

Notes of a meeting of the Cabinet Scrutiny Committee Informal Member Group on Budgetary Issues held on Thursday, 8 January 2009.

Present: Mr D Smyth (Chairman), Mr J Simmonds and Mrs T Dean.

Officers: Ms L McMullan, Director of Finance, Mr A Wood, Head of Financial Management, Mr Nigel Smith, Head of Development Investment, Mr P Sass, Head of Democratic Services and Local Leadership and Mrs A Taylor, Research Officer to the Cabinet Scrutiny Committee.

Also present: Mr N J D Chard, Cabinet Member for Finance, Mr S J G Koowaree, Member for Ashford East, Mrs E Tweed, Member for Ashford Central and Mr D Hill, Chief Executive, Ashford Borough Council.

1. Notes of Previous Meeting held on 26 November 2008.
(Item 1)

Subject to a letter being written to Mr Gilroy asking him to clarify the information published in the Local Government Chronicle relating to savings made by Kent TV, the notes of the meeting held on 26 November 2008 were approved **(PS to follow up)**.

2. Revenue and Capital Budgets Monitoring Exception Report
(Item 2)

- (1) Members queried the re-phasing of the special schools review (SSR) projects and stated that Local Members and particularly Governors of the relevant schools were not always kept up to date with changes to the phasing of projects. Members asked for an update on progress at Five Acre Wood school and St James the Great school. **(AT to follow up)**
- (2) Members agreed to note the report.

3. 2009-10 Budget and Medium Term Plan
(Item 3)

- (1) Mrs Dean opened the discussion by stating that she had not received her copy of the budget book and MTP on Monday as hoped. Mr Wood confirmed that a hard copy had been delivered to her office at 5.15pm on Monday. Mr Smyth stated that the opposition groups appreciated the opportunity to receive a copy of the budget at the earliest available opportunity prior to the press launch and they would wish this to continue in future years. Mr Chard agreed that the budget press release should also be issued in advance to Opposition Groups.
- (2) Mr Chard introduced the report explaining that this year had been the most economically turbulent in his experience. While the Council was pleased that the Government had honoured the previously announced 3.2% gross increase, there was disappointment that no additional provision had been made for continuing pressures on the budget, including the impact of the economic conditions and the removal of LABGI meant that the actual increase was only 2%.

- (3) The Council was aware of the increasing pressure of Council Tax to residents and a maximum of 2.85% increase was proposed for the Council Tax.
- (4) Putting together the budget was about balancing the impact on Council Tax from the pressures on services and the need for savings in the light of the additional grant received from the Government.
- (5) The Council was proposing additional funding for Children's Social Care Services. There were also pressures on the Adult Social Care services due to changing demography of the County. Work has also been focussed on a more efficient and effective Highways Service.
- (6) Mr Simmonds asked about the effect on the Council of the Government increasing the efficiency savings targets for Local Government. Ms McMullan explained that it would not impact on the 2009/10 budget but it was possible that 2010/11 might be affected. On a separate but related issue, Ms McMullan confirmed that the Government was pressing ahead with its wish to see local Councils publish the details of efficiency savings with Council Tax bills, despite significant views to the contrary.
- (7) The Chairman stated that Members appreciated that the budget had been published significantly earlier than in the past giving more time for consideration; this achievement should be recognised, particularly considering the Christmas and New Year break.
- (8) Mr Chard concurred with the Chairman and stated that a lot of work had been put in to ensure that the Budget Book was readable and comprehensive.
- (9) Members noted the report.

4. Business Planning *(Item 5)*

- (1) This report had been postponed from the previous IMG meeting.
- (2) Members of the IMG agreed that the new format of the Business Plans looked to be a vast improvement, increasing the transparency of the plans and making them easier to understand.
- (3) The Chairman asked whether the Delivery of Change in Priorities section of the Service Level Plan would also be relevant in the Directorate Level Plan. Officers clarified that the information in the Directorate Level Plan was intended to be strategic and that greater detail would be included in the Service Level Plans which would link extra funding with increased or higher level performance.
- (4) Mrs Dean asked whether there would be an opportunity for a dry run of the Business Plans before they were officially launched. Mr Wood explained that Finance were planning on being the first service to complete their Business Plan and that there had been a lot of discussion with key officers in the service directorates to ensure that there was an understanding of the Business Plans, and in addition Finance would keep a close eye on the Business Plans as they were populated.

