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 Thursday, 16 June 2011.

PRESENT: Mrs T Dean (Chairman), Mr R F Manning, Mr G Cowan

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

IN ATTENDANCE: Mr A Wood (Acting Director of Finance), Mr D Shipton (Finance Strategy Manager), and Ms L Payne

UNRESTRICTED ITEMS

37. Notes of Previous Meeting on 19 May 2011 (attached for approval)
(Item 1)

RESOLVED that the notes of the Informal Member Group on Budgetary Issues held on 19 May 2011 were agreed as a correct record.

38. Revenue & Capital Budget Outturn 2010-11, Roll Forward and Key Activity (Cabinet report attached)
(Item 2)

(1) The report covered the final closedown of accounts for 2010-11 and contained many typical year-end adjustments. There were new issues dealt with as part of final accounts e.g a change in the way the PFI grant was paid (upfront instead as over the next four years). It was the also the first year that the Iceland investments were fully accounted for, without a compensating adjustment

(2) Mainstream Transport: The number of children receiving Mainstream Transport had fallen. This was due to a fall in rolls and the use of the Freedom Pass. Mr Shipton undertook to do some post-analysis, but it would not be an easy task.

(3) 17 schools ended 2010/11 in deficit and two transferred to academy status. In the past it was generally weaker schools which had more interest in academy status, but recently it was well performing schools. As more schools became academies there was more of an issue with deficit and also those schools which had loans. Outstanding loans could be recovered from schools which had become academies with the agreement of the Schools Funding Forum.

(4) £3.5m had been put into improvement in Children's Social Services, with an additional £4.8m to fund increased activity in services. The newly appointed social workers could ultimately result in a more balanced approach to risk, a reduced number of Looked After Children and a reduction of around £10m in expenditure.

(5) Asylum Seekers: There had been a significant rise in the rate of All Rights Exhausted removals. It was thought that this might be due to a change in approach

or a greater committal of resources from UKBA. Mr Wood undertook to speak to the Head of Asylum to find out more.

(6) Unit cost of older people in nursing care: Mr Wood commented that normally unit costs remained steady, but the fall of around £6pw could be due to the legitimate use of Health funding in the last quarter to pay for some placements. Mrs Dean asked if an officer could write to her to explain the fall.

(7) KASS debt: Mr Wood said that the only concern would be if secured debt was increasing while house prices fell – Finance had looked into this several months ago but had no immediate concerns about this. Provision was made for write off and agreed up front with auditors; the older the debt, the higher the provision. Total debt had increased by £4m in one month due to an invoice from Health for £5m.

39. Payments to Voluntary Organisations
(Item 3)

(1) Mr Wood explained that the information provided was confidential because more information would need to be included in respect of each payment to provide the correct context.

(2) The appendices contained three categories of relationship with voluntary organisations:

- Genuine grants
- Payments to undertake preventative services
- Payments to deliver care services to KCC supported service users

(3) Some more work needed to be done on the definition of a voluntary organisation, Since KCC may not be able to have a legal contract with a voluntary organisation, it had no recourse to compensation if it defaulted. The Department of Communities and Local Government was undertaking a pilot looking at how to define voluntary organisations.

(4) Mr Simmonds explained that if local voluntary organisations required more detail on the changes to their payments they could request it. When Mr Shipton had done further work to include more context, and where possible to split some of the organisations by district, this would help in answering any questions.

40. Risk Reporting
(Item 4)

(1) ZM, who are experienced in risk management in Local Authorities, have been invited to have a discussion about risk management at the next Pioneer Group. Mr Wood undertook to report back after working with ZM and the Pioneer Group and to use the IMG as a 'sounding board' as appropriate.

41. 2011/12 Revenue Budget Savings
(Item 5)

(1) Finance had been having discussions with most of the individual managers responsible for delivering the savings. Approximately 100 initiatives related to around £92m of the £95m total.

