

KENT COUNTY COUNCIL

CABINET SCRUTINY COMMITTEE

MINUTES of the Special Budget meeting of the Cabinet Scrutiny Committee held at Sessions House, County Hall, Maidstone on Friday 1 February 2008.

PRESENT: Dr M R Eddy (Chairman), Mr D Smyth (Vice Chairman), Mr A R Bassam, Mr A H T Bowles, Mr J R Bullock MBE, Miss S J Carey, Mr A R Chell, Mr B R Cope, Mrs T Dean, Mr C Hart, Mr G A Horne, MBE, Mr C J Law, Mrs M Newell, Mr R J E Parker (substitute for Mr R Truelove), Mr J E Scholes, Mr J D Simmonds (substitute for Mr E E C Hotson) and Mrs P A V Stockell

IN ATTENDANCE: Mr S C Ballard, Head of Democratic Services

UNRESTRICTED ITEMS

49 Draft Medium Term Plan 2008-11 (incorporating the Budget and Council Tax Setting for 2008/09)
(Item 3)

(1) Mr N J D Chard, Cabinet Member for Finance; Mr A Wood, Head of Financial Management; and Mr B Smith, Group Manager, Financial Planning and Budget, attended the meeting to answer Members' questions about the draft medium-term plan and budget proposals.

(2) The Head of Democratic Services reported that the five Policy Overview Committees had met during the week leading up to the meeting to consider the medium-term plan and budget proposals relating to their service areas but that none had made any proposals which, if accepted, could have an impact on other parts of the Budget.

(3) Mr Chard made a brief introductory statement in which he explained that, in presenting the Budget, Cabinet had attempted to achieve the following objectives:-

- Protect services for the most vulnerable;
- Support KCC's priorities; and
- Affordability for the Council Taxpayer.

(4) Mr Chard also announced that the Audit Commission had recently published the results of its Use of Resources Assessment. KCC had achieved Level 4 (the highest). The Assessment was made up of five individual elements and KCC had achieved Level 4 in four of the five elements, a better result than any other County Council had achieved.

(5) Members' questions covered the following issues:-

Proposed Council Tax Increase

(6) In answer to a question from Dr Eddy, Mr Chard explained that 3.9% was considered to be an affordable increase because it was the rate at which the Government had announced that pensions would be uplifted for 2008/09. Any lower increase would have impacted on the Cabinet's other two objectives (protecting services for the most vulnerable and supporting KCC's priorities).

Area-based Grant (ABG) System

(7) In answer to questions from Mr Smyth, Mr Bullock, Mrs Newell and Mr Chell, Mr Chard said that he supported the ABG concept because it was designed to achieve outcomes for the area which had been agreed jointly by KCC and its partners with Government. However, while some aspects of the proposed new ABG System were clear, such as:-

- What would be included in it (Mr Wood confirmed that there had been a transparent transfer of specific grants to ABG);
- That ABG would not increase in line with inflation so there would be increasing budgetary pressure (Mr Wood said that, overall, provision had been made for a 0.7% increase in 2008/09; a 5.5% increase in 2009/10; and a 3% reduction in 2010/11);
- That KCC would be accountable for the ABG allocated to Kent,

the detailed arrangements for allocation of ABG, including the local partnership governance structure, were not yet clear.

Capital Receipts

(8) In answer to a question from Mr Parker, Mr Wood said that he was confident that the planned level of Capital Receipts for 2008/09 (£21m) was achievable, because the new figure reflected the recent re-phasing of the capital programme.

PFI

(9) In answer to a question from Mr Bullock, Mr Wood explained that PFI schemes were not shown in the Prudential Indicators because they were not normally funded by borrowing. Instead, they were funded mainly through PFI grant, with some funding from Capital Receipts and this was shown separately elsewhere in the Budget Book.

Strategic Management

(10) In answer to questions from Mr Hart and Dr Eddy, Mr Chard and Mr Wood said that one of the reasons for the apparent increase in strategic management costs in CFE was because of a realignment between budget headings. This had been made necessary by changes between the portfolios of the two CFE Cabinet Members and an £8m addition from ABG.

(11) Mr Wood said that, overall, additional funding was being put into front-line services and efficiencies were being sought from back-office functions.

(12) In answer to a question from Mr Smyth, Mr Chard accepted that each Directorate seemed to define "strategic management" in a different way and suggested that the IMG on Budgetary Issues could consider a standard definition to be recommended for use by all Directorates.

Income generated by Commercial Services' (CSD) Operations

(13) In answer to questions from Mr Simmonds and Mr Law, Mr Chard said that CSD's commercial operations were not just designed to make a profit for KCC; they also helped to regulate the market (e.g. in school transport) thus reducing KCC's costs. He believed that CSD's commercial operations were in the interest of Kent residents, although he accepted that they were unpopular with some commercial operators in the market sectors concerned. He would be taking part in a public debate on this matter organised by the Kent Messenger on 13 February.

Other ways of increasing KCC income

(14) In answer to a question from Mr Chell, Mr Chard said that while KCC had been treated less favourably in funding terms than some other local authorities by Government, there was no doubt that the financial pressures this had caused had fostered greater efficiency and entrepreneurialism within KCC.

Advertising costs

(15) In answer to a question from Mrs Dean, Mr Chard pointed out that the £6m figure for advertising costs was planned to reduce by 27% over the next two years. In any case, more than 50% of the figure related to recruitment advertising. In response to a suggestion from Mrs Dean he said that he would be happy for a meeting to take place between KCC's external auditors and representatives of the Kent newspaper industry to discuss the implications of KCC placing more of its advertising (particularly Highways Public Notices) with Kent on Sunday.

