

CABINET

6 FEBRUARY 2018

REVENUE AND CAPITAL BUDGETS 2018/19

ADDENDUM REPORT

Portfolio Holder: Councillor Alan Jarrett, Leader

Report from: Phil Watts, Chief Finance Officer
Stephen Platt, Democratic Services Officer

Summary

This addendum report sets out the comments of the Business Support Overview and Scrutiny Committee which discussed this matter on 30 January 2018. This also incorporates the discussions of the budget proposals by the other Overview and Scrutiny Committees.

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

1. Background

- 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 at the end of February 2018. 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

Stephen Platt, Democratic Services Officer

Telephone: 01634 332011 E-mail: stephen.platt@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, 30 November 2017***

Draft Capital and Revenue Budget 2018/19

Discussion:

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

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

Draft Capital and Revenue Budget 2018/19

Discussion:

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

Draft Capital and Revenue Budget 2018/19

Discussion:

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.

4. *Health and Adult Social Care Overview and Scrutiny Committee, 14 December 2017***Draft Capital and Revenue Budget 2018/19****Discussion:**

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.

5. ***Business Support Overview and Scrutiny Committee, 30 January 2018***

Draft Capital and Revenue Budget 2018/2019 and report back from other Overview and Scrutiny Committees

Summary of discussion:

Members raised a number of questions which were responded to by Officers as follows:

- **Business Rates** – Given uncertainty surrounding the financial benefit to Medway of participation in the pilot 100% Business Rate Retention scheme with Kent County Council and the twelve districts in Kent, it had not been taken into account in the development of the budget.
- **Lender Option Borrower Option (LOBO)** – There were unlikely to be any budget implications for Medway as a result of the ongoing test case. Once the findings of the case were known, it was likely that the Council would receive its audit certificate.
- **Schools Support Services** – The budget proposals reflect the funding gap created by the reduction in grant arising from academy conversions. It was noted that the Council retained a level of funding when a school moved to academy status. Action to mitigate the reduction in grant included the transfer of some schools support services to Medway Commercial Group and the decommissioning of other non-statutory elements.
- **HRA Borrowing Cap** – In the event of the borrowing cap being lifted, the Council would have to continue to adopt a prudent approach to borrowing.
- **Detailed Budget Proposals** – A Member expressed concern that the budget proposals presented to the Committee did not include a sufficient level of detail to enable the Committee to assess the impact on the long term delivery of priorities embedded in various key Council strategies. The Committee was advised that work with management teams and Portfolio Holders to refine the budget proposals was continuing and detailed proposals would not emerge until the end of that process. Longer term the aim was to more closely align the budget with Council Plan priorities and monitoring
- **Budget implications of the Transforming Care Agenda** – Discussions with Medway Clinical Commissioning Group were continuing as there were many pressures on Government funding, such as the Better Care Fund. Transforming Care would be addressed in the Medium Term Financial Strategy.

Members also considered a report on the comments of all Overview and Scrutiny Committees on the provisional draft budget for 2018/19 proposed by Cabinet on 21

November 2017. These would be considered at the Council budget meeting on 22 February 2018 together with the Cabinet's budget proposals.

Decision:

The Committee agreed that 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 8, be forwarded to Cabinet on 6 February 2018.