

MAIDSTONE BOROUGH COUNCIL

**MINUTES OF THE CORPORATE SERVICES OVERVIEW AND
SCRUTINY COMMITTEE MEETING HELD ON TUESDAY 3
AUGUST 2010**

PRESENT: Councillor Harwood (Chairman)
Councillors Bradshaw, Hinder, Lusty, Parr and
Mrs Wilson

27. The Committee to consider whether all items on the agenda should be web-cast.

Resolved: That all items on the Agenda be web-cast.

28. Apologies.

Apologies for absence were received from Councillor Ross.

29. Notification of Substitute Members.

There were no Substitute Members.

30. Notification of Visiting Members.

There were no Visiting Members.

31. Disclosures by Members and Officers

There were none.

32. To consider whether any items should be taken in private because of the possible disclosure of exempt information.

Resolved: That all items on the agenda be taken in public as proposed.

33. Budget Strategy 2011/12 Onwards:

The Chairman welcomed the Leader of the Council, Councillor Chris Garland and the Head of Finance and Customer Services, Paul Riley to the meeting to discuss the 2011/12 Budget Strategy. Councillor Garland noted that the next three years would be particularly challenging with a requirement to make revenue savings of £2.77m in 2011/12, £1.64m in 2012/13 and £2.17m in 2013/14. He highlighted that £1.9m in savings had been identified for consideration, but that a further £800k was required. Councillor Garland emphasised the importance of working with the opposition to identify the required cuts to spending and informed the Committee that the Cabinet Members had arranged meetings with the relevant shadow Cabinet Members.

Mr Riley gave a short powerpoint presentation, attached at Appendix A, regarding the Budget. This highlighted the local and national context for the budget and Members noted that the Government's proposed cut of £6.2bn equated to just 4% of the UK's estimated budget deficit. The details of the Government's proposed £6.2bn cuts were to be announced as part of the Spending Review on 20 October 2010. The Government had so far announced a reduction of £1.2bn in grants and a freeze on public sector pay for earners above £21,000, and had also instructed a freeze on council tax.

Mr Riley informed the Committee that the details of how the Government intended to administer the freeze on council tax had not yet been announced. The freeze could either be implemented as an actual freeze on the rate of council tax or by providing a rebate to the Council Tax Payer. The Committee appreciated that whilst a rebate could serve the interest of the Council better in the long run, residents would prefer an actual freeze to avoid effectively receiving a double increment the following year. The Committee was concerned that there was a potential risk to the Council's budget in assuming that it would receive a rebate rather than an actual freeze on council tax. Members considered this to be a risk to the 2011/12 budgeting as the Council did not know how much of a rebate it would receive. They also considered it a risk to the budget in the medium term as the council tax level could be frozen in 2011/12 and consequently any future council tax increase would achieve less revenue than if an increase in 2011/12 had occurred.

Turning to capital resources, Mr Riley clarified that budgeted capital financing over the next three years included growth point money under the title of 'Grants' and £185k from right to buy sales by Golding Homes under the title of 'Capital Receipts in Hand'. Some contributions for the museum had been confirmed and had therefore been included in the capital financing. Furthermore, Kent County Council had confirmed their contributions towards the High Street Regeneration scheme and this had also been included.

Prudential borrowing of £1.839m was identified to balance current expected financing levels with the capital programme. Mr Riley advised that the interest and capital repayment for this loan was £129,592 per annum over 20 years or £97,250 over 40 years, based on current fixed rates of interest available to the Council. The budget's annual savings target had been adjusted to reflect these repayments. The Committee expressed its concern regarding the timing of the borrowing and highlighted that if the Council decided to borrow to fund the programme, it was better to do so sooner rather than later to take advantage of the lower interest rates. Councillor Garland agreed that it would be in the Council's interest to borrow early given its capital programme.

