

NOTES of a special meeting of the Cabinet Scrutiny Committee's Informal Member Group on Budgetary Issues held on Thursday, 29 September 2005.

PRESENT: Mr D Smyth (Chairman), Mr C J Capon and Mrs T Dean.

ALSO PRESENT: Mr N J D Chard.

OFFICERS: Mr D C Lewis, Strategic Director, Resources; Ms L McMullan, County Finance Officer; Mrs E Goodrick, Financial Strategy Manager; Mr K Abbott, Acting Assistant Director (Finance and Corporate Affairs), Education and Libraries Directorate; and Mr S C Ballard, Committee and Member Services Manager.

1. KCC Draft Response to 'Local Government Finance: Formula Grant Distribution – a Consultation Paper' July 2005
(Item 1)

(1) Mrs Goodrick gave a brief introduction to the consultation paper and the draft response. The consultation paper had been issued in July but the Government had made seventeen changes since. In the worst-case scenario KCC stood to lose some £33m but this was based on individual service exemplifications and it was impossible at this stage to tell what the combined effect could be.

(2) Mrs Goodrick said that there were a number of themes in the KCC response as follows:-

- (a) we wanted the 2001 Census data, or the latest non-Census data, used throughout;
- (b) concern that the Government's proposals did not take account of the growth agenda. There was a need to look forward rather than constantly playing catch-up;
- (c) no increase for road maintenance was proposed but KCC was concerned that the Government was not using the most relevant data which, in Kent's view, was HGVs;

(3) Discussion then focused on the following issues:-

(a) Schools Transfer (Chapter 2)

Mr Lewis pointed out that there was a separate but parallel Government consultation on the allocation of Dedicated Schools Grant (DSG).

Mr Abbott said that there was no argument with the principles proposed by Government for the allocation of DSG but it was difficult to comment without seeing the details. There was a danger that all the headroom could go to those authorities currently spending above SFSS and this could be detrimental to Kent.

(b) Updating of Data

In answer to questions from Mr Smyth and Mrs Dean, Ms McMullan said that updating with Census 2001 data was presented only as an option in some parts of the consultation paper and 1991 data had clearly been used in some of the exemplifications, presumably because use of old data benefited authorities in some areas (notably London). However, Kent would benefit from implementation of Census 2001 data throughout.

Mr Smyth said that he agreed that the new formula grant distribution should include the 2001 Census data but he felt that it damaged Kent's case when we continue to press for the new data to be applied to the old formulae.

(c) New Grant System (Chapter 3) - Relative Needs

Mrs Goodrick explained that the Government was trying to get away from announcing cash values for the increase in Council Tax yield nationally. Instead it wanted to quote relativities between authorities. We could still calculate the amount allowed for our Council Tax yield increase from this but it would not be recognised by Government.

In answer to a question from Mr Smyth, Ms McMullan said that taking account of specific grants was not one of the reasons given by Government for proposing this new system. The main reason given by Government was that local authorities had 'misused' Council Tax yield figures.

(d) Education - LEA Block (Chapter 6) - Removal of LEA Damping

Mrs Goodrick said that the Government's argument for removal of LEA damping was that not many authorities were affected. However, removal would have a significant impact on Kent, costing us some £3m. The Government's proposals were inconsistent because, while they were proposing to remove damping from the education block, they were suggesting its introduction for other blocks.

(e) Data Forecasting

The Group agreed that some mechanism (eg trend analysis) was needed to ensure that authorities in areas of population growth received additional grant as the growth occurred, not some years later.

Ms McMullan said that KCC had already suggested to the ODPM that a specific grant should be made available for this purpose (along the lines of the specific grant given to designated New Towns) so as to avoid disrupting the formula allocation.

(f) Highway Maintenance (Chapter 10)

Mr Smyth suggested that our response should include a recommendation that data on HGV traffic should be included in the highway maintenance formula, even though there was no specific question about this.

(g) Environmental, Protective and Cultural Services (Chapter 11) - Waste

Mr Smyth questioned whether it was in our interests to say in our response that a significant driver of our costs of waste disposal was the Government's Landfill Tax escalator.

Mr Lewis said that it was very important to Kent that the Government maintained its position on Landfill Tax credits.

(h) Environmental, Protective and Cultural Services (Chapter 11) - Critical Ordinary Water Courses (COWs)

In response to a question from Mr Chard, Mr Lewis said that he would look again at our proposed response to question 24.

(i) Additional Resource Equalisation (Chapter 14)

Mr Lewis said that the proposals for additional resource equalisation were fundamentally wrong in principle because they effectively involved double-counting the needs of some authorities. In other words, the grant system was being used as a tool of regional policy, when the purpose of the system was to provide every authority with sufficient resources to provide a standard level of service. The Government's proposals would, in general, benefit urban areas at the expense of rural areas such as Kent.

(j) Conclusion

Mr Smyth thanked the officers for drafting the KCC response and discussing it with the Group.