SCRUTINY COMMITTEE

MINUTES of a meeting of the Scrutiny Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Thursday, 10 April 2025.

PRESENT: Mr A Booth (Chairman), Mrs R Binks, Mr T Bond, Mr A Brady, Mrs L Game, Mrs S V Hohler (Substitute for Mrs S Prendergast), Rich Lehmann, Mrs M McArthur (Substitute for Mr S Webb), Mr O Richardson and Mr M J Sole (Substitute for Mr A J Hook)

ALSO PRESENT: Mr P J Oakford

IN ATTENDANCE: Mr J Betts (Interim Corporate Director Finance), Mr D Shipton (Head of Finance Policy, Planning and Strategy) and Mrs A Taylor (Assistant Democratic Services Manager Scrutiny)

UNRESTRICTED ITEMS

114. Membership
(Item A2)

It was noted that Mr R Lehmann has replaced Mrs J Hawkins on the Committee

115. Apologies and Substitutes
(Item A3)

Apologies were received from Mr P Barrington-King, Mr D Brazier, Mr S Webb, Mr Whiting, Mrs S Prendergast and Mr A Hook.

Mr M Sole was substituting for Mr A Hook, Mrs S Hohler for Mrs S Prendergast and Mrs M McArthur for Mr S Webb.

116. Declarations of Interests by Members in items on the Agenda for this Meeting
(Item A4)

Mr Sole declared that he was Canterbury City Councillor and a Cabinet Member for finance. Mr Brady was also a Canterbury City Councillor. Mr Lehmann was an opposition group leader at Swale Borough Council

117. Call-in of Decision 25/00004 - Council Tax Collection Subsidies and Incentives
(Item B1)

1) The Chair opened the discussion by explaining to members the options available to the committee A) make no comments, B) express comments but not require reconsideration of the decision C) require implementation of the decision to be postponed pending reconsideration of the matter by the decision-maker in light of the

Committee’s comments. D) require implementation of the decision to be postponed pending review or scrutiny of the matter by the full Council.

2) Mr Lehmann highlighted the rationale for the call-in of decision 25/0004. The decision had been considered by the Policy and Resources Committee but responses to queries raised at both the Cabinet Committee and Full Council had not been received.

3) The Member prefaced the previous headlines on the agenda and the desire to try and ensure that the best financial outcomes were in place for the authority and asked that Members’ questions be fully answered and explored during the debate.

4)The proposal had been put forward originally prior to the knowledge that KCC was on course for local government unitarisation. The Member suggested that it was unlikely that the current scenario would result in greater council tax being collected throughout the county.

5) There was a duty to the taxpayer to ensure that collections were maximised over the next four years to enable authorities to maintain the strongest financial position in advance of any local government reorganisation proposals.

6) The Member raised concerns about how the districts would continue to collect Council tax as part of their statutory duty and the benefits of the district councils being able to develop local council tax reduction schemes and policies on empty property discounts.

7) Members during the recent Policy and Resources committee discussed a desire to review the policy progress after a year. It was considered that this had not been satisfactorily addressed in the past and some confusion on consultation to reverse a decision remained.

8) Mr Brady highlighted the information captured in section 1.8 of the Policy and Resources document from the 5th of March and noted:

‘The billing authorities’ response was that if such incentives were removed they would have to review the working age CTRS and empty properties discounts/premiums, especially where these result in council tax charges that are not cost effective for the district to collect from their share of council tax’

9) It was suggested that the statement was a demonstration that any decision needed to be stress tested with risk analysis, impact assessments and mitigation proposals. The Member added that the past responses to similar concerns had been met with a response that further communications with districts was underway as the decision was now ‘live’.

10) The Member asked for clarification on what further data and information needed to be collected and shared with Members so that a greater understanding of the potential impacts could be understood.

- Point 5.3 in the executive decision report was discussed. The estimate if all districts chose to offer a maximum 100% local discount to those working age households already in receipt of the current maximum discount has been modelled which could decrease the tax take by £14.6 million, resulting in a £12 million impact to KCC's share of council tax.

- Information suggested that a 1% reduction in the collection rates across all 12 authorities would result in a £9.5-£9.8-million-pound reduction in council tax (as a financial assessment of the risk).

- The local taxation equalisation reserve was at £11.95m at the start of 2024-25 with a an in-year drawdown of £1.8 million and a further drawdown of £3.48m planned in 2025-26. This would leave a balance £6.67m by the end of March 2026. The Member suggested that the reserves would not cover the loss and would impact negatively on the decision making of the next administration.

