

Report back from other Overview and Scrutiny Committee on Draft Capital and Revenue Budget Proposals 2023/2024

Summary

This Appendix presents for consideration the comments of all Overview and Scrutiny (O&S) Committees on the provisional draft budget for 2023/2024 proposed by Cabinet on 15 November 2022.

1. Background

- 1.1 On 15 November 2022 Cabinet considered the draft capital and revenue budgets for 2023/2024 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 7 February 2022.

2. Draft Capital and Revenue Budgets 2023/2024

- 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	24 November 2022 and this meeting
Children and Young People O&S Committee	29 November 2022
Health and Adult Social Care O&S Committee	1 December 2022
Regeneration, Culture and Environment O&S Committee	8 December 2022

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

2.4 **Business Support Overview and Scrutiny Committee, 24 November 2022**

Discussion:

The Committee considered a report setting out the Council's draft capital and revenue budget for 2023/24. The Chief Finance Officer advised that it had been prepared prior to the Chancellor's Autumn Statement so did not reflect the impact of the announcements made.

The following issues were discussed:

- **Council Tax rate** – Asked about anticipated Council Tax increases in other unitary authorities, the Chief Finance Officer said that there had been conversations with other authorities and all were facing significant budget challenge. While the decision to raise Council Tax was a difficult one, given affordability, if councils did not take advantage of the flexibility to raise Council Tax, in future years they were left behind as Government funding allocations reduced as a result.

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 2023/24.
2. The Committee commented on the proposals outlined in the draft capital and revenue budgets and forwarded proposals to the individual overview and scrutiny committees.
3. The Committee noted the timetable for consideration by overview and scrutiny.

2.5 **Children and Young People Overview and Scrutiny Committee, 29 November 2022**

Discussion:

The Committee considered a report setting out the Council's draft capital and revenue budget for 2023/24. The Chief Finance Officer advised that it had been prepared prior to the Chancellor's Autumn Statement so did not reflect the impact of the announcements made.

When the financial outlook was prepared, it assumed that ringfenced education grants would increase by £5 million. In terms of costs of services, the draft budget reflected additional pressures in children's social care and education of net £16 million increased budget requirement.

The core schools' budget in England would increase following the Chancellor's announcement, £2.3 billion in 23/24 and £2.3 billion in 23/25

Members then raised comments and questions which included:

Safety Valve Intervention Programme - it was asked how the financial issues and impact from the high needs block deficit would affect the general budget, what was charged to the account that the Education Skills Funding Agency (ESFA) say should not have been charged and given that the DfE required yearly reporting why was the charge not picked up earlier.

The Chief Finance Officer said that the high need deficit had been a matter of concern for a long time and was grateful for statutory override as once confirmed, it was highly likely that the government would follow with another form of support. There had been a difference of opinion between the Council and the DfE as to whether the services which had been charged to the DSG (Education Psychology and SEND Social Work Teams) were appropriate charges to that grant, totalling £2.9 million of annual spend. The latest budget monitoring for the current year already reflected the impact of putting this sum back in to the general fund. Medway produced a return to government of the spend on the Dedicated Schools Grant (DSG) every year and so it was not clear how this was not identified by the government following previous years' returns. Officers were working to further understand the circumstances regarding this.

The Assistant Director Education and SEND added that internally, officers were working to review historic decisions of HNB spend in certain areas, which had increased Medway's deficit at a greater rate than it otherwise would have, which was done at the time to prevent taking vital funding away from schools and children. Officers undertook to share with Members any findings from that. The safety valve intervention had been submitted to the Secretary of State for approval and it was expected to be signed off in December 2022. It was clarified that there were two strands of work taking place, one was on the safety valve and the other was a paper that was being taken to the Schools Forum on high needs funding. It was requested that the Schools Forum paper be shared with Committee Members and that an update on the safety valve also be provided, once a final decision from the Secretary of State had been made.

The Finance Business Partner added that the statutory override was expected to come to an end at the end of this financial year. The safety valve programme was important because if Medway was successful in its negotiations with the ESFA, it would allow Medway to continue with the statutory override until the end of the recovery plan.

Aut Even – in response to a question on how Aut Even featured in the new sufficiency plans, the officer said that scoping work was underway to explore whether Aut Even could be reinstated, though it would need refurbishment work to do so. Sufficiency was a big challenge for children's social care, in particular for children with disabilities and how best to meet their needs. A bid had been submitted to the DfE for funding for the refurbishment which had unfortunately been unsuccessful and once feedback was received, a

challenge or further application may be submitted. Members asked for a briefing to be provided to the Committee on this work and officers agreed to provide an update at a later stage when the way forward was clear.