- (5) Mr Simmonds asked whether the Business Plans would be submitted to the Policy Overview Committees (POCs) to ensure that Members were aware of the new format of the Business Plans. Mr Wood confirmed that the process had been established to ensure that the plans were considered by the POCs.
- (6) Members noted the report.

5. Ashford Newtown Works Site. Application no: AS/05/01798
(Item 4)

Mr Nigel Smith, Mr Koowaree, Mrs Tweed and Mr David Hill attended the meeting for this item.

- (1) The report on Ashford Newtown Works site stated that Ashford Borough Council (ABC) had granted planning consent subject to the completion of a Section 106 agreement and various other conditions including clawback ("deferred contributions"). ABC had therefore resolved to grant planning permission even though full contributions could not be secured initially.
- (2) Mr Smith introduced the report and explained that the contribution originally sought from this development by KCC was in the order of £1.5million, but the total offer from the developer was only £0.66million (with KCC's share being £0.385million) leaving a shortfall of just over £1million, although the £1.5m had not yet been included in the Medium Term Plan.
- (3) Mr Hill, Ashford Borough Council's Chief Executive stated that ABC had a good reputation for delivering contributions but on difficult brownfield sites, especially in current market conditions, something had to give. Rather than abandon the prospect of securing any contributions, the 'deferred contributions' approach would assert the Council's right to levy the full contributions. However where an independent assessment showed that the contributions were unaffordable there was an agreement to reduce the contributions on a broadly pro rata basis, but to secure 'deferred contributions' towards the shortfall if actual sales values exceeded those in the development appraisal. There were concerns that if the planning permission was simply refused a planning inspector could approve the development with no developer contributions. Mr Hill stated that house prices in Ashford had not fallen at the same rates as other parts of the South East, that the level planning applications received was at the same level as last year and that there was high level of interest for commercial developers with major companies looking to invest in Ashford. This may in part be due to the arrival of the high speed rail services in December 2009.
- (4) Mr Chard stated that he suspected the developers were now suffering because they would have paid more for the land originally than it was now worth in the current climate, making the funding of the S.106 contributions difficult. He added though, that the Council was not in a position to pick up the shortfall.
- (5) Mr Hill stated that the appraisals valued the land at its existing use value, so it would not be affected by what the developer had actually paid for the land. He added that developer contributions should not be relied upon or built into budgets until the developments had begun.

- (6) Ms McMullan stated that the financial implications needed to be clearer in the report.
- (7) Mrs Tweed stated that transport links to the Newtown site had been improved making any flats more saleable.
- (8) Mr Hill confirmed that preparations had begun to clear the site. If it proceeded, there would be a shortfall between creating a sustainable community and delivering it. He hoped it would be possible to seek HCA or GAF funding to close that gap, with the funds potentially being recovered from deferred contributions in due course.

The IMG agreed to:

- (9) Support the proposed agreement for deferred contributions in principle subject to seeing further detail of the proposed clawback arrangements. If the timescale permits this should be brought back to the IMG, otherwise the Cabinet Member for Finance agreed to discuss the issues with the Chairman of the IMG and other local Members as appropriate. With regard to clawback, Members expressed the view that there should be a clear overage clause to compensate the authority if market conditions improve;
- (10) Mr Hill agreed to approach the Homes and Communities Agency (HCA) to determine whether funding was available to cover the financial shortfall for this development, on the basis that there had to be a balance between community infrastructure and additional funding to cover the costs;
- (11) If the HCA has no funding available it could be a legitimate use of GAF3 funding and Ashford's Future would be consulted at the appropriate time subject to details of clawback being discussed.