MAIDSTONE BOROUGH COUNCIL

MINUTES OF THE CORPORATE SERVICES OVERVIEW AND SCRUTINY COMMITTEE MEETING HELD ON TUESDAY 6 JANUARY 2009

PRESENT: Councillors Mrs Stockell (Chairman), Bradshaw, Butler, Hotson, Marshall, Mrs Marshall, Mortimer and Parr.

APOLOGIES: Councillor F Wilson.

93. Web-Casting

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

94. Notification of Substitute Members

There were no substitute Members.

95. Notification of Visiting Members

There were no visiting Members.

96. Disclosures by Members and Officers

There were no disclosures.

97. Exempt Items

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

98. Minutes

Resolved: That the minutes of the meeting held on 2 December 2008 be agreed as a correct record and signed by the Chairman.

99. Budget Strategy 2009/10 Onwards

The Chief Finance Officer, Derek Williamson, gave a presentation on the Budget Strategy 2009/10 Onwards (attached at Appendix A). Key points raised during the presentation included:

- Problems with the budget in 2008/09 arising from the economic downturn had mainly been funded from the 2007/08 underspend;
- Concessionary fares had had a positive impact on the budget this year. The base budget for this had been £2.2 million with a contingency of £200,000 allocated due to uncertainty over the cost following changes to the national scheme. £500,000 had also been identified in reserves to fund concessionary fares if necessary. Figures for the first quarter had now been received and showed that the full-year cost for Maidstone was projected to be £1.6 million.

Recent figures for the second quarter revised this to £1.7 million. The Cabinet had accounted for £300,000 of this saving in its 2009/10 budget, allowing room for further revision of the full year figure. No analysis had taken place to establish why this figure was lower than expected;
- The base rate had a major impact on investment income and had changed from 5.25% in April 2008 to 2% in December 2008;
- The 2009/10 budget included a £40,000 'fighting fund' to allow the Council to respond quickly to any issues arising from the recession, for example if there was additional pressure on the benefits team to process extra applications, temporary help could be brought in; and
- With regard to the capital programme, Cabinet had agreed a programme of slippage rather than borrowing to fund it. This slippage was subject to quarterly reports to Cabinet to ensure projects were only slipped for as long as necessary.

The Leader of the Council, Councillor Chris Garland, then outlined his views on the budget strategy. He highlighted that since May 2008, Cabinet had received reports of declining income and a reduction in expected capital receipts; this had been particularly bad in the Environment portfolio. Action had been taken as issues had arisen to keep the Council's budget in balance and despite the downturn, the Council's budget was healthy. The Cabinet's priority was to maintain frontline services, for example, park and ride, waste and recycling and planning and enforcement. The Cabinet was anticipating a council tax rise of just over 4% this year which would equate to an additional £8-10 per annum for a Band D household. Councillor Garland stated that while it was tempting politically to spend balances on popular projects, his view was that it was better to retain these to mitigate problems through the recession. The Council also needed to consider which discretionary services it should provide, as £3.5 million was spent on these each year. Combining back office functions through the Mid Kent Improvement Partnership (MKIP) would also produce savings. The economic downturn required the Council to reconsider what it did, how it did it and who with.

In response to a question, Mr Williamson explained that the Government made a decision on council tax capping criteria in April or May. The only guidance provided before this was that the Government expected "good" council tax increases that were, on average, lower than the previous year. Capping in recent years had taken place when increases had been over 5% and authorities across Kent were assuming this would be the case this year. The Government was still able to cap council tax after a council had set its budget, or impose a limit on spending increases for the following year for that council.

With regard to the Comprehensive Spending Review 2007, Mr Williamson agreed that it had been beneficial being informed of the Government grant levels for three years in terms of forward planning, though the system was still not perfect – legislation still allowed the Government to change the grant levels, and at the end of the three years there would be further uncertainty.

Members asked a number of questions with regard to the cost of waste and recycling. Councillor Garland explained that this year there had been a capital cost involved as new bins for the second and third phases of the new recycling scheme roll-out had needed to be purchased. Owing to increases in oil prices, and therefore the cost of plastic, and high demand for wheeled bins, the price had increased from £12 to £17 per bin, requiring an additional £160,000 capital expenditure. This price had been agreed and could not be renegotiated. With regard to revenue costs, the Council was in discussion with Kent County Council (KCC) about recycling credits because this was not working as well as it could. Councillor Garland stated that the waste and recycling scheme was not the optimum scheme at the moment but all services would be reviewed in the coming year. This did not mean a return to the fortnightly collection option, however it was important to make the scheme as efficient as possible while meeting high government recycling targets.

A Councillor asked how the Council was being affected by the decline in income from recycled materials. Councillor Garland explained that as the Council was the collection authority the reduction in income would affect KCC as the disposal authority. There was however a possibility that the Council could be adversely affected by this through the recycling credits system, but Mr Williamson stated that this was not currently considered to be a medium term risk.

