

## Report back from other Overview and Scrutiny Committee on Draft Capital and Revenue Budget Proposals 2024/25

### Summary

This Appendix presents for consideration the comments of all Overview and Scrutiny (O&S) Committees on the provisional draft budget for 2024/2025 proposed by Cabinet on 21 November 2023.

#### 1. Background

- 1.1 On 21 November 2023 Cabinet considered the draft capital and revenue budgets for 2024/2025 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 and Digital 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 13 February 2024.

#### 2. Draft Capital and Revenue Budgets 2024/2025

- 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 and Digital O&S Committee	30 November 2023
Children and Young People O&S Committee	5 December 2023
Health and Adult Social Care O&S Committee	7 December 2023
Regeneration, Culture and Environment O&S Committee	14 December 2023

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

#### 2.4 **Business Support and Digital Overview and Scrutiny Committee, 30 November 2023**

The Chief Finance Officer introduced the report and highlighted the new approach to balancing the budget where each directorate would operate within an agreed budget allocation. The directorate had responsibility to deliver savings or additional income to meet the identified gap. The current identified draft budget gap stood at c£36m.

The government's Autumn Statement was announced the day after the Cabinet at which the Draft Budget was discussed (22 November 2023), however there was little in the Statement which would affect Medway's finances as it was in line with the Draft Budget projections. The Department of Levelling Up, Housing and Communities were expected to publish the Provisional Local Government Finance Settlement before Christmas and any impact would be included in the next report to Cabinet in January 2024.

Portfolio Holders were working with officers to close the draft budget gap. In addition, the Council was working with CIPFA (Chartered Institute Public Finance and Accountancy) and Partners in Care & Health to review of spending Council assumptions and these bodies were expected to report informally ahead of Christmas.

The following issues were discussed:

**Staffing Costs** – in response to a question whether the proposed increase in staff costs of £10m was affordable, the Chief Finance Officer explained that the current Council staff budget increases had been capped in recent times at 1%-2% and then a flat rate increase of £1,000 in 2022-23 which represented less than 2% for many staff. Recruitment and retention was a significant issue for the Council and this had led to agency staff being employed at a higher cost to the Council than permanent staff. If the Council paid more attractive rates of pay then it may reduce costs and improve services through more effective recruitment and retention of staff via changes to Medpay.

The Chief Finance Officer added that in previous years the Council had been criticised by unions and Members during pay negotiations where salary budgets had been already been capped in the draft budget.

**Housing Infrastructure Fund (HIF) staff** – A Member noted the £375,000 cost to integrate HIF staff into the Council. The Chief Finance officer explained that the Council had recruited permanent staff into the department to deliver the HIF given the long timescales, however, the end of the HIF programme did not end the Council's regeneration programme, for which those staff were an important part.

**Increase to School Costs** - In response to a request for clarification regarding the £263,000 increase in costs charged to schools, the Chief Finance Officer reported that the costs to the Council of delivering these services in 2023/24 were not covered by the charges made to schools but had been increased to cover the costs in 2024/25. Schools purchased services in an academic year and there had not been a significant loss to the Council since the changes had been made.

**Increase to Court Costs** – In response to a question whether the additional £500,000 in court costs claimed by the Council was achievable, the Chief Finance Officer explained that the amount was considered reasonable and that the costs recovered by authorities across Kent had been reviewed and even with the increase proposed, Medway would remain amongst the lowest in the region.

**Increase in Business Rates** – the increase in collection of Business Rates was noted, the Chief Finance Officer informed the Committee that Business Rates continued to slowly increase from a healthy tax base.

**Council Tax** – in response to a question regarding reviews of the single person discounts awarded, the Chief Finance Officer explained the increased revenue would mostly not be due to fraud detection but proactive work which would identify earlier where people's circumstances had changed and lead to an increase in council tax.

Concern was raised that the changes to Council Tax in relation to second homes would affect landlords and in turn raise rents in the area. The Chief Finance Officer informed the Committee that the Council did a significant amount of work to bring empty homes back into use, so the council tax discount for empty second homes was contrary to those policies. The discount was discretionary and was not considered the best use of resources in the current financial climate.