In response to a question, Mr Riley informed the Committee that only a small percentage of the Council's employees were not part of the pension scheme and that it had approximately 500 active members. The Committee considered methods to reduce pension contributions and was informed that as it was a statutory scheme any changes could only be

made through statute. This also meant that different conditions could not be given out to new employees joining the scheme unless it was stipulated in statute and any changes to the scheme could not be implemented to affect the conditions of pension payments earned in the past. The Committee considered a possible way to reduce pension payments and on-costs was the use of temporary staff for non professional roles and agreed that it would be prudent for the Council to discuss the advantages and practicalities of employing temporary staff with Kent County Council. Mr Riley informed the Committee that individual local authorities could reduce pension deficits by paying the year's pension contributions in a lump sum rather than by instalment to enable earlier investment. However, he did not feel that the Council would be able to make a large enough lump sum to make a difference to its deficit. The Committee was concerned that the Council was potentially being penalised for Kent County Council's investment in the collapsed Icelandic banks and asked that this be clarified. The Government was currently reviewing the pension scheme and was considering using Consumer Price Index in place of Retail Price Index and the Committee requested a copy of this report as soon as the review was complete.

The Committee considered the possible changing role of the Council from service provider to enabler and safety net. The Committee felt that a consultation setting out the Council's financial situation was essential, and that residents should be asked what discretionary services they were prepared to lose as part of the Council's changing role. Members considered that it was particularly important that the consultation regarding discretionary services be factually informed and agreed that service heads should be asked to initially identify the value of Council services and which discretionary services were in their view really needed. Members noted that the electoral register update was being posted to every property in the Borough in October and agreed that officers should explore sending budget consultation literature out with this, noting the cost effectiveness of such a route.

Consultation with staff regarding the budget would be undertaken as part of the public consultation process. The Committee felt that prior to public consultation, Managers should talk through a series of detailed questions with staff on how to radically rethink their services and how to make savings of 25% and 40%, in line with an internal Government exercise. Councillor Garland highlighted to the Committee that given the economic pressures, many local authorities were now more receptive to partnership working arrangements and the Committee agreed that opportunities for partnership working and service level agreements should therefore be further explored. Members noted that the MKIP Programme Manager had conducted a workshop with Councillors to consider possible partnership ideas and agreed that a follow up session now be arranged.

Mr Riley informed the Committee that Managers had been asked to identify savings prior to being given a saving's target. He emphasised that it was a three year budget and therefore radical savings could be identified across a three year programme. Members noted that money was available from the Invest to Save programme and agreed that this

should be further publicised to staff, noting that suggestions from staff on ways to do things differently had the potential to generate long term ongoing savings. Furthermore, the Committee requested a report on suggestions made by staff on ways to save money, such as the Bright Sparks scheme.

The Committee noted the work of Kent County Council in pursuing considerable savings through eliminating lease cars, essential user allowances and encouraging officers to reduce mileages by working smarter and utilising new technologies such as conference calls rather than face to face meetings. Mr Riley informed the Committee that the Cabinet Member for Corporate Services had also identified this as a possible area for saving and the details and implementation of this was currently being considered. The Committee agreed its support of this initiative.

Members considered the emergence of a two speed economy whereby the public sector continued to struggle as a result of budget deficits and the private sector grew. The Committee felt it was important to consider methods to ensure that the private sector did not disproportionately benefit from this through Council subsidy of rents and tariffs. Furthermore, Members expressed concern that the Council could potentially lose or fail to attract high calibre staff as a result of a strengthening private sector. The Committee therefore agreed that this should be reviewed.

The Committee also discussed the following:

- How officers had been able to fund unplanned projects from existing budgets and the need to monitor where these contingency funds arose to inform future budgeting;
- The need to list IT separately in the budget to recognise the fact money was needed to be spent on new technologies to save money in the long term;
- Opportunities to secure additional sources of funding. The Committee agreed to receive quarterly reports on the grants identified and obtained by the Council; and
- Opportunities to work with Kent County Council to identify and obtain European sources of funding.

The Chairman thanked Councillor Garland and Mr Riley for an informative presentation and for the opportunity to comment on the budget at such an early stage.

