

BUSINESS AND FINANCE SCRUTINY COMMITTEE

Minutes of a meeting of the Business and Finance Scrutiny Committee held on Tuesday 7 January 2025 at 6.00 pm in Council Chamber, Third Floor, Southwater One, Telford, TF3 4JG

Present: Councillors N A M England (Chair), G Luter, S Syrda and R Tyrrell.

Also Present: Councillors L Carter (Leader of the Council) and Z Hannington (Cabinet Member for Finance, Governance & Customer Services)

In Attendance: M Brockway (Interim Director: Finance, People & IDT), A Lowe (Director: Policy & Governance) D Sidaway (Chief Executive) and P Starkey (Senior Democracy Officer (Scrutiny))

Apologies: Councillors E M Callear and L Lewis

BFSC29 Declarations of Interest

None.

BFSC30 Minutes of the Previous Meeting

RESOLVED – that the minutes of the meeting held on 27 November 2024 be agreed and signed by the Chair.

BFSC31 Medium Term Financial Strategy 2025/26 - 2028/29

The Interim Director: Finance, People & IDT presented the Medium Term Financial Strategy 2025/26 to 2028/29 to the Committee. The presentation set out the position of the Council as it approached the end of the 2024/25 financial year, followed by a summary of the main proposals outlined within the budget for 2025/26.

The Cabinet Member: Finance, Governance & Customer Services provided Members with a brief overview of the Council's financial position at the time of the meeting. Since the approval of the current Medium Term Financial Strategy, many Council's had continued to face extreme challenges as result of unprecedented pressures driven by high costs and high demand for services particularly in Adult Social Care, Children's Safeguarding and School Transport. A total of £181.7m in savings will have been delivered by the end of 2024/25 by the Council since 2009 following a reduction in Government funding, however, the first one-year funding settlement received from Government for 2025/26 had been positive with significant increase in funding.

In 2024/25, 83% of the net budget was spent on statutory services which equated to 75% spent on social care for Adults and Children and 8% spent on Education & Skills services. Members heard that costs for Adult Social Care had risen disproportionately as a result of the Borough's ageing population and subsequent increase in residents aged 65 years or over which had risen by 28.5% in the decade to 2023. This was the highest recorded increase amongst West Midlands upper-tier local authorities and the Council was the third highest amongst all 151 upper-tier authorities in England. The remaining 17% of the net budget was spent on costs for other Council services such as waste collection, leisure facilities, planning, housing and homelessness.

The net revenue budget set for the current year and which forms the basis for the budget for future years £157m with £88m funded from council tax, £57m funded from business rates and £12m funded from Government through the Revenue Support Grant. Since 2013/14, the amount of revenue support grant had fallen from over £50m to £12.4m in 2024/25. In 2013/14, the Revenue Support Grant funded 39% of the Council's net budget. Council tax, including the Adult Social Care precept funded 56% of council spending in 2024/25 which was up from 37% in 2013/14. Whilst the Government had reduced the grants paid to the Council, there had been no reduction in national taxes such as VAT and income tax.

For the seventh consecutive year, the Government had issued a one-year funding settlement. The Core Spending Power for local authorities was set to rise by 6% in 2025/26 and Members heard that spending power was the Government's measure of how authorities funding had changes between years and included some of the core grants issued including the revenue support and the social care grants. This measure also included assumptions around growth in business rates and council tax, assuming local authorities would increase their council tax by the maximum permitted. Council Tax Referendum limits were in line with the previous year and were as expected with a 3% general increase and unitary authorities with social care responsibilities were also able to set an additional 2% for the Adult Social Care precept. There was an increase in the Social Care Grant by £880m nationally with the Council expected to receive an uplift of £3m on the 2024/25 grant meaning the total grant for the Borough would increase to £20.6m for 2025/26. A new Recovery Grant had been introduced for 2025/26 aimed at targeting local authorities experiencing a high demand for services with a low council tax base and high levels of deprivation. A new Children's Social Care Prevention Grant aimed at reforming children's social services amounted to £1.32m. Alongside the settlement, a consultation document on reforming the finance and business rates systems for 2026/27 had been issued, which would bring multi-year settlements in future years.

Members were provided with a summary of the main budget proposals which included additional net investment of £7.7m into Adult Social Care for the next year meaning that the total net budget for Children's and Adult Social Care would exceed £125m. Due to the current high levels of financial pressure arising from increased demand in services, a general council tax increase for 2025/26 across all council tax bands of 2.99% equivalent to £0.69p per week

for an average Band B property would be proposed as well as a 2% increase for the adult social care precept equating to £0.46p. All funding raised through the council tax increase would be invested in the provision of social care services.

