

KENT COUNTY COUNCIL

SCRUTINY COMMITTEE

MINUTES of a meeting of the Scrutiny Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Tuesday, 19 January 2016.

PRESENT: Mr R J Parry (Chairman), Mr J E Scholes (Vice-Chairman), Mr H Birkby, Mr G Cowan, Mrs T Dean, MBE, Mr M J Harrison (Substitute for Mr E E C Hotson), Mr A J King, MBE, Mr R A Latchford, OBE, Mr L B Ridings, MBE, Mrs P A V Stockell and Mr R Truelove

ALSO PRESENT: Mr J D Simmonds, MBE and Miss S J Carey

IN ATTENDANCE: Mr A Wood (Corporate Director Finance and Procurement), Mr D Shipton (Head of Financial Strategy) and Mrs A Taylor (Scrutiny Research Officer)

UNRESTRICTED ITEMS

91. Minutes of the meeting held on 11 December 2015
(Item A4)

1. The Scrutiny Research Officer read a note from the Corporate Director – Social Care, Health and Wellbeing, updating Members on the developments concerning Unaccompanied Asylum Seeking Children (UASC) and the letter, asked for by the Scrutiny Committee, to all Kent MPs. Since the last meeting of the Scrutiny Committee central government had included, in the Immigration Bill, new powers to set up a national dispersal scheme for UASC. KCC was continuing to liaise closely with central government with regards to when such powers might be used. Additionally the Leader had met the Kent MPs and the current issues surrounding UASC were raised. Consequently the position had moved forward since the last committee meeting and Kent MPs had been updated, and thus a letter had not been required.

RESOLVED that, subject to the correction of a typographical error in paragraph 14, the minutes of the meeting held on 11 December were an accurate record and that they be signed by the Chairman.

92. Draft 2016/17 Budget and the Medium Term Financial Plan
(Item A5)

1. The Chairman welcomed the witnesses and explained that the purpose of the meeting was to scrutinise the draft budget proposals; to ensure they were achievable and realistic and also to review the level of risk associated with the budget. Members were also invited to challenge the Medium Term Financial Plan (MTFP), the assumptions made within it and the associated risks. Members were informed that written answers would be provided to any specific questions which the witnesses were unable to answer during the meeting.

2. Mr Simmonds introduced his 7th draft budget. Mr Wood, reminding the meeting of the complications and lateness of the Government settlement, gave a brief presentation on the key issues (attached as a [supplement](#) to the Agenda pack) which included:
 - Adjusted 2015-18 MTFP – basis of consultation
 - KCC projection for consultation
 - Consultation – Council Tax
 - Published Spending Power/Real Spending Power
 - KCC latest projection
 - Budget and Spending Pressures
 - Revenue Support Grant Cut, Redistribution and Impact
 - Reserves
 - Impact on 2017/18
3. In response to a query Mr Wood explained that the term ‘flat cash’ referred to the funding figures available now which would still be broadly the same amount in 4 years’ time, based on a number of key assumptions.
4. A Member queried the use of reserves and capital receipts; commenting that they should be considered a short term solution and was not sustainable. Mr Wood and Mr Simmonds agreed that it was necessary to find a permanent solution.
5. In response to a query about the 2% social care levy, it was stated that this was a permission to levy and was given for the next four years. There would be a Government audit to ensure that the money raised was used on adult social care services.
6. It was asked why, for the New Homes Bonus, was there a dip in the funding? Mr Shipton explained that 2016/17 was the final year of the six year roll-out, however there had been a government consultation which would change the grant to a four year scheme and the grant would be re-distributed and received by the Council through other streams. The draft Budget had not focussed on this matter because it was subject to a consultation which would close in March 2016.
7. A Member queried the current overspend which was forecast to be £1-£2million. There were concerns over the impact of winter in the NHS and in Social Care. Officers were confident that the overspend would be eliminated in 2015/16, however there were continuing concerns for 2016/17.
8. The last reported overspend was around £4million, a Member asked where the additional money had come from to reduce the overspend to £1-£2million. The biggest single thing was a one off grant of approximately £3.5million to help with the introduction of the Care Act and the implications of the Act, which had previously been assumed, could in some way be ‘recovered’ by Government.
9. Mr Simmonds was asked whether there were plans to examine the Council’s property portfolio to identify streams of revenue or to reduce borrowing. Mr Simmonds explained that there was an extensive programme of realignment of offices etc. This work included a detailed stock take of every property that the Council owns. It was identified that if opportunities arose to acquire as well as dispose it would make sense to do so and money had been reserved. Mr

Simmonds was asked whether he would be prepared to employ more staff to accelerate the process. The Council operated a spend to save policy and thus the Council would be prepared to invest in staff providing it could be shown to be effective. Ms Carey referred to the Property Sub-Group, highlighting the investment that had been made to develop the Procurement Team which had subsequently contributed significantly to savings which would not otherwise have been found. There were also opportunities to be found in the new commissioning schemes. The Chairman stated that some of the County's Districts and Boroughs were pursuing property investment to generate income.

