

MINUTES OF MEETING Overview and Scrutiny Committee HELD ON Thursday, 20th January, 2022, 7.00 - 10.20 pm

PRESENT:

Councillors: Khaled Moyeed (Chair), Pippa Connor (Vice-Chair), Dana Carlin, Makbule Gunes and Matt White

ALSO ATTENDING:

42. FILMING AT MEETINGS

The Chair referred Members present to item one on the agenda in respect of filming at the meeting and Members noted the information contained therein.

43. APOLOGIES FOR ABSENCE

Apologies for Absence were received from Anita Jakhu, Kanupriya Jhunjunwala, Lourdes Keever and Yvonne Denny.

44. URGENT BUSINESS

None.

45. DECLARATIONS OF INTEREST

None.

46. DEPUTATIONS/PETITIONS/PRESENTATIONS/QUESTIONS

None.

47. MINUTES

The Committee noted that, contrary to the previous minutes, Cllr White was present at the meeting of the 29th November.

RESOLVED

That the minutes of the meeting held on the 29th of November 2021 were agreed as a correct record, subject to the above amendment.

48. MINUTES OF SCRUTINY PANEL MEETINGS

RESOLVED

That the minutes of the following Scrutiny Panels were received and approved and any recommendations contained within were also approved:

Adults and Health Scrutiny Panel 15 November 2021

Children and Young People's Scrutiny Panel 18th November 2021

Environment and Community Safety Scrutiny Panel 11th November 2021

Housing and Regeneration Scrutiny Panel 4th of November 2021

49. SCRUTINY OF THE 2022/23 DRAFT BUDGET / 5 YEAR MEDIUM TERM FINANCIAL STRATEGY (2022/23-2026/27)

The Panel considered and commented on the Council's 2022/23 Draft Budget / 5-year Medium Term Financial Strategy (MTFS) 2022/23 – 2026/27. The papers were introduced by John Warlow –Director of Finance as set out in the agenda pack at pages 51-146 of the agenda pack. Along with a cover report the budget papers included the following appendices:

- Appendix A – Recommendations put forward on the budget by the four Scrutiny Panels (and the Scrutiny Committee in respect of Your Council).
- Appendix B – 2022/23 Draft Budget & 2021/26 Medium Term Financial Strategy Report (presented to Cabinet 8th December 2020)
- Appendix 1– Summary of General Fund Revenue 2021/22 Budget and Medium Term Financial Plan 2026-2027
- Appendix 2 – 2022/23 New Revenue Budget Proposals
- Appendix 3 – Agreed Revenue Savings 2022-26
- Appendix 4 – Proposed 2022/23-2026/27 Capital Programme
- Appendix 5 - 2022/23 New Capital Budget Proposals
- Appendix 6 – Budget Consultation Plan

The Director of Finance gave a short introduction to the Committee. The key points were:

- The Director of Finance set out that this was a different budget to normal as the process was taking place in a very different climate, given the pandemic and the impact it had on how services were being delivered.
- There was an election coming up in May and the manifesto commitments for the political parties would drive a refresh of the Borough Plan.
- Local government funding had been in a position of stasis for some time. In light of provisional local government funding announcements, the Committee was advised that there was an expectation that funding would become more needs driven and reflect the levelling up agenda.
- The Committee was advised that the budget had been underwritten with a £10m reserve held to mitigate budget savings requirements.
- There were no new savings proposals in the budget, for the first in many years. Some degree of a step up in savings may be required for the following year.

- There was a significant amount of growth funding included in the budget (circa £12m).
- An updated budget report was due to be agreed by Cabinet in February and then Full Council on 1st March.

The following arose during the discussion of the Council's 2022/23 Draft Budget / 5-year Medium Term Financial Strategy (MTFS) 2022/23 – 2026/27:

- a. The Committee sought assurances around the extent to which officers were confident in the ability to deliver a balanced budget. In response, officers advised that the growth proposals were made possible by increased government funding. The budget before the Committee was a multi-year financial model as the funding requirements were ongoing. The Council had made an assumption that the level of grant funding was ongoing, albeit there was some degree of uncertainty around this. The government's Spending Review 21 set out some additional funding for local authorities. In summary, the Director of Finance advised that he was pretty sure of the budget envelope for next year but that there was some degree of uncertainty for years two and three onwards.
- b. The Committee enquired whether there was any other use of reserves being considered at this point. Officers advised that the main use of reserves was the partial use of the £10m budget reserve, no corporate reserves were being used beyond this. The updated budget report going to Cabinet in February would contain more details on the use of reserves. The Cabinet Member for Finance echoed these comments, advising that he did not envisage additional reserves being used
- c. The Committee raised concerns about the fact that both interest rates and inflation rates were rising and that there seemed to be little surety as to the extent of these rises. In light of almost £2 billion on borrowing, the Committee sought assurances that the authority would be able to manage this debt. In response, officers advised that this was something that was being looked at and the need for an appropriate and robust financial strategy to manage this risk was acknowledged.
- d. Officers acknowledged that the inflation rate was a key source concern in the medium term and that provision around inflation had been stepped up in the budget, in recognition of disconcerting inflationary forecasts (some estimates were as high as 6-8%). The updated budget report to Cabinet would reflect increasing inflation forecasts and the work being done around this. In contrast, it was suggested that interest rates were less of a pressing concern in the medium term, given that most of this related to schemes and debts that the authority had already taken out, at a fixed interest rate. Increases in interest rates would only impact new borrowing. The Director of Finance advised that modest interest rate increases were anticipated over the course of the MTFS, but that these increases were not at the same level as inflation. It was suggested that in general, the Bank of England was reticent to increase interest rates due to the impact on homeowners and businesses.
- e. The Cabinet Member for Finance advised that the Council's Treasury Management Strategy looked at this issue and that the Council has an external

