

KENT COUNTY COUNCIL

CABINET SCRUTINY COMMITTEE

MINUTES of a meeting of the Cabinet Scrutiny Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Wednesday, 9 February 2011.

PRESENT: Mrs T Dean (Chairman), Mr L Christie, Mr R F Manning, Mr A R Chell, Mr D A Hirst, Ms A Hohler (Substitute for Mr R Brookbank), Mr E E C Hotson, Mr M J Jarvis, Mr R J Lees, Mr R L H Long, TD, Mr R J Parry (Substitute for Mr R E King), Mr C P Smith and Mr K Smith (Substitute for Mrs J P Law)

PARENT GOVERNORS: Mr P Myers

ALSO PRESENT: Miss S J Carey, Mr K H Pugh and Mr J D Simmonds

IN ATTENDANCE: Mr K Abbott (Director Resources and Planning Group), Mr D Shipton (Finance Strategy Manager), Mr A Wood (Acting Director of Finance), Mr P Sass (Head of Democratic Services and Local Leadership) and Mr A Webb (Research Officer to the Cabinet Scrutiny Committee)

UNRESTRICTED ITEMS

2. Minutes of the meeting held on 19 January 2011

(Item A4)

RESOLVED: that the minutes of the meeting held on 19 January 2011 are correctly recorded and that they be signed by the Chairman.

3. Minutes of the meeting held on 24 January 2011

(Item A5)

RESOLVED: that the minutes of the meeting held on 24 January 2011 are correctly recorded and that they be signed by the Chairman.

4. Follow-up Items from Cabinet Scrutiny Committee

(Item A6)

Mr J Burr, Director of Kent Highway Services. was present for this item.

(1) Mr Christie made the point that, taking into account the volume and timing of the information provided in respect of the Older Person's Modernisation recommendations, it was difficult to do the papers justice. The Chairman explained that she was reluctant to defer discussing the follow-up items, but would return to the Older Person's Modernisation recommendations at the next meeting of the Committee.

(2) Regarding the recommendation relating to gully emptying schedules, the Chairman explained that this would remain outstanding until a report was provided by Mr Burr in the autumn. Mr Kit Smith added that the public should be made aware of

the good work the Council was doing around this issue, including being reported through Joint Transportation Boards (JTBs).

(3) On the Kent Design Guide, the Chairman referred Members to the update provided by Environment, Highways and Waste in the follow-up items report. In light of the announcement by the Secretary of State for Communities and Local Government that maximum parking standards would be delegated to local planning authorities and the fact that the Kent Planning Officers' Group (KPOG) was happy with the Guide, Mr Burr had asked that the Council leave the Guide as it stood.

(4) There was a discussion about whether the previous representations made about the Guide had hindered KCC's relationship with district councils and developers. Mr Burr explained that the time taken to revisit the guide had not helped this relationship, and that the district councils, via KPOG, had asked the Council to leave the Guide as it stood. The Chairman felt that the Kent Design Guide had been pursued by the Committee as far as was possible, and that given the statement by the Secretary of State about planning decisions being taken at a district level, it should be removed from the list of outstanding recommendations.

(5) On the Review of SEN Units, the Chairman expressed disappointment that the report that would be taken to the Children, Families and Education Policy Overview and Scrutiny Committee, and to Cabinet on 18 July 2011, could not be made available sooner, since schools were awaiting guidance on handling the SEN issue. On the Inspection of Safeguarding and Looked After Children Services, the Chairman explained that the Committee were awaiting a copy of the improvement plan in order that it could scrutinise it.

(6) In respect of recommendation 9 of the Older Persons Modernisation item, Mr Sass explained that he had attended a meeting with Mr Wild together with one of his senior solicitors and KASS officers, and that Mr Wild would give his opinion on the validity of the consultation in due course.

(7) There was discussion about Member involvement, in respect of recommendation 11 of Older Persons Modernisation. Mr Christie made the point that the closure of The Limes in Dartford, whilst not in his division, had a knock-on effect on a home that was, and therefore local Members should be involved in issues that had cross-boundary implications. There was consensus that there should be greater Member involvement, and the Chairman expressed disappointment that the Member Information Group had recently been cancelled again. It was felt that the Group Managing Director should be thanked for her response to this issue, but that the Member Information Group should meet as soon as possible.