Loan to NHS

(16) In answer to questions from Mr Smyth, Mr Chard said that, although the possibility of KCC loaning £5m to the NHS had been suggested in the past, he had no knowledge of any current proposal to make a loan to the NHS. If such a proposal was made in the future, it would require a formal Cabinet or Cabinet Member decision, and thus be subject to scrutiny.

Investments in public access/communications initiatives

(17) In answer to a question from Mr Simmonds, Mr Chard confirmed that the performance of initiatives such as Gateways, Kent TV, etc, would be monitored in order to assess their effectiveness.

Member Support

(18) In answer to questions from Mrs Dean and Mr Bowles, Mr Chard pointed out that there was provision in the Budget for an increase in the funding for localism. He added that if the Selection and Member Services Committee recommended at its next meeting that additional support should be provided to backbench Members at the centre it was possible, subject to Cabinet's agreement, that the cost could be met from the 2007/08 Budget underspend.

2007/08 Budget Underspend

(19) In answer to a question from Mr Bullock, Mr Chard accepted that there had been a similar level of underspend in both 2006/07 and 2007/08, but pointed out that there was a protocol in place under which each Directorate had the first call on the underspend within its own budget.

Grants to Voluntary Organisations

(20) In answer to questions from Mr Simmonds and Dr Eddy, Mr Chard confirmed that he regarded voluntary organisations as important in delivering front-line services. Whilst it was true that grants had not been increased, none had been cut, and this was all part of trying to strike the right balance in preparing the Budget.

Deprivation

(21) In answer to a question from Mr Bowles, Mr Chard confirmed that deprivation had been taken into account in the preparation of the Budget and he offered to look at whether this could be made clearer in the text.

School Building Projects

(22) In answer to a question from Mr Hart, Mr Chard said that it was not correct that income from the disposal of school sites in East Kent was being used to fund developments at schools in West Kent. In fact, for the school projects shown on page 12 of the Budget Book, the Capital Receipts were planned to come from land disposal at the school concerned, and this money would then be reinvested in the development at that school.

Asylum Costs

(23) In answer to questions from Dr Eddy and Mr Smyth, Mr Chard said that the budget was predicated on a successful conclusion to the negotiations with Government about KCC's special circumstances bid of £10.5m. Although the PwC report on this (commissioned by KCC and three other councils) was not expected until the next week, Mr Chard was hopeful that it would be possible to conclude negotiations with the Government before the Council's budget meeting on 19 February.

(24) In answer to a question from Mr Law, Mr Wood explained that accounting regulations required the £10.5m to be shown as an outstanding debt in KCC's accounts until the matter was resolved. The accounts did include a bad debt provision to reflect the fact that some outstanding debt would not, in the end, ever be recovered.

Climate Change

(25) In answer to a question from Mrs Dean, Mr Chard confirmed that the recommendations of the Climate Change Select Committee had been taken into account in the preparation of the Budget.

Countryside Access

(26) In answer to a question from Mrs Dean, Mr Chard said that the Budget did include some additional funding for issues relating to countryside access, but he accepted that it was not regarded as one of the highest budget priorities.

Kent Regeneration Fund

(27) In answer to a question from Mr Smyth, Mr Chard explained that the reasons why decisions to make contributions from the Kent Regeneration Fund were now to be taken by full Cabinet were that:-

- Regeneration was cross-cutting and not confined to a single Cabinet Member portfolio or Directorate;
- It was in the interests of openness and transparency that proposals for use of the Kent Regeneration Fund should be discussed publicly in Cabinet.

Domiciliary Care Charges

(28) In answer to a question from Mrs Newell, Mr Chard pointed out that while it may have been necessary to increase charges for domiciliary care, no change had been made by KCC in its eligibility criteria.

Adult Social Services Debt and Benefit-Maximisation Strategy

(29) In answer to a question from Mrs Newell, Mr Wood said that Adult Social Services' client debts were treated very sensitively and reviewed on a regular basis. There was a strong connection between the work on debt and KCC's continuing work with the Department for Work and Pensions and other partners to maximise the take-up of state benefits.

Continuous Improvement

(30) In answer to a point made by Miss Carey, Mr Chard said that although KCC had achieved a Level 4 assessment in Use of Resources, he was not complacent. His aim was for KCC to remain at the highest level and he planned to do that by continual challenge; by constantly looking for better value for money; and by using more peer challenge from other local authorities.

(31) Mr Chard said that he was constantly seeking to improve the budget-making process and would welcome constructive input from Members of all political parties. He said that he found the Topic Review process very helpful for informing policy-making.

Conclusions

(32) RESOLVED that:-

- (a) Mr Chard, Mr Wood and Mr Smith be thanked for attending the meeting to answer Members' questions; and they and the staff concerned be thanked for the work put into the preparation of the Budget, and congratulated on producing it in such a clear and easy-to-read form.
- (b) the Council be congratulated on achieving Level 4 in the Audit Commission's recently-published Use of Resources Assessment.

- (c) the Council be congratulated on its entrepreneurial initiative and innovative ways of increasing income, which had allowed Council Tax and charges to clients to be kept to a minimum.
- (d) the apparent increases in “strategic management” costs in many Directorates be noted and the Cabinet Member for Finance be requested to provide a detailed breakdown of those costs.
- (e) The Informal Member Group on Budgetary Issues be asked to consider a common definition of “strategic management” for adoption by all directorates to ensure consistency in future years’ budgets.