Efficiencies – it was commented that there were increasing budget demands year on year, and in prior years efficiencies had been identified but had not prevented the service from exceeding its budget. It was asked what was being done to manage spend.

The Chief Finance Officer said it was important to note that the budget was not set in isolation by any one department and was also not set centrally by the finance teams. Setting the budget involved meeting on a regular basis with services to discuss opportunities and to identify solutions in delivery of demand led services which was extremely difficult.

The comments on it being unusual for a Medium-Term Financial Strategy (MTFS) not to have been produced was acknowledged and the Chief Finance Officer agreed that projections needed to be made as it assisted organisations over a long term period. A commitment had been made for publication of the MTFS in February 2023 and the only reason one had not been produced to date was due to the position the Council found itself in as a result of the Covid pandemic and trying to set budgets during a period of uncertainty. The publication of a Capital Strategy was envisaged for December 2023 which would look at a longer time frame of up to a 10-year period. This set of estimates would assist with the ability to make sensible projections.

The Assistant Director, Children's Social Care added that part of the improvement journey had been about putting tangible systems in place in order to ensure efficiencies. This was a difficult task that was being done in a changing landscape, in a market driven by extremely high placement costs, with national workforce challenges and pressures on LA finances. The service was working as best as it could to reduce costs of placements where possible and improve commissioning practices through re-negotiation of commissioned placements. Work was also being done to claw back money from the health service as part of health funding for child placements as this would deliver savings. A multitude of work streams were in progress to manage sufficiency and efficiency.

Long term aspirations – it was commented that there was a distinct lack of longer-term projections in the budget and how each decision affected another was not made evident. This did not provide a reflection of the work being done, what the gaps represented, why they occurred and how long they would continue. The Chief Finance Officer agreed that investment in long term solutions was an aspiration of all staff, and work was underway to develop a tool to assist officers to appropriately articulate the investment business case for such projects. A set of projections for the coming five years would be published alongside the proposed 2023/24 budget going to Cabinet in February, with thought being given to how the gaps in the budget would be presented going forward which may include ranges.

The Assistant Director, Children's Social Care advised that modelling over five years had been completed on placements as well as forecasting the care leavers service based on the next three years. There was a multitude of collaborative working across the directorate.

Decision:

The Committee noted the contents of the report and requested:

- I. A briefing update on Aut Even (when the way forward was clear);
- II. An update report to the Committee on the Safety Valve Intervention Programme;
- III. A copy of the High Needs Block Funding report submitted to the Schools Forum to be shared with Committee Members; and
- IV. The outcome of the work officers were undertaking in relation to the High Needs Block historic spend, be shared with Committee Members.

2.6 Health and Adult Social Care Overview and Scrutiny Committee, 1 December 2023

Discussion:

Members considered a report which set out the Council's draft capital and revenue budgets for 2023/24.

The Chief Finance Officer updated Members on the Chancellor's autumn statement, referring to the following:

- the decision to delay the adult social care charging reforms for at least 2 years, although the funding for these reforms would still be distributed to councils;
- £1billion of new funding across the system, of which 40% was expected to be allocated to councils in 2023/24 with the remainder distributed through the Better Care Fund.
- Household support fund would continue.

It was suggested that the delay in the adult social care reforms presented an opportunity to give the directorate space in the budget setting process to make the necessary investments now in the knowledge these would lead to future efficiency savings, without being under the same pressure to make savings.

The Chief Finance Officer commented that there was a need to set a balanced budget each year. In terms of making forward year projections officers were working on a much broader set of assumptions in terms of possible ranges. The local government finance settlement expected in December may be longer term in nature, allowing the possibility of the Council returning to a medium-term financial strategy model.

Decision:

The Committee agreed to:

- a) note that Cabinet had instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2023/24.
- b) forward its comment on the proposals outlined in the draft capital and revenue budgets to the Business Support Overview and Scrutiny Committee.

2.7 Regeneration, Culture and Environment Overview and Scrutiny Committee, 8 December 2022**Discussion:**

The Committee received a report providing an update on progress towards setting the Council's draft capital and revenue budgets for 2023/24.

The report set out the process by which the budget would progress through to Cabinet and Council in February 2023.

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 2023/24.