CABINET SCRUTINY COMMITTEE

MINUTES of a meeting of the Cabinet Scrutiny Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Monday, 26 January 2009.

PRESENT: Dr M R Eddy (Chairman), Mr D Smyth (Vice-Chairman), Ms S J Carey, Mr A R Chell, Mr B R Cope, Mr G Cowan, Mrs T Dean, Mr R W Gough, Mr C Hart, Mrs S V Hohler, Mrs J Law, Mr M J Northey, Mr J E Scholes, Mr J D Simmonds, Mr R Truelove and Mr R Tolputt (Substitute for Mr R E King)

ALSO PRESENT: Mr N J D Chard

IN ATTENDANCE: Ms L McMullan (Director of Finance), Mr A Wood (Head of Financial Management), Mr P Sass (Head of Democratic Services and Local Leadership) and Mrs A Taylor (Research Officer to Cabinet Scrutiny Committee)

UNRESTRICTED ITEMS

123. Apologies and Substitutes
(Item.1)

Mr Sass reported apologies from Mr R King, substituted by Mr R Tolputt and apologies from Mr Hotson.

124. Budget 2009/10 and Medium Term Financial Plan 2009-12
(Item. 3)

The Committee considered the Cabinet's proposed 2009/10 budget and Medium Term Financial Plan for 2009-12 and welcomed Mr N J D Chard, Cabinet Member for Finance, Ms L McMullan, Director of Finance and Mr A Wood, Head of Financial Management to the meeting.

Mr Smyth began the debate by congratulating the Finance Service for ensuring that the budget papers were produced a fortnight earlier than they had been in previous years, giving Members greater opportunity to read and digest the papers.

Referring to the press release that accompanied the publication of the budget papers, Mr Smyth asked Mr Chard to comment on the statement of the Leader of the Council that ways would be investigated to reduce the proposed increase in the Council Tax to below 2.85%. Mr Smyth also asked if the level of 2.85% was sustainable for 2010/11, stating that on two occasions in the past, the first year of a new 4-year Council term had involved a much higher increase in Council Tax than the immediately preceding year. Mr Chard stated that the proposed increase in Council Tax was highly commendable, given the Government's grant settlement for KCC and the spending pressures being faced by the authority. He acknowledged that the affordability of Council Tax payments was never more important than in the current economic climate and every opportunity would be taken to trim budgets further without affecting service delivery. With regard to the sustainability of the increase in Council Tax, Mr Chard commented that it was important to maintain stability, but warned that there was no absolute guarantee that grant levels would be maintained for 2010/11 given the unprecedented economic outlook and that further cost pressures might also impact on the level of the Council Tax 2010/11.

In response to a question from Mr Truelove on the impact of investments in Icelandic banks (page 25 of the MTP, paragraph 3.28), Ms McMullan stated that there was no impact in terms of the loss of capital or interest, as a claim had been submitted for the principal plus interest. She added that the DCLG had confirmed that there would be no bottom line impact on either the 2008/09 accounts or the 2009/10 council tax. In response to a further question from Mr Truelove about the impact of any future loss, Ms McMullan referred Members to page 46 of the Budget Book, stating that any future loss would be reflected under “interest on cash balances”. Slightly later in the meeting, but relating to this particular issue, Mr Simmonds reminded Members that it was just such events for which KCC held reserves and the prudence of this policy was now clear to see.

Mr Smyth referred to a statement made by David Cameron MP earlier this month at a press conference, at which he said that if there was a Parliamentary Election in April 2009 and the Conservative party came to power, he would issue an instruction to all of his Ministers that their departments’ budget increases would be restricted to 1% in real terms, rather than 2%. Mr Smyth stated that this was much more severe than the current Government’s decisions on public spending and he asked Mr Chard to comment on how a cut in grant of that order would be managed. Mr Chard stated that, in such a situation, he could not comment on what the full implications would be, although he added that the present Government’s decisions on regional variations in grant levels had affected Kent adversely, commenting that KCC would have received some £2.6m extra if we had been given the average grant for County Councils. Mr Chard also commented on the existing four-block model, which was an unhelpful way of calculating grant for KCC.