A Councillor suggested that it could be beneficial to the local economy for the Council to get involved in building houses, rather than purchasing existing properties through housing trusts. Councillor Garland stated that he did not believe that recovery from the economic situation would be housing-led due to difficulties in obtaining mortgages, so getting involved in new builds would not assist the situation greatly. However, there would be increased demand for affordable housing and the Council had a role to play in assisting housing associations in purchasing new properties. For example, the Council had recently spent £400,000 to obtain 55 units and would consider a similar venture in the future to assist residents in need. In response to a further question, the Leader stated that the Council could not get involved in the purchase of repossessed properties, as this was the responsibility of the lenders, however the Council, through its Housing Strategy, had a proactive approach to bringing empty properties back into use.

A Member suggested that investment income could be used to purchase assets now that prices were low. Mr Williamson stated that the purchase of assets was capital expenditure which could only be achieved by spending capital receipts or borrowing. Investment income could not be used for this purpose. All of the anticipated capital receipts in the capital programme had been allocated to specific projects.

The decision on which capital projects to slip in the capital programme had been decided according to Cabinet priorities and consideration of which projects would have the most impact on service delivery. All capital projects were originally agreed according to their affordability, delivery and contribution to delivering the Council's priorities. A Councillor referred to the slippage of the renovation grants and suggested this could be counter-productive as this work could cost more to do when the project finally moved forward. Mr Williamson explained that these were largely partial grants to private home-owners and in the current economic climate there was less demand for these. The aim of the grants was to deliver decent homes and the Council was already ahead of target for this.

The Leader stated that a review of the Council's workforce had been carried out and the second phase of this was now taking place. This did not necessarily mean redundancies, however it was essential that the workforce provided an efficient frontline service and provided value to the taxpayer. Efficiency savings through the MKIP would play a large role in reviewing the Council's workforce. In response to a further question, Mr Williamson explained that the Council's gross spend was £76 million per year. £36 million of this was benefits, which was fully reimbursed by the Government. Of the remaining £40 million, salaries and wages accounted for approximately £18 million, or 45% of the Council's overall annual spend.

With regard to staff pensions, Mr Williamson informed Members that the last actuarial review had taken place in 2007 with the impact of the resulting increased contributions by the Council being apparent in the 2008/09 budget. Allowances had been made in the medium term financial plan for further contributions following the 2010 actuarial review.

A Councillor asked whether Mr Williamson believed the assumptions made with regard to the tax base increase were reasonable. Mr Williamson confirmed this, and highlighted that the figures on the tax base increase for next year would also be considered by the General Purposes Committee. The tax base increase for the foreseeable future had been calculated at 0.5%, which was appropriate given that even in difficult times there was always growth. It was noted that council tax had to be paid on all properties, including empty ones.

A Member highlighted that the Bank of England was expected to reduce interest rates to below 2% and asked whether this had been accounted for. Mr Williamson confirmed that this had been factored into the budget, though the day-to-day budget projections allowed for interest rates of 2-2.5%. The Finance Section aimed to time investments to ensure that the best possible rates would be achieved.

In response to a question, Mr Williamson confirmed that the £40,000 additional income from park and ride was based on the additional spaces at the Sittingbourne Road site and was net income.

Councillors asked for clarification with regard to the Revenue Savings Estimate 2009/10 and requested a breakdown of where all of the proposed savings would come from. Councillor Garland stated that the proposed saving "Recycling and Refuse Service – Withdraw Freighter" referred to making the service more efficient. The freighter service would not be withdrawn as this would lead to more fly-tipping.

With regard to the public consultation on the budget, Councillor Garland confirmed that all residents who had responded and supplied contact details would be responded to.

Councillors asked how the review of the provision of discretionary services would be carried out. Councillor Garland stated that this process would start after this budget process had been completed and would include scrutiny and an all-Member seminar. It was confirmed that concurrent functions were discretionary and formed a large part of the discretionary budget. All discretionary services, including grants to outside bodies, would be reviewed. Mr Williamson highlighted that all discretionary services would be considered in relation to their contribution to the delivery of the Strategic Plan.

In response to a question, Mr Williamson confirmed that if a financial risk was shown in the risk assessment of any project this would be built into the budget.

A Councillor noted that the budget was normally considered in conjunction with the Strategic Plan but this had been delayed this year due to delays in producing the Sustainable Community Strategy (SCS). Councillor Garland informed Members that the delays in producing the SCS had been due to delays in Government guidance, but a draft would be out for consultation shortly.

With regard to Growth Point money, Mr Williamson explained that the allocations for years 2 and 3 of this were slightly higher than the indicative allocations and a report would be submitted to Cabinet shortly to consider how these additional resources would be spent.

Members thanked the Leader and Mr Williamson for their attendance, and expressed their gratitude to Mr Williamson for his hard work during his service with the Council.

Resolved: That a detailed breakdown of the proposed revenue savings 2009/10 be provided to the Committee.

100. Future Work Programme

The Senior Overview and Scrutiny Officer informed the Committee that officers from the Property and Procurement Section would be in attendance at the next meeting to discuss how the Council acquired and disposed of assets.

Resolved: That the future work programme be noted.

101. Duration of the Meeting

6:30 p.m. to 8:30 p.m.