase in cost to £100 is likely to make this unaffordable for those families less financially well off.

A Sustaining the Freedom Pass is a Member priority with over 26,000 young people taking this up. The cost will not increase for any young person in receipt of Free School Meals or in Care. Members will be considering how increased costs can be mitigated for families with several children eligible for the scheme.

Q Staffing Reductions – projected £20m savings to come from reductions in staffing and policy changes. Does this £20m include the loss of approximately 200 jobs in the Library Service?

A The overall efficiency savings (£38m) include the introduction of self service in the bigger libraries but as yet this has not been translated into staff reductions and would be in addition to the £20m saving on staff efficiencies.

Q Kent Youth Service – restructuring has already taken place with savings of £512,000. KYS have recently been informed that further savings of £1m need to be made. Is this additional to the £512,000?

A A separate detailed response will be provided but in essence any new savings will be on top of the savings already implemented where these are ongoing and reduce the base budget of the services in much the same way KCC is having to make £95m of savings in addition to the £30m to £40m delivered per annum over the last 4 years.

Q Out of hours use of school facilities – Communities being able to access facilities such as gymnasiums etc would surely mean quicker wear and tear on buildings and equipment?

A There has been heavy investment in sports facilities and equipment for schools which realistically only gets used 20% of the time. There is a need to encourage schools to engage with their communities for example allowing Adult Ed to use premises for classes etc. This would be a better use of resources, but would still not be anywhere near 100% use.

C There is a need to continue the debate on what quality local services really cost as well as looking at a ‘needs’ budget.

A KCC have not and are not intending to stop doing anything that we currently do. In some areas there has been a need to increase prices or make savings through restructuring the way services are provided (and in some instances this may mean different access times, etc.), the budget has therefore been built on maintaining services to meet the needs of Kent residents.

C The new format for the Budget Book/MTP is very helpful, and clearly indicates the areas where savings will be made.

Q Finance Revenue Budget – some items are indicated as ‘parked’, what does this mean? Also how do the policy savings link up with savings indicated under HR?

A Means that these have yet to be allocated to Directorates. This information will come from the next levels of the restructuring process. Savings from changes to Terms & Conditions will affect all Directorates and separate proposals will be taken to County Council.

C Debt income collection – particularly in KASS there are payments from Service Users and which go uncollected.

A All debt owed to KCC will be reviewed and we closely monitor debt levels and collection rates.

Q KASS management have indicated that there will be a move to more commissioned services. How has this been taken on board?

A Approximately £410m is already spent on procured care services within KASS and Children’s Services. The budget includes detailed proposals for 2011/12 and an outline for 2012/13 but the vision for KASS to move to a commissioning only body will be rolled out over a longer period.

Q Debt Management relating to Council Tax – what are the figures on unpaid/uncollected Council Tax?

A Districts are responsible for the collection of Council Tax. Most are already reporting no deficit and collection rates of around 99%. Figures are expected in the next week or so and will be included in the Cabinet report on the 2nd February 2011.

Q Investments – how are these performing?

A Currently a low return due to low interest rates and KCC low risk investment strategy, although this in turn has meant low interest rates on repayments for our own debts.

Q Draw down of long term reserves – how much is in reserve in total?

A Currently approximately £48m which is forecast to reduce to £28m by 2015. KCC is planning to drawdown a further £14m towards the 2011/12 budget but this will have to be repaid sometime in the future before the original long term financial commitments start to impact.

Q The Budget Book reports £4m fund to include redundancy costs, is this held centrally, and how is it accessed/allocated?

A Fund is available to be reclaimed by Directorates for redundancies achieved through the restructure. There are strict criteria to be met when accessing funds.

CFE Revised Medium term Financial Plan

Changes highlighted in light yellow relate to DSG

Changes highlighted in light green refer to additional Children's Social Services pressures

Changes highlighted in turquoise relate to previously un-detailed savings in relation to ABG and EIG)

