

BUDGET WORKING GROUP

Meeting date: Monday 15th August 2005

Members present: Councillor Bryant (Portfolio Holder)
Councillor Craft
Councillor Kirkman
Councillor Lovelock (Chairman)
Councillor Moore
Councillor Gerald Taylor
Councillor Mike Taylor

Officers present: Colin Wyatt
Rebecca Chadwick
Clare Barnes
David Scott
Andrew Crawford

Apologies: Councillor Mrs Bosworth
Councillor Conboy
Councillor Nicholson
Councillor Thompson
Councillor Wilks

1. Review of Last Year

Mr Wyatt circulated the 2004/05 General Fund Revenue Account and explained briefly why there had been a significant underspend. The history of underspends was discussed by the Group with members expressing their concerns on the quality of budgeting within South Kesteven. The Portfolio Holder commented that the Government was apparently advocating zero-based budgeting as Lincolnshire County Council was now required to use this method as from next year. The Portfolio Holder was looking to implement the same by using individual service plans for zero-based budgeting.

Mr Wyatt explained the reason for the underspend on the Council Tax Collection and Benefits Administration service.

The group also focussed on underspend in the areas of Development Control and Building Control and Mr Wyatt explained that the sections had generated more income through activity than anticipated. Further reasons for underspend in Economic Regeneration and Town Centre Development were given.

The group discussed this further in relation to the recent Planning Delivery Grant and apportionment of this grant was considered (*apportionment details appended*). The Portfolio Holder contributed to the discussion and emphasised that failure to allocate the entire Grant in 2005/2006 may jeopardise receipt of further funding. One member was concerned that it appeared that planning applications were being subsidised. Further information on this was requested for the next meeting.

The group also queried the underspend on Leisure Centres and Stadium and accepted that an explanation would have to be provided at the next meeting.

Members queried certain aspects of the pension liability balance and the change in accounting treatment, on which one member was most concerned. Mr Wyatt explained that in reality, there had not been a major impact on the Council's accounts but that the triennial revaluation of the pension liability had prompted an increase in employer's contribution. The Portfolio Holder commented that this had been a professional review, upon which the Council acted, thereby aggregating the Council's liability for a number of years. It was agreed that further information on pensions was not required.

The group considered further the new approach to individual service plans, all of which had now been submitted to the Portfolio Holder. The Portfolio Holder would be meeting with the Principal Accountant the following day to discuss how best to move forward with the plans, given that all but one had been submitted below the desired standard. This provoked considerable concern with a few members, although members did support the approach undertaken by the Portfolio Holder, especially as it may result in a better budget with less underspend.

Members raised various other points relating to the General Fund Revenue Account which were discussed and clarified by the officers.

Conclusions:

(1) Officers to provide information at the next meeting of the working group on:

- **the Development Control Service Plan and financial projections**
- **the reasons for underspend on Leisure Centres and the Stadium**

(2) That the Budget Working Group entirely support the Resources & Assets Portfolio Holder in the approach taken to individual service plans and that officers and the Portfolio Holder report at the next meeting on the progress with the service plans.

2. Government Grants, Council Tax Levels etc.

The working group considered report number FIN239 submitted to Cabinet on 8th August 2005 by the Director of Finance and Strategic Resources, as this was pertinent to the setting of the 2006/07 Budget.

The report stated that progress had been made in a number of areas including the government financial settlement, job evaluation, employer's pension contribution and resourcing of priorities. A number of members commented that progress had not been made, especially in relation to job evaluation. Members also questioned the large increase in Capital Finance Costs and further information was requested for the next meeting.

The group discussed in some detail financial strategy number 4 – the Council must continue to find new sources of funding for its activity – and it was commented that whilst this was acceptable, the recent DEFRA grant, although substantial, was not a good example of this because it had prompted a hasty decision regarding green waste collection. Members also considered that more should be done to maximise benefits of S.106 agreements; it was paramount that the Council be driven to use these more.

The group suggested that, in relation to strategy number 6, the Resources DSP should also receive regular investment reports. Discussion moved to more general aspects of

financial reporting and Mr Wyatt explained that a new computer system would be implemented that should provide an improved reporting mechanism. Members indicated that they desired at least quarterly financial statements. Members discussed the forthcoming non-key decision on the preferred software supplier and the procurement process. Some members were concerned that they had not been consulted formally on this decision.

The group discussed the profile of external financing 2004/05 to 2009/10. Mr Wyatt explained that this was the forecast should current levels of finance continue. This was considered in light of capping and the new approach to service plans. The benefits and otherwise of maintaining Council tax levels were discussed and it was suggested that significant increases were required regardless of slimmer budgeting to allow for inflation and capital projects. It was also suggested that because balances have not risen inordinately, the Council could not have been overcharging. An agreement on this matter was not reached as it was suggested that underspend had not been overly excessive as the Council had undertaken ad hoc projects. The level of reserves was also considered and it was suggested that these should be used more to even out pressure to increase Council Tax. There was no consensus on this matter.

In relation to the update on the potential influences on the draft base budget, Mr Wyatt stated that work on this was continuing. The group discussed further matters in the report including the progress with the Leisure Trust and the need to be innovative to reduce costs of the forthcoming grounds maintenance contract renewal.

Conclusions:

- (1) That officers provide further information at the next meeting on the increase in capital finance costs.**
- (2) To recommend that Medium Term Strategy No. 6 be amended to include the Resources DSP, in addition to the Constitution and Accounts Committee, as a receiver of investment performance reports.**
- (3) That the Budget Working Group expects to see a maximisation of S.106 Agreements and recommends that authorities implementing set percentages for developments be investigated.**
- (4) That members be welcome to attend the demonstration of new finance software on 24th August 2005.**
- (5) The Budget working group supports the continuation of budget consultation with the Local Area Assemblies.**

3. Priority Services.

The group discussed how they would proceed with addressing the financial needs of priority services and it was agreed that cash availability needed evaluating alongside service plans. It was commented that as priorities were reviewed annually, the budget could not be set accurately for 2006/07 at this stage.

The group concentrated on the proposed changes to the waste collection service and the impact on revenue requirements, which had been estimated at a lower level than first anticipated.

Conclusion:

Officers to provide further details on the financial impact of the proposed changes to the waste collection service.

4. Capital Programme Review

Mr Wyatt circulated a Capital Programme Summary and Financing Statement and a proposed capital projects prioritisation mechanism. This issue was pertinent to the Use of Resources part of the CPA inspection. He explained that, traditionally, the Council had set programmes that have not been delivered and so a capital project appraisal process had been proposed whereby the Property Performance Management Group (PPMG) could assess formally proposed projects. Timescales and revenue implications were included in the proposed system. Terms of reference for the PPMG were to be presented to CMT for approval. The new system would allow for greater monitoring of the programme's implementation by officers and members.

Members welcomed the proposals, considering them a rational approach to prioritisation, but some felt that it was lack of political drive that was impeding progress with implementing the capital programme. It was suggested that on the summary of proposed projects, a column be included on political importance.

The group discussed other issues with the officers including partnership working, flooding, financial provision in the capital programme and individual managers taking reports on capital projects to Cabinet without prior consultation.

It was considered that capital spend made a significant impact on services and the community and therefore required detailed scrutiny.

Conclusions:

- (1) To include the capital programme as a substantive agenda item at the next meeting of the working group with a view to establishing a smaller working group to scrutinise further.**
- (2) The Chairman to discuss with the Leader improvements to the implementation of the Capital Programme.**

5. Date of Next Meeting

Monday 12th September 2005, 1.30p.m., Committee Room 1.