

**BUSINESS SUPPORT
OVERVIEW AND SCRUTINY COMMITTEE
31 JANUARY 2017
DRAFT CAPITAL AND REVENUE BUDGET
PROPOSALS 2017/18
(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 2017/18 proposed by Cabinet on 22 November 2016.

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 23 February 2017. 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 22 November 2016 Cabinet considered the draft capital and revenue budgets for 2017/18 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 7 February 2017.

3. Draft Capital and Revenue Budgets 2017/18

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 2017/18 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:

Business Support	1 December 2016 and 31 January 2017
Children and Young People	6 December 2016
Regeneration, Community and Culture	8 December 2016
Health and Adult Social Care	15 December 2016

3.3 When this Committee considered the draft budget proposals at its 1 December meeting, Members recommended to Cabinet that, for future years, information should 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.

3.4 Similarly, the Regeneration, Community and Culture O&S Committee agreed to draw to this Committee's attention its concern 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. The Committee hope that this situation is addressed in future years so that more account is taken of the scrutiny function in budget setting.

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

3.5.1 *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.

3.5.2 *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.

3.5.3 *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.

3.5.4 ***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.

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 23 February 2015. 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 7 February 2017.

Background papers:

Draft Capital & Revenue Budget 2016/17 – Cabinet 22 November 2016

<https://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=33616>

Draft Medium Term Financial Plan 2015/20 – Cabinet 27 September 2016:

<https://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=32868>

Appendices:

None

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