

Report back from other Overview and Scrutiny Committee on Draft Capital and Revenue Budget Proposals 2022/2023

Summary

This Appendix presents for consideration the comments of all Overview and Scrutiny (O&S) Committees on the provisional draft budget for 2022/2023 proposed by Cabinet on 16 November 2021.

1. Background

- 1.1 On 16 November 2020 Cabinet considered the draft capital and revenue budgets for 2022/2023 and agreed to forward these to all Overview and Scrutiny (O&S) Committees as work in progress inviting them to offer comments on the proposals outlined.
- 1.2 The Business Support O&S 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 O&S 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.
- 1.3 The views expressed by the O&S Committees during this consultation period will be considered by Cabinet at its meeting on 8 February 2021.

2. Draft Capital and Revenue Budgets 2022/2023

- 2.1 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.
- 2.2 All of the other O&S 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 Appendix.

Business Support O&S Committee	25 November 2021
Children and Young People O&S Committee	1 December 2021
Regeneration, Culture and Environment O&S Committee	2 December 2021
Health and Adult Social Care O&S Committee	18 January 2022
Business Support O&S Committee	25 January 2022

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

2.4 Business Support Overview and Scrutiny Committee, 25 November 2021

Discussion:

Members considered a report regarding the Council's draft capital and revenue budgets for 2022/23.

The following issues were raised:

- **Transfer of £2m children's social care pressure to adult social care** – in response to a query, Members were advised that historically most of the growth in learning disabilities placements in adult social care came from transitions from children's social care. Having looked at the expected cohort transitioning from children's social care the needs were now known and were lower than originally forecast. There would be no impact on services from this transfer.
- **2022/23 budget gap** – noting that the projected budget gap of £18.176m at this stage was unprecedented the point was made that difficult decisions would be needed at the February budget Council meeting.
- **New homes bonus** – the point was made that the Government were instructing councils to build more houses but this scheme which helped councils encourage housing growth was being wound down. The Head of Finance Strategy advised that the government may be moving from decentralised schemes like this to schemes which better reflected local needs.
- **Health and Social Care Levy** – a point was made that this was unlikely to benefit the Council. The Head of Finance Strategy agreed this was unlikely to have a significant positive impact on the Council's budget and there was a concern that providers would charge councils more.
- **Charging revenue costs to capital schemes** - referring to a comment that this is something that the Council should not do, the Head of Finance Strategy commented this was also something the Council's external auditors focussed on. There could be some confusion in terms of what matters the government classed as capital (i.e. potholes capital grant) and it could sometimes be possible to spend capital receipts on what were revenue items under temporary flexibilities in place. The Council would seek to charge appropriate items to capital where possible. A point was also made that care should be exercised in how S106 contributions were used.
- **Pay award** – noting that 1% had been set aside for pay, the point was made that due to inflation running at more than 4% this meant a pay cut in real terms. The Head of Finance Strategy commented this was still subject to negotiations with the Trade Unions.

- **Financial Settlement** – in terms of the impact on the Council of the Government's levelling up agenda and also the timing of the settlement, the Head of Finance Strategy was hopeful that some of the grant announcements had been underplayed. The Council's senior leadership were focused on reducing the gap further.
- **Personal care costs cap** – referring to the cap of £86k, whether this would lead to a cultural shift where people started to release equity from their homes or move to cheaper properties was queried and what the impact might be for the Council. The Head of Finance Strategy commented this sort of shift might be possible and the impact of the cap was still being modelled.

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 2022/23 and beyond.
- b) noted the proposals outlined in the draft capital and revenue budgets and agreed to forward the proposals to the individual overview and scrutiny committees.

2.5 Children and Young People Overview and Scrutiny Committee, 1 December 2021

Discussion:

The Head of Finance Strategy introduced the report which set out the draft budget proposals for 2022/2023. She highlighted the budget setting process and the key assumptions that had been taken into account. She highlighted the pressure of placement costs which was currently the biggest factor attributable to the £18m gap and confirmed officers were working hard to find solutions to mitigate this.

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

- **Reserves** – officers confirmed that although there was no guarantee of not using reserves, it would not be something officers would want to build a budget on as this would not be sustainable.
- **Sustainability of children's services investment** – concern was raised about the sustainability of the previous investment that had been made in children's services as part of the improvement journey. Officers reassured the Committee that that previous investment did form part of the base budget and it was the costs of placements activity and the provider market that was increasing the budget gap.

Decision:

- (1) The Committee noted that Cabinet had instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2022/23 and beyond.
- (2) The Committee recommended that its comments on the draft budget be fed back to the Business Support Overview and Scrutiny Committee in January.
- (3) The Committee noted that the timetable for consideration by overview and scrutiny.

2.6 Regeneration, Culture and Environment Overview and Scrutiny Committee, 2 December 2021**Discussion:**

The Committee received a report providing an update on progress towards setting the Council's draft capital and revenue budgets for 2022/23.

The report set out the process by which the budget would progress through to Cabinet and Council in February 2022.

In response to a question as to whether there was a likelihood of reducing staffing levels to assist in bridging the budget gap, the Head of Finance Strategy reminded the Committee that the Council was a lean establishment insofar as staffing was concerned and that the majority of the budget pressures came from the cost of adult and children's social care placements. This was therefore an area that was under review to assess the potential for reductions.

Decision:

The Committee noted that Cabinet has instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2022/23 and beyond.

