

**CABINET**  
**2 FEBRUARY 2021**  
**CAPITAL AND REVENUE BUDGET 2021/22**  
**ADDENDUM REPORT**

Portfolio Holder: Councillor Alan Jarrett, Leader of the Council

Report from: Phil Watts, Chief Finance Officer

Author: Katey Durkin, Head of Finance Strategy

### Summary

This addendum report sets out the comments of the Business Support Overview and Scrutiny Committee, which discussed this matter on 28 January 2021. This Addendum Report constitutes Appendix 1 as referenced within the main Cabinet report.

#### 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 on 18 February 2021. 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 on the Draft Budget proposals are highlighted for Cabinet's consideration in Sections 1-5 of Appendix 1 to this addendum report.

#### 3. Recommendations

- 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.
- 3.2 That Cabinet considers the recommendation from Employment Matters Committee as set out in the Review of MedPay report provided at Appendix 2 to this report, when finalising the budget it intends to propose to Full Council.

## Lead officer contacts

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## Appendices

Appendix 1 - Report back from other Overview and Scrutiny Committees on Draft  
Budget Proposals

## Background papers

None.

The relevant extracts from the minutes/summaries of these Committees are set out below.

***Business Support Overview and Scrutiny Committee, 26 November 2020***

**Discussion:**

Members considered a report which presented the Council's draft capital and revenue budgets for 2021/22 which was based on the principles contained in the Medium-Term Financial Strategy (MTFS) 2021-2023 considered by Cabinet on 17 November.

During the discussion the following comments and responses were made:

- It was noted that Kent County Council consulted residents on budget priorities. Officers confirmed that Medway would follow the same budget setting process as previous years which did not include public consultation.
- Officers noted a request that, where any future budget proposals might lead to potential redundancies, this should be made explicitly clear in the reports to Cabinet and Council.
- Members were advised that a 2% uplift assumption had been made in respect of most of the Council's fees and charges, although Directorates had discretion to propose a variation. Members were further advised that it was assumed the direct impact of Covid-19 would continue to mostly be funded by Government.
- Officers confirmed that the Council had discretion over the level of staff pay award.
- Regarding the number of large premises that had closed in the last two years, officers agreed to provide further information on the risks to the Council's business rates tax base.
- Concern was raised regarding the sustainability of the Special Educational Needs (SEN) budget on which there was growing pressure. Officers responded that authorities had been required to implement the 2014 Department of Education (DfE) SEN reforms without adequate increase in the Dedicated Schools Grant. The Council had a SEN deficit plan which included measures such as investment into local SEN provision rather than expensive out of area provision and keeping SEN children in mainstream education where appropriate.
- On the issue of the accessibility of financial support for those required to self-isolate following testing, officers advised that grant applications had surpassed expectations which indicated that the publicity campaign had been good. There was little left in the discretionary fund and it would be replaced by a new scheme which would be available shortly.

- In response to a question on income opportunities, the Committee was advised that Medway Commercial Group was seeking to widen its customer base for its recruitment agency beyond the Council, to the NHS and external care providers for example.

### **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 2021/22 and beyond; and
- b) commented on the proposals outlined in the draft capital and revenue budgets and forwarded the proposals to the individual overview and scrutiny committees.

(In accordance with Council Rule 12.6, Councillors Johnson, Maple and Murray asked that their votes in favour be recorded).

### ***Children and Young People Overview and Scrutiny Committee, 1 December 2020***

#### **Discussion:**

The Head of Finance Strategy introduced the report which set out initial budget proposals for 2020/21. She was able to update the Committee on the spending review which had been announced by the Chancellor since publication of the agenda, which confirmed the Government would fund covid-19 related pressures in the new year and announced flexibility for authorities to levy an adult social care precept on Council Tax of 3%. The chancellor had also announced new grant funding for children and adult social care totalling £300m, plus additional funding for homelessness and a £4bn levelling up fund, although mechanisms on how these grant streams would be distributed was yet to be provided. In addition, the Head of Finance Strategy also drew the Committee's attention to two additional appendices which had been provided; Appendix 2, which provided the minute from the Business Support Overview and Scrutiny Committee's discussion and Appendix 3, which provided additional information in relation to the funding formula for schools and academies.

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

- **Timing of decision making for funding formula** – in respond to a concern raised that decisions around the formula were routinely dealt with as urgent, with the facility for it to be called-in being waived, officers confirmed this would always be difficult due to the publication of census data, which was in mid December of each year and was used to test the affordability of funding formula proposals. The formula then needed to be tweaked as necessary, scrutinised by and agreed at the Schools Forum and then submitted to Education and Skills Funding Agency (ESFA) by 21 January of each year.