5. Notes of the Informal Member Group on Budgetary Issues held on 27 January 2011

(Item A7)

RESOLVED: that the Cabinet Scrutiny Committee approve the notes of the Informal Member Group on Budgetary Issues held on 27 January 2011.

6. Cabinet Scrutiny Committee Protocol

(Item A8)

(1) There was a discussion about the Cabinet Scrutiny Committee protocol, which had been drafted with input from the Chairman and Vice-Chairmen of the Committee. The concept of a protocol was welcomed by Members, and a range of views were expressed about its content, particularly around the participation of witnesses. These views included:

- A reference to ‘the other two political parties’ should be replaced with ‘the other political parties’
- Whether or not the amount of time witnesses would be allowed to speak should be limited
- That the distinction between internal witnesses (i.e. officers and Cabinet Members) and external witnesses should be clarified in the wording
- That the Committee should be flexible in its approach, depending on the issues being debated, but the Chairman should ensure control of the meeting
- A concern whether witnesses should be able to question other witnesses, and whether such questioning has the potential to marginalise members of the Committee
- That the Committee, rather than finding ways of excluding the public from debates, should be seeking more public participation, and that anybody should be able to raise questions

RESOLVED: that the Cabinet Scrutiny Committee Protocol be re-drafted in light of the points raised and be brought to the next meeting for approval.

7. Medium Term Plan 2011-13 (incorporating the Budget and Council Tax setting for 2011/12) - Update

(Item C1)

Mr J Simmonds, Cabinet Member, Finance and Procurement, Miss S Carey, Deputy Cabinet Member, Finance and Procurement, Mr A Wood, Acting Director of Finance, Mr D Shipton, Finance Strategy Manager and Mr K Abbott, Director, Resources and Planning, were present for this item.

(1) Referring to the Cabinet report of 2 February, Mr Wood gave Members an update on changes to the Budget Book and Medium Term Financial Plan (MTFP) since the draft was considered by the Committee on 24 January.

(2) A key change included an additional £1.3m in the council tax base, due an increase of 0.74% on 2010/11 levels, which was higher than the 0.5% increase originally estimated in the draft. This additional sum had been used to:

- Fund an additional £1m for children’s social services, due to demand-led pressures
- Put an extra £100k into the highways maintenance budget, to mitigate the loss of the Area Based Grant (ABG) from the Department of Transport

- Fund the £70k relating to District Councils' share of the increased tax yield relating to the reduction in the discount on second homes
- The remaining balance had been set aside to fund prudential borrowing on the Rushenden relief road

(3) An additional £2m which had arisen from the surplus on collection funds had been added to the £1.5m contingency that was held in the Finance portfolio for the Children's Social Care Improvement Plan. The contingent sum had not been allocated to the Children, Families and Education (CFE) portfolio as officers had not yet seen the cost of the Improvement Plan.

(4) There were a number of questions about how decisions on the use of the additional £1.3m from council tax had been made, including:

- whether Cabinet Members or Directors had been able to make representations for additional support
- since the sum corresponded to the demand-led pressures in children's social services, what would have been done if the money had not been made available
- whether a 1% pay increase for staff earning less than £21,000 per annum had been considered, since this would cost approximately £1m

(5) Mr Simmonds explained that Budget setting had been a thorough process, with Members kept informed of where savings were to be made. He felt there was a need for communication and consultation with organisations such as those in the voluntary sector, and to work together to achieve the savings, but there was also a need to be resolute in order to balance the books. Later in the discussion, a Member expressed the view that some voluntary organisations could be more efficient, but that the Council needed to support them to achieve this.

(6) On the additional pressure in children's social services, Mr Wood explained that the pressure was not known when the Budget was originally drafted, and had the additional £1.3m not been made available, there would need to be a plan to reduce the numbers in foster care or another £1m of savings would need to be found since the Council was committed to funding the placements.

