

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, 17 January 2017.

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

ALSO PRESENT: Mr J D Simmonds, MBE and Mrs M E Crabtree

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

UNRESTRICTED ITEMS

121. Minutes of the meeting held on 15 December 2016

(Item A4)

RESOLVED that the minutes of the meeting held on 15 December were an accurate record and that they be signed by the Chairman.

122. Draft 2017/18 Budget and the Medium Term Financial Plan - to be circulated on 11 January 2017. Please can Members bring their copy of the Budget Book and MTFP to the meeting

(Item A5)

1. Mr Wood gave a short presentation on the key facts and figures.
2. In January 2016, when the Council was looking forward to 2017/18, there was £52million of unidentified savings out of a total of £80million savings required to balance the books. In January 2017 the pressures on the budget had increased by £8million and Government Grant cuts are £2m higher, which meant an extra £10million of savings or income was needed. The increase in Council tax had raised an additional £13million which means the savings needed had fallen very slightly, from £80m to £78m.
3. Of the pressures faced by the services within KCC £51million were unavoidable. Of those which were categorised as 'might be avoidable' within the social care budget there were market sustainability problems in finding the right type and cost of care, particularly domiciliary. There was an expectation that the Local Authority would ensure a sustainable market and £6.8million had been earmarked to ensure that care was delivered as necessary.
4. Referring to the loss of the Revenue Support Grant this was £45million and there had been an unexpected loss of £9million from the Education Services Grant.

The Council had, however, received £6million in the form of a Social Care Support Grant and an extra £6m of business rates.

5. The tax base had increased and with a proposed increase of 1.99% together with the 2% social care levy £34million would be collected through council tax and business rates. Referring to the social care levy the golden rule in the 4 year settlement was that local authorities could increase council tax by 6% over the next three years, but not increase it by more than 3% in any one year. KCC's proposal was to increase by 2%. The increase in business rates was in line with expected inflation.
6. The Council was facing £66million pressures on the budget, combined with £46million in grant reductions and £34million from council tax and business rates. This resulted in £78million savings to balance the books for 2017/18. At the time of this meeting, £47million of the savings were RAG rated as 'green' and £31million 'amber'. There was more risk attached to the 17/18 savings than in 16/17.
7. The Chairman then opened the session up for questions.
8. In response to a question about the savings made by the Education Directorate Mr Shipton explained that the Dedicated Schools Grant (DSG) was introduced in 2013 as a mechanism for compensating academies for central functions. The Government consulted on their proposals to remove the Education Services Grant but this was linked to changes to statutory functions of the Local Authority as they had a lessening role in schools. However, when the element about the local authority's role in schools got deferred, and those changes were not made, the Government still removed the Education Services Grant used to fund the statutory services in schools. It was not possible to make savings from the Education budget as the statutory duties on the service still remained. Therefore the Council had not asked the Education Directorate to make any savings because everything they did was a statutory duty.
9. A Member asked how much had been drawn from reserves since 2010 and what would be the further pressure on reserves? Mr Wood believed that in comparison to 2010 reserves had gone up slightly. It was still going to be difficult in 2018/19, it was hoped that the improved better care fund would ease problems. However, there were concerns, despite promises from the Department of Communities and Local Government, that there would be conditions attached to the Improved Better Care Grant.
10. It was considered that the level of reserves was adequate in the medium term. Putting money into reserves when trying to find savings was difficult and there was a need to find the right balance between savings and reserves. It was essential to keep looking at transformation, particularly when big areas of spend, such as adult and children's social care, were increasing.
11. Referring to page 55 para 4.33 of the MTFP a Member asked how close the council had got to the 15% maximum level of net debt costs. Mr Wood confirmed that the level was currently at 13.67% and it was useful to have some headroom in case there was an urgent need to borrow. This was a self imposed limit of 15%.

12. The Cabinet Member was asked for his thoughts on looking at future of capital spend if it was not possible to find further savings? The Cabinet Member explained that, in his opinion, capital spend was crucial to development, schools had benefited from investment and the Council had tried to keep capital programmes going. It was frustrating when the Government changed the rules with regards to supported borrowing, in 15/16 KCC was £12million worse off than it would have been had the rules not changed. The Cabinet Member confirmed that the Leader had always felt the need to continue with an active capital programme whilst watching that associated funding did materialise.
13. Following a question about funding for asylum and when the council was likely to receive further funding Mr Simmonds explained that around £2million was still expected.
14. One Member asked whether KCC was in a position to take advantage, in the short term, of the falling value of the pound and the likelihood of interest rates increasing. The Cabinet Member confirmed that the Treasury Strategy would keep watch and with regards to borrowing it was cheaper to fund borrowing needs from cash. Treasury operations had moved into a new range of bonds and other investments, and the Council had also taken on part of a PFI contract.
15. A Member asked what discussions KCC had had with the Government to discuss proposals such as the Social Care Levy (which was at 2%) and the increase in national living wage. Would the Council have to use the Social Care Levy to fund the increase in living wage? Mr Simmonds explained that the Council got a balancing grant following discussions with the Government. £6.2million had been received from the Government as a result of lobbying. KCC was also highlighting the need to ensure that funding was fair. London authorities received different levels of funding; it was not a level playing field. There was also hope for some sensible decisions with regards to levels of business rates. County Authorities were at a considerable disadvantage, especially where they bordered London. Where there were anomalies in funding lobbying was extremely intense. The Cabinet Member highlighted two occasions where lobbying had produced positive results. Mr Shipton added to the Cabinet Member's response and confirmed that KCC always made a response to the Government's provisional settlement and responded to budget settlements, KCC consistently informed the Government that flat cash was not acceptable and that it did not provide funding to cover the increasing need.
16. A Member commented on business rates and the future of commerce and industry in general. Was it sensible to focus on property when developing technology was such a driver of economy? Was KCC having such conversations with the Government? Mr Wood stated that he shared the frustration, there were thoughts that the Government was moving from one broken system to another. It was essential that the method of funding had to have a link to the spending it was intended for; otherwise there would be periods where councils would go from boom to bust. It was thought that the physical occupation of buildings in localities was decreasing but there was an increasing demand for services. KCC was doing everything possible and the officers and Cabinet Member shared the Member's concerns.

