

DURHAM COUNTY COUNCIL

At a Meeting of the **Corporate Issues Scrutiny Committee** held at the County Hall, Durham on **Monday 9 June 2008** at **10.00 a.m.**

COUNCILLOR B Avery in the Chair

Members: Councillors J Armstrong, N Harrison, J Lee, P May, E Murphy, S Robinson, R Rodgers and P Stradling

Other Members: Councillors J Blakey, R Burnip, J Chaplow, D Myers, D Southwell and J Wilkinson

Co-opted Member: B Scott

Apologies for absence were received from Councillor R Bell

A1 Welcome

The Chairman welcomed everyone to the first meeting of the Corporate Issues Scrutiny Committee.

A2 Terms of Reference of the Committee

The Committee noted a report of the Head of Overview and Scrutiny regarding the Terms of Reference of the Committee, Membership for 2008/09, and the Dates of Meetings.

Councillor Southwell expressed concern about the number of meetings of the Committee. The Head of Overview and Scrutiny explained that additional Committee and Working Group meetings would be arranged when the Budget timetable has been set.

A3 Minutes

The Minutes of the meeting held on 25 February 2008 was agreed as a correct record and signed by the Chairman.

A4 Declarations of Interest

There were no declarations of interest.

A5 Overview of Budget and Budget Process

The Committee received a presentation from the County Treasurer giving an overview of the budget and the budget process.

It was explained that in addition to Treasurers staff, there are senior members of staff within each service who are responsible for the building the detail of the budget for each service.

The budget reflects the priorities of the Council, i.e. where does the Council want to invest its resources. As part of the process budgets are examined to determine how much money needs to be saved, options are considered and what are the pressures from services.

An outturn report is submitted to Council towards the end of June. The process will begin with a report being submitted to Cabinet in July which will be shared with Scrutiny to allow a work programme to be prepared. Budget briefing sessions will be arranged to review how resources have been used.

A period of consultation takes place which involves the Citizens Panel, Trade Unions and the National Non Domestic Ratepayers. Children/young people, the business community and the voluntary sector have also been consulted.

The provisional settlement is received from Central Government towards the end of November and the final settlement received at the end of January. A report is submitted to Cabinet in January which includes information on the following:

- Background to the budget
- Priorities
- Consultation responses
- Financial settlement
- Area based grants
- Revenue
- Capital
- Medium Term Financial Plan
- Prudential Code
- Treasury management
- Robustness of estimates and reserves

This report will form the basis of the Cabinets recommendations to Council with the council tax being set towards the end of February.

The Council overall turnover is around £1.4 billion with Children's Services, Adult Services and the Environment service being the largest areas of spending. 47% of the overall budget is spent on employees with 51% being spent on running costs and 2% is spent on servicing capital. The largest source of income is the Dedicated Schools Grant which is spent on education. Specific grants, council tax and non domestic rates form the largest source of income for the Council. The Council Tax raise's around £150M in income.

Specific grants from Central Government are distributed by the four block model. The model is complex and not always transparent. It tries to reflect need and resources and tries to dampen year on year variance.

Council Tax increases over the last three years have been as follows:

2006/07	4.6%
2007/08	2.9%
2008/09	2.9%

In terms of capital expenditure the Children's Service's and the Environment Service have the largest expenditure. Capital expenditure is funded through borrowing, capital grants and capital receipts.

In response to questions the Treasurer explained that there was a need to improve consultation and to have better targeted consultation. The Treasurer confirmed that the County Council did receive a 3 year settlement last year but would continue receive a settlement each year. This will enable the Council to prepare a budget on the figures given but that there is a need for flexibility to deal with any changes that may occur. It was explained that the Government have confirmed that the new Council will not lose any funding when the County and District budgets are merged.

In relation to the proposal to equalise council tax to the level of the lowest District Council, the Treasurer advised that the council tax of both the County Council and District Councils would be brought together and equalised against the level of the Easington District council tax. It was explained that the Government expects transition costs to be met by pooling the reserves of all authorities and that this will be repaid from the savings made by the new authority. The County Council have provided £2M from reserves to meet the costs that have arisen following the recent election.

The Head of Overview and Scrutiny advised that training for members is being planned through the Centre for Public Scrutiny. Work will be undertaken jointly with Treasurers staff to examine finance and the scrutiny of finance. Members of the Committee were requested to provide the Head of Overview and Scrutiny with suggestions of areas to be examined. It was suggested that the main focus of the Corporate Issues Committee will be to look at the preparation of the County Councils Budget.

It was explained that the Audit Committee and the Overview and Scrutiny Committee will need to co-ordinate their work programmes to avoid duplication.

In terms of budgetary control the Treasurer explained that the Corporate Management Team is provided with monthly reports on budget performance. Reports are also provided to Members on a quarterly basis. Scrutiny has the opportunity to challenge Chief Officers. Services are challenged to meet their own overspends and only where this is very difficult will this be met from contingencies.

In response to a question about equalisation of council tax, the Treasurer advised that this was not likely to be a problem. A more difficult challenge will be to equalise fees and charges and the different standards of service across all councils. This issue will need to be considered as part of the budget process.