The proposed Capital Programme would see £54m to support additional Growth Fund initiatives, £30m invested into transport and highways schemes, £45m for education capital projects including investment into school expansions, £5m for affordable or specialist housing programmes, £26m for towns fund projects and £94m for schemes such as Nuplace and Telford & Wrekin Homes. Members heard that at the end of last financial year, the land, buildings and investment as part of Nuplace had been valued at £643m, just less than twice the amount of total debt outstanding which stood at £371m leading to a loan to asset ratio of 57.7%.

Nuplace provided high quality, well-maintained homes as a long-term responsible landlord and had delivered 532 homes across eleven sites with a further 38 refurbished properties across the Borough. Of these properties, 84 were designated for affordable rent or build to an adaptable standard with the remainder being rented or on the open market. Since 2015/16, the portfolio had a cumulative net incremental income of £11.8m up to March 2024.

The strategy also outlined additional savings proposals of £13m which were anticipated to reduce to £11.8m in 2026/27 as a result of one-off savings. Over £1m had been proposed as a result of service restructures and staff savings, £3.3m from maximisation of income generation from schemes such as the Council's Nuplace portfolio, review of charges, leisure services and trading operations and a total of £8.2m as a result of service review or re-design.

The Council had a fourteen consecutive year track record of closing within budget and had a strong record of delivering on savings. The budget for 2025/26 contained a good level of in-year contingency at £3.95m which was the same as in 2024/25, had allowances of £6.3m for inflation and pay awards and had a Budget Strategy Reserve of £21.7m.

The four-week budget engagement process was due to run from 7 January 2025 to 5 February 2025 with online sessions with key stakeholders, voluntary and community sectors, Town and Parish Councils, businesses and local residents. The MTFS had been published on the Council's website and feedback would be gathered via a wide range of channels including email, social media, in writing and via telephone. Following the consultation, a report containing the budget and finalised levels of Council Tax would be brought back to the Cabinet meeting being held on 13 February 2025 which would contain recommendations to be considered at Full Council on 27 February 2025 and would ensure that the Council's medium-term financial position remained sustainable and robust.

Following the presentation, Members posed the following questions:-

Will there be any separate charges for green waste or booking systems for HRCs?

The Cabinet Member: Finance, Governance & Customer Services confirmed that the Council had no plans to charge for services relating to green waste.

Para 6.2 of the report refers to interest rates on borrowing. I understand approximately 90% or a high proportion of borrowing was up for review in the next couple of months and it was anticipated that interest rates would also be reduced. Was it anticipated that borrowing costs would increase or were they expected to reduce against the last year when they were entered into?

The Interim Director: Finance, People & IDT advised that the Council's Finance Team monitor borrowing costs daily and receive reports from Treasury Advisors relating to those matters. Although costs were not decreasing as quickly as anticipated, the Council's budget incorporates provisions which align with the Treasury Advisors forecast for borrowing rates next year. Costs relating to borrowing had also been kept to a minimum as part of the Council's strategic financial robustness.

Does that mean costs are likely to be higher or lower than 12 months ago?

The Interim Director: Finance, People & IDT confirmed that borrowing costs were forecast to come down over the next 12 months but not as quickly as anticipated.

The report refers to the risk of commercial income being lost. What income were you concerned about?

The Interim Director: Finance, People & IDT advised that one area of risk was schools which convert to Academies. At the time of the meeting, the Council provided a number of services to schools, however once converted, Academies could choose whether to buy back into the services provided by the Council. Relevant Teams were continually monitoring the situation closely to try and minimise any future impact.

Page 29, para 11.1 refers to projected savings of £34.4m in 2028/29. Where did those savings come from? Are they savings made from Adult Social Care or other services?

The Interim Director: Finance, People & IDT confirmed that the figure related to the budget gap in future years before factoring in any future council tax increases, additional income or other savings. It was difficult for the Council to predict future budget gaps due to uncertainty over future funding settlements from the Government. If a multi-year settlement was granted by the Government, the Council would be in a better position to predict, however at the time of the meeting the figure referred to in the report was the expected

budget gap. This would be refined during 2025/26 when developing the strategy for 2026/27.

Are these the savings we know we are going to have to make in future?

The Interim Director: Finance, People & IDT re-confirmed that the figure was an estimate of the budget gap which at the time of the meeting, did not include additional funding from the settlement provided by Government or additional income from council tax and business rates.

Para 13.6 of the report refers to asset sales. Can you confirm what assets it is referring to and are they included in the figures or are they things which the Council can sell?

