

NOTES of a meeting of the Cabinet Scrutiny Committee's Informal Member Group on Budgetary Issues held on Thursday, 5 January 2006.

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; Mr A Wood, Head of Accounting Services; Mrs E Goodrick, Financial Strategy Manager; Mr K Harlock, Commercial Services Director; Mr J Wale, Assistant to the Chief Executive; and Mr S C Ballard, Head of Democratic Services.

1. Notes of Previous Meeting

(Item 1)

(1) Noted.

2. Street Lighting - Electricity Supply Contract

(Item 2 - Report from Commercial Services Director)

(1) The Group noted Mr Harlock's report.

(2) In answer to a question from Mrs Dean, Mr Harlock said that there were two ways in which Parish Councils could take advantage of the lower bulk prices negotiated by LASER. These were as follows:-

(a) by working with their local District Council to purchase their electricity directly through a LASER contract;

(b) by taking advantage of an offer to be made shortly to small-site users to join LASER. Prices would be higher than the KCC contract price but much lower than the prices available to Parish Councils when purchasing electricity directly from supply companies. The other main benefits would be controls and conditions of contract which would be LASER's, not the suppliers'.

3. KCC/Shepway Agreement

(Item 3 - Report by Commercial Services Director)

(1) Mr Harlock clarified that we had been able to make savings on the services previously provided by Shepway District Council through bulk-buying; spreading of overheads (including management and administration); and an improved staffing structure. Shepway appeared happy with our performance.

4. Local Government Finance Settlement - Draft Consultation Response

(Item 4)

(1) Mrs Goodrick explained that the ODPM had issued the provisional grant settlement on 5 December, inviting councils to respond by 11 January. KCC had a meeting with a

junior ODPM Minister (Mr Fitzgerald) on 10 January and wanted to send in the response prior to that.

(2) The draft settlement raised three key issues for KCC and these were highlighted in the Executive Summary to the response. They were as follows:-

- (a) as a floor authority, the abolition of Safeguarding Children Grant would mean that KCC would receive a much lower than average increase in grant;
- (b) as a floor authority, KCC would get no additional grant to support new borrowing;
- (c) the new settlement arrangements were so opaque that it was impossible to assess the basis on which funds had been allocated.

(3) Discussion focused on the following issues:-

Floors

(4) In answer to a question from Mr Smyth, Mr Lewis explained that, as well as the overall floor, the ODPM had imposed additional floors within certain sub-blocks but not others in a way that penalised KCC. The Government's case was that it had inserted additional floors in those sub-blocks which suffered the most turbulence.

Length of Settlement

(5) In answer to a query from Mrs Dean, Mr Chard and Mr Lewis accepted that paragraph 7 of the draft response should be amended to make clear that our concern about being "locked in" to a three-year settlement related to suggestions from Government that councils might be asked to decide in advance their Council Tax levels for the whole period of the settlement. **(Action: EG)**

Supported Borrowing

(6) In answer to a query from Mrs Dean, Mr Chard and Mr Lewis agreed that paragraph 3 of the draft response should be amended to clarify the point that KCC needed to borrow long-term in order to meet the cost of growth, but the lack of Government support for this borrowing would impose costs on Council Tax payers in the short-term. **(Action: EG)**

Deprivation

(7) Mr Lewis said that the provisional settlement was unfair on Kent because deprivation in Kent relative to other councils had increased over the past fifteen years, and yet the Government was proposing to reduce Kent's share of grant relative to other councils.

(8) He explained that the evidence for Kent's relative increase in deprivation was in the 2001 Census data. In addition, we had commissioned work from Deloitte to validate this. Mr Smyth and Mrs Dean asked if they could see the preliminary results of this work as soon as it was available. **(Action: DL)**

KCC Performance

(9) In answer to a query from Mrs Dean, Mr Lewis accepted that paragraph 4 of the draft response should be re-worded to avoid the suggestion that a lower grant settlement for Kent could be justified on the basis that we could afford to increase our Council Tax level. **(Action: EG)**

Opacity of Settlement

(10) Mr Chard said that it was intended to ask more detailed questions of the ODPM under the Freedom of Information legislation in order to try to get at the methodology behind the provisional grant settlement.

Conclusion

(11) Mr Chard said that the draft response would be amended urgently as agreed with the IMG and re-circulated to IMG Members. Mr Chard said that he was particularly keen that there should be all-party agreement on the County Council's line on supported borrowing. The final version of the response would be sent to the ODPM on the morning of 9 January in preparation for the meeting with Mr Fitzgerald on 10 January.

5. Revenue and Capital Budget Monitoring Exception Report

(Item 5 - Report at Item 2 on agenda for Cabinet meeting, 9 January 2006)

(1) The IMG received and noted this report.

(2) On paragraph 2.3, Mrs Dean asked why KCC needed to incur additional costs to separate waste streams for feeding into the Waste to Energy plant at Allington, when she had thought that front-end sorting of waste was to be carried out at Allington. **(Action: AW)**

6. Kent - The Unique Local Challenges

(Item 6)

This item was deferred to the next meeting.