The Chair asked Mr Oakford to respond to the points raised by the call-in Members:

11) Mr Oakford acknowledged the concerns raised by Members; the intention was always to engage with Members as part of the key aspects of the democratic process. The decision on the removal of a County Council subsidy had been considered on a number of occasions within the Policy and Resources Committee framework and in addition it had been discussed at February's Full Council meeting.

12) Comments made and queries raised by Members were noted and responded to as part of the scrutiny item before the decision could be implemented

13) Due to the financial pressures faced by Kent County Council and the authority's statutory responsibilities it was noted that the authority could no longer afford to subsidise the statutory responsibilities of other public bodies.

14) It was noted that it would be irrational for districts who would form any part of a future unitary authority put in place schemes that reduced the amount of council tax that was collected.

15) A key consideration in balancing the budget was the investment into discretionary services and the extent to which it would harm the overall financial sustainability of KCC. The concerns that Members had raised were acknowledged. Potential impacts could be reviewed at the 2026-27 budget setting under the new administration. Additionally, it was discussed that if any Member had suggestions for improvements within the agreed funding envelope further discussions with finance colleagues could take place before a final decision was made.

The Cabinet Member and Officers responded to comments and questions of detail from Committee Members which included the following:

16) It was suggested that the decision would lead to a reduction in resources which could ultimately impact front line services. The Member further highlighted that increased discounts and reductions in premiums that had been smoothed by the reserve fund should not be a permanent solution.

17) Members queried the 1% reduction in income stated in the report and asked if this figure was a best/worst case scenario and enquired on where the 1% figure rationale had originated. Mr Betts confirmed that this was calculated to aid and inform the risk assessment.

18) Members highlighted KCC's collection rate of council tax which sat at 96.72%. This was lower than geographical neighbours such as Thurrock (98.4%). It was suggested that additional funding should be in place to aid collection. The Member further added that there were no solid details to show how a reduction could impact on the quality of service to taxpayers.

19) Officers agreed that Kent districts had been below average in the collection of council tax. However, it was stressed that it was not for KCC to fund any district in supporting their statutory duties of collection. The underlying argument presented by Members could not be supported due to KCC not having a statutory responsibility to collect council tax.

20) Mr Shipton clarified that the equalisation reserve allowed KCC to budget for a consistent level of overall surplus council tax collection. If a higher surplus was available payment would be made into the reserve and vice versa. Officers noted it would not be used to fund any ongoing reductions in the council taxbase and that the annual budget and council tax precept must be based on the council tax base estimates determined by the billing authorities. The reserve only existed to smooth variations in the estimates of collection fund balances from previous year over/under collection which also must be included in the annual budget.

21) Members asked if a possible review after the first year could take place and additionally if districts decisions which were not easily reversible be subject to a review. The subject had been previously discussed with the response having suggested that if any district wished to talk to KCC about payment for enhanced collection they should make a direct approach to KCC. KCC had not directly approached districts to confirm their financial decisions, this was not the responsibility of KCC.

22) In response to a query it was confirmed that all 12 districts data would be available by the end of the financial year when final reporting would be completed. The three districts discussed had reported a 3% increase (indicating that taxbase estimates had not all reduced), but this would be subject to a final financial position.

23) Mr Betts confirmed that there would be a statutory requirement for districts to consult with KCC on any changes or rescind any decisions that had a financial implication. Those implications discussed would be modelled into 2026-27 or into 2027-28 budget decisions to pre-empt and manage any risks that may occur.

24) Officers highlighted the 1.22%. increase in the tax base across all districts. The collection fund estimates from billing authorities for previous years collection was a £3.2m surplus and required a £3.8m draw down from smoothing reserve (partly offset by small surplus on share of business rate collection fund estimate). The noted 1.22% increase had been included in the 2025-26 budget and council tax precept.

25) In response to questions on the maximum increase allowed for district precepts (2.99%), it was clarified that this was separate from the number of properties and the

deduction of council tax discounts and assumed council tax collection rates that then formed the overall taxbase.

26) Members argued that during the production of the County Council's draft budget, higher projections of 2.2% had been developed and so the drop in the taxbase was significant. Officers confirmed that the taxbase estimate in the budget modelling was based on the average growth over recent years. A Member highlighted that a 1% drop would indicate a reduction in the tax base estimate of between £9.5 million and £9.8 million and asked what mitigations proposals are in place to deal with the drop if it occurs. Members added additional concerns on the potential impact placed upon the smoothing fund.

