

Cabinet – Supplementary agenda No. 2

A meeting of the Cabinet will be held on:

Date: 5 February 2019

Time: 3.00pm

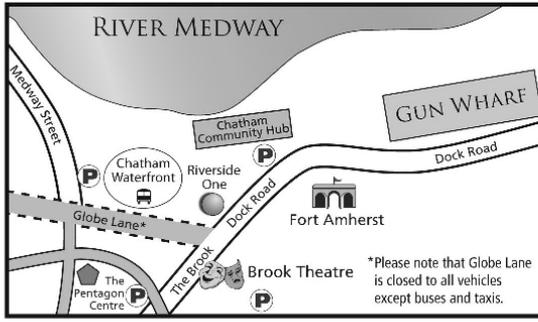
Venue: Meeting Room 2 - Level 3, Gun Wharf, Dock Road, Chatham ME4 4TR

Items

- 7. Housing Revenue Account (HRA) Capital and Revenue Budgets 2019/2020** (Pages 3 - 4)
Addendum report setting out the comments of the Business Support Overview and Scrutiny Committee.
- 8. Council Plan Refresh 2019/20** (Pages 5 - 6)
Addendum report setting out the comments of the Business Support Overview and Scrutiny Committee.
- 9. Capital and Revenue Budgets 2019/2020** (Pages 7 - 12)
Addendum report setting out the comments of the Business Support Overview and Scrutiny Committee.

For further information please contact Wayne Hemingway/Jade Milnes,
Democratic Services Officers on Telephone: 01634 332509/332008 or Email:
democratic.services@medway.gov.uk

Date: 5 February 2019



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CABINET

5 FEBRUARY 2019

**HOUSING REVENUE ACCOUNT
CAPITAL AND REVENUE BUDGETS 2019/20
ADDENDUM REPORT**

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

Report from: Richard Hicks, Director Regeneration, Culture, Environment and Transformation and Deputy Chief Executive

Author: Phil Watts, Chief Finance Officer
Mark Breathwick Head of Strategic Housing
Michael Turner, Democratic Services Officer

Summary

This addendum report sets out the comments of the Business Support Overview and Scrutiny Committee which considered the Housing Revenue Account Capital and Revenue Budgets 2019/2020 report on 31 January 2019.

1. Background

- 1.1 Members considered a report which presented the Housing Revenue Account (HRA) capital and revenue budgets for 2019/20 and provided details of proposed rent and service charge levels for 2019/20.
- 1.2 With regard to the how the extended five year contract with Mears would be monitored, the Head of Strategic Housing advised that performance was measured and discussed monthly with Mears. A request for information on any break clauses in the contract would be provided to Members.
- 1.3 A Member asked if the Government had indicated what the position would be after the final year of the rent reductions the Council had been required to make. The Head of Strategic Housing responded that his assumption, based

on indications from the Government, was for rent increases of consumer price inflation plus 1%.

- 1.4 Clarification was requested on what contingencies were in place in the 2019/20 financial year for the impact of Universal Credit (UC) arrears on the HRA account and also council tax arrears. The Committee was advised that, as well as bad debt provision, the welfare reform team would look to mitigate any impacts of UC. However, this still presented a significant risk for the HRA account. The Council was actively working with tenants to provide support to ensure rent continued to be paid and tenancies were sustained.
- 1.5 A Member queried the loss of income from the 225 properties expected to be lost as a result of Right to Buy. The Head of Strategic Housing clarified this loss was over a 30 year period and details of Right to Buy discounts would be clarified. A Member queried how Right to Buy receipts could be used and was advised that the formula for determining this was quite complex but broadly, after allowances which the Council could deduct from the receipt, the Government received 70% and the Council's share was 30%.
- 1.6 Following a query about garage voids, the Head of Strategic Housing commented these were advertised locally and undertook to provide details of the number of voids.
- 1.7 A Member referred to the HRA working balances and, noting that the actual balance exceeded the recommended best practice guideline, queried whether this was appropriate given the need for more affordable housing. Officers responded that a prudent approach had been taken in the light of government policies, such as the high value asset levy) and the risk of future changes in Government policy which could impact on the HRA.

2. Recommendation

- 2.1 The Committee recommended to Cabinet approval of the recommendations set out in section 17.2 of the main report.

