

Public Document Pack



Telford & Wrekin
Co-operative Council

Protect, care and invest
to create a better borough

Borough of Telford and Wrekin

Business and Finance Scrutiny Committee

Thursday 26 January 2023

6.00 pm

The Telford Room, Addenbrooke House, Ironmasters Way, Telford, TF3
4NT

Democratic Services: Kieran Robinson 01952 382061

Media Enquiries: Corporate Communications 01952 382406

Committee Members: Councillors S J Reynolds (Chair), E J Carter,
N A M England, J E Lavery, A Lawrence, I Preece,
G C W Latham-Reynolds, and Lord Sahota.
Co-optees R Williams

Agenda

Page

3.0 Minutes of the Previous Meeting

3 - 6

This page is intentionally left blank

BUSINESS AND FINANCE SCRUTINY COMMITTEE

Minutes of a meeting of the Business and Finance Scrutiny Committee held on Monday 9 January 2023 at 6.00 pm in The Telford Room, Addenbrooke House, Ironmasters Way, Telford, TF3 4NT

Present: Councillors S J Reynolds (Chair), E J Carter, N A M England, J E Lavery, A Lawrence and G C W Latham-Reynolds.

Also Present: Councillor R C Evans (Cabinet Member for Finance, Governance and Customer Services)

In Attendance: M Brockway (Interim Finance Manager), K Clarke (Director: Finance & Human Resources), A Lowe (Director: Policy & Governance), K Robinson (Democracy Officer (Scrutiny)), D Sidaway (Chief Executive), and S Yarnall (Democracy Officer (Scrutiny))

Apologies: Lord Sahota (Councillor) and R Williams (Co-optee)

BFSC1 Declarations of Interest

None.

BFSC2 Minutes of the Previous Meeting

RESOLVED – that the minutes of the meeting held on 20 July 2022 be confirmed and signed by the Chair.

BFSC3 Medium Term Financial Strategy 2023/24 - 2026/27

The Chief Financial Officer (CFO) presented the report. The presentation set out the position of the Council as it approached the end of the 2022/2023 financial year, followed by an overview of funding streams and savings that had been made since 2009/2010.

For 2023/2024, there was a provisional funding settlement covering one year. This was the fifth consecutive one-year settlement from central government. This was a challenge, such short-term settlements made it difficult to plan ahead. The government had issued policy guidance offering some guidance for 2024/2025 but this guidance did not include figures.

The Committee heard a summary of the proposals contained within the strategy. This was a continuation of the existing strategy. There would be an additional net new investment of over £7.26m in Adult Social Care and £2.5m in Children's Safeguarding. The total net budget for these two areas would be over £100m. Further budget savings of £7.9m were proposed, with the use of

£5.95m of the £6m of reserves that had been released to phase in further budget savings in 2024/2025.

The level of general council tax would be frozen for an additional year; however, the Government's 2% Adult Social Care precept would be applied in the next year. The Council currently has the second lowest council tax of any unitary authority in England. The average council tax at Band D was 15% higher than in Telford and Wrekin. The average council tax bill in Band D in the Midlands was £228 more expensive than in Telford. Council tax is currently the lowest in the Midlands for the services that this Council provides and it was expected this would continue the following year.

Members were informed of details of the medium-term capital programme. These included:

- Over £74m of support for additional Growth Fund initiatives.
- In excess of £70m for the further development of NuPlace and Telford & Wrekin Homes.
- £40m investment for transport and highways schemes.
- £40m for education capital projects.
- Over £20m for housing initiatives.
- £14m for Telford Land Deal projects.

An overview of NuPlace followed. NuPlace provided high-quality, well-maintained homes as a long-term responsible landlord and had delivered 479 homes across ten sites. Since its inception to the end of 2021/2022, it had provided a net incremental income of £7.89m, plus £4m in council tax and New Homes Bonus in total by the end of March 2023. There had been strong capital growth, cumulative growth in the portfolio stood at 29% at the end of March 2022.

As the Section 151 Officer, the CFO had to comment on the robustness of the strategy. The Council had a fifteen consecutive year record of closing within budget and had a strong record of delivering on savings that had been committed to. The strategy contained a good level of in-year contingency at £3.95m for 2023/2024, had allowances of £10.7m for inflation and pay awards, and had a Budget Strategy Reserve of £21.7m. Additionally, the Council had good governance processes which contributed to the strong financial management that had been highlighted by our recent LGA peer review.

Following the presentation, Members posed a number of questions:

With reserves at around 20% of the budget and inflation at 10.7%, reserves could be diminished. Was there any contingency?

The budget for the next year contained the funding that the Council expected to need, accounting for likely inflationary pressures. If inflation was higher than assumed, or in the case of demand pressures, then there was £3.95m of general reserve contingency, which would be utilised first. There was also an additional £21.7m budget revenue reserve but it was not expected that this would be needed. The Council had not overspent in 15 years.

What was the impact of increased interest rates on borrowing? Especially in terms of the refinancing of long term loans.

The Council took advice from Link, the Council's treasury management advisor, and were in regular contact with them. The assumption was that interest rates would be 4.4% for the next year and this had been built in for new borrowing. Much of the Authority's debt was in long-term loans at 2% or below over 50 years. It was not expected that the Council would commit to any new long-term borrowing until 2024/2025; Link's view was that interest rates would come down relatively quickly. For 2024/2025, rates of 3.5% had been built into calculations.

The break even point for NuPlace was, Members thought, below 4.4%, what was the impact of this being below expected interest rates?

NuPlace were charged at 4.4% so if borrowing was at 4.4% there would not be much of a return on that borrowing. However, the Authority sold a range of services to NuPlace and received dividends, paid from profit from the company. The business case worked out and looked at scheme costs and rental yield of sites, if interest rates go up, profitability will decrease. The prediction for Bank of England base interest rates was a high of 4.5% through to the end of the calendar year, falling away to 2.25% by late 2025.

Where were the £11m of savings to come from? Had they already been identified?

These were detailed within Appendix 10 of the report. There would be a consultation process with stakeholders affected by proposals and proposals may change as a result. Given the more than £130m per annum savings made since 2010/11, it had become harder to deliver 'easy' savings and discussions had to take place to determine the requirements of services and communities and to identify ways to minimise and mitigate impacts.

The Committee were informed that there was strong financial monitoring in place across the Council. Actions were taken throughout the year and service areas were regularly reviewed.

Members expressed support for the proposed council tax level and the Authority's relative position compared to other councils in terms of council tax.

A query was raised relating to specific s106 cases. This would be looked at outside of the budget process.

The next meeting was due to be held on 12 January 2023. Members requested this meeting be deferred and a new one arranged at a later date to allow for the submission of further questions.

Upon being put to a vote, it was:

RESOLVED – that the meeting of 12 January 2023 be deferred to a later date in January 2023.

