

BUSINESS SUPPORT
OVERVIEW AND SCRUTINY COMMITTEE
2 FEBRUARY 2012
DRAFT CAPITAL AND REVENUE BUDGET
PROPOSALS 2012/2013
(Report back from other Overview and Scrutiny Committees)

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Summary

This report presents for consideration, the comments and recommendations of all Overview and Scrutiny Committees on the initial budget plan for 2012/2013 proposed by Cabinet on 29 November 2011.

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 in February 2012. These proposals should be submitted to Overview and Scrutiny Committees for their views.

2. Background

2.1 On 29 November 2011, Cabinet considered the draft capital and revenue budgets for 2012/2013 and agreed to forward these drafts to all Overview and Scrutiny Committees as work in progress inviting them to offer comments on the proposals outlined.

2.2 Business Support Overview and Scrutiny 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 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.

2.3 The views expressed by overview and scrutiny committees during this consultation period will be considered by Cabinet as it formulates its budget proposals and at the Cabinet meeting on 14 February 2012. It remains the responsibility of full Council to agree the budget proposals and set the Council tax and this will occur at the Council Meeting on 23 February 2012.

3. Draft Capital and Revenue Budgets 2012/2013

3.1 Members will have received copies of the 'Capital and Revenue Budget 2012/2013.' This report was considered by Cabinet on 29 November 2011.

3.2 The draft proposals discussed by Cabinet were disaggregated into overview and scrutiny responsibility and each committee has been asked to consider the draft proposals pertinent to their area of responsibility and comment back to this committee.

3.3 Elsewhere on this agenda is a 2012-13 budget report, which deals specifically with those areas of the budget pertinent to this committee. All of the other overview and scrutiny committees – dates included for information – have now had the opportunity to consider the budget proposals recommended by Cabinet and their views have been incorporated in this report:

- Children and Young People 06/12/2011
- Regeneration, Community and Culture 13/12/2011
- Health and Adult Social Care 15/12/2011.

3.4 Children and Young People – 6 December 2011

3.4.1 Members commented and asked a number of questions, chiefly concerning the impact of current service pressures in respect of special educational needs (SEN) transport, specialist children's services and school reorganisation costs, on next year's revenue budget.

3.4.2 Officers offered the following explanations:

- the forecast overspend on SEN transport arises principally because the 2010/2011 monitoring forecasts and consequently the 2011/2012 budget did not reflect the increasing numbers of children requiring transport and that in fact the overspend projected in the current year reflects the cumulative impact of increasing demand over several years
- the forecast overspend against the specialist children's services budget reflects an acceleration in the projected increase in the number of looked after children in Medway. The medium term financial plan and 2012-2013 budget proposals also reflect estimated demographic growth in future years
- the forecast overspend against the school organisation and student services budget reflects the costs of maintaining decommissioned school buildings pending decisions about future use or disposal.

3.4.3 Members asked officers to clarify the implications on financial sustainability of accepting the 2012/2013 Council Tax Freeze Grant and continuing to keep Medway's Council Tax at 2010/2011 rates. Officers explained that the grant offered for 2012/2013 would be for one year only, after which time the Council would have to increase Council Tax by 2.5%, just to maintain funding at the 2012/2013 level.

3.4.4 Officers also undertook to provide, when appropriate, a briefing note on the educational funding changes proposed by the Department for Education.

3.5 Regeneration, Community and Culture – 13 December 2011

3.5.1 Members commented that the budget figures were not linked to service plans for each department or the over-arching Council Plan, so there was no indication as to whether the proposals meant a change to service commitments. Officers responded that the services remained the same unless otherwise specified. Any changes would be reported at the appropriate stage of the process.

3.5.2 Members questioned the anticipated increase in income and charges shown in Appendix 1b, as the services this applied to had historically overspent their budgets. Therefore, how reasonable and robust were these predictions and were they deliverable? Officers were also asked about the increased National Non-Domestic Rates (NNDR) liability at Medway Park showing as a pressure of £169,000 and why no previous provision had been made for this? The Director of Regeneration, Community and Culture responded that there had been an anticipated uplift in the business rates at Medway Park but it was not until the rate demand was received in March 2011 that the new rating was known. The Council was appealing against the rise in rateable value. He also advised that the predicted income increase was robust.

3.5.3 The Committee discussed the freezing of council tax over the next four years and the options available to the council over that time. This included legislation under the Localism Act 2011 to limit councils to an annual increase of 3.5%. If an authority proposed to raise taxes above this limit they would have to hold a referendum to get approval for this from local voters who would be asked to approve or veto the rise.

3.6 Health and Adult Social Care – 15 December 2011

3.6.1 Responding to a Member question, the Chief Finance Officer explained that the anticipated savings from the vision for adult social care had already been factored into the proposed revenue budget.

3.7 Business Support – 2 February 2012

3.7.1 This Committee's response has been considered earlier in this agenda and the coordinated response of all committees will be reported to Cabinet on 14 February 2012.

4. Risk Management

- 4.1 The risks exposed by a failure to effectively manage the resource planning and allocation process to achieve priorities and maintain effective service delivery are great. The provisional settlement highlighted a loss of Formula Grant of 8.3% amounting to some £7.8 million. This, together with other pressures and savings measures facing the Council indicated a funding gap of some £6.2 million in 2012/2013. There are likely to be further grant funding reductions of almost £4 million per annum for 2013/2014 and 2014/2015.
- 4.2 Although funding for the capital programme is severely reduced for 2012/2013 there remains a risk that schemes may not be delivered on time thus not fulfilling the Council's strategic priorities. There is also a risk that schemes may not be delivered within approved external funding approvals thus straining the Council's limited capital resources. The Council has a good track record of managing capital schemes and identifying alternative sources of funding where schemes are subject to unforeseen and unavoidable additional costs but significant variations to planned spend will stretch these capabilities.

5. Financial and Legal Implications

- 5.1 The reports as distributed to the individual overview and scrutiny committees set out the budget proposals recommended by Cabinet. Responses to those proposals are contained in this report.
- 5.2 The Constitution of the Council incorporated under the Local Government Act 2000 contains the budget and policy framework rules. The relevant parts of the Constitution are as follows:
- The budget and policy framework rules contained in the constitution specify that the Cabinet should produce initial proposals for the budget three months before the Council meeting that is scheduled to determine the budget and Council Tax. These initial proposals should then be submitted to the Overview and Scrutiny Committees. The Overview and Scrutiny Committees will advise the Cabinet of their views of the proposed budget, having six weeks to respond to the initial proposals of the Cabinet
 - Under the constitution the Cabinet has complete discretion to either accept or reject the proposals emanating from the Overview and Scrutiny Committees. Ultimately it is the Cabinet's responsibility to present a budget to the Council, with a meeting arranged for this purpose on 23 February 2012. The statutory deadline for approving the Council Tax is 11 March 2011.

6. Recommendations

- 6.1 Members are requested to consider the comments from individual overview and scrutiny committees, as laid out in Section 3, (together with those pertinent to Business Support Overview and Scrutiny Committee considered at agenda item 7), and determine which of these are forwarded to Cabinet on 14 February 2012.

Background Papers

Medium Term Financial Plan 2012/2015 report to Cabinet 6 September 2011
Capital and Revenue Budgets 2012/2013 report to Cabinet 29 November 2011
Business Support Overview and Scrutiny Committee 1 December 2011
Individual Overview and Scrutiny meetings during December 2011.

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