Lead officer contacts

Phil Watts, Chief Finance Officer

Telephone 01634 332220 Email: phil.watts@medway.gov.uk

Dawn Hudd, Assistant Director, Physical and Cultural Regeneration

Telephone (01634) 331192 Email: dawn.hudd@medway.gov.uk

Mark Breathwick, Head of Strategic Housing

Telephone (01634) 334382 Email: mark.breathwick@medway.gov.uk

Michael Turner, Democratic Services Officer

Telephone (01634)332817 Email: michael.turner@medway.gov.uk



CABINET
5 FEBRUARY 2019
COUNCIL PLAN REFRESH 2019/20
ADDENDUM REPORT

Portfolio Holder: Councillor Adrian Gulvin, Resources
Report from: Phil Watts, Chief Finance Officer
Authors: Katey Durkin, Head of Finance Strategy
Michael Turner, Democratic Services Officer

Summary

This addendum report sets out the comments of the Business Support Overview and Scrutiny Committee which considered the Council Plan Refresh 2018/19 report on 31 January 2019.

1. Background

- 1.1 Members considered a report which presented a summary of the proposed measures to be used for monitoring the Council Plan 2019/20. The Committee also considered an addendum report which set out details of changes to two of the Council Plan measures. The latter report explained that national data had been received in respect of two of the measures (i.e. *ASCOF 2A (2) (Permanent admissions to care homes)* and *EDU3 (b) (The percentage of children who were persistently absent from school)*). As a result, the targets relating to these two measures had been amended to bring them in line with national performance.
- 1.2 The following measures were discussed:
- **PH14 (Excess weight in 4-5 year olds)** – in response to a query, officers clarified that although the proposed target percentage figure had increased in relation to the existing target, this did in fact represent a reduced target. In this case the aim was to minimise and therefore a higher target value was a reduced target (i.e. less challenging).
 - **FIN (Unmodified/positive value for money conclusion from the Council's external auditors)** – a Member made the point that it was possible that a non-value for money issue, such as an adverse Ofsted report, could also lead to a qualified opinion from the external auditor.

- **DIGI TU 01 (Digital take up)** – a Member asked if more thought could be given to this target to ensure it was meaningful.
- **HC3 (No. of households with dependent children in B&B who have resided there for 6+ weeks at the end of the quarter)** - a Member proposed that there should be an additional measure so that the overall direction of travel regarding children in temporary accommodation was reflected, with a possible target of the number of children in temporary accommodation in Medway.

1.3 The Committee agreed to:

- a) note the revised measures as set out in paragraph 1.2 above;
- b) note the proposed changes to programmes and measures of success as listed above and in Appendix 1 to the report at agenda item no. 11 and recommend to Cabinet that an additional measure is added to the Council Plan aimed at reflecting the overall direction of travel regarding children in temporary accommodation, and;
- c) note that, with regard to those Council Plan measures still awaiting a proposed target that Full Council will be asked to delegate authority to the Chief Executive, in consultation with the Portfolio Holder for Resources, to agree the final measures.

2. Chief Finance Officer's comments

- 2.1 The Council currently records the number of children in temporary accommodation and makes reference to this in the narrative provided within the existing housing measures in the quarterly Council Plan Monitoring Reports. We will agree with the Chief Executive how this will be monitored and whether a target will be set under the delegated authority being requested from Full Council. As such I support the inclusion of this new measure in the Council Plan Monitoring for 2019/20 subject to confirmation from Cabinet and approval by Full Council.

3. Recommendation

- 3.1 The Cabinet is asked to consider the comments of the Business Support Overview and Scrutiny Committee including the specific recommendation that an additional measure is added to the Council Plan aimed at reflecting the overall direction of travel regarding children in temporary accommodation as set out in paragraph 1.3b of the addendum report.

Lead officer contact:

Katey Durkin, Head of Finance Strategy
 T 01634 332355
 E katey.durkin@medway.gov.uk

Michael Turner, Democratic Services Officer
 T 01634 332817
 E michael.turner@medway.gov.uk

CABINET
5 FEBRUARY 2019
REVENUE AND CAPITAL BUDGETS 2019/20
ADDENDUM REPORT

Portfolio Holder: Councillor Alan Jarrett, Leader
Report from: Phil Watts, Chief Finance Officer
Report Author: 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 2019.