27) Officers noted the observations on the LGR timetable and suggested that it was unlikely to be in place within the next four years. Financial plans had captured the increase in budget, but it was re-emphasised the need to have all final financial positions in place from districts to assess the financial impacts correctly.

28) If issues arose regarding the adequacy of local taxation equalisation reserve then the assumed average collection fund surplus in budget being built for future years would be subjected to reassessment by the next administration.

29) Clarification was sought on the origin and implementation of subsidies to district authorities. Mr Shipton explained that the history of the schemes had dated back to 2013 and was originally a three-year rolling review programme. Members emphasised the importance of a data driven comprehensive risk analysis with solid mitigation proposals in place. Solid stress testing of future financial decisions was also highlighted as a concern.

30) Mr Oakford responded to the highlighted risk models and highlighted the past submitted estimates supplied by districts. In previous years the collection fund estimates had been higher than the assumed amount in the medium-term financial plan (MTFP) and allowed the smoothing reserve to be topped up. This year (2025-26) funding had to be drawn down from the reserve as the collection fund estimate from billing authorities was less than the assumed amount. It was noted that by the end of the next financial year payments into the fund would likely return subject to district submissions.

- The medium-term plan had assumed a growth rate of 1.5% every year and this had included new housing growth as well as changes in discounts and assumed collection rates. The MTFP was based on an assumed £7 million collection fund surplus. A deficit was seen in 2021-22 during COVID although every other year had reported a surplus.

- KCC would be a statutory consultee on any district's council tax reduction schemes for working aged people on low incomes before any changes could be made to existing schemes. There were no consultation requirements on the empty property discounts and premiums and the decision over these rests with districts.

- In response to the subsidiary origin query, Officers explained that prior to 2013, individuals on low incomes had council tax paid by the Department for

Work and Pensions (DWP). In 2013-14 responsibility was transferred to local authorities and each billing authority had to apply statutory arrangements for pensioner households and agree and implement local schemes for working age households.

- The transfer of responsibility had come with an expected 10% efficiency saving. KCC had an agreement with Kent districts that as part of this arrangement, districts would not give working age claimants a maximum 100% discount and that only an 81.5% discount be available and that the discount on empty and largely unfurnished properties would be reduced from 6 months to 3 months to meet the efficiency target.

- Individual authorities could agree to offer a higher working age discount providing the financial impact was offset by changes in other discounts. The major precepting authorities agreed to pay a total of £1.5m from their share of council tax towards setting up and administering local schemes. A review of this arrangement was undertaken in 2017 and KCC agreed a further £0.5m in total as incentive subsidy for to those districts which aligned local schemes with changes to other welfare benefits under the Welfare Reform and Work Act 2016 and introduced further changes to reduce the impact of local schemes on the council tax base.

- The last review took place in 2017 and was due to occur every three years. COVID had caused significant disruptions in 2021-21. Timelines had now aligned to allow for reviews to resume.

31) Mr Brady asked for further clarification on the current risk analysis employed. Officers noted that a rebalancing of the risk analysis would occur if districts reinstated working age discounts to 100% and/or reinstated empty property discounts or removed premiums on long-term empty properties. Officers highlighted that the paper had shown the difficulty in assessing empty properties as a quantifiable risk. Mitigation would be reviewed once all districts have submitted their financial estimates for 2026/27 budget setting.

32) It was noted that if all 12 districts were to collect less (£18,000 example used) then this would result in a £1.75 million saving being wiped. Mr Lehmann suggested a number of concerns remained in place and proposed that members select option D *require implementation of the decision to be postponed pending review or scrutiny of the matter by the full Council*. Mr Brady seconded the motion.

33) Members echoed the concerns that had been raised and felt that the decision if implemented would still have a negative impact. It was noted that the subsidy was more beneficial to KCC, and its removal would impact the next administration negatively.

34) Mr Oakford noted the changes since 2017 and the current financial position being considerably different with difficult financial challenges ahead. The Cabinet had taken consideration on what had been raised by the call in and asked committee to form a decision.

Mr Lehmann proposed, and Mr Brady seconded the option

d) require implementation of the decision to be postponed pending review or scrutiny of the matter by the full Council.

The Chair put this to the vote: For: 3 Against: 7

This motion was lost.

The Chair proposed and Mrs Binks seconded Option b) express comments but not require reconsideration of the decision

This was put to the vote: For :7 Against: 2 Abstain: 1

This motion was carried.

The Committee resolved, by majority, to **(b) express comments but not require reconsideration of the decision.**

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