- Treasury Management advisor, Arlingclose, who had provided the Council with a high level of support and had also provided accurate predictions to date. Cllr Diakides advised that external risk factors, such as inflation and interest rate rises had been factored into the budget assumptions as much as they could be.
- f. In response to a question around factoring in the impact of Covid, officers set out that the Council Tax Reduction Scheme, which was amended to bring in a higher discretionary rate for families with children a couple of years ago, was forecast at the same level across the duration of the budget. The Budget also contained a revision downwards of the extent to which the Council expected to collect business rates and Council Tax.
 - g. The Committee sought assurances around the risk of slippages in the budget. In response, officers advised that the delivery of savings had been impacted this year and that officers had been focused on meeting new levels of need. An update on slippages would be included in the report to Cabinet in February.
 - h. In response to a question, officers advised that if Covid related grants were removed from the equation, then the general level of reserves felt consistent over the two year period. In relation to the ability to increase the Council's reserves, officers advised that sometimes there were opportunities that arose to do so. However, the Director of Finance set out that even without reinforcing those reserves he was confident that the budget was robust enough.
 - i. The Cabinet Member for Finance advised the Committee that the Council had sought to try and balance demand led budgets and to try and find better ways of investing to save, in order to achieve a realistic and achievable budget.
 - j. The Committee agreed to put forward a couple of recommendations on the wider MTFs and strategic financial position. The first was assurances from Cabinet around the potential for slippage in savings and additional pressures on the growth budget. The second was assurances around the costs to the revenue budget (£29.3m in 2027) from increasing capital borrowing costs and how this risk would be mitigated. Would additional savings be required to offset these costs?
 - k. The Committee sought clarification around the Your Council capital allocation for the Civic Centre Annex. The Committee sought further assurances around the breakdown of the financial assumptions used, particularly in relation to the borrowing versus self-financing elements. In response, officers advised that option 2 was predicated on investing in an annex to the refurbishment of the Civic Centre, to provide additional office accommodation for Council staff. This option also required a level of spend to renovate Alex House to make it fit for commercial letting. The self-financing element of the proposal related to income derived from letting out Alex House and rationalising council office accommodation on Station Road. Officers advised that the revenue figures for this option were commensurate with the level of investment into Alex House and they were realistic. option 1, however related to a level of spend on Alex House for staff offices, to get it to a like for like comparison with the Civic. However, by not building the annex, the Council would lose the revenue stream from letting out Alex House.
 - l. In relation to the £35m figure and where this came from, officers advised that this was based on a professional assessment that was undertaken. The

- Committee was assured that all the debt costs were covered by the scheme and that it was self-financing.
- m. The Cabinet Member assured the Committee that a detailed cost analysis had been undertaken in the Cabinet report and that option 2 would allow the Council to release other buildings or use them in different ways. No final decision had been made. Cabinet were satisfied that the financial assumptions were robust.
 - n. In relation to the savings tracker and how the RAG status was profiled, officers advised that the profile of savings would differ from saving to saving for a particular year. The tracker included savings delivered to date as well as forecasting for the remainder of the year, in order to give the whole picture. An updated review of the savings tracker would be included in the upcoming Cabinet report.
 - o. The Committee also put forward the following recommendations in relation to the budget papers and the formatting thereof.
 - The need for reports to be written in such a way that cooptees and the public could easily understand them. The key areas of information should be pulled out of the MTFS report to Cabinet and included in the main body of the report to the relevant scrutiny panels.
 - The use of less technical language and explaining what terminology meant i.e. budget gaps.
 - A one to two page summary to be produced as part of the papers, which provided a summary of what was set out in the revenue and capital budgets. This should be at the start of the report.
 - The use of better indexing or use of sub-indexes on the PDF version of the papers, to make it easier to scroll through different sections.
 - That future budget briefings were orientated towards the MTFS and the papers being scrutinised, rather than a quarter 2 budget briefing.

The Committee went through the budget scrutiny recommendations at Appendix A of the report, put forward by the four scrutiny panels and the recommendations in relation to Your Council put forward by OSC at the meeting on 13th January. The following was put forward in relation to comments to Cabinet:

- a. The Committee commented that the Road Casualty Reduction new capital growth proposal, was not accurately titled and that a key part of the funding was around supporting modal shift to move people towards walking and cycling.
- b. The Committee requested a further response from Cabinet in relation to a breakdown of the Adults revenue budget and impact of previously agreed savings that were not met.
- c. The Committee agreed to strengthen the recommendation from the Adults Panel around aids and adaptations to add in that additional funding should be sought to provide additional occupational therapists staff to undertake visits to install the aids and adaptations. There was also an opportunity for greater partnership working with the health sector on this.

