

KENT COUNTY COUNCIL

INFORMAL MEMBER GROUP ON BUDGETARY ISSUES

MINUTES of a meeting of the Informal Member Group on Budgetary Issues held in the Wantsum Room, Sessions House, County Hall, Maidstone on Friday, 8 October 2010.

PRESENT: Mrs T Dean (Chairman), Mr L Christie and Mr R F Manning

ALSO PRESENT: Miss S J Carey and Mr N J D Chard

IN ATTENDANCE: Ms L McMullan (Director of Finance), Mr A Wood (Head of Financial Management), Mr D Shipton (Finance Strategy Manager), Mr P Sass (Head of Democratic Services and Local Leadership), Mr A Webb (Research Officer To The Cabinet Scrutiny Committee), Mr P Bole (Head Of I C T Commissioning), Mr R Hallett (Directorate Finance Manager - EHW) and Mr D Thomas (Business Improvement Manager - EHW)

UNRESTRICTED ITEMS

6. Notes of Previous Meeting on 12 July 2010

(Item 1)

RESOLVED that the notes of the Informal Member Group on Budgetary Issues held on 12 July 2010 were agreed as a correct record.

Matters arising from the minutes:

(1) On paragraph 3, regarding schools becoming academies, it was explained that the Council did not yet have an official stance on this issue but the Managing Director for Children Families, and Education had been meeting with schools before formulating a position. There had also been an exchange of correspondence between Kent and Government, in which options were being explored, including around whether negotiations should take place on an individual school or whole Council basis.

(2) On paragraph 11, it was queried whether the briefing note on the current position comparing the cost of home to school transport before and after the roll out of the Freedom Pass had been circulated. This had been circulated in late July in the form of an extended email but would be re-circulated by Mr Wood.

(3) On paragraph 12, regarding the £0.083M contingency, a query was raised whether when this money had been exhausted, i.e. there was no more for contingencies. Ms McMullan admitted that, when looking at demographic increases for example, that it was difficult to allocate this money to the right place at the start of the financial year and that perhaps 'contingency' was not the most suitable term.

(4) On paragraph 13, In Year Capital Grant Reductions, it was explained that the briefing note had been circulated.

(5) On paragraph 16, in response to a question around there being a possible future Cabinet Member decision on Edenbridge Community Centre and whether the situation was sufficiently different to warrant a decision, it was stated that it was not yet possible to say what the new scheme would be

(6) On paragraph 17, regarding the Find and Fix project, there was a query raised about whether an update on current overhead costs had been received. Richard Hallett would ensure that this note was circulated.

(7) On the Report on the Disclosure of Payment Transactions, an update was requested on the disclosure. The response was that there had been about 20 queries to date but that only Environment, Highways and Waste invoices were in the public domain and there would be a need to monitor this as the public became more aware of the information being made available.

(8) On the 2010-11 Reporting Timetable and Proposals for Activity Monitoring, in response to a question around the 16 June 2011 date for Budget IMG it was confirmed that this date would be suitable for considering the final accounts before they went to Government.

7. Recording of Establishment - Oracle Systems *(Item 2)*

(1) In response to a question as to when the first report from Oracle would be made available, it was stated that this would be early in 2011 since the underlying system was being upgraded in November and December.

(2) It was reported that all parties were generally happy with the proposed output but would need to see the details before drawing conclusions. There were initially concerns that 'Establishment' in terms of Oracle was different to what was desired by the group, but there was agreement at resource management group that the work programme would be deliverable.

(3) Mr Bole explained that as part of the capital programme, suppliers were upgrading the software and that existing data would be migrated using Post and for this reason the Establishment figures would follow soon after. Mr Bole was confident that the system changes could be made, but there would be disruption to the management structure.

(4) In terms of timescales, it was stated that the data that would be provided would be as at a date in January 2011 and that by the end of January the Council would be in a position to begin responding to Establishment figure queries.

(5) In response to a question about how data was changed within a department, it was stated that personnel do this as and when needed. It was thought that this was a positive tool in the process that the organisation was facing up to (the proposed restructure) and the fact that managers were welcoming its introduction would help the implementation be a success.

(6) A major advantage of the system was that it would overcome the issue of the payroll and organisation headcount, but it did not show contractors including staff employed through Kent Top Temps. The Chairman stated that she had asked for a

quarterly snapshot from Kent Top Temps; along with the Oracle system that would be up and running by the end of January 2011, this would then provide a complete picture.

8. Activity Indicator for a Measurement of the Condition of Roads (Discussion)

(Item 3)

(1) The Chairman made the Group aware that she asked for measurement of the condition of roads to go into the Core Monitoring report. There was an in-depth discussion around how this data was presented, since there were many different ways of doing so and these needed to be narrowed down to the most appropriate. The Chairman suggested that the public could be kept informed of the situation and work being undertaken via the Council website.

(2) It was confirmed there were many methods of reporting road condition, such as the technical survey which fed into National Indicators on a yearly basis, and statutory safety inspections. A concern was raised that monitoring something that was already known had become an industry and that priorities were driven by public perception (e.g. complaints). There was an acknowledgement that if money was put where it most needed the public would not be happy. It was suggested that there should be a system in place which shows forward progress, driven by the Council rather than the public.

(3) It was thought that the National Indicators gave a sense of direction and the ability to compare with other Councils as well as monitoring calls and complaints. There was a need to look at both asset management and public perception and this was why both were reflected in the Core Monitoring report.