This page is intentionally left blank

Children, Families and Education Portfolio Revenue Budget			
	2011-12 £'000	2012-13 £'000	Total £'000
Base budget	213,173	170,536	
Base Budget Adjustments - Internal	-9,729		-9,729
Base Budget Adjustments- External	-16,972		-16,972
Total Base Adjustments	-26,701	0	-26,701
Revised Base Budget	186,472	170,536	
UNAVOIDABLE PRESSURES:			
Pay:			
All DSG	200		200
	200	0	200
Prices:			
SCS, RAP Transport & CPIG	0	777	777
SCS Social Care Provision	0	1,075	1,075
C&P Legal	0	8	8
All DSG	508	524	1,032
	508	2,384	2,892
Unavoidable Government/Legislative Pressures:			
Non DSG:			
CPIG Administration of casual admissions (FYE from 2010/11)	39		39
C&P Tribunals Courts and Enforcement Act 2007 (FYE from 2010/11)	17		17
All Employers NI 1% increase	313		313
Non-DSG grant loss:			
All 2010/11 reduction in transferred Area Based Grant	6,899		6,899
All Transitional protection	4,621	-3,092	1,529
	11,889	-3,092	8,797
DSG:			
RAP Free School Meals	27		27
SCS Alternative curriculum PRU places (FYE from 2009/10)	500		500
RAP Increase in free entitlement previously funded from specific grants now funded from DSG	7,884		7,884
	8,411	0	8,411
Total Unavoidable Government/Legislative Pressures	20,300	-3,092	17,208
Demand/Demographic Led:			
Non DSG:			
SCS Fostering	2,900		2,900
SCS 16+ Children's Service	1,250		1,250
SCS Support for stopping children coming into care	500		500
SCS Independent Sector Residential Care	1,150		1,150
	5,800	0	5,800
DSG:			
RAP Private, Voluntary and Independent Early Years Providers	2,250		2,250
RAP Free school meals	662		662
	2,912	0	2,912
Total Demand/Demographic Led	8,712	0	8,712
Schools Budget/Block (DSG & Pupil Premium):			
Schools Schools delegated budgets	0	0	0
Schools Less: adjustment for change in pupil no's	-5,752	0	-5,752
Schools Less: adjustment for academies (School Budget Share)	-54,355	-912	-55,267
Schools New: Pupil Premium	11,976	0	11,976
	-48,131	-912	-49,043

Children, Families and Education Portfolio Revenue Budget				
		2011-12 £'000	2012-13 £'000	Total £'000
Service Strategies & Improvements:				
Non DSG:				
RAP	Change Management Programme	-750		-750
	Sub-total non DSG	-750	0	-750
DSG:				
RAP	Private, Voluntary and Independent Early Years Providers	650		650
	Sub-total DSG	650	0	650
Total Service Strategies & Improvements		-100	0	-100
Total Pressures: Non DSG		16,939	-1,232	15,707
Total Pressures: DSG		-35,450	-388	-35,838
Total Pressures		-18,511	-1,620	-20,131
<u>SAVINGS AND INCOME:</u>				
DSG and Pupil Premium increases and savings:				
Schools (Grant)	Dedicated Schools Grant (DSG) increase before adjustments	0	0	0
Schools (Grant)	Plus: Early years specific grants mainstreamed into the DSG	-7,884		-7,884
Schools (Grant)	Less: Adjustment for change in pupil no's in DSG	5,789	0	5,789
Schools (Grant)	Less: Adjustment in DSG for academies (School Budget Share)	54,355	912	55,267
Schools (Grant)	Less: Adjustment in Local Authority DSG for academies (LACSEG)	900	17	917
Schools (Grant)	New: Pupil Premium Grant	-11,976	0	-11,976
C&P	CAF/LP - Planned reduction in eCAF roll out and training	-50	-50	-100
C&P	CAF Module - Removal of funding to support temporary system due to delay by central government	-80		-80
Learn	Cessation of support to national strategies previously funded from specific grants	-2,983		-2,983
All	Academy central recoupment (LACSEG)	-1,500	-17	-1,517
SCS	Transition with KASS	-200	-200	-400
All	CFE Restructure (FYE from 2010/11)	-421		-421
SCS	Reduction in unallocated DSG	-500		-500
All	Target reduction in net spend		-274	-274
		35,450	388	35,838
Income Generation:				
All	Increased income from schools and academies	-160	-580	-740
Learn	Workforce & professional development - moving to a trading basis	-398	-398	-796
CPIG	Introduction of a parental contribution for denominational and selective transport for all pupils from Sept 2012 other than concessions		-1,500	-1,500
		-558	-2,478	-3,036
Savings and Mitigations:				
<u>Efficiency Savings:</u>				
Staffing				
RAP	Transfer of student finance function to Student Loan Company (FYE from 2010/11)	-178		-178
All	CFE Restructure (FYE from 2010/11)	-2,792		-2,792
All	Management Structures	-912	-850	-1,762
All	Changes to HR policies	-206		-206
Procurement & Contracts				
SCS	Reduce number of SEN single occupancy taxi journeys	-100		-100
SCS	Out county/residential/respite	-400	-400	-800
RAP	No ISA checks following government announcement	-544		-544
CPIG	Reduction resulting from cut in capital programme		-400	-400