(7) Regarding the possibility of a pay increase for staff, and the suggestion made by the Chancellor of the Exchequer that those earning less than £21,000 should receive an additional £250, Mr Simmonds reminded Members that the Leader had stated that he would bear in mind the Chancellor's suggestion. He also drew Members' attention to the possible knock-on effects of any increased pay settlement on the Council's partner organisations, since many of their staff earned less than £21,000.

(8) Mr Abbott detailed other changes to the draft Budget, in respect of the CFE portfolio. Savings due to the loss of the ABG, which was ending in March 2011, included:

- £2.3m from Learning Group staffing
- £1.5m to provide start-up grants for extended schools

- £2.3m of activities funded from the retained School Development Grant
- £1.2m for Home to School Transport on the assumption that the grant would be withdrawn (with any continuing entitlement under the Education and Inspections Act 2006 being met through savings in the mainstream transport budget)

(9) Mr Abbott also set out the major elements of activity that had been affected by the reduction in the Early Intervention Grant (EIG). The Grant had been reduced from £61.5m to £50m with £3m being reclaimed in the second year, which amounted to a reduction of £8.5m overall. This was comprised of:

- A £2m reduction to Connexions funding in 2011/12
- A £1.6m reduction to Sure Start Sustainability and Workforce, arising from a 33% staffing reduction in quality and outcomes teams
- A £3.3m reduction to Sure Start Sustainability and Workforce, arising from a saving of over 50% to the graduate leader fund and other training for Private, Voluntary and Independent sector (PVI) providers and a saving of nearly 40% in grants to PVI providers
- A £2.6m reduction in grants to Children's Centres (which were being scaled back, but not closed)

(10) It was also explained that a short term loan would enable £3.1m of the reductions in 2011/12 to be slipped into 2012/13, without any adverse effect on the 2011/12 Budget.

(11) Responding to a question about whether there was still any uncertainty about grants, Mr Abbott stated that there had been a Government announcement the previous day that music in schools would continue to be funded at the same level, and Mr Shipton added that officers were still awaiting news on grants from the Home Office, which amounted to approximately £1.5m.

(12) There was a discussion about the effects of the savings at a local level. Members expressed the view that it was difficult to know what the local effects would be, and it would be necessary to look in more detail throughout the year at Scrutiny Board and the Policy Overview and Scrutiny Committees, to understand their impact. This would also allow local Members to feed back to Cabinet Members the local effects of any reductions.

(13) Responding to a question about whether schools would have sight of their respective budgets during the first week in March, Mr Abbott explained that there had been a delay due to discussions with the Department for Education about varying the minimum funding guarantee for certain Kent schools, but that officers were still aiming to make the information available by 4 March 2011. Mr Simmonds added that school governing bodies could begin making decisions about their budget commitments, given that savings were already expected due to the economic situation.

(14) In relation to respite efficiencies as a result of the EIG reduction, and the possible effect on carers and parents, Mr Abbott explained that this related to previous infrastructure and one-off costs which could now be taken out of the budget, and that services would be maintained at their current levels.

(15) On Kent's position relative to other Councils in the grant settlement, Mr Shipton explained that officers could produce a proper comparison now the final settlements had been published, Kent was still worse off than the average of County Councils, and would receive £152,000 less than under the provisional settlement.

(16) In reply to a question about whether a response had been received from the Immigration Minister to the letter sent by the Council about the pressures caused by asylum seekers, Mr Abbott informed Members that the Leader would be meeting the Minister the following week. Mr Abbott was also due to have a telephone call with the UK Border Agency later that afternoon.

(17) Mr Abbott responded to a query about the £3.3m of Sure Start funding for training and grants to PVI providers mentioned in paragraph 7.3 of the report, and whether this contradicted the statement in paragraph 8.3 that current rates for PVI providers would be maintained. He clarified that the £3.3m represented additional money that was provided for professional training or one-off costs, which was separate from the basic funding for PVI providers which came from the Dedicated Schools Grant (DSG).