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

1. Background

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 at the end of February 2019. Overview and Scrutiny Committees have responsibility for scrutinising draft budget proposals and referring any comments back to Cabinet, to inform its consideration of the budget it intends to propose to Full Council.

2. Chief Finance Officer's comments

2.1 The comments of the Overview and Scrutiny Committees are highlighted for Cabinet's consideration in 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, when finalising the budget it intends to propose to Full Council.

Lead officer contacts:

Phil Watts, Chief Finance Officer
Telephone: 01634 332220 Email: phil.watts@medway.gov.uk

Michael Turner, Democratic Services Officer
Telephone: 01634 332817 E-mail: michael.turner@medway.gov.uk

Appendices

Appendix 1 – comments from Overview and Scrutiny Committees

The relevant summaries from the minutes of these Committees which sets out Members' comments are set out below:

1. *Business Support Overview and Scrutiny Committee, 29 November 2018*

Draft Capital and Revenue Budget 2019/20

Discussion:

Members considered a report which provided an update on progress towards setting the Council's draft capital and revenue budgets for 2019/20. In accordance with the Constitution, the 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 2019.

The draft budget was based on the principles contained in the Medium Term Financial Strategy (MTFS) 2018-2023 approved by Cabinet in September and reflected the latest formula grant assumptions.

In response to a query about Medway Norse, the Chief Finance Officer advised that as a Teckal company Medway Norse could only generate a small percentage of its business from outside the Council. Also the areas of work it specialised in tended not to generate significant profits due to the small margins. The main driver for Medway Norse had always been about generating efficiencies.

A Member criticised the lack of any consultation with the public on the draft budget; asked if the business rate pilot retention scheme was likely to continue for a second year and expressed frustration at the fluidity of the date of the local government finance settlement. In response the Chief Finance Officer advised that the finance settlement date had been expected on 6 December but this may happen later in December and it was expected to include a decision about the extension of the pilot.

Decision:

The Committee:

- a) note that Cabinet has instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2019/20 and beyond, and;
- b) note the proposals outlined in the draft capital and revenue budgets and forward the proposals to the individual overview and scrutiny committees.

2. *Children and Young People Overview and Scrutiny Committee, 4 December 2018*

Draft Capital and Revenue Budget 2019/20

Discussion:

The Finance Business Partner introduced the report which provided an update on the progress towards setting the Council's draft capital and revenue budgets for 2019/20, which had been based on the principals contained in the Medium Term Financial Strategy 2018-23, approved by Cabinet in September 2018. It was

explained that there was currently a gap of £4.4million but that officers were continuing to work to close the gap and produce a balanced budget for full Council to consider and approve in February 2019.

Members then raised a number of comments and questions, which included:

- **Head of Safeguarding saving** – in response to a query it was confirmed that the £314,000 savings demonstrated in Appendix 1 was being replaced with an increase to the budget of £1.7m due to the current cost of placements.
- **More detail** – comment was made that although this report had provided more detail than previous years it was not considered to go far enough to enable the committee to provide fully informed comment and challenge and officers undertook to feed this back for future reports.
- **New special school provision** – in response to a query as to why the costs relating to the proposed new special school at the Cornwallis site was not reflected in the capital budget proposals, officers explained that this was because the financing of the project had not yet been finalised and the amount reflected in the budget would be the repayment which would depend on the terms and conditions yet to be agreed.

Decision:

- a) The Committee noted that the Cabinet had instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2019/20 and beyond.
- b) The Committee noted that its comments would be forwarded to the Business Support Overview and Scrutiny Committee in January 2019.

3. *Regeneration, Culture and Environment Overview and Scrutiny Committee, 6 December 2018*

Draft Capital and Revenue Budget 2019/20

Discussion:

The Committee received a report providing an update on progress towards setting the Council's draft capital and revenue budgets for 2019/20.

The report set out the process by which the budget would progress through to Cabinet and Council in February 2019.

The Chief Finance Officer addressed those areas where there had been budget pressures in 2018/19 and those where there had been a shortfall in income levels.

The Director Regeneration, Culture, Environment and Transformation and Deputy Chief Executive advised upon the measures currently being taken to reduce income shortfalls.

