KENT COUNTY COUNCIL

CABINET

MINUTES of a meeting of the Cabinet held in the Darent Room, Sessions House, County Hall, Maidstone on Monday, 26 September 2016.

PRESENT: Mr P B Carter, CBE (Chairman), Mr M A C Balfour, Miss S J Carey, Mr G Cooke, Mr M C Dance, Mr G K Gibbens, Mr R W Gough, Mr P M Hill, OBE, Mr P J Oakford and Mr J D Simmonds, MBE

UNRESTRICTED ITEMS

181. Apologies and Substitutions

None

182. Minutes of the Previous Meeting
(Item 4)

The minutes of the previous meeting were agreed as a correct record and signed by the Chairman accordingly.

183. Revenue and Capital Budget Monitoring - July 2016-17
(Item 5)

Cabinet received a report providing the budget monitoring position up to 31 July 2016-17 for both revenue and capital budgets and including an update on key activity data for the Council's highest risk budgets. The budget monitoring report was the first to be received in the new format.

The Deputy Leader and Cabinet Member for Finance and Procurement introduced the item for members, in particular he referred to the following in relation to the revenue budget:

i. That the current predicted overspend was £9.67million rising to approximately £10.5million once expected roll-forwards and other factors were accounted for. This was approximately £2.5million higher than at the last report.
ii. That this variation was partly attributed to the following factors:
    - Social Care, Health & Wellbeing
        - Specialist Children's Services: increased activity in Children in Care (Looked After) Services including secure accommodation, residential care, fostering and SGO's.
        - Asylum: continued to create a considerable pressure and was considered in more detail later in the report.
    - Adult Social Care: increased pressure on Learning Disability and Mental Health Services; increased demand for equipment services.
    - Growth, Environment and Transport: increased journeys on the Young Persons Travel pass and costs associated with the dry recyclate contract and the costs of waste disposal.

iii. The Schools delegated budget had also reported a predicted overspend of £6.7million, partly attributable to the costs associated with converting to academy status.

And the following on the Capital Programme:

i. That there was a reported variance of £10.6million on a total budget of £306million of which £4million were 'real' variances and £6million rephrasing.

He concluded that he was concerned by the difficult position reported and emphasised the importance of delivering a balanced budget to members and officers present.

The Corporate Director for Finance and Procurement, Andy Wood spoke to the item, he reported that a moratorium had been considered but owing to the fact that he had been assured by the Corporate Directors responsible for GET, E&YPS and Adult Social Care that the overspends in these areas could be managed back to a balanced position without such intervention it had not been considered necessary at this time.

That would leave overspends to be addressed in Children's Services and Asylum budgets and discussions were due to take place the next day on how these positions might be improved. It was, Mr Wood continued, unlikely that a balanced position could be reported in these areas but with a 50% reduction bolstered by underspends elsewhere and with good management action an overall balanced budget was still possible.

The Leader commented on the pressures of the asylum budget and identified the importance of obtaining a better settlement for the 18+ young people in the asylum category and an effective dispersal scheme nationally. He reported that a letter was being sent to the new Home Secretary to this end.

The Cabinet Member for Specialist Children's Services, Mr Peter Oakford spoke to the item, he reported that although the dispersal programme had not worked as well as hoped to date, 60 young people had been moved out of Kent and that necessitated a discussion as to whether any fixed costs could now be reduced. He also highlighted the other particular issues impacting on the Directorates ability to reduce overspends such as the higher than anticipated number of children in residential care, a reliance on IFA's owing to a lack of in-house foster carers and long-running difficulties with the recruitment and retention of Social Workers that had led to a costly reliance on agencies.

Andrew Ireland, Corporate Director for Social Care, Health and Wellbeing also commented on the matter of unaccompanied asylum seeking children. He said that although the dispersal scheme was almost keeping pace with new arrivals it was not making an impact on the number of children already in the care of KCC. That, as the Leader had highlighted, left the authority open to tremendous risk as hen these children turned 18 the budget pressures would increase significantly and the current funding regime would not be able to adequately cover those costs. It was crucial that this risk was mitigated as soon as possible, It was RESOLVED that:

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1.	That the forecast revenue budget monitoring position for 2016-17 and capital budget monitoring position for 2016-17 to 2018-19, and that the forecast pressure on the revenue budget needs to be eliminated as we progress through the year be NOTED.
2	That the revenue budget realignment set out in Appendix 5 be AGREED
3	That the changes to the capital programme as detailed in section 6.4 be AGREED.
REASON	
1.	In order that Cabinet can effectively carry out monitoring requirements.
2 & 3	In order that the budget accurately reflects the real time position, is fit for purpose enabling necessary actions to be taken, and can be reflected in the 2015-16 budget as required.
ALTERNATIVE OPTIONS CONSIDERED	None.
CONFLICTS OF INTEREST	None.
DISPENSATIONS GRANTED	None.

184. Four-Year Finance Settlement
(Item 6)

Cabinet received a report setting out proposals from Government for a four-year settlement, what it may mean for KCC and a seeking agreement to the acceptance of it.

