

BUSINESS SUPPORT
OVERVIEW AND SCRUTINY COMMITTEE
7 FEBRUARY 2013
DRAFT CAPITAL AND REVENUE BUDGET 2013/2014
(Report back from other Overview and Scrutiny Committees)

Report from/Author: Mick Hayward, Chief Finance Officer

Summary

This report presents for consideration, the comments and recommendations of all Overview and Scrutiny Committees on the initial budget plan for 2012/2013 proposed by Cabinet on 27 November 2012.

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 2013. These proposals should be submitted to Overview and Scrutiny Committees for their views.

2. Background

2.1 On 27 November 2012, Cabinet considered the draft capital and revenue budgets for 2013/2014 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 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 as part of the constitutional consultation requirement for budget formulation.

2.3 The views expressed by Overview and Scrutiny Committees during this consultation period will be considered by Cabinet as it formulates its budget proposals and at the Cabinet meeting on 12 February 2013. 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 21 February 2013.

3. Draft Capital and Revenue Budgets 2012/2013

3.1 Members will have received copies of the 'Capital and Revenue Budget 2012/2013.' This report was considered by Cabinet on 27 November 2012.

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 Elsewhere on this agenda is a 2013-14 budget report (agenda item 7), which deals specifically with those areas of the budget pertinent to this committee. All of the other overview and scrutiny committees – dates included for information – have now had the opportunity to consider the budget proposals recommended by Cabinet and their views have been incorporated in this report:

- Children and Young People 11 December 2012
- Regeneration, Community and Culture 13 December 2012
- Health and Social Care 29 January 2013
- Business Support 7 February 2013

3.4 Children and Young People – 11 December 2012

3.4.1 The Finance Manager for Children and Adult Services introduced the capital and revenue budget report and responded to Members' questions. The Director of Children and Adults responded to a question about how the necessary savings could be achieved over the longer term, bearing in mind the forecast budget gap was predicted to rise to £24 million by 2015/2016. She stated that work was ongoing looking at ways of working more effectively and taking difficult decisions about what services were the most important and protecting those vital services for vulnerable children and adults. Some of these discussions were with the Medway Clinical Commissioning Group to investigate areas where joint commissioning or integrated working could bring about savings.

3.4.2 The report was noted.

3.5 Regeneration, Community and Culture – 13 December 2012

3.5.1 The Chief Finance Officer introduced the report and advised that the government had made several announcements about future funding since the drafting of the Medium Term Financial Plan (MTFP) that were incorporated in the report. The final budget for 2013/2014 would be very different from that presented in this report, as the forecast budget gap was now significantly

greater than the MTFP had predicted and currently stood at £11.950 million. Table 4 in the report summarised the movement from the MTFP deficit of £5.917 million to the £11.950 million now shown and Members were advised of the various changes.

- 3.5.2 The Chief Finance Officer informed Members that the recent funding announcements were further complicated by a re-distribution of business rates. The outcome of the combination of formula funding grant changes, changes to school funding, the Council Tax freeze and business rates re-distribution would result in the council having, over its current three year programme, a deficit of £11.9 million in 2013/2014, £18 million in 2014/2015 and £23.5 million in 2015/2016, as set out in more detail in Table 5 of the report.
- 3.5.3 The committee was advised that within its own remit, there had been an additional £1 million proposed within the 2013/2014 budget, for road maintenance, following detailed discussion by the committee on this matter but this would now be withdrawn. £250,000 had been set aside for insurance claims made against the council during the forthcoming year but this too would be removed as the council had successfully reviewed the vast majority of its claims.
- 3.5.4 The committee discussed the use of reserves to cover the forthcoming budget deficit and was advised that the council held £17 million in unallocated reserves, which was minimal compared to other similar sized Local Authorities. Members recognised the financial difficulties the council faced in the future and that £1 million additional funding requested by this committee for road maintenance would now be withdrawn. However, the annual cost of £750,000 for the maintenance of Medway Tunnel was viewed as unsustainable and further work should take place to address this.
- 3.5.5 The committee agreed to note the draft capital and revenue budgets for 2013/2014, proposed by Cabinet on 27 November 2012 insofar as they affected this committee; and to forward to Business Support Overview and Scrutiny Committee on 7 February 2013 the committee's comments and suggestions with regard to the preparation of the Council's capital and revenue budgets for 2013/2014.