**Return on investment in services** – A Member commented that where the Council had invested in services to make savings it would be helpful to show the planned return within the draft budget such as the Transformation investment of £427,000. The Chief Operating Officer acknowledged this and informed the Committee further detail would be provided within the Medway 2.0 programme.

**Gun Wharf** - in response to a query whether additional cost pressures related to the partial closure of Gun Wharf had been included in the report, the Chief Operating Officer stated that the Council was currently considering its options and it was not possible to predict additional costs at this time, however, it would be included in the draft budget when costs were available.

**Budget Gap** – It was commented that the gap in next year's budget remained significant. The Chief Operating Officer acknowledged the challenging gap in the draft budget, the senior leadership team was working with services and partners to review spending assumptions.

## **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 2024/25.
2. The Committee considered and noted the proposals outlined in the Draft Capital and Revenue Budgets and forwarded the proposals to the individual overview and scrutiny committees.
3. The Committee noted that the Cabinet agreed to recommend to Full Council that in February 2024 when setting the Council Tax, the following changes are applied to Council Tax premia in line with the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, as set out in paragraph 8.18 of this report:
  - the 100% premium for long-term empty properties may be brought forward so that it can commence after being empty for one year rather than two with effect from 1 April 2024; and
  - a 100% premium may be charged for properties that are unoccupied but furnished (known as second homes) with effect from 1 April 2025.
4. The Committee noted that the Cabinet agreed to recommend to Full Council that in February 2024 when setting the Council Tax, the following changes are applied to the Council Tax discretionary discounts, as set out in paragraph 8.18 of this report:
  - reduce the discount in respect of class C to 0% from the day on which a property becomes vacant, and
  - reduce the discount in respect of class D to 0%.

## **2.5 Children and Young People Overview and Scrutiny Committee, 5 December 2023**

### **Discussion:**

The Committee received a presentation from the Finance Team, the presentation highlighted the budget for different services within the Department, the capital and revenue budget position for the current financial year and the proposed draft budget 2024/2025.

The Chief Finance Officer informed the Committee that the draft budget reflected a new approach where each directorate would operate within an agreed budget and savings would need to be found from within that budget allocation. The overall budget gap for 2024/25 was £35m with £22.6m of savings to be found within the Children and Adult Directorate.

The Head of Corporate Accounts highlighted that the Capital Programme would invest more than £43m to provide more school places in both mainstream and SEND provision and enhance the learning environment. There was a forecast an underspend of £5,000 in relation to Children and Adults programme.

**Savings** - in response to a query how £22.6m in savings could be made without impacting services, the officer informed the Committee that the £22.6m gap was based on a number of projections of future costs, those costs were currently being reviewed. Additionally, that the Council may be a more attractive place for social workers following the good Ofsted rating, which may assist in reducing reliance on agency staff and create savings, however, addressing the gap remained a challenge.

The Director of People and Deputy Chief Executive added that Children Services had faced significant challenges in its improvement journey, and it had been difficult to recruit staff to an authority which had been judged inadequate. There would be savings available, though this may be limited due to the market. The Committee was informed that there had been positive interest a recent recruitment campaign and the impact of the Ofsted judgement of good was now being positive.

**Provider Uplift** – in response to a question how the proposed provider uplift of 5.4% had been calculated, the Committee was informed that the Council shared information with other Councils and agencies in regional forums and all packages and placements were made with a clear understanding of costs and expectations of service. The costs were broken down into its service elements to arrive at a calculation and 5.4% was broadly the middle ground of where Councils were likely to provide an uplift.

**Placements** - in response to a question whether the Council could be sure it received value for money from placements the officer explained that residential placements were regularly reviewed, and the Council robustly challenged any provider that was not meeting the required standard. Eden House Management Team was in place, and it was scheduled to open by the end of the financial year and would provide additional provision.

**International Social Workers** – in response to a question on whether the change in Government visa rules had adversely affected recruitment, the Director of People and Deputy Chief Executive stated that the change had been made only recently and it was too early to note an impact.

**Safety Valve Programme** – in response to a question regarding the position of the Safety Valve Programme, the officer stated that the programme was on track. The shortfall had occurred due to an increased student population, this would, however, be reflected in additional income next year. It was queried whether schools would receive additional funding following the increased student population, the officer explained that schools where bulge classes had been in effect would be in receipt of additional funding.