In response to a question as to how the Council would react to a downturn in the economy, the Chief Finance Officer advised that he was not planning any further draw upon Reserves. However, he appreciated that fluctuations in the financial market were currently difficult to forecast.

Decision:

The Committee noted that Cabinet has instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2019/20 and beyond.

4. *Health and Adult Social Care Overview and Scrutiny Committee, 13 December 2018*

Draft Capital and Revenue Budget 2019/20

Discussion

The report presented the Council's draft 2019/20 budget. This built upon assumptions that had been presented to Cabinet in the Medium Term Financial Strategy in September 2018. The budget was due to be approved by Council on 21 February 2019. The draft budget presented a £4.408million deficit for 2019/20, which was bigger than the deficit that had been set out in the Medium Term Financial Strategy. There were overspends in a number of service areas, which included Children's Social Care SEND related placements. The Government's October 2018 Budget had outlined the additional provision of £650million of funding, across the country, for social care. Officers estimated that the Council would receive an additional £2.6 million as a result, which would help to address the gap in the budget but this income had not been included in the draft budget.

The Council had been unsuccessful in its bid for 2019/20 Business Rate retention. This would have allowed the Council to retain all Business Rates generated in Medway rather than being required to pass 50% of the revenue to the Government for reallocation. The Council had successfully taken part in a pilot for 2018/19, which had been a boost to the financial position and the draft budget had assumed that the 2019/20 bid would be unsuccessful. It was noted that Medway's Revenue Support Grant from the Government had reduced from £65million in 2009 to £6.3million for the next year as the Government moved towards making councils reliant on locally generated funding. The Government had confirmed that there would be no change to the council tax referendum limit or the new homes bonus, both of which had been assumed in the draft budget. Some local authorities were projecting that they would have to pay the Government more than they would receive in Revenue Support Grant. This was not expected to apply to Medway in the short or medium term. Lead Members and officers were currently working to produce a final draft budget to present to Council. There was a statutory obligation for this to be a balanced budget.

A Committee Member asked what mitigation there could be to give confidence that essential services could be maintained in view of the budgetary pressures. The Head of Finance Strategy said that, in relation to the extra £2.6 million of funding for social care, there would be freedom for the Council to determine how to allocate this across children's and adult social care. There was an ongoing process between Lead Members and Children and Adults to allocate funding. The Government had also announced that reductions in business rate relief would be cost neutral for local authorities.

In response to a further Member question, the Head of Finance Strategy said that the Chief Finance Officer and she would be available to attend scrutiny committee meetings when there was due to be discussion of budgets.

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 2019/20 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 agreed to feed this back to the Business Support Overview and Scrutiny Committee in January.

5. *Business Support Overview and Scrutiny Committee, 31 January 2019*

Draft Capital and Revenue Budget 2019/20 and report back from other Overview and Scrutiny Committees

Discussion:

Members considered a report which provided an update on progress towards setting the Council's draft capital and revenue budgets for 2019/20. 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 2019.

The draft budget was based on the principles contained in the Medium Term Financial Strategy (MTFS) 2018-2023 approved by Cabinet in September and reflected the latest formula grant assumptions.

A Member queried the reasons for the extra addition of Medway Matters given the overspend reported and asked for an update following the recent Government announcements of a reduction in Public Health funding and additional local authority funding to prepare for Brexit. The Chief Finance Officer advised that the extra edition of Medway Matters was a result of a request from the Administration; that the Public Health Grant adjustment represented a £7,500 reduction and no conditions had been imposed on how the Brexit funding could be used.

Members also considered a report which set out the comments of all Overview and Scrutiny Committees on the provisional draft budget for 2019/20 proposed by Cabinet on 20 November 2018. These would be considered at the Council budget meeting on 21 February 2019 together with the Cabinet's budget proposals.

Decision:

The Committee agreed to:

- a) note that Cabinet has instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2019/20 and beyond, and;
- b) 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;

- c) forward all the comments of the Overview and Scrutiny committees, as set out in Section 3 of the report, together with this Committee's comments under agenda item 9, be forwarded to Cabinet on 5 February 2018, and;
- d) recommend to Cabinet that the Council's mod.gov e-petition scheme not be upgraded until such time as additional funds become available.