The Interim Director: Finance, People & IDT advised that asset sales were already accounted for in the figures set out in the report as the Council net off any assets from the capital programme before considering borrowing.

But the figures have already been taken into account?

The Interim Director: Finance, People & IDT re-confirmed that the figures had already been taken into account as part of the budget proposals.

The budget model refers to an allowance of 4% for staff pay awards for 2025/25. However, the inflation bill seemed to have built in contractual inflation and not general inflation. Was this something that should have been looked at and was it a possible risk?

The Interim Director: Finance, People & IDT advised that the strategy does provide for inflation on the Council's major contracts such as waste, grounds and cleansing, highways and streetlighting. Other contracts, such as those related to Adult Social Care and Children's Services are managed separately and are commissioned based on the need on a case by case basis.

The proposals refer to £30m investment for highways schemes. Were the funds derived from Section 106 monies or was it general income and where did the Section 106 monies for highways come from?

The Interim Director: Finance, People & IDT advised that the proposed £30m investment is a combination of the Government highways grant, Section 106 monies and borrowing and that a detailed breakdown of capital funding could be found within the report.

Could you provide further information on the general reset on business rates recalculation and if the Council is able to balance the need for more revenue following the impact of raising taxes, particularly taking into consideration that businesses do not want to pay a higher rate of tax and have been hard hit recently?

The Interim Director: Finance, People & IDT advised that the business rates reset was not about how much is to be paid but instead about how much that is able to be retained by Councils. At the time of the meeting, the Council were able to retain 49% of business rates, however this was currently being reviewed nationally, and the Council were anticipating further details to be released with the settlement.

There are two further Scrutiny meetings scheduled for January. What was the purpose of these meetings and do they allow for the Committee to seek views from members of the public to feed into this process?

The Chair advised that the next scheduled meeting historically has been used to consider any alternative budget put forward by the main opposition groups but confirmed that none had been received at the time of the meeting.

Reference has been made to reduction in staff. What impact will these proposed savings have on services which are already stretched?

The Interim Director: Finance, People & IDT advised that most of the proposed savings are from measures which had already been implemented, such as the Council's voluntary redundancy scheme last year. However, as some members of staff did not leave the authority immediately, this had resulted in only partial savings being made by the time of the meeting. The receipt of grants had also been considered to offset staff costs as part of the proposals and therefore, the savings were largely from initiatives that had already been put in place.

The Leader of the Council provided reassurance to the committee that staff morale was a key priority for both the Cabinet and the Chief Executive and that the impact of staff reductions would be kept to a minimum where possible to ensure service delivery was maintained.

What was the reduction in head count between 2009 and now?

The Chief Executive advised that an estimated figure would be around 1,500 to 1,800 staff but an accurate figure could be provided to the committee outside of the meeting.

83% of the proposed budget is allocated to Health & Social Care. What was the Council doing to try and mitigate pressures in these areas?

The Interim Director: Finance, People & IDT advised that the Council had been taking several measures to mitigate pressures in social care. Members heard that one approach was focusing on prevention and supporting the delivery of care differently. An example of this was that the Council were keeping residents in supported accommodation rather than residential care, enabling individuals to remain independent for longer which had typically resulted in a lower cost to the authority. In Children's Services, teams had been working hard to move young people out of residential care and place them with foster families. The valuing care tool adopted by the Council have

been very effective in carefully assessing the needs of the young person and matching them with a suitable foster carer.

What was the level of borrowing against Council assets?

The Cabinet Member: Finance, Governance & Customer Services confirmed that at the end of the last financial year, the land, buildings and investment as part of NuPlace had been valued at £643m with the total borrowing at £371m giving a loan to asset ratio of 57%.

Following the discussion, Members agreed that no further meetings would be required to consult on the budget proposals and that the drafting of a formal budget response be delegated to the Chair of the Committee in consultation with the remainder of the Committee.

RESOLVED – that a formal response from the Business & Finance Scrutiny Committee in support of the Medium Term Financial Strategy 2025/26 – 2028/29 be included in the final version of the strategy for consideration by Cabinet on 13 February 2025 and Full Council on 27 February 2025.

BFSC32 Work Programme Review

The Director: Policy & Governance presented the updated work programme to the Committee. The current focus of the Committee was the budget consultation however the next formal meeting was scheduled to take place in March 2025 where Members would receive an update on the Council's Housing Investment Programme and the Telford Land Deal.

BFSC33 Chair's Update

None.

The meeting ended at 6.50 pm

Chairman:

Date: Wednesday 7 May 2025