Resolved: That

- a) The Cabinet Member for Corporate Services notes:
 - i. The Committee's support to identify new ways of working and the utilisation of new technologies to reduce costs; and
 - ii. The potential risk to the Council's budget in assuming that the Council would receive a council tax rebate;

- b) Service Heads be asked to identify what value added services were needed to inform public consultation on discretionary services;
- c) The feasibility of sending out budget consultation literature to each property with the electoral register update be explored;
- d) Prior to public consultation, Managers talk through a series of detailed questions with employees on how to radically rethink their services to achieve savings of 25% and 40% and that this include:
 - i. Publicity of the Invest to Save Programme; and
 - ii. Further exploration of opportunities for partnership working;
- e) The MKIP Programme Manager hold a follow up workshop to identify possible partnership working initiatives with Members;
- f) The Council consider the cost benefit of employing temporary staff to achieve savings from on-costs and discuss the practicalities of this with Kent County Council;
- g) The Council remain congruent of reviewing rents and tariffs for the private sector areas that had seen growth;
- h) The Cabinet Member for Corporate Services review how to retain and attract high calibre staff in competition with a recovered private sector;
- i) The funding of new projects from service contingency funds be monitored to inform future budgeting;
- j) IT be listed separately in the budget;
- k) Opportunities to work with Kent County Council to identify and obtain European sources of funding be sought; and
- l) The Committee be provided with the following information:
 - i. A report on the suggestions of staff to make savings;
 - ii. Clarification with regard to whether or not Maidstone Borough Council was being penalised by Kent County Council for their decision to invest in Icelandic Banks;
 - iii. A copy of the Government's review of Local Authority pension's report as soon as it was completed; and
 - iv. Quarterly reports on grants identified and obtained by the Community Funding Officer

34. Future Work Programme and the Forward Plan of Key Decisions.

Members noted that it would be commencing its review of the Gateway at its meeting on 31 August and that the Revenues, Benefits and Customer Services Manager and Customer Services Manager would be in attendance to be interviewed regarding the Gateway. The Head of Business Improvement and the Business Service Manager would also be in attendance to present the requested MOSAIC data relevant to its review.

The Overview and Scrutiny Officer reminded the Committee that she had asked Members to inform her of their availability for a number of dates in September for a day long Committee Meeting to interview a variety of witnesses regarding the Gateway. The Committee agreed to hold the meeting on Thursday 16 September and agreed to incorporate the proposed visit of the Gateway into its programme for this day as well.

The Overview and Scrutiny Officer advised the Committee that the Government had recently announced consultations on the following:

- Local referendums to veto excessive council tax increases;
- The Benefits and Tax Credit System including the idea of a single integrated Universal Credit; and
- Localism and decentralism of public services.

The Committee considered forming a working group to respond to the consultations but felt that this would be burdensome given its already heavy workload. The Committee asked the Overview and Scrutiny Officer to forward the relevant links to the consultations to the Committee to enable Members to respond on an individual basis as they felt appropriate.

Resolved: That

- a) The Future Work Programme be noted;
- b) The proposed all day Gateway Review meeting take place on 16 September and this incorporate a Gateway visit; and
- c) The Committee be emailed the relevant internet links to the recently announced consultation pieces.

35. Duration of the Meeting.

6.30 pm to 8.40pm



CORPORATE SERVICES
OVERVIEW & SCRUTINY

Tuesday 3 August 2010



MAIDSTONE
BOROUGH COUNCIL

digitalmaidstone.co.uk

The slide features a blue background with a faint circular pattern. On the left, there is an orange vertical bar containing a grid of seven small portrait photos of council members. The title and date are centered in white text. The council logo and website URL are located at the bottom of the slide.





BUDGET STRATEGY
2011/12 ONWARDS

Paul Riley
Head of Finance & Customer Services



MAIDSTONE
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LOCAL CONTEXT

2009/10 Outturn:

- Shortfall in income of £0.75m
- Carry Forwards of £0.4m
- Covered by salary vacancy
- Additionally
 - Revenue support to Capital £1.3m
 - VAT rebate + interest £1.7m

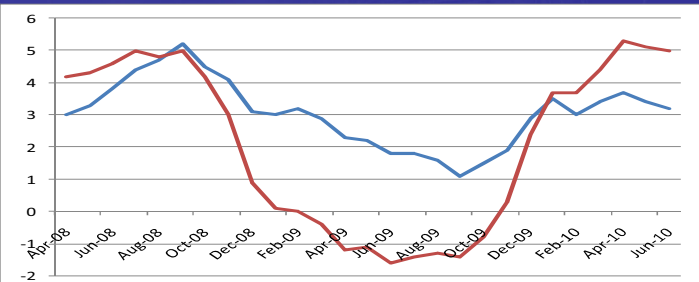
Influences on 2010/11 Budget:

- Total reduction in income targets £2.1m
- Healthy revenue balances
- VAT rebate of £1.7m

NATIONAL CONTEXT

RPI & CPI from 2008/09 to date.



