

**BUSINESS SUPPORT
OVERVIEW AND SCRUTINY COMMITTEE
30 JANUARY 2018**

**DRAFT CAPITAL AND REVENUE BUDGET
PROPOSALS 2018/19**

(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 2018/19 proposed by Cabinet on 21 November 2017.

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 22 February 2018. 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 21 November 2017 Cabinet considered the draft capital and revenue budgets for 2018/19 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 6 February 2018.

3. Draft Capital and Revenue Budgets 2018/19

- 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 2018/19 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	30 November 2017 and 30 January 2018
Children and Young People	5 December 2017
Regeneration, Culture and Environment	7 December 2017
Health and Adult Social Care	14 December 2017

- 3.3 The Regeneration, Culture and Environment O&S Committee agreed to draw the attention of this Committee to their concern that the information they received on the draft budget was not sufficient to enable Members to robustly review the capital and revenue budgets. Similar comments were made at the meeting of the Health and Adult Social Care O&S Committee.
- 3.4 The relevant extracts from the minutes of these Committees are set out below:
- 3.4.1 ***Business Support Overview and Scrutiny Committee, 30 November 2017***

Draft Capital and Revenue Budget 2018/19

Discussion:

Members considered a report which provided an update on progress towards setting the Council's draft capital and revenue budgets for 2018/19. 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 2018.

The draft budget was based on the principles contained in the Medium Term Financial Strategy 2017-2022 approved by Cabinet in September and reflected the latest formula grant assumptions.

A Member expressed disappointment that there was no consultation with the public on budget proposals. In addition, he stressed the importance of realistic income targets and suggested that other Overview and Scrutiny Committees, in particular the Regeneration, Culture and Environment Overview and Scrutiny Committee, be mindful of this in their considerations of draft budgets.

A Member highlighted the need for the Committee to have greater clarity on the level of service provided by the Medway Commercial Group, as part of the budget setting process.

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 2018/19 and beyond; and
- 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 with the request that they be mindful of the need for realistic income targets

3.4.2 *Children and Young People Overview and Scrutiny Committee, 5 December 2017*

Draft Capital and Revenue Budget 2018/19

Discussion:

The Head of Finance Strategy introduced the report which provided an update on progress towards setting the Council's draft capital and revenue budgets for 2018/19. 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 2018.

The draft budget was based on the principles contained within the Medium Term Financial Strategy (MFTS) 2017/2022 and reflects the latest formula grant assumptions.

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

- **Quarter two budget monitoring** – In response to a question from a Member, in relation to the second round of budget monitoring, which had predicted an overspend of £1.507million, the Head of Finance Strategy directed Members to the budget monitoring reports presented to Cabinet on 21 November 2017. This set out the sources of budget pressures and management action.

- **Adjustment to draft budget requirement** – At the request of a Member, the Head of Finance Strategy confirmed that the total adjustment, set out in Appendix 1 to the report, reflected the reduction in the net budget requirement for Children and Adults following management action agreed by the Service in consultation with Council Members. In response to a request from a Member to provide further detail on this adjustment, the Assistant Director, Commissioning, Business and Intelligence advised the Service had made efficiencies through transformation of services and procurement. The Head of Finance Strategy undertook to provide further detail on savings made by the Service reflected in the adjustment figure.
- **SEN and Psychology** – In response to a question from a Member about the adjustment for SEN and Psychology, the Assistant Director, Commissioning, Business and Intelligence outlined a reduction in the price of placements led to this change.
- **Service delivery** – At the request of a Member, the Head of Finance Strategy undertook to provide further detail on the changes between the MTFS position and budget position in future reports wherever possible.

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 2018/19 and beyond.

3.4.3 *Regeneration, Culture and Environment Overview and Scrutiny Committee, 7 December 2017*

Draft Capital and Revenue Budget 2018/19

Discussion:

The Committee received a report providing an update on progress towards setting the Council's draft capital and revenue budgets for 2018/19.

The Head of Finance Strategy outlined the report and the process by which the budget would progress through to Cabinet and Council in February 2018.

A Member referred to Parking Services and Sport, Leisure and Tourism and questioned whether realistic target income levels had been set. He suggested that if the target levels were unrealistic, then the Directorate would be facing similar problems in 2018. In response, the Assistant Directors for Front Line Services and Physical and Cultural Regeneration advised upon the measures currently being taken to reduce the income shortfalls in these areas.

A Member requested that detailed information on the investment plan for ICT be supplied to him outside of the meeting.

It was confirmed that the outcome of the Council's bid to the Government to participate in a pilot 100% Business Rate Retention Scheme during 2018/19 was still awaited.

In discussing the budget report, Members expressed concern that the report did not provide sufficient detail to enable the Committee to scrutinise the budget and requested that this be conveyed to the Business Support Overview and Scrutiny Committee.

Decision:

The Committee:

- a) noted that Cabinet has instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2018/19 and beyond.
- b) 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.
- c) noted that detailed information on the ICT investment plan will be supplied to the Member direct outside of the meeting.

3.4.4 *Health and Adult Social Care Overview and Scrutiny Committee, 14 December 2017*

Draft Capital and Revenue Budget 2018/19

Discussion

The Head of Finance Strategy introduced the report which provided an update on progress towards setting the Council's draft capital and revenue budgets for 2018/19. It was noted that the draft budget reports were presented to each of the overview and scrutiny committees in December each year. The draft budget was based upon the principles contained in the Council's Medium Term Financial Strategy (MTFS) 2017-2022 which had been approved by Cabinet in September.

A budget deficit of £4.1 million had been identified. This was significantly better than the deficit at the same stage during the previous year, which had been £11.7 million. The report presented to the Committee outlined the broad approach to addressing the budget deficit. This included the Adult Social Care Improvement Programme, the Council's transformation programme, work of the housing company and the development of shared services. An update on this work had been presented to Cabinet in November 2017, with the final budget due to be presented to Cabinet on 6 February and Council on 22 February.

A Committee Member expressed concern that the report did not provide sufficient detail to enable the budget to be scrutinised in any meaningful way. The Member said that there should be an opportunity to scrutinise the proposals in more detail during quarter 3 of the year. The Member considered that there was insufficient time or opportunity to review the final budget proposals ahead of them being presented to Council and that it was therefore not possible for consideration to be given to the possibility of presenting an alternative budget. The Member also asked what planning was being undertaken for when the additional funding currently available for Adult Social Care was no longer available and said that a key priority of the Medway Development Company should be to develop and build extra care housing facilities.

The Head of Finance Strategy advised that that Adult Social Care funding was considered to be secure for the time being. The concern raised in relation to the Medway Development Company would be fed back accordingly. The Director of Children and Adults Services added that two new extra care housing schemes were due to be completed in the next year. It was anticipated that these would provide sufficient capacity in the short term but that there would be a need to consider longer term provision.

Decision

The Committee:

- i) Noted that Cabinet had instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2018/19 and beyond.
- ii) 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 for this to be fed this back to the Business Support overview and scrutiny committee in January 2018.

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 22 February 2018. The statutory deadline for approving the Council Tax is 11 March 2018.

6. Recommendation

- 6.1 Members are requested to consider the comments from the 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 6 February.

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

Appendices:

None

Background papers:

Draft Capital & Revenue Budget 2018/19 – Cabinet 21 November 2017
<https://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=38821>

Medium Term Financial Strategy 2017-2022 – Cabinet 26 September 2017
<https://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=38043>