10. A Member, referring to the New Homes Bonus, explained that the Housing and Planning Bill which had recently passed through the House of Commons contained an alteration, which was being consulted on, which proposed a reduction in the number of years over which the New Homes Bonus was paid from 6yrs to 4yrs and then to 2yrs. It also contained various restrictions included restricting the New Homes Bonus to those houses which the planning authority had given consent. Officers agreed with this understanding and considered that the proposals could disadvantage districts heavily. Regarding a query about funding for flood defences, nothing had changed in the capital programme. However the funding was outside of the 3 year programme as Kent County Council was still waiting for the Environment Agency assessment with regards to some of the costs, other than £1million for working up the scheme. Mr Harrison (as Chairman of the Flood Risk Management Committee) confirmed that a meeting was being held on Thursday 28th January in Worthing to discuss the flooding problems of the last 6 months and Members would be kept updated with developments.
11. In response to a comment from a Member about the Government's consultation, Ms Carey explained that the 2% social care levy was announced in the Autumn Statement and that it was the decision of the Local Authority whether they wished to introduce it.
12. Regarding the costs of energy identified within the budget, a Member asked whether there was an option to revisit this area following the recent drop in fuel costs. Mr Shipton explained that the budget contained the latest forecast received from commercial services, regarding the price of energy estimated for 2016/17. Energy prices were extremely complex and included not only the cost of generating electricity (30%) but the cost of distributing from the grid (70%). Whilst the cost of generating electricity might be falling, the cost of distributing was rising.
13. A Member also queried the reduced revenue spend on highway maintenance to focus on pothole repairs and the increase in insurance premium. Mr Wood confirmed that this was correct, there was a pressure of around £900,000 on the insurance premium. There was a balance between maintaining the network and repairing potholes which were a major cause of insurance claims. The overall allocation indicated that a greater proportion of money would be spent on repairing potholes which had a greater impact in the short term, on insurance claims and on people's experience of driving on Kent roads. It was emphasised that it was essential to continue maintaining Kent's roads; Kent's road were a major asset.

14. Referring to fostering and adoption – there was a spending reduction under both headings within the budget, fostering of around £1million and adoption £900k. A Member commented that there were concerns regarding the effectiveness of the service working with a reduced budget and whether its key outcomes remained achievable. Mr Shipton explained that this was the first year in memory with fewer children in care than in previous years. Savings were coming from independent fostering agencies, the Council was looking to reduce the spend on the most expensive agencies. Regarding adoption this related to a reduction in the Adoption Reform grant. Mr Simmonds referred to the very productive work of the Cabinet Member with responsibility for Adoption and Fostering and policy changes which had resulted in the reduction in numbers.
15. In relation to the Young Person's Travel Pass and parental contribution, Mr Shipton explained that the decision on the Young Person's Travel Pass was taken in June last year and it was decided that the parental contribution would be linked to the increase in bus fares, assuming this was reasonable – there was a cap to ensure this was not excessive. The expectation was to notify parents in early March 2016 of the increase.
16. In response to a Members' query it was confirmed that the additional 2% levy on social care would go on the base line of the budget. Mr Wood explained that originally the requirement on each authority to justify the 2% was based on the net change in budget for Adult Social Care, but he had received an email in the previous hour informing him that the DCLG would measure this based on the gross budget.
17. A Member asked about Business Rates – Ms Carey explained that Mr Shipton had spotted the opportunity of a Business rate pool for Kent and had encouraged the districts to join. The business pool captured money that would otherwise be returned to central government. Mr Shipton would provide a further explanation of business rates in the form of a 'guide', but summarised by explaining that currently local authorities retained 50% of the business rates raised locally. Of that 50%, 80% went to the districts, 18% to the County Council and 2% to the Fire and Rescue Service. In effect KCC received 9% of the total business rates. There were a series of tariffs and top-ups which redistributed the 9%, so effectively only 9% of any growth could be kept. As referred to earlier the county was also part of a pool with 10 districts, each authority kept its share of the business rates but the pool ensured that the levy rate was lower than it was for individual districts and so more money was kept by the authorities which would otherwise be sent back to central government.
18. In response to a question Mr Wood identified the pressure on domiciliary care. Demand had been expected to reduce, however demand had increased. Therefore there were additional costs due to 'spot purchasing' from care agencies, who in turn were using more expensive agency staff.
19. A Member referred to savings of £90million, through Adults' Services transformation and Children's Services transformation and commissioning. How optimistic were these savings? Were officers confident that they could be delivered? In response, it was stated that Key Performance Indicators had been drawn up to test that the work undertaken with Newton Europe was providing efficiencies. The budget presented to the County Council would be based on

robust estimates. Before it was presented Officers would test the 'RAG' (Red, Amber, Green) status of the budget proposals and any which had a 'red' status would be removed from the budget.

20. The Cabinet Member confirmed that he had confidence that he was delivering a balanced budget and the savings proposals were realistic.

21. A Member asked what the Council 'bought' from the Business Services Centre, Mr Wood confirmed that the majority of the Council's ICT service was delivered through the Business Services Centre.

22. Regarding transformation, how much money from reserves had been spent on transformation? Mr Wood explained that £2.5million was available within the budget for transformation each year. Further information regarding the money spent on transformation was available within the regular budget monitoring reports.

RESOLVED that the Scrutiny Committee thank Mr Simmonds, Ms Carey, Mr Wood and Mr Shipton for attending the meeting and for answering Members' questions. The Committee also offered its thanks to Ms Head (Head of Financial Management) and Ms Payne (Revenue Budget Manager) for their work on the budget.