3.6 *Health and Social Care – 29 January 2013*

- 3.6.1 The Chief Finance Officer updated the Committee on developments relating to the capital and revenue draft budget for 2013/2014 since the last meeting.
- 3.6.2 The Chief Finance Officer explained that there was now a £6 million budget gap as a result of a number of announcements from the Government since December. He felt that the Medium Term Financial Plan had improved and was now more realistic. The decision of the government to freeze Council tax had an impact on the current position as had the 41.2% reduction in Formula Grant over the CSR 2010 period. It was stated that at one point it looked as though the budget deficit had been reduced to £1 million which made the prospect of a balanced budget more likely. However, subsequent government

announcements had worsened the position. He stated that the budget was still being adjusted, as set out in paragraph 8.3 of the report, and would be discussed further at the next Cabinet meeting, and as such he was not in a position to preempt the Cabinet decision.

- 3.6.3 The view was expressed that it was difficult for the Committee to effectively scrutinise the budget with so little detail. Discussion took place about alternative ways for the Committee to scrutinise the budget in a more timely and effective way. The point was made that many reports coming to Committee stated that they had no financial implications when perhaps they did and it was important for the Committee to be robust in challenging such statements.
- 3.6.4 Reference was made to the fact that Members are at liberty to request a briefing with the Chief Finance Officer with regards to the budget position at any point and the fact that decisions taken throughout the year, such as outsourcing of Linked Service Centres, obviously had an impact on the budget and it may be more useful to scrutinise such decisions as they are taken in the light of the changing budget position. A further suggestion was put forward that the Committee could look at the budget position at the points at which Council Plan monitoring is considered.
- 3.6.5 The committee agreed to note the draft capital and revenue budgets for 2013/2014, proposed by Cabinet on 27 November 2012. It was also suggested that regular budget monitoring should be added to the work programme for the Committee at the points at which Council Plan monitoring were considered.

3.7 *Business Support – 7 February 2013*

To be considered earlier in the agenda (agenda item 7).

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 provisional settlement highlighted a loss of Formula Grant of 8.3% amounting to some £7.8 million. This, together with other pressures and savings measures facing the Council indicated a funding gap of some £6.2 million in 2012/2013. There are likely to be further grant funding reductions of almost £4 million per annum for 2013/2014 and 2014/2015.
- 4.2 Although funding for the capital programme is severely reduced for 2012/2013 there remains a risk that schemes may not be delivered on time thus not fulfilling the Council's strategic priorities. There is also a risk that 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 but significant variations to planned spend will stretch these capabilities.

5. Financial and Legal Implications

- 5.1 The reports as distributed to the individual Overview and Scrutiny Committees set out the budget proposals recommended 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 21 February 2013. The statutory deadline for approving the Council Tax is 11 March 2013.

6. Recommendations

- 6.1 Members are requested to consider the comments from individual overview and scrutiny committees, as laid out in Section 3, together with those pertinent to Business Support Overview and Scrutiny Committee considered earlier in this agenda, and determine which of these are forwarded to Cabinet on 12 February 2012.

Background Papers

Medium Term Financial Plan 2013/2016 report to Cabinet 2 October 2012
Capital and Revenue Budgets 2012/2013 report to Cabinet 27 November 2012
Individual Overview and Scrutiny meetings during December/January 2012/2013.

Lead officer contact

Mick Hayward, Chief Finance Officer
Tel. No: (01634) 332220 Email: mick.hayward@medway.gov.uk