Mr Simmonds asked whether the Council was benefiting from lower interest rates on borrowing and sought information about the future cost of pensions. Ms McMullan stated that borrowing money over a short term was relatively cheap but more expensive over a longer term. She added that it was important to examine KCC’s borrowing strategy and it would be beneficial to restructure some old debt, although this would be difficult to achieve. She also stated that KCC was not encountering any problems borrowing money, but close attention was being focused on the ability of suppliers to borrow money. With regard to pensions, Ms McMullan stated that it was a very difficult market at the moment and that the authority was looking carefully at the right time to go back into the equities market. She added that the next actuarial review of the pension fund in 2011/12 was bound to be affected by the current economic situation. Mr Chard commented on the proposed Local Government Bank, which could help the public sector greatly if there was sufficient political will to achieve it, adding that he had attended a meeting at the Local Government Association the previous week to discuss the initiative.

Mr Scholes stated that there was an informal meeting of the Superannuation Fund Committee later in the week, to discuss the investment situation. He added that the actuarial valuation would not affect budgets until 2011/12, but careful financial planning would be needed to address the impact of any recommendation by the actuary as to the level of the employers’ contribution.

Mrs Dean asked how KCC's proposed level of Council Tax compared against other Councils and asked Mr Chard whether he thought that KCC had done well with Government funding over the last 12 years. Mr Chard stated that, out of 34 County Councils, KCC's proposed Band D Council Tax was the 12th lowest. He added that KCC was a leading innovator, which provided good value for money to residents. He also stated that KCC had received less grant this year than many other County Councils, but had still managed to propose a reasonable level of Council Tax increase.

Mrs Dean raised a further question about the targets each Directorate had for vacancy management. She stated that these were totally untargeted savings, as one could not predict where the vacancies might occur and Members had expressed concern about this approach in the past. She added that, from her calculations, the amount of money to be saved as a result of vacancy management had increased by £1.2m over the previous year. Mr Wood stated that the additional figure for vacancy management across all Directorates was less than 1% (about 0.3%) of the total salaries budget, when staff turnover was between 8% and 10% at any one time. He added that Mrs Dean was correct to say that it couldn't be predicted where the vacancies would arise, but that any statutory posts would not be left unfilled. He also stated the saving had been calculated on the basis of leaving other posts vacant for one month before being filled. In response to a further question from Mrs Dean about the increase in the vacancy management target in financial terms compared to last year, Mr Wood stated that a note was being prepared by the Director of Personnel and Development, which would be sent to Members.

Mrs Dean asked for the details of the "undefined" savings that each Directorate was being asked to make in next year's budget. Mr Wood stated that the undefined savings related to around 0.5% of adjusted controllable spend and was likely to come from procurement, such as mobile phones etc. He added that this information would be provided to Members as soon as it was available. He also confirmed that the total of the undefined savings of £1.8m included £600,000 on corporate support costs and that none of the Directorates had indicated that they couldn't achieve their element of the total saving.

Referring to page 57 of the MTP, Mrs Dean asked for an explanation of why it was being proposed to convert safety base spend to grant, as a revenue saving. Ms McMullan stated that the there would be no diminution in the quantum of safety work carried out; this was essentially a change in financing from revenue to capital.

Mrs Dean stated that the amount of money being spent on highways maintenance was proposed to be increased by £23m, of which some £15m would be spent in 2009/10 and she asked for an explanation as to why the increase had been made and why this year. Mr Chard stated that increasing the amount of money spent on highways maintenance was one of the Cabinet's four key priorities for next year's budget; the others being adult social care (because of demographics), children's social care and the freedom pass. In this respect, it was a policy decision of the Cabinet. Ms McMullan confirmed that an additional £5m had also been added to the current year's highways maintenance budget.

Mrs Dean asked if the agreed recommendations of Select Committees had been calculated and properly funded in the budget. Mr Chard confirmed that the revenue implications and any capital implications were being worked on by officers and a note would be provided in due course, setting out how these recommendations were reflected in the budget proposals.

Mrs Dean asked about the extension of the Kent TV pilot into a third year and asked for confirmation of where the additional cost of £400,000 was reflected in the budget. Mr Chard confirmed that no formal decision had been taken as yet to extend Kent TV into a third pilot year when the current contract expired in August 2009. He added that it was the Leader's wish for Kent TV to be embraced by other public sector organisations in Kent, but that further discussions and negotiations were required. Mr Wood confirmed that, if the pilot was not extended into a third year, the cost of that extension would come out of the total cost of the Strategic Development Unit (£2,517,000) listed on page 41 of the budget book.

Miss Carey asked whether the resources allocated by central government were sufficient given the needs of KCC's services. Mr Chard stated that KCC never seemed to have an appropriate amount of resources given the cost pressures being faced by the authority, He referred to the gap between cost pressures and savings/income generation, as detailed on page 47 of the MTP, adding that KCC had done less well than the average grant settlement for County Councils.