**Social Work Apprenticeships** - in response to a question how many social work apprenticeships were accepted, it was explained that four were appointed this financial year and four would be appointed next year.

The Committee was further informed that there was a structured approach with a career pathway to social work for current staff.

**Reinforced Autoclaved Aerated Concrete (RAAC)** - in response to a question whether any additional budget pressure was faced by schools due to the RAAC issue which forced the partial closure of Gun Wharf, the officer informed the Committee there were no budget pressures related to RAAC in schools.

**School Improvement** – in response to a question whether there had been any negotiation with Academy Trusts in relation to school expansion and building improvements, the Assistant Director Education and SEND explained the responsibility for provision of school places lay with the local authority to provide, so capacity was a matter for the Council.

**Budget overspend** - a Member commented that an overspend had been forecast at round 2 monitoring for several years so this was not unknown to the Council. The Chief Finance Officer acknowledged this, however, in the last financial year the Council had used £16m in general reserves and those levels of reserves were no longer available and the position was therefore more challenging.

**SEN Transport** - in response to a question whether the Council had considered investing in after school clubs which could result in savings if it assisted parents to provide transport, the officer informed the Committee that whilst a range of options were under consideration to reduce SEND transport costs, this did not currently include after school clubs to facilitate parents providing transport. The officer undertook to add this to the potential range of options to be considered.

**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 2024/25.
2. The Committee 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, and feed this back to the Business Support and Digital Overview and Scrutiny Committee in January.
3. The Committee noted that the Cabinet agreed to recommend to Full Council that in February 2024 when setting the Council Tax, the following changes are applied to Council Tax premia in line with the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, as set out in paragraph 9.18 of this report:
  - the 100% premium for long-term empty properties may be brought forward so that it can commence after being empty for one year rather than two with effect from 1 April 2024; and
  - a 100% premium may be charged for properties that are unoccupied but furnished (known as second homes) with effect from 1 April 2025.

4. The Committee noted that the Cabinet agreed to recommend to Full Council that in February 2024 when setting the Council Tax, the following changes are applied to the Council Tax discretionary discounts, as set out in 17 Agenda Item 5 paragraph 9.18 of this report:
  - reduce the discount in respect of class C to 0% from the day on which a property becomes vacant, and
  - reduce the discount in respect of class D to 0%.

## **2.6 Health and Adult Social Care Overview and Scrutiny Committee, 7 December 2023**

### **Discussion:**

Members discussed the draft capital and revenue budgets 2024/25 and also the second round of the capital and revenue budget monitoring process for 2023/24.

In response to a query about the impact of £36m of cuts on communities, the Chief Finance Officer advised that this figure represented the draft budget projected gap. Budget gaps had been closed in previous years but there would be difficult choices to make this year. The Council was lobbying the government for more funding and also a fairer distribution for the sector, given Medway was one of the twenty lowest funded councils per head of population in the country.

With regard to how the impact on residents of savings or increases in council tax were monitored, the Chief Finance Officer advised services would produce equality impact assessments to accompany any budget proposals. The increase in council tax was expected to be just under 5% and details of what increase in bills this represented could be provided.

Officers were asked for their thoughts on the recent immigration measures introduced by the Government on the Council and its partners in delivering social care. The Director of People and Deputy Chief Executive advised it was too early to say but the new measures were likely to impact on different occupations, particularly care staff.

### **Decision:**

- a. The Committee noted that Cabinet had instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2024/25.
- b. The Committee noted the proposals outlined in the Draft Capital and Revenue Budgets in so far as they relate to the services within the remit of the Committee and agreed to forward their comments to the Business Support and Digital Overview and Scrutiny Committee in January.

- c. The Committee noted that the Cabinet had agreed to recommend to Full Council that in February 2024 when setting the Council Tax, the following changes are applied to Council Tax premia in line with the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, as set out in paragraph 8.18 of the report:
  - the 100% premium for long-term empty properties may be brought forward so that it can commence after being empty for one year rather than two with effect from 1 April 2024; and
  - a 100% premium may be charged for properties that are unoccupied but furnished (known as second homes) with effect from 1 April 2025.
  
- d. The Committee agreed to note that the Cabinet had agreed to recommend to Full Council that in February 2024 when setting the Council Tax, the following changes are applied to the Council Tax discretionary discounts, as set out in paragraph 8.18 of the report:
  - reduce the discount in respect of class C to 0% from the day on which a property becomes vacant, and
  - reduce the discount in respect of class D to 0%.

