

## 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 Thursday, 19 May 2011.

PRESENT: Mr R F Manning, Mr G Cowan and Mr T Prater (Substitute for Mrs T Dean)

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), Mr A Webb (Research Officer to the Cabinet Scrutiny Committee) and Ms L Payne (Corporate Accountant)

*Mr R Manning chaired the meeting of the IMG in the absence of Mrs T Dean.*

#### UNRESTRICTED ITEMS

##### **33. Notes of Previous Meeting on 1 April 2011 (attached for approval)**

*(Item 1)*

RESOLVED that the notes of the Informal Member Group on Budgetary Issues held on 1 April 2011 were agreed as a correct record.

*Matters arising from the notes:*

(1) Mr Wood explained that the action in relation to the Loan Agreement with Kent Cultural Trading Limited was no longer pertinent, since there would be no loan to the company. Mr Simmonds explained that the Customer and Communities Directorate would concentrate on doing its own reproductions and they would market them under existing trading activities; he had reservations at the time and following conversations with officers, including the Director of Customer Services, the company would be put on hold for the time being.

(2) In relation to the actions arising from the discussion on the Chancellor's Budget, Mr Shipton and Mr Webb undertook to re-circulate this information to the membership of the IMG.

##### **34. Revenue & Capital Budgets Monitoring Exception Report 2010-11 (Cabinet report attached)**

*(Item 2)*

(1) Mr Wood introduced the report and talked Members through the projected underspend of £4.2m after existing commitments and the initiatives which have already been identified which could be funded from it. Mr Wood emphasised that this was the first year every directorate had come in under budget.

(2) Elections Reserve: £250k is already put aside annually towards the cost of running Council elections. Previous elections have coincided with either a General Election and/or European elections and thus costs have been shared. At this stage there are no other ballots likely for May 2013 and thus cost to KCC is likely to be nearly double at approx. £2m. The suggestion is that £250k should be put aside from the underspend to add to the election reserve and the annual contribution increased from 2012/13 to £500k. In response to a question about whether more should be put aside to make up the £2m required, it was explained that the council had two more years to contribute to this provision and an alternative would be to put more in reserve from the underspend and not increase the annual contribution by as much.

(3) Bold Steps for Health Agenda: Cabinet were not being asked to make a decision about how the money would be spent - it was a rapidly changing agenda and this was an 'early warning' that money would need to be assigned nearer the time (June).

(4) CFE Residential Care: Mr Wood confirmed that a £275k movement on gross expenditure relates to one client, although it covers more than one year. There was a discussion around the issue of Looked After Children moving from one council area to another and how different factors determined which council would be financially responsible for their care.

(5) Asylum pressure & money owed by UKBA: KCC has worked on the principle that local Council Tax payers should not meet the costs of what is a national issue just because Kent has a major port although as part of the agreement we have made progress in reducing housing costs for unaccompanied Asylum seekers. As part of the agreement KCC would get £0.75m from UKBA but still has an overspend. The shortfall was due to the fact that:

- UKBA do not agree with KCC's interpretation that young asylum seekers are entitled to care up to the age of 24 (Hillingdon judgement).
- People presented themselves with all valid documentation that they were an asylum seeker but were not on the records of UKBA.

(6) In response to a question about whether the £2.5m pressure would be picked up by the tax-payer, it was explained there were further statutory monies to come, and KCC was still negotiating with Government.

(7) KASS portfolio: It was asked whether the reduction in clients/spend represented a 'blip', since this was against the expected trend. Mr Wood explained with many factors/unknowns it was difficult to know. Expenditure on older people has stayed fairly constant with most of the cost pressures around adults with learning and physical disabilities; this derives from more people surviving with complex needs and that parent carers are getting older and need more support. A lot of work had been done over the previous two years to refine trend forecasts but inevitably with demand led budgets and complex interaction of factors it is not a precise science.

(8) KASS Strategic Business Support: Two new reserves would be created with a contribution of £200k to each. These would be used to resolve client billing issues and LD/PD procurement, two pieces of work required to help deliver savings

(9) Public Transport: It was explained that the 'unexpected claim' related to a rearrangement of bus routes in Swale, and a new provider who had made their first

claim. In reality the pressure reflects higher than anticipated demand (the budget was based on a forecast level of demand with providers charging on a journey by journey basis).

