

BUSINESS AND FINANCE SCRUTINY COMMITTEE

Minutes of a meeting of the Business and Finance Scrutiny Committee held on Monday, 10 January 2022 at 6.00 pm in Addenbrooke House, Ironmasters Way, Telford, TF3 4NT

Present: Councillors E J Carter, N A M England, J E Lavery, A Lawrence, S J Reynolds (Chair), K S Sahota and C F Smith.
Co-optees: R Williams

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

In Attendance: Ken Clarke (Director: Finance & Human Resources), Anthea Lowe (Associate Director: Policy & Governance), K Robinson (Democratic & Scrutiny Services Officer) and S Yarnall (Democratic & Scrutiny Services Officer)

BFSC34 Declarations of Interest

None.

BFSC35 Minutes of the Previous Meeting

RESOLVED – that the minutes of the meeting held on 3 November 2021 be confirmed and signed by the chair.

BFSC36 Medium Term Financial Strategy 2022/23 - 2025/26

Members received the Council's budget proposals as set out in the Medium Term Financial Strategy 2022/23 – 2025/26 report to Cabinet on 6 January 2022. The report set the Council's budget for the extended three to four year period that covers the revenue budget and capital plans. Members heard a summary of the budget proposal that detailed the key aspects of the report. The budget would cover a one-year period, as a result of a funding settlement from the Government on 16 December 2021. The Committee heard that the proposal detailed a longer four year period and that this would be revised as further information was provided.

The Committee heard that recently the Government had increased grants and but there had been an increased demand on key services such as Adult Social Care and Children's Safeguarding. Despite this the Council had not overspent on the budget for 15 years despite having to deliver £133.7m ongoing annual budget savings by the end of 2021/22.

The summary outlined that the Council had a comparatively low level of council tax. The report outlined that currently the average Council Tax at Band D in the Midlands region was more than 13% higher than in Telford & Wrekin.

Members heard that the Government assumed that all local authorities that are responsible for delivering social care services would implement a 2% general council tax increase plus a 1% Adult Social Care precept next year. This Council was committing to freeze the current general level of council tax for both 2022/23 and for 2023/24 but would apply the Governments' assumed 1% