

Cabinet – Supplementary agenda No.2

A meeting of the Cabinet will be held on:

Date: 7 February 2017

Time: 3.00pm

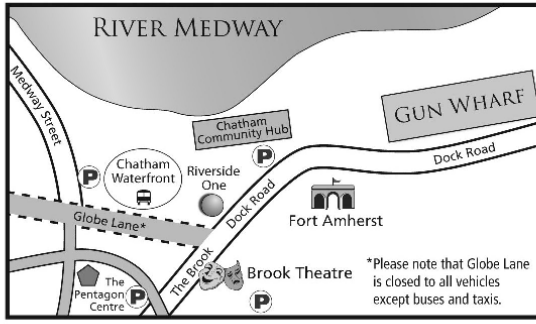
Venue: Meeting Room 2 - Level 3, Gun Wharf, Dock Road, Chatham ME4 4TR

Items

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| 6. | Housing Revenue Account Capital and Revenue Budgets 2017/2018
Addendum Report | (Pages
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| 7. | Council Plan Refresh 2017/18
Addendum Report | (Pages
7 - 8) |
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Addendum Report | (Pages
9 - 14) |

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Date: 7 February 2017



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CABINET
7 FEBRUARY 2017
HOUSING REVENUE ACCOUNT
CAPITAL AND REVENUE BUDGETS 2017/18
ADDENDUM REPORT

Portfolio Holder: Councillor Howard Doe, Deputy Leader and Housing and Community Services

Report from/Authors: Phil Watts, Chief Finance Officer
Marc Blowers, Head of Housing Management
Michael Turner, Democratic Services Officer

Summary

This addendum report sets out the comments of the Business Support Overview and Scrutiny Committee which discussed this matter on 31 January 2017.

1. Background

- 1.1 The Business Support Overview and Scrutiny Committee considered a report regarding the Housing Revenue Account (HRA) capital and revenue budgets for 2017/18 which also provided details of proposed rent and service charge levels for 2017/18 and the latest revised forecasts of the HRA Business Plan.
- 1.2 Members' attention was drawn to the reference in the Diversity Impact Assessment (DIA) to a review of the charge levied for a licence to allow residents to cross HRA land to park in their front garden. As this review was not now being taken forward, the reference to this in the DIA which would be submitted to Cabinet would be removed.
- 1.3 A Member commented that service standards had noticeably improved in recent years and capital works were also better managed. He queried why there was a difference in garage rents for council tenants as opposed to other residents and suggested that if there were empty garages then the council should look to maximise rental income and not differentiate between council tenants and non tenants.

- 1.4 Some Members welcomed that Government's re-think of the "pay to stay" policy and criticised the Government's decision to impose a 1% reduction in weekly rents from 2016/17 and the next three years.
- 1.5 A Member queried the statement in the HRA Business Plan which suggested there had been no increase in bad debt due to the roll out of Universal Credit. Officers clarified that the previous year's figure had been £105,000 so the current assumption of £75,000 represented a reduction. Officer undertook to clarify the wording in the Business Plan in relation to bad debt provision.
- 1.6 The Committee agreed to:
- a) recommend to the Cabinet:
 - i) a proposed rent decrease of 1% for the housing stock as set out in Appendix A to the report (based upon 52 collection weeks);
 - ii) a rent increase of 5% for garages;
 - iii) that the current policy of charging higher rent where a tenant has a taxable income per annum of £60,000 be retained and no change to the threshold;
 - iv) that the service charges and increases as set out in Appendix B of the report for 2017/18 be approved;
 - v) that the revenue budget for the HRA Service for 2017/18 as per Appendix C to the report be approved;
 - vi) that the future provision for the repayment debt be based on annuity based payment as opposed to minimum revenue payment of 2% on the HRA opening outstanding debt;
 - vii) to use remaining allowable balance of 1-4-1 capital receipts (for the capital receipts received during 2017/18 from RTB sales) to be used to fund towards the 2017/18 HRA planned capital programme, and;
 - viii) that members approve the revised 30 year HRA Business Plan model as attached at appendix E.
 - b) note that officers will explore whether equalising garage rents for council tenants and non-council tenants would lead to an increase in income;
 - c) note that officers will clarify the wording in the HRA business plan about bad debt assumptions due to the roll out of Universal Credit.

2. Director's comments

- 2.1 Following the request from Members to explore equalising garage rents, this will be considered as part of the budget setting process for 2018/19.
- 2.2 Given the views of Overview and Scrutiny Members, officers propose to revise the wording of paragraph 2.5 in the business plan to read as follows:

“Bad debt

No increase in bad debt due to the roll out of Universal Credit has been assumed in the model based on the current expenditure of only £33,000 being estimated to be required for the financial year 2016/17. The proposed budget figure of £75k has been used for 2017/18 which equates to 0.61% of the rental income. This has been assumed to be stable for the years up until 2020/21. After 2020/21 adjustments for inflation and stock changes are included.”

3. Recommendation

- 3.1 The Cabinet is asked to consider the comments and recommendations of the Business Support Overview and Scrutiny Committee.

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CABINET

7 FEBRUARY 2017

COUNCIL PLAN REFRESH 2017/18

ADDENDUM REPORT

Portfolio Holder: Councillor Adrian Gulvin, Resources

Report from/Authors: Stephanie Goad, Assistant Director, Transformation
Michael Turner, Democratic Services Officer

Summary

This addendum report sets out the comments of the Business Support Overview and Scrutiny Committee which discussed this matter on 31 January 2017.

1. Background

1.1 The Business Support Overview and Scrutiny Committee considered a report which summarised proposed changes to the Council Plan 2016/21 which included:

- 1 new programme
- 6 additional new council plan measures of success (from 38 in 2016/17 to 44 in 2017/18)
- 3 deferred council plan measures
- 7 changes to targets.

1.2 Members discussed the following:

1.2.1 NI156 (Number of households living in temporary accommodation – a Member expressed concern that there were not any supplementary indicators supporting this target given that there were a number of factors involved in this issue.

1.2.2 NI154 (net additional homes provided) – a Member referred to the target of 1,000 dwellings per year and noted that this was considerably below the Local Plan Target and did not reflect the current backlog of 5-6,000 units. He commented that a much higher figure was needed which would make a difference and prevent homelessness issues. The Assistant Director – Transformation replied that the 1,000 figure related to the last objective needs assessment carried out in 2014. Further work had been undertaken following latest National Planning Guidance but that had not yet been formally adopted. This would be confirmed through the adoption of the Local Plan.

1.3 The Committee agreed to:

1.3.1 Note the proposed changes to programmes, key measures of success and targets as summarised in Appendix A to ensure the delivery of the Plan remains focused, informative and relevant, and;

1.3.2 Ask that Cabinet consider the comments in relation to sub indicators and revising upwards the target for the number of net additional homes provided

2. Director's comments

2.1 The Committee asked for consideration of sub indicators to track the underlying causes of homelessness that impact on the use of temporary accommodation, e.g. employment. This would be inconsistent with the approach generally adopted in the council plan which has been to include indicators that measure the impact of council interventions, rather than broader Medway population outcomes.

2.2 In relation to the target for delivery of additional homes, the plan as drafted included the most up to date target formally adopted by the council which relates to 2014. Members were correct in identifying that this has been superseded by further objective assessment of need using National Planning Guidance, and assumptions included in the work ongoing to prepare the Local Plan. It is proposed that the target of 1000 is deleted from the draft Council Plan that is to be recommended to Full Council, and that officers continue to refine the target as part of the development of the Local Plan. This target will be reported to Members in due course.

3. Recommendation

3.1 The Cabinet is asked to consider the comments and recommendations from the Business Support Overview and Scrutiny Committee in relation to sub indicators and revising upwards the target for the number of net additional homes provided.

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CABINET
7 FEBRUARY 2017
CAPITAL AND REVENUE BUDGETS 2017/18
ADDENDUM REPORT

Portfolio Holder: Councillor Alan Jarrett, Leader
Report from: Phil Watts, Chief Finance Officer
Michael Turner, Democratic Services Officer

Summary

This addendum report sets out the comments of the Business Support Overview and Scrutiny Committee which discussed this matter on 31 January 2017.

Please note that this addendum report constitutes Appendix 1 as referenced within the main Cabinet report.

1. Background

- 1.1 The Business Support Overview and Scrutiny Committee agreed to forward the comments from individual Overview and Scrutiny committees to Cabinet on 7 February 2017, highlighting in particular the concerns of the Regeneration, Community and Environment Overview and Scrutiny Committee that the information provided on the draft budget contained insufficient information to enable the Committee to undertake a robust review of the capital and revenue budgets. This information is set out in Appendix 1.
- 1.2 The Business Support Overview and Scrutiny Committee also considered a report on progress towards setting the Council's draft capital and revenue budgets for 2017/18. In accordance with the Constitution, Cabinet was required to develop 'initial budget proposals' approximately three months before finalising the budget and setting council tax levels at the end of February 2017.
- 1.3 The draft budget was based on the principles contained in the Medium Term Financial Plan (MTFP) 2016/2020 approved by Cabinet in September and reflected the latest formula grant assumptions.
- 1.4 The draft budget was based on the principles contained in the Medium Term Financial Plan (MTFP) 2016/2020 approved by Cabinet in September and reflected the latest formula grant assumptions.

1.5 The Committee agreed to:

1.5.1 note that Cabinet has instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2017/18 and beyond, and

1.5.2 note the proposals outlined in the draft capital and revenue budgets in so far as they relate to the services within the remit of this committee.

2. Chief Finance Officer's comments

2.1 The comments of the Overview and Scrutiny Committees are highlighted for Cabinet's consideration in paragraph 1 and appendix 1 of this addendum report

3. Recommendation

3.1 That Cabinet considers the recommendations from overview and scrutiny committees as summarised in this addendum report.

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Appendices

Appendix 1 – comments from Overview and Scrutiny Committees

Appendix 1

The relevant extracts from the minutes of these Committees are set out below:

1. *Business Support Overview and Scrutiny Committee, 1 December 2016*

Draft Capital and Revenue Budgets 2017/18

Discussion:

Members considered a report which provided an update on progress towards setting the Council's draft capital and revenue budgets for 2017/18. In accordance with the Constitution, Cabinet was required to develop 'initial budget proposals' approximately three months before finalising the budget and the Council setting council tax levels at the end of February 2017.

The draft budget was based on the principles contained in the Medium Term Financial Plan (MTFP) 2016/2020 and reflected the latest formula grant assumptions.

Some Members argued that the budget process was flawed as the Local Government Finance Settlement had not yet been announced and also due to the limited information in the draft budget proposals. In relation to the latter point, a Member suggested that it would be more meaningful to have a range of available options so that Members were able to scrutinise risks and opportunities and assist Cabinet in their work to close the budget gap by giving the views of scrutiny on prioritisation and which options were not favoured. This proposal was agreed.

Reference was made to the importance of ensuring that the public health grant remained ring fenced and that it was used to deliver public health outcomes. Regarding the latter, it was noted that the Public Health draft budget for 2017/18 was £14.026m against a Public Health Grant of £17.671m, leaving a gap of £3.645m. It was acknowledged that other Directorates used some of the grant for public health activities but there was a question about how best to deliver public health outcomes from the grant.

Decision:

The Committee:

- a) agreed to note that Cabinet has instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2017/18 and beyond;
- b) agreed to note the proposals outlined in the draft capital and revenue budgets and forward the proposals to the individual overview and scrutiny committees;
- c) recommended to Cabinet that, for future years, information be provided to Overview and Scrutiny Committees as part of the process for scrutinising the draft budget so that Members are able to review and understand the range of available options to achieve a balanced budget, and;

- d) asked for further information about the £3.645m difference between the 2017/18 Public Health Grant and 2017/18 draft Public Health Grant budget.