2.7 Health and Adult Social Care Overview and Scrutiny Committee, 18 January 2022**Discussion:**

Members considered a report which presented the Council's draft capital and revenue budgets for 2022/23. 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 2022.

Members were advised the Local Government Finance Settlement had resulted in an additional £2.5m for adult social care compared to the draft budget, and that the public health grant would be increased in line with inflation to be around £18.1m.

Whether this increased funding meant the identified budget gap had been closed, allowing services to be delivered at their current level was queried. Members were advised the announcements represented a significant increase in funding and there is therefore less need to identify savings from adult social care to deliver a balanced budget. Officers were confident a balanced budget could be delivered. In response the point was made that the increase in pressures in adult social care was still a concern and while less savings were now needed whether demand could be met comfortably was questioned.

Decision:

The Committee agreed to:

- a) note that Cabinet has instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2022/23 and beyond.
- b) comment on 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, and feed this back to the Business Support Overview and Scrutiny Committee in January.

2.8 Business Support Overview and Scrutiny Committee, 25 January 2022

Discussion:

The Committee considered a report presenting the Council's draft capital and revenue budgets for 2022/23 noting that it was based on the principles set out in the Financial Outlook 2022/23 reported to Cabinet on 28 September 2021.

Members raised the following questions and comments:

- **Clarification on the Council tax base:** With reference to new housing development, clarification was sought on the reduction in the Council's tax base due to the pandemic. The Head of Finance Strategy explained that the number of properties was not the only factor in calculating the tax base. For example, it would be reduced by the number of people claiming under the Council Tax Reduction Scheme. Colleagues in Planning Services had assisted in reaching a prudent assumption about the number of dwellings that would be completed and occupied over the course of the year, and therefore liable to Council Tax, based on the number of outstanding planning consents.

The Head of Finance Strategy added that, although there were impacts of Covid that would reduce the Council's tax base, there were also significant residential development opportunities which would increase the tax base.

The projected increased cost of adult and children's social care as a result of the pandemic was also highlighted by Members and it was requested that this, as well as the housing development issue, be included in a briefing note on the impact of the pandemic on the Council tax base. The

Head of Finance Strategy advised that the adult social care precept was an additional 1% on a resident's council tax bill.

- **Shortfall in income from the Pentagon Centre:** The Head of Finance Strategy advised that the draft budget represented a set of assumptions made in November that had now been reviewed. Over the next two years, the shortfall in income from the Pentagon Centre would be in relation to improvement works for its better future use. It was therefore anticipated that this shortfall would be reduced for 2023/24.
- **Reduction in Business Rate retention:** The Head of Finance Strategy said that Medway not benefiting from 100% business rate retention, as a result of a recent Secretary of State announcement in relation to levelling up, would hopefully be offset by increased national grant allocation due to Medway's higher position on the indices of deprivation than previously.
- **Concerns regarding the Health and Social Care Levy:** Concern was expressed that residents might conclude that they were paying twice for adult social care and might still have to sell their homes to contribute towards their care. However, the Council would not receive the extra funding collected through this levy. The Head of Finance Strategy responded that every individual would be paying an extra 1.25% from April as a result of this levy and the allocations from it would be ringfenced for the NHS for the first three years. Separately, the Government had announced a series of relatively small funding pots for local authorities with Medway's allocation amounting to around £630,000. The Council was modelling the impact of these changes but the presumption within the budget was that the impact would be contained within this year's grant funding.
- **Income from Local Taxation – The Collection Fund:** In response to a question on whether the Council was losing support for the collection fund, the Head of Finance Strategy, said that this was in part a timing issue. Some Covid funding allocations had been provided up front with two years funding received in the same year. Conversely, the impact from other funding allocations might not be seen until the following year. This complication meant that there were occasions when funding had been passed on the residents before it could be reflected in the Council's collection fund accounts.
- **Schools Grants:** Asked if the situation on these allocations was still uncertain, the Head of Finance Strategy said that they had now been confirmed and at its meeting on 8 February, Cabinet would receive the final schools funding report.
- **Funding pressure on SEND transport:** It was noted that the Council Strategy report which would be considered later in the meeting, mentioned significant funding pressure on SEND transport and further information on this was requested. The Head of Finance Strategy advised that the dedicated schools grant did not cover school transport costs which therefore became a pressure on the general fund and this pressure was growing as the SEND cohort increased. Although routes had been rationalised to reduce the number of vehicles needed for school transport,

social distancing requirements during the pandemic had meant that this rationalisation could not be sustained. SEND Transport was included as a line within the Children and Adults Directorate budget summary at Appendix 2A of the report.

- **Reduction in funding allocation for homelessness:** The Head of Housing Strategy advised that Government funding for the rough sleeping initiative would be reduced by 25% for quarter 1 of 2022/23. The current level of service would be maintained during this time from reserves, and any rolled forward money from the second phase of the Everyone In fund. Discussions with the Ministry were continuing on what the level of funding might be beyond quarter 1. This information had been received after the draft budget had been prepared but it would be reflected in the final budget.

Decision:

- 1) The Committee noted that Cabinet has instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2022/23 and beyond.
- 2) The Committee commented on 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. It considered the comments from the individual Overview and Scrutiny Committees, as set out in Appendix 5, and forwards them to Cabinet, contributing to the overall comments that the Committee feeds back to Cabinet on behalf of the other O&S Committees.