Red = Retail Price Index
 Blue = Consumer Price Index

Base rate fell from 5.25% to 0.5% and held

7 day LIBOR fell from 5.71% to 0.55% and held

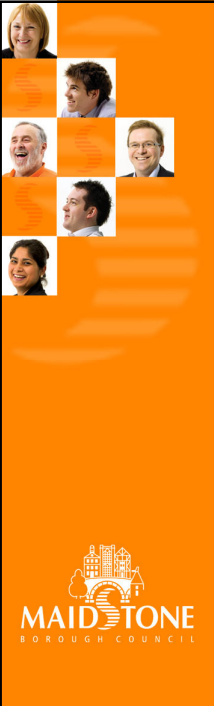


NATIONAL CONTEXT

NATIONAL DEBT & GDP BY FINANCIAL YEARS


	2007/08	2008/09	2009/10	May 2010
Net Debt	£621.6bn	£742.2bn	£889.5bn	£903.0bn
Movement		£120.6bn	£147.3bn	£156.0bn
GDP	£1,330.7bn	£1,312.2bn	£1,263.9bn	
Net Debt / GDP %	46.7%	56.6%	70.3%	

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Government spending cuts

PROPOSED CUTS AS % OF UK'S BUDGET DEFICIT (£156bn estimated)

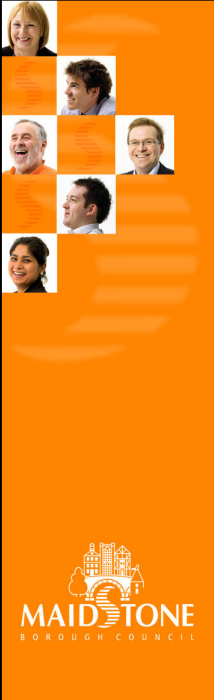


£6.2bn cuts
4.0% of estimated budget deficit

BREAKDOWN OF CUTS BY DEPARTMENT % of current budget

Department	% of current budget
Communities and Local Govt	7.5
Dept for Work and Pensions	6.5
Dept for Environment, Food and Rural Affairs	6.0
Transport	5.5
Business	5.0
Chancellor's Dept	4.5
Home Office	4.0
Culture, Media and Sport	3.5
Justice	3.5
Cabinet Office	3.5
Energy and Climate Change	3.0
Law Officers' Dept	2.5
Foreign Office	2.5
Local Government	1.5
Devolved Administrations	1.5
Education	1.5

% based on 2010/11 budget plans less depreciation Source: HM Treasury



NATIONAL CONTEXT


- Government spending reduced by £6.2bn in year.
- Revenue Support Grant for 2010/11 – No change.
- £1.2bn other grants reduced:
 - Housing and Planning Delivery Grant
 - Local Area Agreement Reward
 - Local Authority Business Grant Initiative
 - Phase out ring-fencing of grants
- Freeze on council tax
- Freeze on public sector pay (above £21,000)
- Spending Review complete by 20 October 2010



STRATEGIC PROJECTION

CURRENT GROWTH ASSUMPTIONS

	2011/12	2012/13	2013/14
	<u>£,000</u>	<u>£,000</u>	<u>£,000</u>
BASIC INFLATION	359	248	301
CONTRACTUAL GROWTH PROVISION	150	150	70
REDUCED BENEFIT GRANT	40	40	40
INCOME REDUCTION	150	50	50
COBTREE	80	20	
CONCESSIONARY FARES	150		
RECYCLING			300
REGENERATION ACTIVITY			430
HOMELESSNESS STRATEGY	70		
LOSS OF INTEREST	150	100	100
LEISURE CENTRE	160		
COST OF BORROWING	150	150	
LDF PROVISION	400		
PENSION FUND VALUATION	500	500	500
GOVERNMENT SAVINGS	800	800	800
TOTAL	3,159	2,058	2,591



REVENUE BUDGET PLANNING UPDATE

	2011/12 £,000	2012/13 £,000	2013/14 £,000
CURRENT GROWTH ASSUMPTIONS	3,159	2,058	2,591
GROWTH IN RESOURCES	-388	-411	-423
SAVING REQUIREMENT	2,771	1,647	2,168
 SAVING AS A PERCENTAGE OF BUDGET REQUIREMENT	 11.9%	 7.0%	 9.0%




KEY RISKS 2011/12 ONWARDS

- Announcement on future RSG from spending review.
- 25% reduction in public sector spend over 4 years.
- Triennial review of the pension fund.
- Movement in the economy?