Children, Families and Education Portfolio Revenue Budget				
		2011-12 £'000	2012-13 £'000	Total £'000
SCS	Review of high cost cases	-750	-180	-930
CPIG	Transport procurement	-550		-550
SCS	Social care procurement	-40	-100	-140
SCS	SEN Transport	-500	-1,000	-1,500
Other				
SCS	Day Care	-10		-10
SCS	Grants to voluntary organisations	-400		-400
CPIG	Transfer of tree safety responsibilities to schools	-300		-300
Learn	End 2010 targeted funding	-70		-70
All	Reduction in publicity	-120		-120
All	Essential/Lease User	-115	-16	-131
SCS	Asylum	-1,057		-1,057
SCS	Access		-178	-178
All	Agency Staff	-92		-92
All	Reduction in employers pension contribution	-2,209		-2,209
		-11,345	-3,124	-14,469
Policy Savings:				
Staffing				
Learn	Standards and School Improvement - remove existing structure		-6,522	-6,522
Learn	14-19 Entitlement - remove existing structure		-1,149	-1,149
Learn	Learners with Additional Needs - remove existing structure		-410	-410
Learn	Standards and School Improvement - new structure		2,822	2,822
Learn	Curriculum Pathways and Post 16 Innovation - new structure		499	499
C&P	Commissioning - staffing	-30	-22	-52
C&P	Management Information - staffing	-96	-68	-164
C&P	Strategic Planning, Partnership and Democratic Services - staffing	-88	-62	-150
RAP	Finance - staffing	-152	-108	-260
RAP	Personnel - staffing	-62	-44	-106
CPIG	Health & Safety / Outdoor Education - staffing	-29	-21	-50
CPIG	Business Support & Client Services - staffing	-279	-200	-479
CPIG	Area Education Officers	-67	-48	-115
Procurement & Contracts				
C&P	Management Information - decommissioning of MIU contract	-25		-25
Other				
C&P	Commissioning - reduction in Childrens Trust and partnership development, as well as legal services	-704		-704
C&P	Strategic Planning, Partnership and Democratic Services - reduction in development budgets	-414		-414
RAP	Personnel and Development - CRB checks, SPS SLA, Training, Staff care services	-925		-925
RAP	Grant income and contingency - School Nurses	-174		-174
CPIG	Capital Development Unit - non staffing	-155	-110	-265
CPIG	Health & Safety / Outdoor Education - non staffing	-96		-96
CPIG	Business Support & Client Services - non staffing	-25		-25
RAP	Reduction in staff care services	-41		-41
Savings due to loss of Area Based Grant:				
Staffing				
Learn	Learning Group staffing	-2,339		-2,339
All	Other service groups staffing	-495		-495
Other				
CPIG	External Choice Advisers	-80		-80
SCS	Designated Teacher Fund	-86		-86
Learn	Education Health Partnerships	-201		-201
Learn	Cessation of start up grants to schools for extended activities	-1,505		-1,505
Learn	Flexible 14-19 Partnership	-419		-419
Learn	School intervention activities	-410		-410
Learn	Primary National Strategy - Central coordination	-100		-100
All	Activities funded from retained School Development Grant	-2,373		-2,373

Children, Families and Education Portfolio Revenue Budget				
		2011-12 £'000	2012-13 £'000	Total £'000
CPIG	Home to School Transport	-1,174		-1,174

Children, Families and Education Portfolio Revenue Budget				
		2011-12 £'000	2012-13 £'000	Total £'000
Savings due to reduction in Early Intervention Grant:				
<i>Staffing</i>				
SCS	Childrens Centres, respite efficiencies, and Contact Point co-ordination	-229		-229
Learn	Sure Start Sustainability and Workforce - reduction in the quality and outcomes team	-1,636		-1,636
<i>Procurement & Contracts</i>				
C&P	Connexions	-2,000	-3,000	-5,000
<i>Other</i>				
C&P	Positive Activities for Young People (delivered by CMY)	-146		-146
RAP	Youth Substance Misuse (delivered by CMY)	-36		-36
SCS	Targeted reduction in grants towards running costs of Childrens Centres (all centres will remain open with an average 11% reduction with protection for most deprived areas)	-2,618		-2,618
All	Respite efficiencies	-434		-434
All	Two year old offer	-316		-316
All	Sure Start Sustainability and Workforce - reduction in graduate leader fund (training) for PVI providers, reduction in grant to PVI providers and a reduction in non-staffing costs in the quality and outcomes team	-3,310		-3,310
RAP	Youth Opportunities Fund (delivered by CMY)	-134		-134
SCS	Contact Point	-200		-200
All	Various other activities	-461		-461
All	Short term loan against 2012/13 increase in EIG	3,092		
		-20,972	-8,443	-29,415
Total Savings and Mitigations		-32,317	-11,567	-43,884
Total Savings and Income		2,575	-13,657	-11,082
Budget controlled by this portfolio		170,536	155,259	

- denotes DSG changes
- denotes additional Children's Social Services pressures
- denotes newly identified ABG/EIG savings

This page is intentionally left blank