- d. The Committee requested a further response from Cabinet around the Osbourne Grove Nursing home capital budget allocation.
- e. The Committee agreed that it would like a response from Cabinet on the three recommendations from the Children's Panel.
- f. In relation to the Web and Self Service project new Capital bid within the Your Council budget, the Committee sought more details on what the improvements were going to be and what was meant by a new platform.
- g. In relation to the Civic Centre works, the Committee requested further information from Cabinet on the robustness of financial assumptions in relation to option 1 and option 2 and what the financial risks were of his decision. Further information was also requested around a breakdown of the borrowing versus self-financing elements of this scheme.
- h. A follow-up response was requested from Cabinet in relation to the Audits and Risk Management saving.
- i. The Committee also requested a follow up response from Cabinet in relation to the reduction in legal services support. Concerns were reiterated about the fact that a reduction in support staff would impact have a knock-on effect and result in other legal staff having to undertake administrative tasks.
- j. In relation to the Digital Together saving, the Committee requested further clarity on the breakdown of the £328k saving if only £90k was cashable. How would the remainder of the saving be recorded or quantified – where was this budget maintained and how would the rest of the £238k be accounted for? Further clarity was also sought on where the overall £750k saving would come from.

RESOLVED

That the Overview and Scrutiny Committee:

- a). Approved the final budget recommendations to be put to Cabinet on 8th February 2022, as outlined in Appendix A of the report.
- b). Noted the 2022/23 Draft Budget & 2022/27 Medium Term Financial Strategy Report, as presented to Cabinet 7th December 2021 (Appendix B of the report) and the proposals therein, as considered by the Scrutiny Panels and the Overview and Scrutiny Committee in December 2021/January 2022.

50. TREASURY MANAGEMENT STRATEGY STATEMENT 2022/23

The Committee received a copy of the Treasury Management Strategy Statement 2022/23 for comments, as set out in the agenda pack at page 147-172. The report was introduced by Tim Mpofu, Head of Pensions and Treasury.

Clerk's note at 21:51 – The Committee agreed to suspend Committee Standing Orders, in order to allow the meeting to continue past 22:00. The Committee agreed to a short adjournment in order to allow a comfort break.

22:00 – The meeting resumed

The following arose during the discussion of this agenda item:

- a. The Committee did not have any formal comments to put to Corporate Committee on the Treasury Management Strategy Statement.
- b. The Committee sought clarification around the borrowing and investment strategy and queried how much the authority was allowed to borrow and where this was set out in the report.
- c. The Panel also sought an update on the extent of LOBO loans that were still being used by the Council.
- d. The Committee sought clarification around the £0.1m listed as being lent to local residents and questioned what this £100k was for.
- e. The Committee also sought clarification over the authority's debt repayment strategy - whether it paid back capital as well as interest and whether it would seek to repay debt above the minimum payment terms in order to pay off the debt sooner.
- f. The Committee sought clarification as to what the total revenue impact on was from borrowing on both the General Fund and the HRA.
- g. Officers agreed to respond to these points in writing. **(Action: Tim Mpofu).**

RESOLVED

That the Overview and Scrutiny Committee scrutinised and provided comments on the proposed updated Treasury Management Strategy Statement for 2022/23, prior to its presentation to Corporate Committee and Council for approval.

51. QUARTER 2 BUDGET UPDATE

The Committee received a report which provide an update on budget monitoring as at Quarter 2 of the municipal year. The report was introduced by Thomas Skeen, AD for Finance as set out in the agenda pack at pages 173-222. The following arose during the discussion of the report:

- a. The Committee requested an update on the overspends contained in the budget monitoring report and enquired whether this was going to continue to increase in quarters two and three. In response, officers acknowledged that the pressures on demand led budgets were an area of concern and that more resources had been allocated to this area in the budget for next year. Officers acknowledged that despite the extra resources they could not give a firm assurance that the pressure on demand led budgets would reduce by year end.
- b. The Committee also sought assurances around the expectation on being able to achieve the savings for next year that were set out in the MTFs. Officers advised that delays in delivery of savings had taken place across different service areas, particularly as a result of the impact of the pandemic. The updated budget report to Cabinet in February would provide an updated assessment on the delivery of savings for next year.

- c. The Committee referred to Paragraph 6.2.2 of the report and sought clarification around the step up in demand for social care services since Q1 and the assertion that those pressures were not due to be met by the government. In response, officers advised that they could not give any specific assurances around the extent of that pressure at year end and whether it would exceed £20m. The report sought to highlight to Members that this pressure existed and should be considered as a risk.

RESOLVED

Noted.

52. NEW ITEMS OF URGENT BUSINESS

N/A

53. WORK PROGRAMME UPDATE

The Committee noted the work programme and agreed any recommendations contained therein.

54. FUTURE MEETINGS

10th March 2022

CHAIR: Councillor Khaled Moyeed

Signed by Chair

Date