Mr Hart stated that the Freedom Pass did not appear to have a high profile in his Division and more widely, apart from the promotion of the scheme that he had done himself and he asked what arrangements were in place to promote the scheme across Kent, particularly to parents, rather than just in schools. Mr Hart added that he was concerned that the apparent lack of promotion of the scheme had affected the level of take-up, particularly in poorer areas. Slightly later in the meeting, Mr Truelove asked for confirmation as to the eligibility criteria for the Freedom Pass, stating that it was not a free service to <u>all</u> 11-16 year olds, because a number travelled to schools outside of the administrative County of Kent where they couldn't use the pass, but lived in KCC's area. Referring to Mr Hart's question, Mr Chard stated the Freedom Pass had been an outstanding success, adding that a sum of £3.8m had been committed to the roll-out of the scheme and that there would be more promotion of the scheme via the Communications and Media Centre. On the points raised by Mr Truelove, Mr Chard stated that it was only possible to use the Pass within KCC's area, rather than for free travel anywhere in the Country, but he undertook to pass on Mr Truelove's concerns to Mr Ferrin and also clarify the rules on eligibility for Members of the Committee. Mr Hart mentioned former County Councillor John Law's long held view that the Freedom Pass should be as widely available as possible. Mrs Law echoed her late husband's commitment to the scheme and its ongoing success.

Mr Scholes referred to the restructuring of long term debt and whether comment could be made about the achievability of this and the quantum of savings that the Council could realise. Ms McMullan stated that new rules were introduced last year that made the cost-benefit analysis of achieving savings by restructuring long term debt more difficult. She added that in previous years, KCC had made savings of several millions of pounds by restructuring debt, but she was unable to give details about the level of savings that could be achieved now, because of the new rules and the fines imposed on Councils for doing this. In response to a further question from Mr Scholes on this issue, Mr Chard confirmed that central Government had been lobbied by KCC on the impact of the new rules. He added that, if the Local Government Bank became a reality, there would be no longer a need for the fines and all local authorities would be able to take the opportunity of restructuring long term debt and achieve significant savings. Mr Chard stated that he would be taking this initiative forward as much as he could, as would the Leader.

Mr Cowan asked if the proposed pay award for staff of 1% was designed as a way of keeping the increase in Council Tax as low as possible. Mr Chard stated that he thought 1% was fair and reasonable in the circumstances of inflation coming down. In response to a further question from Mr Cowan about Chief Officer bonuses, Ms McMullan stated that she would ask the Director of Personnel and Development, Ms Beer, to prepare a note about how the bonus scheme worked and send it to Committee Members.

Referring to page 86 of the MTP, Mr Gough asked whether any further information was available about the growing need for KASS to step in to assist former self-funders, as a result of the impact of the ongoing economic situation. Ms McMullan stated that the level of secured debt amongst this group of clients had been going up over the last 2 months or so, although this money would eventually be repaid. She added that the Managing Director of Adult Social Services was working with her staff to monitor the situation closely. If and when people in this client group ran out of capital, advice would be given to ensure that they were claiming the maximum in terms of benefits. Ms McMullan also stated that it was too early to say what the financial impact would be on KCC, but that further information would be provided to Members as soon as it became available. It was also agreed that it would be useful to have a new indicator relating to this in next year's quarterly budget monitoring reports.

In response to a question from Dr Eddy, Mr Chard confirmed that 1% of KCC's salary bill was £3.7m and that 1% on the Council Tax was approximately £5.6m.

Referring to paragraph 3.13 on page 23 of the MTP, Dr Eddy asked for clarification as to where the additional sum of £1.5m Children's Social Services was shown in the budget. Mr Chard referred Members to page 53 of the MTP, where the £1.5m was shown, but added that the Committee might find it useful to receive a paper in due course setting out exactly what the additional investment being made in Children's Services meant in terms of service organisation and delivery. Dr Eddy agreed that Mr Chard's offer would be most useful to help the Committee's understanding in this area.

Referring to page 16 of the Budget Book, Dr Eddy asked for a breakdown of the international development costs in CFE, which were included as part of Management Information. Dr Eddy also asked for further information in relation to the cost of the Managing Director's office and Democratic Services in CFE (page 14 of the Budget Book), which was proposed to increase from £1.966m to £2.531m and how this differentiated from the Strategic Management costs for CFE, for which there was a specific definition this year. Mr Chard stated that this information would be supplied.