(4) Mr Chard agreed that there was a need to devise an evidence-based indicator, but this was difficult because road condition was very subjective. He also reminded Members that some roads were accorded a higher priority according to a hierarchy (which could be made available to Members to aid their understanding of the Council's policy). Ms McMullan stated that the annual condition survey, which fed into the Medium Term Plan the current position, the money available and projected position, was the best indicator currently available.

(5) Mr Chard suggested the data could be presented as a matrix showing what was spent and the outcomes achieved and offered to go away and work something up. The Chairman stated that this should show that money was being used most effectively to get the best results, and Mr Manning stated that the Council should be in control of its business case. The solution should be something which was useful to officers as well as the Informal Member Group on Budgetary Issues.

9. Revenue & Capital Budgets Monitoring Exception Report (Cabinet report attached)

(Item 4)

Children, Families and Education portfolio:

(1) In response to a question about paragraph 2.5.1 regarding the assumption of a reduction of £0.2m from the previous forecast had been realised, Ms McMullan said it was too early to tell, but that this was under monthly review.

(2) On paragraph 2.5.2, about the 18 schools due to achieve academy status, a query was raised about the volume of services which these academies would buy back from the Council. Ms McMullan stated that these academies were likely to make use of the Council's financial services, and many of them were surprised at how much the Council provided in the way of support services from the base budget. However, it would not be clear how much funding for academies would be coming from Government until after the Comprehensive Spending Review.

Kent Adult Social Services portfolio:

(3) On the reduction in payments to voluntary organisations in paragraph 2.6.3, a question was raised as to whether the position of voluntary organisation funding was being monitored more generally. There was a concern that if their funding was being cut they would not be able to pick up the extra slack as expected by the Government under its Big Society plans.

(4) A Member asked if the underspend on Learning Disability in 2.6.3 was due to underperformance or greater efficiency by the Directorate. It was explained that variances were usually because the demand was different to the budget assumptions. On the suggestion that the underspend had arisen because of officers being guarded about the budget, Ms McMullan agreed with that assessment. The Council was in the same position as the Government, with contractual obligations and uncertainties around the restructure and so there was a need to manage all these conditions.

(5) On the increasing pressures set out in paragraphs 2.6.1 and 2.6.4 relating to Direct Payments, a query was raised why there had been an increase in the pressure due to an increase in clients when the last Quarterly Monitoring Report had stated that the activity was within an affordable level. Ms McMullan stated she would come back to the Group on this issue.

Impact of Recent Government Funding Announcements on KCC:

(6) A question was raised whether the £2 Million reduction in Connexions funding formed part of the £6.9 Million reduction in the Area Based Grant (ABG) for Children, Families and Education. Ms McMullan explained that the £2 Million was tied up with the ABG reduction but that the ABG was not ring-fenced and if KCC had spare funds it would have been able to meet the shortfall.

(7) Regarding the Building Schools for the Future announcement, it was asked when a figure for the reduction would be provided. Ms McMullan informed the Group that Waves 4, 5 and 6 had been halted but she would not expect to hear the detail until 2011. For this reason, a number of Freedom of Information requests had been submitted to try and obtain further detail. Mr Christie asked if there were any associated costs due to contractual obligations. Ms McMullan responded that the detail was in the Cabinet report and that risks were of the order of £6 - 7 Million but risks were capped through the contracts. Although there was the possibility of legal

action to reclaim the uncapped portions of any contractual liabilities, legal advice already sought suggested that this would be unlikely to be successful.

(8) In relation to the possible reduction to the Council grant of between 25 – 40%, a question was raised what this represented in terms of the Council's total budget. In terms of the Formula Grant and ABG, this represented £340 Million out of a net spend of £900 Million (which equated to approximately a third). This figure was worked up from a 5% reduction in cash terms, a 10% reduction in the Formula Grant and ABG over four years and a 0% Council Tax increase over the same period. It would also be necessary to look at building in additional pressures due to demographics.

(9) In response to a question asking if financial modelling of a 2.5% increase in Council Tax had been undertaken, Ms McMullan responded that due to the uncertainty the debate had hitherto been focussed on the size of the challenge, namely the £340 Million grant reduction.

10. Quarterly Monitoring report format

(Item 5)

(1) This item was deferred until the next meeting of the Informal Group on Budgetary issues, to which Dave Shipton would be invited to discuss changes to the budget book.

11. Government Consultations

(Item)

(1) On Local referendums to veto excessive council tax increases, it was stated that the Council responded to this consultation by welcoming the removal of universal capping powers. It was explained that the outcome of any local referendum would be binding on the Council, which would need to propose a shadow budget within the Secretary of State level of Council Tax and adopt it if the referendum voted against a local rise.

(2) The cost of such a local referendum was estimated to be £1.6 Million, but this cost would be reduced if District Council or County Council elections were taking place in the same year. There was also a discussion around whether a referendum would be covered by Government guidelines which limit the number of ballots permitted to be held in one day,

(3) Members raised questions about the process of responding to consultations. It was explained that responses were in the form of a formal letter from the Council to the appropriate Government department answering the specific consultation questions but that the Council often also made broader comments about the subject in the letter.

(4) Mr Sass stated that it was up to the relevant Cabinet member to decide the process that would be undertaken in formulating a response, and this did not constitute a formal decision. Concerns were raised that there was no consistency of approach in responding consultations across the piece, and the protocol for responding to consultations was in need of examination and possible amendment. It

was however stated that finance related consultations would always be brought to Budget IMG.

(5) There was a brief discussion about Kent's response to the Comprehensive Spending Review, and it was not certain if a letter that had been sent to the Chancellor of the Exchequer was a formal response on behalf of the Council. Ms McMullan offered to follow this up.

12. Budget IMG Meeting Dates for 2010

(Item 6)

(1) These dates were agreed.