- **High needs block budget** – officers confirmed that the budget was currently £9m overspent and was forecast to be approximately £13.5m overspent by the end of the current financial year. A recovery plan was now in place, but it would not see the deficit eradicated until 2028. The overspend was due to the large number of independent special schools currently being used to place Medway children, due to the lack of local provision. A programme was in place for 515 specialist places in Medway state schools by the mid 2020s, a mix of both special school provision and resourced placements within mainstream schools. It was also confirmed that Medway would be approaching the Department for Education for more money to support SEND provision and the Schools Forum were being requested later that week to agree some top slicing from the dedicated schools grant to fund a number of local authority education provision, such as school effectiveness support and other commissioned services.
- **Invest to save** – officers confirmed that this related to a transformation programme in adult services, which included the implementation of regular reviews to ensure timely identification of reduced level of need and therefore reduced support. It also related to placement sufficiency strategies to reduce placement costs. Demand for placements was very high and so tools were being used to reduce costs of placements as well as an ambition to strengthen in-house fostering to reduce reliance on Independent Fostering Agencies, as well as a hope to reduce numbers of looked after children through improved social work practice and earlier intervention.

#### **Decision:**

The Committee noted the report and requested that its comments be forwarded to the Business Support Overview and Scrutiny Committee.

(In accordance with Council rule 12.6, Councillors Howcroft-Scott, Johnson and Chrissy Stamp requested that their votes in favour be recorded.)

#### ***Regeneration, Culture and Environment Overview and Scrutiny Committee, 3 December 2020***

#### **Discussion:**

The Committee received a report providing an update on progress towards setting the Council's draft capital and revenue budgets for 2021/22.

The report set out the process by which the budget would progress through to Cabinet and Council in February 2021.

The draft minute of the Business Support Overview and Scrutiny Committee's consideration of the draft Capital and Revenue 2021/22 budget on 26 November 2020 had been circulated as a supplementary report.

The Committee questioned the reason for the significant difference in the forecast for 2021/22 for the Regeneration, Culture and Environment (RCE) Directorate to that contained previously in the Medium Term Financial Forecast published in September

2019. In response, it was confirmed that a number of functions had been transferred from the RCE Directorate to Business Support Directorate including ICT, Human Resources and Transformation and that this had been reflected in the reduction in the budget for the RCE Directorate for 2021/22. The Committee requested that it receive a detailed breakdown of the transferred functions outside of the meeting.

Referring to the Capital Budget, the Committee requested that it be supplied with a schedule setting out the Capital Programme expenditure outside of the meeting.

The Committee discussed the pressures upon the Directorate as a result of the Covid-19 pandemic, not only related to increased costs but the loss of income. In response, the Head of Finance Strategy outlined the compensation scheme for local authorities that had been announced by the Government.

In response to a question concerning the income received from the sale of the Conservancy Building, the Director of Place and Deputy Chief Executive confirmed that the proceeds had been allocated to works at the Corn Exchange and the provision of a new Dickens exhibition at the Guildhall Museum.

The Head of Finance Strategy also explained the background to the projected levels of New Homes Bonus and Council Tax for 2021/22 as set out in Table 1 of the report. She informed the Committee that despite the Covid-19 pandemic, the collection of Council Tax had been reasonably steady and the Government had provided an assurance that any deficit could be recovered over a 3 year period rather than the usual one year period.

### **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 2021/22 and beyond.
- b) requested that the following additional information be supplied to the Committee:
  - a detailed breakdown of the functions transferred from the Regeneration, Culture and Environment Directorate to the Business Support Directorate.
  - a schedule setting out the projects included in the Capital Programme expenditure.

### ***Health and Adult Social Care Overview and Scrutiny Committee, 10 December 2020***

### **Discussion:**

The Committee considered a report regarding the Council's draft capital and revenue budgets for 2020/21.

The Head of Finance Strategy advised that the key points from the Government Spending Review announced on 25 November were:

- The Government would fund covid related pressures in 2021/22
- The Council would have the flexibility to levy a 3% adult social care precept.
- New grant funding would be made available for children's and adult social care.
- Further funding to help with homelessness
- A levelling up fund of £4 billion.

The possibility of using capital investment to meet increased demand in adult social care was referred to. The Head of Finance Strategy advised that the capital programme had increased significantly in recent years as interest rates were low. Any invest to save opportunities would follow the current prudent approach to borrowing.

### **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 2021/22 and beyond.
- b) noted the proposals outlined in the draft capital and revenue budgets in so far as they relate to the services within the remit of this Committee.

### ***Business Support Overview and Scrutiny Committee, 28 January 2021***

### **Discussion:**

The Committee considered a report presenting an update on progress towards setting the Council's draft capital and revenue budgets for 2020/21, and raised the following questions and comments:

- **Potential redundancies** – Concern was raised regarding the possibility of redundancies as a result of the budget proposals. The Chief Finance Officer responded that he was not aware of any measures underpinning the proposals contained within the Cabinet report that would require redundancies.
- **Fees and charges** – Concern was raised regarding the proposal to increase crematorium fees from £480 to £710, given the increase in demand for the service during the pandemic. The Chief Finance Officer confirmed that this proposal was being reconsidered.

**Decision:**

- a) The Committee noted that Cabinet has instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2021/22 and beyond.
- b) The Committee was supportive of the proposals outlined in the draft capital and revenue budgets in so far as they related to the services within the remit of this committee, and also agreed to forward the comments from the individual Overview and Scrutiny Committees, as set out in Appendix 4 of the report.

(In accordance with Council Rule 12.6, Councillors Khan, Maple and Andy Stamp asked that their votes in favour be recorded).