Deputy Leader and Cabinet member for Finance and Procurement, Mr John Simmonds introduced the item for members and reported that it was intended by DCLG to give certainty and confidence to local government. The offer had now been made and council's had until 14 October 2016 to respond.

He expressed concern that the settlement offer was based on 'flat cash' and the core spending power on which the calculations were based did not adequately reflect the potential for increased demand for services, national living wage and other issues that would increase costs for local authorities in the future. However, it was felt that those who rejected the offer might be treated less favourably at budget allocations during the four year period and therefore it was suggested that KCC cautiously accept.

Mr Andy Wood, Corporate Director for Finance and Procurement spoke to the item. He informed members that in accepting the offer KCC would not be bound by the numbers set out at present, therefore should there be an unlikely financial uplift after having accepted, it would still be possible to benefit from it.

During the discussion that followed members expressed concern that government had not taken account of the likely continued rise in demand and associated costs that local government was experiencing. Cabinet also referred to the huge savings already made by local government and hoped that it would be recognised that these savings continued to be more difficult to make without impact on front line services.

In response to a question from the Cabinet Member for Commercial and Traded Services, Mr Wood, Corporate Director for Finance and Procurement confirmed that KCC was proposing to also accept the government's offer to secure some capital budget freedoms not currently available. KCC would propose to take some of its capital receipts and replace it with a small amount of borrowing, used on a spend to save basis, current thinking was that this would likely be a sum of approximately £5milion over two years.

Cabinet expressed concern about cuts to grant funding and the potential negative impact that may have on service provision and commented on the importance of infrastructure spending by government to support delivery of the council's plans.

It was agreed that the four-year settlement offer for Kent
County Council from DCLG, be accepted and the Corporate Director for Finance & Procurement be authorised to provide notification of this to DCLG, in a mutually appropriate format, by 14 October 2016.

185. Quarterly Performance Report - Quarter 1 - 2016-17
(Item 7)

Cabinet received a report detailing the key areas of performance for the authority against key areas of performance for the first quarter of 201617.

Richard Fitzgerald, Business Intelligence Manager – Performance was in attendance to introduce the report to members. He reported that of the 38 Key Performance Indicators included in the report 26 were rated green, 12 were rated amber and none were rated Red. Furthermore, the net direction of travel was positive.

Mr Graham Gibbens, Cabinet Member for Adult Social Care and Health, Mr Roger Gough, Cabinet Member for Education and Health Reform and Mr Matthew Balfour, Cabinet Member for Environment and Transport highlighted some particular good performance and improvements within their portfolios.

The Leader welcomed the report and it was RESOLVED that it be NOTED.

186. Business Rate Retention - Consultation Response
(Item 8)

Cabinet received a report seeking endorsement of two responses prepared to consultations by government - "Self-sufficient local government: 100% Business Rates Retention" and a separate call for evidence paper on "Needs and Redistribution" to help reset the existing distribution of funding through baselines and tariffs/top-ups.

The report set out the main issues in both the consultation paper and the call for evidence together with KCC's initial assessment. Final responses were included as appendices and the deadline for responses to both documents was later that same day and the Leader emphasised the importance of the exercise, particularly the call for evidence which was the key to creating a more fair and sensible system of local government funding.

The Deputy Leader and Cabinet Member for Finance and Procurement introduced the item for members. He cautiously welcomed the proposals that local authorities retain business rates but warned that it would not alleviate the issues of rising demand already discussed at the meeting. He turned to the call for evidence; he welcomed the opportunity to help to simplify a complicated system and to create a more just outcome for redistribution of funds for local government.

Andy Wood, Corporate Director for Finance and Procurement echoed Mr Simmonds comments, he argued that done properly these changes represented an opportunity for local government but that done badly would be detrimental to local government and therefore to KCC. He also referred to the following:

- That the government proposed to devolve new responsibilities to local government in return for business rate retention and there were four core principles on which the government claimed any devolution should be based:
    - Build on the strengths of local government i.e. represent opportunities for greater integration across local services, remove barriers, reflect appetite for local delivery and local capacity
    - Support the drive for economic growth e.g. links to local employment, skills and infrastructure
    - Support improved outcomes for service users and local residents
    - Take account of medium-term financial impact on local government e.g. costs should be predictable, relative to changes in business rate tax base, demand is stable or can be managed
- These principles appeared sound but some of the proposals put forward did not align with them. In particular Mr Wood referred to proposals transfer responsibility for attendance allowance payments to local authorities. This proposal was firmly rejected in the council's response.
- That the Council's response did not support expenditure based regression as a means to assess councils' funding needs and argued that this approach should not be used as the basis for needs assessment or redistribution as it effectively preserved the historic funding distribution and therefore maintained existing deficiencies in the funding arrangements.

The Cabinet Member for Environment and Transport raised the issue of the process for allowing business rate reductions and the lack of transparency therein and urged the council to recognise this risk. Andy Wood suggested that a solution may be to devolve the business of the valuation office to the council and that this proposal had been included in the KCC's response.

It was RESOLVED that the responses be endorsed and submitted by officers accordingly.