(18) Responding to a question about how the 11% saving in the running costs of Children's Centres would be implemented, Mr Abbott explained that the detail still needed to be worked up, but CFE were already looking at a number of ways of saving money. Due to a difficulty in recruiting to posts, there had been pilots where staff and managers were shared between centres, and officers were looking at providing support services to centres across whole districts. Mr Simmonds added that Children's Centres were a flagship policy of the previous Government, and money was wasted in the first three years of the programme, and there was a need to rationalise the operation to ensure the effective delivery of services while maintaining value for money. The Chairman asked that an evaluation of Children's Centres, which had had been carried out by CFE 18 months previously, be circulated to all Members of the Council.

(19) Mr Abbott confirmed that the pupil premium represented a new grant in addition to the DSG, but pointed out that it needed to be seen in the context of the DSG remaining static. The value of the grant was estimated at £12m in 2011/12 but it was likely to treble over a four year period, based on the total amount allocated by Government.

(20) Referring to the announcements that the minimum funding guarantee for 2011/12 would be -1.5%, a question was asked about whether this would mean all schools would see a -1.5% reduction in funding and whether this included the effect of the pupil premium. Mr Abbott explained that the Secretary of State had specified that no school would see a reduction in their budget of more than 1.5% per pupil the following year, and that the pupil premium was outside of the minimum funding guarantee.

(21) On the reduction in funding to Supporting People of nearly £3m, and whether this would affect floating support services, Mr Shipton replied in the affirmative.

(22) There was a discussion about the reduction of subsidised bus routes, and when Members would be made aware of which routes would be affected. Mr Simmonds explained that no route would completely disappear, except a route where the subsidy was benefitting residents of East Sussex rather than Kent, but some services in the late evenings and weekends might be reduced. Miss Carey added that Highways were looking to local Members to increase usage of some of the bus routes and find more cost-effective solutions, and there was also the option of using Member Highway Funds.

(23) The Chairman asked if the option of minibuses operated by schools and voluntary organisations being used by other parts of local communities had been explored, since she had been informed previously that there were issues around insurance and driver training that precluded this from happening. Mr Chell pointed out that a recommendation from the Select Committee on Positive Activities for Younger People was to establish a register of passenger carrying vehicles, and that Highways could speak to the Head of the Kent Youth Service to ascertain what information was already available. Mr Simmonds undertook to speak to the Cabinet Member, Environment Highways and Waste, and the Director of Kent Highway Services and come back to the Committee on this issue.

(24) On the availability of waste disposal, and the potential closure of civic amenity sites or the reduction of opening hours, Mr Wood explained that proposals on this had not been finalised.

(25) There was a discussion about switching off street lights to make savings. Mr Wood explained that the Director of Kent Highway Services was looking at this as a top priority and would be meeting with the Cabinet Member to discuss. Mr Christie pointed out that the previous Cabinet Member had made a commitment that no street lights would be switched off without local consultation.

(26) The Chairman referred to the fact that the Kent Youth County Council was prepared to see a reduction in Connexions. Mr Abbott commented that the feedback from schools had been polarised, with some schools valuing the Connexions service and others less so.

(27) The Chairman asked whether an Equality Impact Assessment had been carried out on the reduction in funding for denominational and selective school transport. Mr Abbott stated that he would check if it had been, but it would be carried out before implementation of the policy in any case. Responding to a request for detail on the safeguards for low-income families and Looked After Children in the implementation of the savings, Mr Abbott stated that this was in the process of being worked up and that he would provide this information to Members.

(28) Mr Abbott informed Members that an announcement from Government on home to school transport more generally was expected soon. The Chairman stated that she had seen a statement that demonstrating membership of a church would no longer be requirement for denominational transport and Mr Abbott undertook to speak to the Head of Admissions and Transport to find out more detail.

8. KCC Companies

(Item C2)

Mr K Pugh, Deputy Cabinet Member, Business Strategy and Support, Mr J Simmonds, Cabinet Member, Finance and Procurement, Miss S Carey, Deputy Cabinet Member, Finance and Procurement and Mr A Wood, Acting Director of Finance, were present for this item.

