

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 Monday, 23 January 2012.

PRESENT: Mrs T Dean (Chairman), Mr G Cowan, Mr A R Chell, Mr D A Hirst, Mr E E C Hotson, Mr M J Jarvis, Mr R E King, Mr R L H Long, TD, Mr M J Northey, Mr J E Scholes and Mr C P Smith

PARENT GOVERNORS: Mr P Myers

ALSO PRESENT: Mr A J King, MBE, Mr J D Simmonds, Ms S J Carey and Mr L Christie

IN ATTENDANCE: Mr D Shipton (Acting Head of Financial Strategy), Mr A Wood (Corporate Director of Finance and Procurement), Mr K Abbott (Finance Business Partner, ELS Directorate) and Mr A Webb (Research Officer to the Cabinet Scrutiny Committee)

UNRESTRICTED ITEMS

39. Draft Budget 2012/2013 and Medium Term Financial Plan 2012 - 2015 *(Item 4)*

Mr A King, MBE, Deputy Leader of the Council, Mr J Simmonds, Cabinet Member for Finance and Business Support, Miss S Carey, Deputy Cabinet Member for Finance and Business Support, Mr A Wood, Corporate Director of Finance & Procurement, Mr D Shipton, Acting Head of Financial Strategy and Mr K Abbott, Director, School Resources were present for this item.

(1) Mr Wood introduced the Cabinet Budget 2012/13 and Medium Term Financial Plan 2012/15 Report. He thanked District colleagues for making information available on their Council Tax base and Collection Funds earlier to enable the draft report for Cabinet to be published before the end of January; in previous years Cabinet had met to discuss the Budget in February. This also meant that the draft Cabinet report had been made available for scrutiny by the Cabinet Scrutiny Committee for the first time.

(2) Mr Wood went on to draw Members' attention to the following points:

- The Early Intervention Grant had increased by £1.724m compared to the original indicative figure. The increased grant was intended to fund the Government's pledge to increase the number of free places for 2 year olds but was un-ring-fenced. The revised proposed budget identified additional estimated spend of £0.86m on places for 2 year old placements in 2012/13, leaving a balance of £0.864m for other purposes.
- That consultation on the Budget had been undertaken with Policy Overview and Scrutiny Committees, trade unions, business and the public.

- That the notified tax base had increased by 0.74% (corresponding to an additional £2.6m compared to the estimate included the draft Budget) despite the reported slow down in the housing market.
- Referring to Table 6.3, an additional £2.2m was expected from the net surplus in District Council collection funds. He confirmed that it was usual for a small surplus to be identified but this had to be treated as one-off funding for the forthcoming budget and cannot be factored in base on-going funding.
- Referring to Table 7.6, there had been a number of changes to emerging pressures since the release of the draft Budget, resulting in the figure being revised from £9.1m to £7.6m.
- This £7.6m, combined with the collection fund surplus of £2.2m, meant there was nearly £10m available to be allocated and Section 8 of the report set out proposals for how it would be used in 2012/13.
- In the Capital programme, £49m had come off the Education, Learning and Skills 3 year programme due to changes in Government grants and academy conversions. He emphasised that £33m corresponded to the estimated conversion to academies during the forthcoming MTFP period and this money would be controlled by individual academies rather than the local authority.
- That it was recommended that Council Tax remained frozen for 2012/13, which would make Kent eligible for the Government's Council Tax Freeze Grant.

(3) Mr Simmonds explained that Cabinet Members had thought about the options regarding Council Tax in detail, and were conscious that the £14.4m from Government was only going to be a 'one off'. Cabinet members were also aware that not increasing Council Tax means income would be forgone each year but the recommended option was to accept the grant from Government. Of the £10m still in the Budget to be used, Mr Simmonds explained that £7.5m would be put into a Council Tax equalisation reserve to smooth the effect of the one-off grant over the medium term with the remaining £2m put into an Invest to Save reserve to stimulate significant and sustainable savings in future years' budgets.

(4) On future years of the Government settlement, Mr Simmonds explained that Government had been true to its word in the 2012/13 settlement, but that he was being cautious beyond that. Mr Wood referred to Appendix A of the Medium Term Financial Plan (MTFP) which identified reductions in Formula Grant of £9m in 2013/14 and £22m in 2014/15. This reflected the overall reductions for Local Government in the Spending Review projections, but there was a risk that councils could be asked to find further savings. He emphasised that the MTFP does not present the worst case scenario

(5) On the effects of the academy programme on the Council Budget, Mr Abbott explained that officers were working through estimates of the effect of the conversion of schools during the current financial year and predicted conversions during 2012/13 and this would be available within four weeks. Regarding discussions about making the formula used for the Dedicated Schools Grant fairer, Mr Abbott explained that the outcome of the consultation in the Autumn was due to be published later in the year. He also reminded members that the Government had launched a four week just before Christmas on the specific issue of local authority central functions, but there would be no changes until April 2013 at the earliest.

(6) Regarding the Early Intervention Grant (EIG), Mr Shipton explained that since notification of the un-ring-fenced grant for 2011/12 was received so late there was little choice other than to allocate funding to the services which had previously received specific grants (albeit reduced to reflect reduced overall allocation).. For 2012/13, it was intended that the grant income would be treated like any other un-ring-fenced grant, i.e. as general income to the whole Council, with the monies sitting in the Finance portfolio rather than as grant income in individual portfolios/services.

