

## KENT COUNTY COUNCIL

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### 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, 1 April 2011.

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

ALSO PRESENT: Miss S J Carey and Mr J D Simmonds

IN ATTENDANCE: Mr A Wood (Acting Director of Finance), Mr D Shipton (Finance Strategy Manager), Ms L Payne (Corporate Accountant) and Mr A Webb (Research Officer to the Cabinet Scrutiny Committee)

APOLOGIES: Mr P Sass (Head of Democratic Services)

#### UNRESTRICTED ITEMS

**26. Notes of Previous Meeting on 27 January 2011 (attached for approval)**  
*(Item 1)*

RESOLVED that the notes of the Informal Member Group on Budgetary Issues held on 27 January 2011 were agreed as a correct record.

**27. Loan Agreement with Kent Cultural Trading Limited**  
*(Item 6)*

1) Mrs Dean had pursued, on behalf of some Kent businesses, complaints that KCC subsidised the work of its arms-length trading companies. This has been denied by KCC and the lack of subsidy confirmed by an independent report into their operation.

(2) The loan was originally discussed when the business plan of the company had been reported in May 2010 to the Governance and Audit Committee Activities Sub-Group. The company had now been fully established and proposals had been presented to Mr Simmonds to activate the loan, although he stated that he had not taken the decision yet pending views expressed by the IMG, receipt of further financial details to decide the proposed venture is still viable and advice from the Director of Governance and Law. He would be happy to share the financial information when he received it.

(3) As a medium-risk business the company would probably get a loan at 10-15% APR on the open market, rather than the proposed loan from KCC at 5% above base rate. Mrs Dean expressed a view that this might mean that a KCC company would be competing with other Kent businesses in the marketplace while receiving a preferential rate of interest. Mr Simmonds assured the group this would not be the case and the loan would only be agreed if it was right to do so.

## **28. Budget Book (Final)**

*(Item 3)*

(1) Mr Shipton explained the changes that had been made to the Budget Book since County Council. As well as the resolution that was carried at County Council to increase expenditure on subsidised bus routes, there had been three 'parked' savings which have now been allocated in the final budget book:

- (a) Terms and Conditions for Staff – £2.25m of savings had now been allocated from Finance to service portfolios as per the proposal that went to Personal Committee on 28 March i.e. the difference between the full Total Contribution Pay and the tapering payment to nil for staff at KR14 and above.
- (b) Restructuring savings - £1m had now been allocated according to the latest information on the restructure. When the Budget Book was produced for County Council there were still changes being made to the top tier. Further management savings were expected.
- (c) Communications savings – this could not be allocated until the management structures savings had been finalised as well as the centralisation of the communications function.

(2) The final Budget Book also set out the budget analysed by the new Directorates as well as by (old) portfolios. The intention was to have detail down to Head of Service level (including manager name), but not all the personnel below the top tier had been appointed. Mr Shipton confirmed that the budget will be recast to reflect the new Member portfolios early in the year (County Council report gave delegated authority to do this).

(3) The directorate analysis also included information on the best estimate of FTEs across KCC, based on the number of people currently in post. The intention was to show establishment in future i.e. the number of posts which could be afforded, but this was not possible for 2011/12 as this was not finalised at this stage in the restructure. Updated figures would be shown throughout the year in the monitoring report, and at outturn the actual FTE figures would show where savings had been made.

(4) Members recorded their thanks to the Finance officers for their hard work in preparing the Budget and the improvements to the Budget Book.

## **29. Chancellor's Budget**

*(Item 4)*

(1) An extra £100m had been made available for road repairs over and above the £100m announced in February. In total the two additional allocations equated to £6.5m for Kent.

(2) The chancellor confirmed that authorities would be able to capitalise redundancy costs. However, KCC was proceeding on the basis that for 2011/12 it would be unlikely to be approved to use this power we are a large authority with sufficient reserves.

(3) The rate at which mileage could be reimbursed without incurring tax liability has been increased from 40p to 45p per mile. It was not clear if KCC would change their current reimbursement policy but it was intended that a decision would be put forward soon. Increasing the rate would cost approximately £0.5m for staff, £12k for Members and £35k for volunteers.

(4) The Government had previously announced that the lower rate of National Insurance paid by employers (and employees) in contributory pension schemes could be abolished. This had not been confirmed either way in the Budget and thus a significant potential cost remained for future years' budgets.

(5) Mr Shipton offered to produce a bullet point briefing on the Budget for Members of the IMG.

(6) There was a discussion about changes proposed in legislation around the removal of Government powers to cap Council Tax. Officers explained the proposal was to replace the capping power with local referendums on excessive increases. Mr Shipton agreed to research when the legislation was scheduled to go through Parliament.

### **30. Local Government Finance Review**

*(Item 5)*

(1) This would be a standing item on the IMG agenda. The first phase was expected to deliver proposals by July 2011.

(2) The review was expected to include a proposal that non-domestic rates would go to the LA where they were raised, rather than to central government and then to LAs through a distribution mechanism, although there would still need to be a balancing mechanism, with 'floors' and 'ceilings'.

(3) There was also a proposal to 'float off' self-sufficient LAs with a redistribution between those LAs which were more/less well-off.

(4) Responding to a request for the national distribution of the New Homes Bonus, Mr Shipton undertook to distribute it to the IMG.

### **31. 2011/12 Savings**

*(Item 7)*

*Ms L Payne was also present for this item.*

(1) Given the scale of the reductions (£95m), a more rigorous means of tracking the savings was required. This was also necessary due to the fact that since managers had signed up to certain savings, their responsibilities may have changed due to the restructure.

(2) Any saving over £200k will require a Project Initiation Document (PID) detailing the proposals to deliver the saving and its key milestones. In total this amounts to around 100 PIDs capturing £92m of the £95m savings (balancing savings below £200k would be monitored but not reported individually). Officers will assign a Red, Amber, Green (RAG) risk rating to each PID.

(3) The PIDs would form the basis of reporting the savings back to the IMG each month (as well as to CMT, Cabinet, Governance and Audit Committee and POSCs).

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

*(Item 2)*

(1) In response to a query about how KCC had been affected by a higher Retail Price Index (RPI) it was explained that Waste was the only area significantly affected by RPI indices built into contracts. This had been reflected in next year's budget.

(2) Responding to a question on asylum, and whether there was confidence that the pressure of £2.5m would be dealt with, Mr Wood explained that the most likely outcome was a gap of £1.3m, and that figures had been based on this assumption.