

NOTES of a meeting of the Cabinet Scrutiny Committee's Informal Member Group on Budgetary Issues held on Monday, 10 March 2008.

PRESENT: Mr D Smyth (Chairman), Mr C J Law and Mrs T Dean.

ALSO PRESENT: Mr N J D Chard, Cabinet Member for Finance.

OFFICERS: Ms L McMullan, Director of Finance; Mr A Wood, Head of Financial Management; Mr R Fitzgerald, Performance Monitoring Officer; Mr P Sass, Head of Democratic Services and Local Leadership elect; and Mr S C Ballard, Head of Democratic Services.

1. Notes of Previous Meeting

(Item 1)

Subject to an amendment to note 2(4)(a) so that it reads:-

“(a) because the allocation of funding to the school was more than needed to run it, in which case the Schools' Forum needed to review the allocation; or”

the notes of the 10 January meeting were noted.

2. Revenue and Capital Budgets, Key Activity and Risk Monitoring

(Item 2)

(1) Mr Chard introduced the report. The revenue budget position was continuing to move in the right direction although the Asylum funding issue had still not been resolved because there had not yet been any response from Government to the Council's most recent submission. The capital budget had been adjusted to reflect the re-phasing of capital projects built into the 2008-11 Medium Term Plan.

(2) The IMG discussed the following issues:-

Format of Report

(3) The Group expressed their liking for the current format of the quarterly report, and said that they were not concerned about its length. Ms McMullan said that she wanted to look at integrating the performance data with the financial data in order to increase the usefulness of the report. **(Action: AW)** Mrs Dean asked that the figures for this year's budget be added to the graphs in next year's reports so that budget changes could be clearly seen. **(Action: AW)**

Redundancy Costs

(4) In answer to a question from Mr Smyth, Mr Wood said that, for non-school staff, redundancy costs, where redundancy was on the grounds of efficiency, were normally met centrally from the Workforce Reduction Fund. However, costs relating to early retirement, such as additional pension payments, were met by the Directorate concerned. Mr Wood offered to circulate a briefing note on the subject. **(Action: AW)**

Capital Receipts (paragraph 4.7.2 (page 13))

(5) In answer to a question from Mr Law, Ms McMullan offered to circulate a recent Property Board report explaining the process for using capital receipts to fund projects. **(Action: AW)**

(6) In answer to a question from Mr Smyth, Mr Chard said that sales of assets, including their timing, were carefully managed to ensure that the County Council obtained the best possible return.

CFE Revenue Budget (Annex 1, paragraph 1.1.7 (page 29))

(7) In answer to a question from Mr Smyth, Mr Wood said that, of the underlying pressure in the Directorate's base budget of £4m, approximately £2.5m had been addressed in the 2008-11 MTP, leaving the balance to be dealt with as a 2008/09 in-year issue.

Kent Adult Social Services Revenue Budget (Annex 2, paragraph 1.1.7 (page 49))

(8) In answer to a question from Mr Smyth, Mr Chard confirmed that the Directorate is unlikely, on this occasion, to be required to carry-forward its residual variance of £1.9m.

Chief Executive's Directorate's Revenue Budget (Annex 5, paragraph 1.1.2 (page 85))

(9) The Group asked to see a copy of the report on Corporate Branding. **(Action: AW)**

Kent Property Enterprise Fund (KPEF) (Annex 5, paragraph 2.2 (page 93))

(10) In answer to a question from Mr Smyth, Ms McMullan confirmed that the £3.3m contribution from the KPEF to support the revenue budget in 2007/08 was a one-off provision, although a further one-off sum of £0.7m is included in the 2008/09 budget.

3. BVPI Comparative Data 2006/07 *(Item 3)*

(1) Mr Fitzgerald introduced the report. BVPIs were to be abolished from 31 March 2008, to be replaced by the new 198 national indicator-set for local government and its partners, which would form a central role in Corporate Area Assessment (CAA), the new assessment framework for local government which was to replace CPA from April 2009.

(2) The IMG noted the contents of the report and the detailed analysis of the comparative data for each indicator for 2006/07.

4. Revised Reporting Timetable for Remainder of 2007/08 *(Item 4)*

(1) Mr Wood explained that a monitoring report would not normally be produced for May Cabinet unless a particular issue arose.

(2) The IMG agreed the revised reporting timetable for the remainder of 2007/08 and decided that its meeting arranged for May should only take place if a monitoring report was produced that month.

5. Strategic Management

(Item 5)

- (1) In scrutinising the 2008/09 budget, Cabinet Scrutiny Committee had expressed concern that each Directorate seemed to have included different items under its Strategic Management heading. The Committee had therefore asked the IMG to consider a common definition for adoption by all Directorates to ensure consistency in future years' budgets.
- (2) Mr Wood suggested that a simple definition of Strategic Management would be:-

"Senior managers on the Directorate Management Team and their direct support staff."
- (3) The IMG discussed whether or not support staff should be included, and whether, given the variation in the size of Directorates, the resulting Strategic Management figure would be meaningful across all Directorates.
- (4) The IMG requested a report to its next meeting setting out:-
 - (a) alternative scenarios for a common definition of Strategic Management (eg, including and excluding support staff);
 - (b) the numbers of staff and associated payroll costs for each Directorate within each scenario. **(Action: AW)**

6. Arms-length Companies Established by Commercial Services

(Item 6)

- (1) The IMG discussed this issue at Mrs Dean's request. She said that she had previously raised the matter at the Governance and Audit Committee on 5 March and, as a result, the Committee had requested a report to its next meeting. However, the Committee was not due to meet again until 30 June, and Mrs Dean was concerned that this would be too late, given the extent of the current interest in the matter by local newspapers and businesses.
- (2) Mrs Dean emphasised that she had seen no evidence that KCC or its arms-length companies were acting wrongly but she felt that KCC needed to respond fully and speedily to the concerns being expressed by the local press and businesses. However, she accepted that this should not involve the release of any commercially-sensitive information.
- (3) Mr Chard said that KCC had set up arms-length companies for two purposes:-
 - (a) as market regulators (ie, to compete, entirely fairly, in the market in order to reduce the costs incurred by KCC in contracting for the provision of certain services);
 - (b) to provide certain services.

The arms-length companies were not intended to generate income per se.

(4) Mr Chard said that the arms-length companies had proved successful in reducing costs to KCC and thus to the Council Taxpayer but, not surprisingly, this had upset competitors in the same markets whose profits had been reduced as a result.

(5) Ms McMullan said that most of the information required for a report on this subject, including a report from PwC as the Council's external auditor, was already available, and so the report requested by the Governance and Audit Committee could be produced quite quickly.

(6) The IMG requested that the report should come to its next meeting on 10 April; that the Chairman of the Governance and Audit Committee should be informed of this; and the Commercial Services Director should be invited to attend the meeting. **(Action: LM)**

7. Stuart Ballard

Members thanked Mr Ballard, who was retiring from KCC on 31 March, for his advice and support to the IMG over the past 5 years, and offered their best wishes for his retirement.