(2) Each saving had been assigned a RAG rating, with an additional Blue indicator. Of the £95m:
£30m was Blue – ‘in the bank’
£30m was Green – ‘on way to bank’
£30m was Amber – a good plan in place which had yet to come to fruition
£5m was Red – some uncertainty about whether the saving would be realised.

(3) Finance were focussed on the Project Initiation Documents (PIDs) which related to the savings with a Red rating. For about half of the £5m in Red, Finance had been telling the responsible managers to carry on, and for the other half they were not sufficiently convinced and had agreed with the managers that they needed to implement a ‘plan B’. This meant in some cases there might be change to the Budget agreed at County Council, and consequently officers needed to go back to Members for their agreement. This was the focus of the savings reports to the Policy Overview and Scrutiny Committees.

(4) Mr Hawkins was in the process of putting together a Gantt chart to show any pressure points resulting from the restructure. There was a pressure in HR as they were doing 102 staff consultations and there is a concern that they could not resource that. However, Mr Wood was sufficiently confident about the delivery of the £95m in savings and felt the focus should now be on the wider financial risks to the Council.

42. Local Government Finance Review

(Item 6)

(1) Mr Shipton gave a presentation to the IMG on the Local Government Finance Review. He explained that the review had been driven by numerous complaints from LAs about the current grant system.

(2) He gave an overview of the current system, including:

- The different sources of Tax Revenue
- The components of Government Funding that comes to LAs
- Which Authorities Formula Grant gets allocated to (including Police, Fire and District Councils)
- Distribution by area:
    - It’s a complicated picture due to Police & Fire
    - In general, shire areas in the South and East are net contributors
    - Metropolitan areas in the Midlands and North are net recipients
    - Shire areas without unitaries are generally larger contributors
- Why National Non-Domestic Rates reduced in 2011/12

(3) Mr Shipton then went on to outline the options for change, including:

- The Terms of the Review:
    - Give Local Authorities greater financial autonomy and greater incentive to support growth in the private sector and encourage regeneration
    - Reduce Local Authorities reliance on Central Government grant funding
    - Increase local accountability
- A reminder of relative distribution, which showed how some authorities were net contributors, others net beneficiaries and a handful were neutral.

- How approximately £18bn can be localised without any winners
- That the issue is to redistribute £3.5bn surpluses from net contributors to the current recipients
- The suggested redistribution model:
    - Fix 2012/13 damped grant allocations as baseline
    - Surpluses over the baseline paid into a pool & redistributed to those with deficits
    - These contributions and receipts could be fixed (albeit with periodic update) and annual inflation uplift
    - Any increase (or decrease) in business rates in future would impact directly on individual authorities
    - “Shock pot” would claw back excessive increases to support those with unmanageable reductions
- Issues with the suggested redistribution model:
    - Locks in existing allocations incl. discredited four block model
    - Authorities where business rates do not keep up with uplift would lose funding
    - Concerns that authorities with a high NNDR base could end up being worse off even where the tax base is growing
    - Conversely those with a high receipt from the pool could be better off even where tax base is declining
    - Who will operate the pool
    - Spending Review implies local authorities will lose all RSG by 2014/15
- And other issues, including:
    - Local ability to vary the NNDR multiplier and reliefs/discounts/concessions
    - Relationship with TIF, Enterprise Zones and New Homes Bonus
    - Revaluation
    - Avoiding perverse incentives on Council Tax
    - Incentive for Unitary Status
    - How to share business rates in two tier areas
    - Outlook for business growth
    - Poor correlation between business tax base and demands for LA services

(4) Mr Shipton then went on to outline the next steps:

- LGA has sought views
- CCN/SCT has also made contribution
- White*ish* Paper expected July
- Localising other taxes e.g. Stamp Duty

(5) In response to a question about whether the recession had hit poorer areas harder in terms of tax revenue, Mr Shipton stated that he had not done this analysis but could plot the collections over the previous three years. Replying to a query about where businesses move based on local rates, Mr Shipton thought that the effect was more sectorial.