NOTES of a meeting of the Cabinet Scrutiny Committee's Informal Member Group on Budgetary Issues held on Thursday 31 July 2008.

PRESENT: Mr D Smyth (Chairman), Miss S Carey and Mr I Chittenden.

ALSO PRESENT: Mr N J C Chard, Cabinet Member for Finance and Dr M R Eddy

OFFICERS: Ms L McMullan, Director of Finance and Mr P Sass, Head of Democratic Services and Local Leadership

1. Notes of Previous Meeting held on 10 July 2008
(Item 1)

The minutes of the meeting held on 10 July 2008 were noted. Mr Sass undertook to chase and supply responses to all of the outstanding questions raised by Members, as indicated in the Minutes.

2. Impact of the current economic situation on the Council
(Item 2)

(1) Mr Chard introduced the report, stating that the requests from Directorates for additional resources had not been accepted at face value and without challenge, but would continue to be monitored to ensure that they were realistic. He added that the Council's sound financial management in previous years had meant that the Council was in a fortunate position of being able to provide this additional support to its revenue budget, without needing to use reserves. He also stated that the proposed establishment of the second Property Enterprise Fund was an elegant way of maintaining capital investment during the current economic conditions. With regard to the BSF programme, Mr Chard stated that the Cabinet would continue to monitor the situation closely; waves 4 and 5 had not been agreed as yet, but wave 3 was affordable and should proceed. He added that the Council should take advantage of the BSF money available, but he would not support the Council having to subsidise previously agreed waves. Ms McMullan confirmed that wave 3 would be dealt with via the Property Enterprise Fund, as capital receipts were still required to fund the programme.

(2) In response to a question from Dr Eddy, Mr Chard stated that, whilst there were certain assumptions about service user numbers contained in the publicly available information on the budget, there was nothing as specific or potentially useful to suppliers as the information contained in the appendix to the report, which is why it was exempt.

(3) Referring to paragraph 4.1 on page 4 of the report, Mr Chittenden asked whether officers believed that the Economic Survey forecast for building tender price inflation of 6.3% over the next year was reasonable, given the downturn in the construction market and the inevitability of companies needing work to survive. Ms McMullan stated that the Council might get slightly lower prices on its tendered work and that tender prices are monitored. Mr Chard added that lower labour costs would have to balanced against higher materials costs.

(4) In response to a question from Mr Chittenden, Mr Chard confirmed that the additional £5.11m was the uncommitted roll forward from the 2007/08 revenue budget and not a utilisation of reserves.

(5) In response to a question from Miss Carey on the Adult Social Services portfolio, Ms McMullan confirmed that the estimated additional costs only related to unit costs; therefore any cost pressures caused by demographic factors would be in addition to those caused by the impact of the current economic situation.

(6) In response to a question from Mr Smyth on page 3 of the exempt appendix on waste management costs, Ms McMullan confirmed that officers were not predicting an incremental increase in costs in 2011/12 as certain contracts fall out.

(7) Mr Smyth asked for further clarification of the relationship between paragraphs 2.3.2 and 2.3.3 of the report in relation to the Comprehensive Spending Review. Ms McMullan stated that there had been a reduction of £4.7bn in spending assumptions nationally as a result of actions taken since CSR 07 was announced, which represented 1.2% of the total public spending of £397bn announced originally in CSR 07. She undertook to provide further details to Members.

(8) In response to a question from Mr Smyth on paragraph 3.3 of appendix 2, Ms McMullan stated that the prudential equalisation reserve was a separate reserve designed to smooth out the revenue implications of borrowing.

(9) Members agreed to note the report.