

**BUSINESS SUPPORT
OVERVIEW AND SCRUTINY COMMITTEE
2 FEBRUARY 2016
DRAFT CAPITAL AND REVENUE BUDGET
PROPOSALS 2016/17
(Report back from other Overview and Scrutiny Committees)**

Report from: Phil Watts, Chief Finance Officer

Summary

This report presents for consideration the comments of all Overview and Scrutiny Committees on the provisional draft budget for 2016/17 proposed by Cabinet on 24 November 2015.

1. Budget and Policy Framework

1.1 The adoption of the budget and the setting of the council tax are matters reserved for Council. In accordance with the Constitution, Cabinet is required to develop initial budget proposals at least three months before the Council meeting that determines the budget and council tax, which this year will take place on 25 February 2016. These proposals must then be submitted to the Overview and Scrutiny Committees for their views with any proposals for change being referred back to Cabinet for consideration. At the Council budget meeting, the Council will consider the Cabinet's budget proposals and any report from Overview and Scrutiny.

2. Background

2.1 On 24 November 2015 Cabinet considered the draft capital and revenue budgets for 2016/17 and agreed to forward these 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 Overview and Scrutiny 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 at its meeting on 9 February 2016.

3. Draft Capital and Revenue Budgets 2016/17

- 3.1 The draft proposals discussed by Cabinet were disaggregated into overview and scrutiny responsibilities and each committee has been asked to consider the draft proposals pertinent to their area of responsibility and comment back to this committee.
- 3.2 Elsewhere on this agenda is a 2016/17 budget report, 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 are set out in this report:
- Children and Young People 8 December 2015
 - Regeneration, Community and Culture 10 December 2015
 - Health and Adult Social Care 17 December 2015
 - Business Support 2 February 2015
- 3.3 Whilst various comments have been made on the draft budget proposals no specific recommendations have been made to date by any Overview and Scrutiny Committee for Cabinet's consideration.

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

3.4.1 ***Children and Young People Overview and Scrutiny Committee, 8 December 2015***

Draft Capital and Revenue Budgets 2016/17

Discussion:

The Head of Finance Strategy introduced the report which updated the Committee on the progress towards setting the Council's draft capital and revenue budgets for 2016/17, which was underpinned by the Medium Term Financial Plan. He confirmed that a financial pressure remained for the current financial year, which particularly related to children and adults social care and that Government funding was continuing to reduce with the settlement on 25 November 2015 confirming a 53% cut to all local government funding (not including the Dedicated Schools Grant). He added that the Government had appeared to provide the ability for local authorities to increase Council Tax by an additional 2%, with the additional funding being used for adult social care purposes, but officers were awaiting firm confirmation on this.

Members then raised comments and questions which included:

- **Impact on children's social care** – concern was raised that budget cuts would jeopardise the improvements made in relation to children's social care. Officers confirmed that some of the investment that had been made had resulted in the positive outcomes and therefore this was a risk.
- **Funding per pupil** – in response to a request for clarification as to whether the formula for funding per pupil would be changing, officers confirmed that the Department for Education was currently developing new proposals to introduce a more equitable formula for price per pupil funding and consultation on this was anticipated around February/March 2016.
- **Social Impact Bonds** – in response to a question about the use of Social Impact Bonds, officers explained that Medway was currently exploring the possibility of using Social Impact Bonds to assist with edge of care services and undertook to provide a briefing note with more detail on this.
- **Reductions in youth service budgets** – in response to a question about the impact of the reductions in budget for youth services, officers confirmed that the specific plans underpinning this proposed reduction in funding were not yet finalised but it had been considered that the service could run more efficiently with a reduced budget. In relation to a question about the magnitude of the cut and how it compared to previous years, officers undertook to report back to the Medway Youth Parliament representatives.

Decision:

The Committee noted the report and agreed to forward the above comments to the Business Support Overview and Scrutiny Committee for consideration at its meeting on 2 February 2016.

3.4.2 *Regeneration, Community and Culture Overview and Scrutiny Committee, 10 December 2015*

Draft Capital and Revenue Budgets 2016/17

Discussion:

The Committee received a report setting out an update on progress towards setting the Council's draft capital and revenue budgets for 2016/17.

The draft budget was based upon the principles contained in the Medium Term Financial Plan 2016/20 approved by Cabinet in September and reflected the latest formula grant assumptions.

In discussing the budget, a Member suggested that there may be opportunities for increased income generation on expansion of Greenspaces Service Contracts to cover private housing estates. The Director of

Regeneration, Community and Culture confirmed that this was an area being investigated.

A Member referred to paragraph 5.5 of the report and stressed the importance of digital transformation. She referred to a Local Government Association publication – ‘Transforming local public services using technology and digital tools and approaches’ and recommended that Officers and Members read this document. See weblink below:

<http://www.local.gov.uk/documents/10180/11553/Transforming+public+service+s+using+technology+and+digital+approaches/ab9af2bd-9b68-4473-ac17-bbdf2adec05>

The Director of Regeneration, Community and Culture confirmed that the early phases of the Council’s digital transformation programme were progressing and more detailed proposals were being formulated to deliver significant savings over the medium term.

Decision:

The Committee:

- a) noted the draft capital and budget report for 2016/17 insofar as it related to this Committee; and
- b) recommended Officers and Members to read the Local Government Association publication – ‘Transforming local public services using technology and digital tools and approaches’.

3.4.3 Health and Adult Social Care Overview and Scrutiny Committee, 17 December 2015

Draft Capital and Revenue Budgets 2016/17

Discussion:

The Chief Finance Officer gave a brief introduction to the draft capital and revenue budget 2016/2017 and explained that it was based on the principles contained in the Medium Term Financial Plan. He responded to Members’ questions. The Chief Finance Officer agreed to share with the committee any proposals for the 2.0% additional Council Tax to fund social care pressures.

Reference was also made to the recurrent cut in the public health budget and the need for more information around the impact and consequences of not spending in certain areas.

The Committee was informed that paragraph 8.2 of the report had been left in by mistake as it related only to Children and Young People’s Overview and Scrutiny Committee.

Decision:

The Committee noted the draft capital and revenue budget for 2016/2017 proposed by Cabinet on 24 November 2015 and requested further details of the Council Tax proposals once they are developed.

3.4.4 *Business Support Overview and Scrutiny Committee, 2 February 2016*

To be considered earlier in the agenda.

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 grant reductions imposed by Government have made this process difficult.

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 25 February 2016. The statutory deadline for approving the Council Tax is 11 March 2016.

6. Recommendation

- 6.1 Members are requested to consider the comments from individual Overview and Scrutiny committees, as set 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 9 February 2016.

Background papers:

Draft Capital & Revenue Budget 2016/17 – Cabinet 24 November 2015
<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=28943>

Draft Medium Term Financial Plan 2015/20 – Cabinet 29 September 2015:
<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=28440>

Appendices:

None

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