Dr Eddy referred to the Chief Executive's communication to all staff on 7 January in relation to the 1% pay rise, which indicated that the ongoing economic situation meant that a restraint on pay was appropriate and that this was the best way to avoid compulsory redundancies. Dr Eddy also referred to a further communication to staff on 16 January about leadership development programmes, some of which cost many hundreds of pounds, which was introduced with the words "There may be a credit crunch, but in local government, it's business as usual". He asked Mr

Chard to comment on the extremes of those two statements. Mr Chard stated that the 1% pay offer was appropriate in the current circumstances, but that it was also important to maintain the investment in training and development for the ongoing and lasting future success of the organisation.

In response to a question from Mr Chell, Mr Chard undertook to check the proposed KCC pension increase that will take effect from April 2009 and confirm the information to Members of the Committee.

RESOLVED that:

1. Mr Chard, Ms McMullan and Mr Wood be thanked for attending the meeting and answering Members' questions;

2. The Committee express its thanks and appreciation to Financial Services for ensuring that the budget papers were published as early as possible after Christmas, giving Members more time than in previous years to consider the information; and

3. The Cabinet be asked to ensure that the agreed budget remains flexible to take account of the possible changing circumstances as a result of the continued global economic situation

125. Questions to Butlers

Mr Sass advised that written answers to the Committee’s questions were e-mailed at approximately 9.30am that day and that Butlers had requested their answers remain private and confidential. Advice had been obtained from the Director of Law and Governance and Monitoring Officer that there was nothing in the content of the answers, or the circumstances in which they were requested or provided, that prevented them being disclosed publicly and, therefore, subject to the Committee’s agreement to consider an urgent item, the answers could be discussed at today’s meeting. However, it was the Monitoring Officer’s preference that the matter should be deferred to the Committee’s next meeting and that Butlers be put on notice to the fact that their answers would be discussed publicly at that meeting, so that if they wanted to lodge a legal objection, they would have time to do so.

The Chairman stated that the Monitoring Officer’s preferred solution was more appropriate in the circumstances.

Mr Simmonds expressed the view that a deferral was also appropriate, but asked that the Committee agree to keep the answers confidential until after the debate on 10 February.

Mrs Dean was of the strong view that the Committee should debate the answers provided by Butlers today in public, noting that the Monitoring Officer had sanctioned that action, subject to the Committee’s agreement to consider an urgent item.

Other Members spoke in favour of a deferral, together with the need to reflect on the answers provided by Butlers before deciding whether to make them public. A suggestion was also made that, with a deferral of the matter, Butlers might accept a further invitation to attend the Committee’s next meeting to expand upon their answers and provide further information.

After further discussion, it was:

RESOLVED that:

(1) Butlers be thanked for the information provided and informed that it is the Committee's intention to meet and consider the information at its next meeting on 10 February in public;

(2) Butlers be invited to attend that meeting and KCC Officers be invited to comment on the written responses provided by Butlers;

(3) The information provided by Butlers should remain confidential until the Committee has had chance to consider the responses to the questions raised at their next meeting on 10 February.

Mrs Dean asked for it to be recorded that she did not agree with the proposal to keep the answers confidential until the meeting on 10 February, on the grounds that the Director of Law and Governance had advised that the information could be discussed in public at today’s meeting.

Mr Simmonds asked for advice as to whether Mrs Dean would be bound by the Committee’s decision to keep the answers confidential. Mr Sass responded that he would seek urgent advice from the Director of Law and Governance and advise Mrs Dean accordingly and document that advice in the Committee’s minutes.

(Following the meeting, the advice of the Director of Law and Governance was obtained with regard to Mrs Dean’s position, which was that she was not bound by the Committee’s decision on the grounds that the information had not been given to Mrs Dean in confidence and due to the content of the information and the circumstances in which it had been requested and provided, KCC would have to disclose the information under the Local Government (Access to Information) Act and the Freedom of Information Act in any event.)

<u>NOTE: Following the meeting, further discussions were held between the Director of Law and Governance, the Head of Democratic Services and Local Leadership and the Chairman and Spokespersons of the Committee, whereupon an alternative course of action was considered to be more appropriate. This alternative course of action was as follows:</u>

(1) Butlers be thanked for the information provided and informed that it is the Committee's intention to meet and consider the information at its next meeting on 10 February in public;

(2) Butlers be invited to attend that meeting and KCC Officers be invited to comment on the written responses provided by Butlers; and

(3) The information provided by Butlers should remain <u>confidential until the Committee’s agenda is published for the meeting on 10 February</u>, <u>assuming no legal objections are received from Butlers.</u>

(This alternative course of action was communicated in writing to Butlers on 27 January)