

**BUSINESS SUPPORT
OVERVIEW AND SCRUTINY COMMITTEE**

2 FEBRUARY 2010

**DRAFT CAPITAL AND REVENUE BUDGET
PROPOSALS 2010/2011**

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Summary

This report presents for consideration, the comments and recommendations of all Overview and Scrutiny Committees on the initial budget plan for 2010/2011 proposed by Cabinet on 24 November 2009.

1. Budget and Policy Framework

1.1 In accordance with the constitution, Cabinet is required to develop initial budget proposals' approximately three months before finalising the budget and setting council tax levels in February 2010. These proposals should be submitted to Overview and Scrutiny Committees for their views.

2. Background

2.1 On 24 November, Cabinet considered the draft capital and revenue budgets for 2009/2010 and agreed to forward these drafts to all Overview and Scrutiny Committees as work in progress inviting them to offer comments on the proposals outlined.

2.2 Business Support Overview and Scrutiny Committee has a pivotal role in the consultation process that surrounds Cabinet's construction of the budget. It is the committee that has the responsibility to scrutinise and comment on the proposals. To this end the other committees have been invited to forward their comments to inform the process of scrutiny by this committee and these are embodied in this report.

2.3 The constitutional position is described in detail in the financial and legal implications section of this report but in essence there is a six week period for this consultation to take place and Cabinet to be informed of the outcome.

- 2.4 That will occur as a consequence of the debate around this item and be considered by Cabinet as it forms the proposal to Council and the Cabinet meeting on 16 February. It remains the responsibility of full Council to agree the budget proposals and set the Council tax and this will occur at the Special Council Meeting on 26 February.

3. Draft Capital and Revenue Budgets 2010/2011

- 3.1 Members will have received copies of the 'Capital Programme 2010/2011 and Beyond' and 'Revenue Budget 2010/2011.' These reports were considered by Cabinet on 24 November 2009.

- 3.2 The draft proposals discussed by Cabinet were disaggregated into overview and scrutiny responsibility and each committee has been asked to consider the draft proposals pertinent to their area of responsibility and comment back to this committee.

- 3.3 The responses of individual Overview and Scrutiny Committees are shown in full at Appendix 1 and summarised below. Responses in respect of this committee have been considered earlier in this agenda and will be reported to Cabinet on 16 February.

3.3.1 Regeneration, Community and Culture 13 January 2010

Concerns were expressed over the budget pressure in respect of financing costs for the Innovation Centre which have been built into the draft budget proposals. All other recommendations from this committee have similarly been incorporated.

3.3.2 Children and Adults 20 January 2010

No comments were made which affect the draft budget proposals.

3.3.2 Health and Adult Social Care 21 January 2010

No comments were made which affect the draft budget proposals.

4. Risk Management

- 4.1 The risks exposed by a failure to effectively manage the resource planning and allocation process to achieve priorities and maintain effective service delivery are great. The inevitability of elections at both national and local level during the period, the uncertainties about recovery from the current recession and the consequences in terms of future financial assistance and targets imposed by Government will make this process difficult.

- 4.2 In monetary terms the impact of the recession is having a significant effect upon Council resources with fees and charges representing a greater income stream than Council Tax and there is a clear risk that it will take longer than expected to see a return to pre-recession levels. Formula Grant and DSG are but one aspect of Government funding with a significantly greater sum being received through specific grants and Area Based Grant. All of these funding streams are at risk in the absence of clarity about the next spending review period.
- 4.3 With a total capital programme in excess of £100 million for 2010/2011 there is always a possibility that schemes may not be delivered on time thus not fulfilling the Council's strategic priorities and also schemes may not be delivered within approved external funding approvals thus straining the Council's limited capital resources. The Council has a good track record of managing capital schemes and identifying alternative sources of funding where schemes are subject to unforeseen and unavoidable additional costs.
- 4.4 The most significant risk facing delivery of the Council's capital programme is maximising external funding for regeneration and this is inherent in the report's restriction to funding announcements made in CSR 2007. The current economic climate is deterring investors from committing substantial sums for development at Rochester Riverside, for example, and some Government funding is currently being approved on a year to year basis rather than for the lifetime of the projects. In order to progress the Council's regeneration programme, officers are continually investigating alternative methods of delivery should external funding not be forthcoming.

