

Notes of a meeting of the Cabinet Scrutiny Committee Informal Member Group on Budgetary Issues held on Wednesday, 26 November 2008.

Present: Mr D Smyth (Chairman), Mrs T Dean and Miss S J Carey (for Mr J D Simmonds)

Officers: Mr A Wood, Head of Financial Management, Mr K Abbott, Director - Finance and Corporate Services and Mrs A Taylor, Research Officer to the Cabinet Scrutiny Committee.

Apologies: Mr J D Simmonds, Mr N Chard, Ms L McMullan

1. Notes of Previous Meeting held on 9 October 2008.
(Item 1)

The notes of the meeting held on 9 October 2008 were approved.

2. Update on School Reserves
(Item 3)

(1) The Chairman took item 3 first to allow Mr Abbott to leave after his paper had been discussed.

(2) Mr Abbott circulated a report which had gone to the CFE POC on 13 November 2008, it contained a further update on the position on schools within Kent. He referred to table 1 of the IMG report within which the analysis of the 2007/08 revenue reserved showed £28.1m of uncommitted funds. CFE initially identified 60 schools with a high level of revenue reserves, and narrowed it down to 43 schools with the largest reserves. These schools were interviewed by a panel consisting of representatives from the Schools Funding Forum, CFE Finance and Advisory Service Kent (ASK) to explain why they were holding such high reserves. It was explained to the schools that they may be subject to recovery of some of their accumulated balances and after appeals by some of the schools the panel recovered £1.476m from 15 schools.

(3) Having taken into account the high levels of energy price increases that would be taking effect from October 2008 the Funding Forum decided that £1.3million of the sum recovered should be reallocated by formula to all schools to help cover those increased costs in the second half of the current year. The Forum allocated the remaining £200,000 to expanding training within schools to improve the standards and to improve the knowledge of financial management issues.

(4) There were concerns that the Balance Control Mechanism (BCM) was too generous – leading to differing interpretations of what could constitute an allowable commitment. A revised BCM was approved by the Funding Forum in October which continues to allow a year-end rollover of up to 8% or 5% for primary/special schools and secondary schools respectively, but reduces to three the number of exceptions allowable above that limit. The new BCM will apply from the 2009/10 financial year to allow schools sufficient notice before the changes come into effect.

(5) The POC report contained a summary of the changes which were agreed by the Funding Forum. It was emphasised to the schools that the BCM is to encourage them to spend their revenue resources on the pupils in school now, not to take funding from them.

(6) Miss Carey stated that there needed to be more of an emotional discussion to encourage the schools to spend their money on the children currently at school. The schools may just think they are being prudent by keeping funding as capital.

(7) Mr Abbott stated that the process was made easier by working closely with the Forum and the Headteachers and Governors and some frank discussions had been had about how revenue money should be spent.

(8) Mrs Dean asked whether any funding had been offered to CFE for their work on recovering these balances, Mr Abbott confirmed that no funding had been received, but the Forum had contributed £200k for the further training in schools.

(9) Mr Smyth asked whether the possibility of the schools finding themselves in a deficit in the future was taken into account when considering recovery of the accumulated balances. Mr Abbott confirmed that it was, and that three year planning was becoming much more common in schools.

(10) Members of the IMG were pleased to hear that CFE were endeavouring to deal with the problem of schools with consistently high levels of reserves over the last 5 years and wished the Officers every success.

3. Revenue and Capital Budgets Monitoring Quarterly Report *(Item 2)*

(1) Mr Wood highlighted a table within the report which showed an underspend of just under £2.4m after management action (excluding Asylum costs). Taking the funding shortfall of £4.186m forecast for the Asylum Service there was just under a £1.8m projected overspend, which Officers felt was encouraging at this stage of the year.

(2) Any revenue budget variance over £100k had been included within a table in the report for Members information. A large amount of information was contained in this table which Members felt was very useful, whether so much detail is needed was queried but it was decided that if only variances over £500k were shown much of the detail may be missed. Members requested that the items within the variance table be grouped by service in future. **(AW to note)**

(3) Mr Wood confirmed that an officer from Corporate Finance had visited Iceland with an Officer from London Borough of Barnet to represent all the Authorities who had investments in Icelandic banks.