2. *Children and Young People Overview and Scrutiny Committee, 6 December 2016*

Draft Capital and Revenue Budgets 2017/18

Discussion:

The Chief Finance Officer introduced the report which provided an update on progress towards setting the Council's draft capital and revenue budgets for 2017/18. In accordance with the Constitution, Cabinet was required to develop 'initial budget proposals' approximately three months before finalising the budget and the Council setting council tax levels at the end of February 2017. The draft budget was based on the principles contained in the Medium Term Financial Plan (MTFP) 2016/2020 and reflected the latest formula grant assumptions.

A Member asked if there had been any changes following the Autumn statement but the Chief Finance Officer confirmed that this had little impact on the revenue settlement.

Decision:

The Committee noted that Cabinet had instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2017/18 and beyond.

3 *Regeneration, Community and Culture Overview and Scrutiny Committee, 8 December 2016*

Draft Capital and Revenue Budgets 2017/18

Discussion:

The Committee received a report providing an update on progress towards setting the Council's draft capital and revenue budgets for 2017/18.

In discussing the budget report, Members expressed concern that the report did not provide sufficient detail as to the impact of any savings on service delivery. The Director of Regeneration, Culture, Environment and Transformation advised the Committee that as the budget process unfolds more information would be available as to whether savings would be achieved by the reduction of expenditure or through increasing income targets.

Members expressed concern that this was the only opportunity that the Committee had to scrutinise the budget and yet the information contained within in the report and its Appendix were insufficient to enable the Committee to undertake any level of scrutiny that may be of value. The Committee was willing to undertake a greater, more positive role in budget setting and suggested that this be conveyed to the Business Support Overview and Scrutiny Committee.

Decision:

The Committee agreed that the Business Support Overview and Scrutiny Committee be advised of this Committee's concern that the budget report and appendix contain insufficient information to enable this Committee to undertake a robust review of the capital and revenue budgets and it is hoped that this situation is addressed in future years so that more account is taken of the scrutiny function in budget setting.

4 Health and Adult Social Care Overview and Scrutiny Committee, 15 December 2016

Draft Capital and Revenue Budgets 2017/18

Discussion

The Chief Finance Officer introduced the report on progress towards setting the Council's draft revenue and capital budgets for 2017/18. On 27 September, the Council's Medium Term Financial Plan (MTFP) had been approved by Cabinet. The Plan had identified an £11.7 million deficit in the Council's budget for 2017/18. On 22 November, a draft budget had been presented to Cabinet. By this stage, the gap had been reduced to £7.8 million due to work undertaken.

The budget was in the process of being submitted to the Council's four scrutiny committees for comment prior to Cabinet presenting the budget to Council on 23 February 2017. Savings being proposed in Children and Adult Services were through the renegotiation of contracts with service providers, service user pathway redesign, improvement in reablement outcomes and review and recommissioning of a range of services. The Committee was invited to review the draft budget presented to it and to provide any comments.

A Member reiterated concerns raised at the Business Support Overview and Scrutiny Committee on 1 December that the budget proposals presented showed the budgetary gap and outlined proposed savings, but did not provide any detail. It was, therefore, not possible for the Committee to scrutinise the proposals effectively. Details of how the budgetary gap would be closed should have been provided. The Member considered that this omission was unacceptable and noted that it was the fifth year running that concerns had been raised. She advised that the Business Support Overview and Scrutiny Committee had agreed a recommendation to Cabinet that additional information should be provided, in future years, to Overview and Scrutiny Committees to enable them to review proposals.

The Member agreed with the proposal set out in the report that improvement in reablement could result in savings being made, but did not think that further savings could be made in relation to care homes.

In response to a Member question, the Chief Finance Officer advised that a 1% increase in Council Tax equated to £900,000 of revenue.

Decision

The Committee:

- a) Noted that Cabinet had instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2017/18 and beyond.
- b) Commented on the proposals outlined in the draft capital and revenue budgets in so far as they related to the services within the remit of the Committee and provided comments to be fed back to the Business Support overview and scrutiny committee in January.