(10) Kent Highways Services: It was clarified that the 'unexpected shortfall' related to a source of funding which had not materialised. Mr Austerberry would need to be asked to provide more detail if it was required.

(11) Youth Service: The £500k set aside for the reserve reflects the uncommitted balances on youth centre bank accounts. This arrangement ensures the balances are still available to the youth service. Mr Cowan expressed a concern that Youth Centres would have less of an incentive to make savings with this arrangement. It was explained that:

- the intention was to use the money collectively to modernise the service, rather than it sitting in separate bank accounts;
- the money has accumulated from letting out KCC buildings and it therefore is the Council's money; and
- only schools are allowed to carry underspends in bank accounts and under financial regulations we could not continue to allow individual centres to carry forward underspends through their bank accounts.

Mr Wood said he would contact the Head of the Youth Service and ask him to address Members' concerns directly.

(12) Finance portfolio: Unfavourable investment rates and slippage in the capital programme have meant that no new borrowing has been needed or would be sensible resulting in an increased underspend in the Finance portfolio. Responding to a question about whether £800k would be enough for future emergencies, it was explained that the last two year's winters have resulted in an overspend of £2m and £1.5m on the adverse weather budget (albeit compensated by the unrelated issue of lower waste volumes), but there was always the possibility that future years could be as bad or worse without compensating underspends elsewhere in the budget.

(13) Capital: In terms of overall delivery, there were no funding shortfalls or projects being shelved, but there has been significant re-phasing. This was thought to be largely due to ambitious timescales particularly in the early stages of scheme design. In response to a question about the reduced Cash Limit of Dover Christchurch Academy, it was explained this was due to receiving a reduced grant settlement.

### **35. 2011/12 Revenue Budget Savings**

*(Item 3)*

(1) A separate project was needed to monitor and deliver savings of the magnitude agreed to balance the 2011/12 budget. A Project Initiation Document (PID) has been developed for each saving >£200k in 2011/12, accounting for £92m of the £95m total savings required. The PID identifies how the saving is planned to be achieved, the responsible manager and key milestones.

(2) Each PID has been assigned with a 'BRAG' rating (Blue, Red, Amber and Green – with Blue meaning 'in the bank', green that the saving is on target to be delivered, amber that the plan is reasonable but there is some way still to go before the saving is assured, and red where there are serious concerns about delivering the saving) with the approximate breakdown as follows:

- £30m Blue
- £30m Green
- £30m Amber
- £5m Red

For those savings rated Red, Finance officers had been meeting with the responsible managers to discuss how they were being progressed.

(3) The PIDs were reviewed regularly, and if Finance believe that responsible managers would not be able achieve the savings, Cabinet and the Budget IMG would need to know their alternative plan. On the number of PIDs that referred to savings in the next financial year, it was explained that of the £37m in the MTFP, £22m were Green or Amber, £5m were Red and £10m did not have a PID as there is no impact in 2011/12.

(4) A Member asked if there was a risk that managers may end up reducing staff by a larger amount later in the year to produce the same saving that they could have achieved by reducing fewer staff earlier in the year. Mr Wood explained that where there is a concern that a reduction had to be made in staff but the service may suffer as a result, the responsible manager could take it to CMT for resolution.

(5) It was explained that a report on progress of each PID would go to the relevant POSC with all PIDs going to the Corporate POSC and the Budget IMG.

### **36. Local Government Finance Review**

*(Item 4)*

(1) There had been a request the previous week from the Local Government Association (LGA) for authorities to respond to a consultation about the possible arrangements for the relocalisation of business rates following the Government's review of the Local Government Finance system. One of the principles underpinning the Review is that councils should increasingly rely on local taxation and business rates, rather than grants from Government.

(2) Due to the very short timescale, Kent's submission to the LGA could not be brought to the IMG, but Mr Shipton undertook to circulate it to Members. Not much else was known about the review at this stage although representatives from local government are contributing towards the Government's thinking which is due to be published in July.