(4) Miss Carey queried some staffing costs of the Corporate Property Unit which had previously been capitalised and Mr Wood clarified that in the past staffing costs for Officers engaged in capital projects had been charged directly to the capital projects, but Auditors have confirmed that costs must be directly attributed to individual projects which would involve Senior Officers keeping detailed time sheets, which is not practical. It was useful in the past to charge Officers time to capital projects because it reflected the true cost of the projects.

(5) Mrs Dean asked whether the Allington Waste site was now working and Mr Wood offered to circulate a briefing note to Members of the IMG to update them on the latest situation with the Allington Site. **(AW to action)**

(6) Members also asked about the ongoing revenue costs of Turner Contemporary, Mr Wood confirmed that KCC were funding part of the revenue cost and that there was a contingency fund for potential overspend. Mr Wood agreed to clarify to Members of the IMG the annual ongoing revenue costs of Turner Contemporary. **(AW to action)**

(7) Mrs Dean asked for more information on the large gap between the actual and budgeted level of assisted SEN transport to school. Mr Wood agreed to confirm the current situation regarding assisted SEN transport to school. **(AW to action)**

(8) Mrs Dean asked for clarification on an injection into the Highways Service which had been discussed at a previous meeting of the E&R POC. Members had concerns over the differing amounts being suggested, the ability of Highways to spend a large amount of money by the end of the financial year, whether the money has been taken away from local schemes and the effect this would have in the future. Mr Wood agreed to update Members on the current situation. **(AW to action)**

(9) Mrs Dean stated that despite having asked a number of times, she had been unable to get an answer to her question about what the £200k of savings made by Kent TV had actually been on, i.e. whether the savings had been made as a direct result of Kent TV, or whether they had been made through a number of initiatives.

Mr Wood explained that £1.2m funding had been spread equally across 2 years.

April 07 – March 08 = £600k

April 08 – March 09 = £400k (£200k savings)

The budget was set on the basis that the project has run from April 2007 – March 2009, but in reality the project began in September 2007 and runs until August 2009. A decision had to be made about including £400k in the 09/10 budget, otherwise it would be assumed that the project would come to an end, however in the event of Kent TV continuing past August 2009 the funding would have to be shown in the MTP. As no decision has yet been taken, it is prudent to provide for funding for the project to continue beyond August 2009; if it doesn't continue, then the £400k will be available for something else. Members agreed with Mr Wood that it was difficult to compare the publicity budget year on year as one year might contain a budget for a waste campaign for example, the next year might contain a budget for a cloth nappy campaign. However Members of the IMG did ask that they be provided with examples of where Kent TV has saved money through reducing publicity or other initiatives. **(AW to action)**

(10) Members also queried why the transfer of Local Involvement Networks from the Public Health portfolio to the Environment, Highways and Waste portfolio had taken place. Mr Wood agreed to report back to Members of the IMG **(AW to action)**

(11) In relation to the information contained within the report about the price per barrel of oil Members asked whether the Council had managed to avoid agreeing contracts when the cost of oil was at it's peak in June and July of this year. Mr Wood confirmed that the Council couldn't avoid some contracts being agreed at this time.

(12) Members of the IMG noted the report subject to reports back on the issues raised and contained above.

4. Business Planning

(Item 4)

- (1) Mr Wood had previously circulated this report by email and copies were available for Members of the IMG. Members discussed the continuing issue of Key Decisions being taken by Directorates without any reference being contained within the forward plan. Not only that, the business plans did not always clearly specify what decisions needed to be taken and when.
- (2) It was agreed that due to time constraints this item would be reconsidered at a future meeting of the IMG and Members asked Mr Wood to take the point about how best to deal with the issue of Key Decisions on board. (AT to add to the next agenda)

5. Dates for Future Meetings – January to July 2009

(Item 5)

- (1) Mrs Taylor circulated a report detailing meeting dates for both the IMG and the Cabinet Scrutiny Agenda Planning meetings for January to July 2009. Two outstanding meetings were still to be finalised when Mr Simmonds returned from leave.