## **2.7 Regeneration, Culture and Environment Overview and Scrutiny Committee, 14 December 2023**

### **Discussion:**

The Committee were informed that the report outlines the new approach to balancing the budget for 2024/25. There was a current budget gap of 35.85m with Directorates continuing to work on saving proposals to address the gap.

### **Decision:**

- 1.1. The Committee noted that Cabinet has instructed officers to continue to work with Portfolio Holders in formulating robust proposals to balance the budget for 2024/25.
- 1.2. The Committee did not make any 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.
- 1.3. The Committee noted that the Cabinet agreed to recommend to Full Council that in February 2024 when setting the Council Tax, the following changes are applied to Council Tax premia in line with the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, as set out in paragraph 8.18 of the report:
  - the 100% premium for long-term empty properties may be brought forward so that it can commence after being empty for one year rather than two with effect from 1 April 2024; and
  - a 100% premium may be charged for properties that are unoccupied but furnished (known as second homes) with effect from 1 April 2025.



- 1.4. The Committee noted that the Cabinet agreed to recommend to Full Council that in February 2024 when setting the Council Tax, the following changes are applied to the Council Tax discretionary discounts, as set out in paragraph 8.18 of the report:
- reduce the discount in respect of class C to 0% from the day on which a property becomes vacant, and
  - reduce the discount in respect of class D to 0%.

## 2.8. **Business Support and Digital Overview and Scrutiny Committee, 1 February 2024**

### **Discussion:**

The Head of Revenue Accounts introduced the report, he highlighted since the report had previously been considered by the Committee in November and the other Overview and Scrutiny Committee's in December. Following this, the government announced the provisional finance settlement on 19 December 2023 and additional funding in January 2024 including £500m through the local care grant. The additional income from this grant to Medway would be confirmed on 7 February, however the budget included a provision for £2m.

Work was ongoing to reduce the gap and final budget proposals would be considered by Cabinet in February. Comments by the other Overview and Scrutiny Committees were at appendix one to the report, though no specific recommendations had been made.

The following issues were discussed:

**Children Services budget gap** - concern was expressed at the £22m budget gap in Children Services and the £36m gap for the Council as a whole. Chief Operating Officer explained that significant work had taken place and final budget proposals would be published on Monday 5th February in advance of the forthcoming Cabinet meeting.

**Social Care** – in response to a question why the Council was considering providing direct care when this had been previously considered and rejected, the Chief Operating Officer advised using the private sector had been a lower cost than employing staff in the past, however, this was no longer the case. One option to reduce cost was to consider in house provision of care, another option was to promote independent living.

**Children Services agency staff** – it was asked whether the work to reduce reliance on agency staff had resulted in any savings to the Council. The Chief Operating Officer stated the proposed pay offer was to correct pay which had not kept pace with inflation and pay in the local government sector. This would improve staff retention and reduce reliance on agency staff.

The Chief Organisational Cultural Officer added agency staff in Children's Services were not only locums but also project teams which attracted a higher cost than locums. Children's Services was focused on developing its permanent workforce and reducing reliance on those project teams.

**Regeneration, Culture and Environment Department** – it was asked whether the £500,000 budgeted for opening of splashers and £340,000 investment in street wardens was affordable, the Head of Revenue Accounts noted that further work had been undertaken on the budget and final budget proposals would be published on Monday.

**Fees increases** – in response to a question whether there would be an increase in parking and leisure fees, the Head of Revenue Accounts noted that parking fees are low compared to the rest of Kent and difficult decisions would need to be made to meet the budget gap.

**Single Person Discount** - in response to a question whether additional staff were required to complete the proactive work related to the single person discount, the Chief Operating Officer explained the Business Support Department had been reduced in recent years and was a lean department, consequently, to complete the additional workload more staff would be required.

**Low Income Family Tracker** – it was asked how many residents the been supported through the low-income family tracker, the Chief Operating Officer undertook to provide the information to the Committee outside of the meeting.

**Decision:**

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, and considered the comments from the individual Overview and Scrutiny Committees, as set out in Appendix 1 and forwarded these to the Cabinet.