(1) Mr Simmonds explained that the protocol was prompted by the increasing number of KCC companies. He felt that the appendix which set out some detail of existing KCC companies could be more up to date, and the protocol was still in the early stages of development. Mr Simmonds explained that expert advice had been sought about the tax implications for the Council, and how the companies should be structured. Mr Wood explained that KCC-owned companies might have a good business case, but this might not be in the interest of the Council as a whole, and this was another reason for the development of the protocol.

(2) Mr Simmonds explained that, since the protocol was at the early stages of development, taking it through the Governance and Audit Committee would enable it to be further refined, and it would then be taken back to Cabinet. Mr Long, as Chairman of the Governance and Audit Committee, suggested that detailed discussion on the protocol could take place at the Trading Activities sub-group of Governance and Audit before it was brought to the full committee.

(3) The Chairman felt that it was not clear who was responsible for appointing a director, since there were references to directors being appointed by the Council, the Cabinet or a Cabinet Member. Mr Wood undertook to feed back this observation during the development of the protocol. In response to a question about what checks were carried out before directors of KCC companies were appointed, Mr Wood confirmed that some checks were carried out, but would find out more information.

(4) Referring to paragraph 4(e) of the protocol, the Chairman inquired why, given the fact that no Member or officer of the Council currently received income from a company, the protocol introduced that possibility. Mr Wood explained that there was not an intention to make any payments, but the paragraph would allow this to be done in specific circumstances. He stated he would be happy to remove this paragraph if required.

(5) Mr Manning inquired about the need for the protocol, what the aspirations for setting up separate companies were, and how the protocol related to how commercial companies operated in practice. Mr Simmonds explained that the protocol was designed to establish how the Council conducted itself in the corporate market, but some companies would involve other partners, and not all companies would be operating solely with a profit motive. There was also a need for the protocol where Directorates may have set up companies for a valid purpose, but these had financial implications, particularly in relation to tax, because they had not been considered corporately.

(6) Mr Pugh referred Members to a KCC document had been in existence since 2006 which incorporated the Companies Act 2006, which covered many of the questions that had been asked by Members. Mr Wood added that this document, which was

referred to in paragraph 2 of the protocol, 'Guidance on Local Authority Companies', answered many of Mr Manning's concerns.

(7) Mr Long inquired whether a company lawyer was involved in the drafting of the protocol, since he felt company law was very complex and it was important to have a specialist. Referring to paragraph 4(a) of the protocol, Mr Long expressed a concern that it may not be within the Council's gift to insist that all KCC companies had their registered office at County Hall, since some of them were joint enterprises. Mr Wood explained that where KCC had a minority interest in a company it might be more difficult to persuade other parties to have a County Hall as the registered office, but this would be a matter for negotiation.

(8) A question was asked about the meaning of an 'active dormant' company, as referred to in the appendix. Mr Long indicated that this may be where a company is on the register of companies and not trading, and Mr Simmonds informed Members that there were instances where the Council had sought to protect the name of an existing KCC company.

(9) Referring to paragraph 19 about possible conflicts of interest, Mr Christie inquired as to what would happen in these cases.

(10) Paragraph 21 mentioned a specific legal obligation for Members and officers to report back their involvement in outside companies, and stated that this happened through the Trading Activities Sub-group. Mr Christie asked about the availability of the minutes of the Sub-group, and Mr Long informed Members that the minutes went on to the full Governance and Audit Committee.

(11) A Member expressed a concern that the appropriateness of KCC entering the marketplace, particularly where KCC may compete with Kent companies, had not been addressed in the protocol. Mr Simmonds explained that a review of KCC companies and their relationship with the Council had been carried out by an outside body. The Chairman also referred Members to the earlier discussion where the business cases of each company would be considered in the context of the Council as a whole, and Mr Long informed Members that all business cases of existing companies had been scrutinised by the Governance and Audit Committee.

RESOLVED: that the Cabinet Scrutiny Committee:

(12) Thank Mr Pugh. Mr Simmonds, Miss Carey and Mr Wood for attending the meeting and answering Members' questions.

(13) Welcome the preparation of the KCC Companies protocol and note that it will be going to the Governance and Audit Committee for approval.

(14) Ask that the Acting Director of Finance provide more detail on the checks that are carried out before directors of KCC Companies are appointed.