17. It was thought that there was a contradiction between the Council's reported positive collection rates and press reports of high levels of personal debt. Mr Shipton explained that it was necessary to put an estimate for the fund balance as at January 2017 the council would get the actual balance at the end of March 2017. £11million had been estimated, the final balance on 15/16 collection was £16million. In terms of personal debt, collection fund balances depended on various bad debt provisions to allow for irrecoverable debts. Bad debt provisions were currently very low. The Districts were still predicting collection of a large amount of outstanding debt. Officers and the Cabinet Member were reasonably confident that the budgeted figure was ok and may well increase.
18. A Member referred to a meeting to discuss 0-25, was there any possibility that any savings would be identified as a result of that meeting? Mr Wood confirmed that there was a possibility of some savings being found through staff efficiencies or bringing together services, but these savings were not in the budget.
19. A Member asked what the risks would be in the forthcoming year. Mr Wood explained that the risks were higher than last year. The Council had so far delivered savings of over £500million. The situation would be a lot worse without transformation. Not all transformation worked, totally as expected but the best estimate of savings delivered was £70million through transformation (these savings were not all cashable). Other authorities were now trying to find quick fixes which sometimes produced further problems. Next year savings might be less but they would still be difficult to deliver.
20. Mr Wood also highlighted the uncontrollable risks such as severe cold weather which impact upon the budget, whilst continued warm weather could increase waste volumes so there was always an impact, whatever the weather. Referring to the unexpected pressures the Cabinet Member confirmed that the books would balance but it had been very difficult with an unexpected £5million for children's services and £2million for SEN transport, increasing fuel prices and the resulting pressure on taxis etc.
21. A Member commented on the underlying awful dilemma. There was a major shortfall in social care funding and the whole system needed to change. What support was the Council getting from elected MPs? Members were aware that the council tax increase would be unpopular and won't solve the problem. There were a lot of people suffering from a lack of care that they should be getting and it was considered by some Members that there was little support from MPs. Mr Simmonds stated that the MPs having been briefed by government were difficult to convince and initially support was not forthcoming. It was recognised that if something like a library closure was proposed, you would have the relevant MP's immediate attention. Having won the argument the MPs understood the full effect of government budgets, so the support had been more forthcoming. Hard lobbying by the Leader to Ministers and MPs did produce the much needed £6.2m adult social grant. This was not new money but from the new homes grant. The net benefit to KCC was £4.6m. MPs' support in difficult times was crucial.
22. Referring to the Risk Register, risks 22 and 28 were very likely to happen, how could KCC lessen the impact they would make? Mr Wood explained that risk 22 was not only about funding, there was a need to ensure enough foster carers were available for example, that contracts were in place and that it was possible

to recruit and retain social workers. It was not always possible to mitigate everything. If KCC had a repeat over the long term of autumn 2015 there would be difficulties. There was now a national dispersal scheme which was helping with new arrivals, (which were quite low at the moment). Was the Council doing everything possible? The situation was constantly monitored and it was not always feasible to eliminate all risk.

23. The Cabinet Member confirmed that in relation to risk 22 staff had done a good job of taking care of young asylum seeking children, he paid credit to staff and how well the situation was dealt with last Autumn. In relation to risk 28 – this related to the use of accommodation required by London boroughs to solve the housing problem. There was the ability for London authorities to bid for central places and take advantage of planning laws and turn businesses into residential accommodation for families.

24. The Chairman thanked the witnesses for attending the meeting and for answering Members' questions.

RESOLVED that the Scrutiny Committee thank the witnesses for attending the meeting and for answering Members' questions.

123. Motion to exclude the press and public
(Item A6)

RESOLVED that under Section 100A of the Local Government Act 1972 the press and public be excluded from the meeting for the following business on grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of schedule 12A of the Act.

EXEMPT ITEM

124. Exempt minute from the meeting of the Committee held on 15 December 2016 - to follow
(Item A7)

1. A Member asked for confirmation of when the RGF would be submitted to the Scrutiny Committee. The Scrutiny Research Officer confirmed that this report was being prepared for the March 2017 meeting of the Scrutiny Committee.

RESOLVED that the exempt minute of the meeting held on 15 December was an accurate record and that it be signed by the Chairman.