5. Financial and Legal Implications

- 5.1 The reports as distributed to the individual Overview and Scrutiny Committees set out the financial position as proposed by Cabinet. Responses to those proposals are contained in this report.
- 5.2 The Constitution of the Council incorporated under the Local Government Act 2000 contains the budget and policy framework rules. The relevant parts of the Constitution are as follows:
- The budget and policy framework rules contained in the constitution specify that the Cabinet should produce initial proposals for the budget three months before the Council meeting that is scheduled to determine the budget and Council Tax. These initial proposals should then be submitted to the Overview and Scrutiny Committees. The Overview and Scrutiny Committees will advise the Cabinet of their views of the proposed budget, having six weeks to respond to the initial proposals of the Cabinet.
 - Under the constitution the Cabinet has complete discretion to either accept or reject the proposals emanating from the Overview and Scrutiny Committees. Ultimately it is the Cabinet's responsibility to present a budget to the Council, with a special meeting arranged for this purpose on 25 February. The statutory deadline for approving the Council Tax is 11 March 2010

6. Recommendations

- 6.1 Members are requested to consider the comments and requests from individual Overview and Scrutiny Committees, as indicated in Section 3 and Appendix 1 of this report, together with those pertinent to Business Support Overview and Scrutiny Committee considered earlier in this agenda, and recommend these are forwarded to Cabinet on 16 February.

7. Background papers

Medium Term Financial Plan 2010/2013 report to Cabinet 22 September 2009.

Capital Programme 2010/2011 and Beyond report to Cabinet 24 November and Business Support Overview and Scrutiny Committee 10 December 2009.

Revenue Budget 2010/2011 report to Cabinet 24 November and Business Support Overview and Scrutiny Committee 10 December 2009.

Individual Overview and Scrutiny meetings during January 2010.

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Regeneration, Community and Culture 13 January 2010

Discussion:

The Chief Finance Officer introduced the report advising the committee of the draft capital programme and revenue budgets, including the key features and significant pressures within the Regeneration, Community and Culture directorate.

The committee commented that the Members' Priorities fund was mainly spent on projects within the Regeneration, Community and Culture directorate and requested further information setting out what schemes the funds had been spent on since the fund was created.

Members also asked that officers investigate previous committee requests (within the last year) of matters to be included in the budget setting process, to enable the committee to see whether they had been actively considered in the setting of the draft budget.

The committee expressed concern over the £290,000 shortfall for the financing costs of the Innovation Centre and on further investigation it was established to be a £290,000 recurrent pressure for 25 years. Officers advised that when the Innovation Centre was originally envisaged, the business plan gave levels of income that were now no longer attainable and the long term revenue position was that it would not meet the borrowing costs (over 25 years) to finance the capital cost of building the centre. Occupancy of the centre was anticipated to be around 90% by 2014.

Decision:

The committee agreed to:

- (a) refer the above comments to the Business Support Overview and Scrutiny Committee on 2 February 2010;
- (b) request a briefing note detailing the schemes within the Members Priorities fund;
- (c) request officers to investigate the recommendations of the committee during the past year that were asked to be included as part of the budget setting process and details sent to Committee Members via a briefing note.

Children and Adults 19 January 2010

Discussion:

The Chief Finance Officer introduced the report advising the Committee of the draft capital programme and revenue budgets including key features and significant pressures within the Children and Adults directorate..

Members then asked officers a number of questions, which included:

- Schools with deficit budgets – how they end up being in deficit and support provided;
- Further information in relation to Targeted Capital Fund;
- Concern on uncertainty of funding for 2011/12;
- Costs relating to the development of Rivermead Hospital School;
- Costs from forthcoming closures and amalgamations of schools following the primary reorganisation programme.

The Director of Children and Adults explained that reasons schools find themselves in a deficit situation were principally; falling rolls, maintaining the curriculum offer for students and running an uneconomic site. Where schools did have a deficit budget, the Council worked to ensure each school had a clear and robust action plan to reduce the deficit in a managed and progressive way, while securing the education of pupils at the school. Officers undertook to provide Members with a briefing note to provide more information about schools, which did have a deficit budget.

Decision:

- (1) The Committee agreed to refer the above comments to the Business Support Overview and Scrutiny Committee on 2 February 2010;
- (2) The Committee requested a briefing note to provide further information on schools with deficit budgets.

Health and Adult Social Care 21 January 2010

Discussion:

The Chief Finance Officer introduced the report advising the Committee of the draft capital programme and revenue budgets including key features and significant pressures within the Children and Adults directorate.

Decision:

The Committee agreed to forward to Business Support Overview and Scrutiny Committee on 2 February 2010 the Council's draft capital and revenue budget for 2009/2010, without comment.