(7) Responding to a question on where financial responsibility for failed academies would lie, Mr Abbott explained that it would sit first and foremost with the trust set up to administer each academy. There was currently no statutory provision for academies to be able to be returned to Council control, nor any requirement for the Council to be involved, but the Secretary of State may look to another trust to take over. Although there would be no direct consequences for the Council, there may be an indirect effect if parents decided to transfer their children from failing academies into local authority maintained schools.

(8) On the impact of a reduction in Council Tax Benefit, Mr Shipton explained that it was too early to identify all the implications, but the biggest risk to the County Council would be if the benefit became converted into a Council Tax discount, since 70% of the Council Tax base came to the County Council. An initial meeting was scheduled for the following week with District Councils to discuss how they might implement the localisation of Council Tax Benefit.

(9) Referring to paragraph 6.4 of the Cabinet report, Mrs Dean explained that she had met with Andrew Stunell, who had welcomed any evidence which suggested that top tier Councils should receive a higher proportion of the New Homes Bonus. Mr Shipton stated that Kent's response to last year's consultation had put forward the case that the 80/20 split did not represent the respective level of spending by local councils on providing services although there has been no specific research on how much is spent supporting new housing. Miss Carey referred to the letter written to the Department for Communities and Local Government on 17 January 2012 raising this issue.

(10) There was a detailed discussion about the recommendation to freeze Council Tax and to accept the grant from Government. Mr Wood explained the two 'extreme' scenarios of the possible options as follows:

1. If the authority had planned to increase Council Tax by the maximum amount without triggering a referendum (3.5%), it would add £20m onto the tax base each year, equating to £100m over five years. Taking the grant and freezing the Council Tax would only compensate for the loss of income in 2012/13
2. on the other if the council had been planning for no increase then taking up the grant from Government would in effect be a one-off bonus in 2012/13 and the impact on services from freezing Council Tax would already be identified in the MTFP either by future increases or reduced services.

Since the published MTFP for 2011/13 had no specific increase planned KCC was closer to the second scenario. Mr Simmonds added that in the current difficult economic climate, the Council would do everything to avoid asking households to pay more Council Tax. Under the Council Tax equalisation proposals the grant would be

invested to help reduce demand for services (and therefore savings to compensate for the tax income forgone) in future years.

(11) Members expressed a number of views, including that:

- There was a danger that elections might encourage Government to keep proposing the same measure in future, but may result in a greater level of budget cuts after the election.
- There was an awareness of the difficult economic climate for households, and that previous thinking was nearer a 0% rather than a 3.5% increase in any case.
- It was recognised that it was only a one-off sum, and that it would be used to manage demand as well as existing pressures.
- One-off grants were not sustainable and accepting the grant might result in having to find greater savings later.
- In respect of the effect on services, circumstances were changing and that in future the model of Councils and the way services would be provided may be different.
- That if the £14m was definitely going to be used to manage future demands and Cabinet did things differently, the recommendation to accept the grant would be more reassuring.

(12) Mr Wood explained that he saw the grant as a grant to the people of Kent, and to not accept it could be seen as going to ask households to pay for something which the Government had instead offered to fund. He also pointed out the importance of seeing the £14m grant in the context of the Council's annual spend of £900m. Half of the grant would be going into the Council Tax equalisation reserve, and it was important to remember the other measures being taken to balance overall pressures in the Budget.

(13) There was a brief discussion about the difference between the new £2m Invest to Save Reserve and other invest-to-save initiatives, as well as the various reserves referred to in the Statement of Accounts.

(14) Regarding the proposed additional spending of £1m on the Procurement team, Mr Wood explained that within the Budget and MTFP, a target of £20m savings had already been set to be delivered through better procurement although no resources had been identified how this would be achieved. The £1m spent recruiting the team to deliver these savings, effectively meaning the savings target had been increased to £21m. Mr Simmonds added that approximately 50% of KCC procurement was with Kent businesses and there was potential for this to increase to over 60%.

(15) On the pressure which had arisen in Specialist Children's Services, and the question of when the demand for Looked after Children (LAC) placements would fall, Mr Simmonds felt that the costs of rectifying the situation had been necessary as demand for placements had increased beyond the level upon which forecasts were based. He identified that the pressures for a council like Kent were more difficult than other authorities due to the very large proportion of LAC placed in Kent by other authorities and the impact this has on the local care providers.

(16) On the pressure around unaccompanied asylum seekers, and how this could be resolved, Mr Simmonds explained that Kent continued to have discussions with

Government, and that it was necessary to have a 'meeting of minds' to resolve the issue. Mr Abbott explained that the situation arose due to conflicting interpretations of immigration legislation by the Home Office and a council's responsibilities under the Children Act as identified by the Department of Education and the Council's lawyers.

RESOLVED: That the Cabinet Scrutiny Committee:

(17) Thank Mr King, Mr Simmonds, Miss Carey, Mr Wood, Mr Shipton and Mr Abbott for attending the meeting and answering Members' questions.

(18) Ask that the Director of School Resources provide a breakdown of the financial effects on the Council of the transferral of schools to academy status, when it has been completed.

(19) Ask that the Corporate Director of Finance and Procurement provide a briefing note on how un-ring-fenced grants, such as the Early Intervention Grant, were now being administered within the authority, and how this related to the additional monies being made available for Youth Services commissioning.

(20) Ask that the Corporate Director of Finance and Procurement provide full details of the financial reserves held by the County Council.