KEY OPPORTUNITIES 2011/12 ONWARDS

- Current restructure.
- VAT rebate £1.7m.
- General balances in excess of 10% = £0.8m.
- Council tax freeze – details still awaited.



CAPITAL CURRENT PROGRAMME

	2010/11 £,000	2011/12 £,000	2012/13 £,000
MUSEUM	2,325	616	
MOTE PARK	726	1,723	
HIGH STREET	199	2,260	1,190
SOCIAL HOUSING	2,607	968	500
PRIVATE SECTOR HOUSING	1,844	1,844	1,380
CONTINUED MINOR PROGRAMMES	747	611	470
REGENERATION SCHEMES	722	185	
B/FWD COMMITMENTS	1,444		
TOTAL	* 10,614	8,207	3,540


* Gypsy Site Grant – funding & budget removed from 2010/11



CAPITAL SOURCES OF INVESTMENT

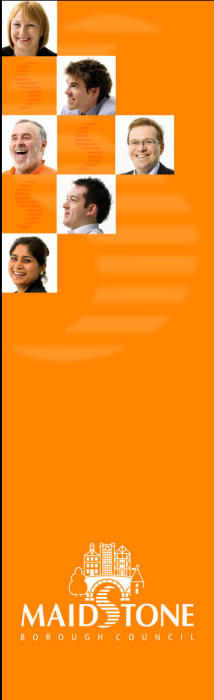
CURRENT POSITION:	2010/11 £,000	2011/12 £,000	2012/13 £,000
GRANTS	4,279	2,666	450
CAPITAL RECEIPTS IN HAND	2,184		
ASSET TO SELL	3,200	3,400	800
CONTRIBUTIONS	400	1,200	300
REVENUE CONTRIBUTION	1,643		
TOTAL	11,706	7,266	1,550

The Council has also approved prudential borrowing up to maximum of £4 million.



CAPITAL BORROWING REQUIREMENT

	2010/11 £,000	2011/12 £,000	2012/13 £,000
Total Capital Expenditure	10,614	8,207	3,540
Total Resources available	(11,706)	(7,266)	(1,550)
Excess Carried Forward		(1,092)	(151)
Balance:	(1,092)	(151)	1,839
(Excess Receipts) / Borrowing Need			



CAPITAL PRUDENTIAL BORROWING

BORROWING NEED IN 2012/13 = £1,839,000

REVENUE CHARGE:	<u>ANNUAL</u>	<u>TOTAL</u>
20 YEARS @ 3.77%	£129,592	£2,657,000
40 YEARS @ 4.37%	£97,250	£3,939,000

PWLB RATES AS AT 3rd AUGUST 2010

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BUDGET STRATEGY TIMETABLE

ACTION	DATE
Initial consideration by Cabinet.	14/07/2010
Consideration by Overview & Scrutiny	03/08/2010
Public Consultation – Report to cabinet	11/08/2010
Public Consultation – Approved Action	Sept to Oct 2010
Detailed consideration by Cabinet Members	Sept to Oct 2010
Cabinet review including consideration of updated factors (Government & Consultation)	22/12/2010
Consideration by Overview & Scrutiny	10/01/2011
Reference back to Cabinet from Overview & Scrutiny	12/01/2011
Approval by Cabinet Members	Jan to Feb 2011
Approval by Cabinet with reference to Council	09/02/2011
Approval by Council & setting Council Tax	02/03/2011

MAIDSTONE
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CABINET DECISION

- 2.5% COUNCIL TAX INCREASE FOR PLANNING PURPOSES.
- ADOPTION OF "MOST LIKELY SCENARIO" STRATEGIC PROJECTION.
- NOTE THE CAPITAL PROGRAMME.
- AGREE THE BUDGET STRATEGY TIMETABLE.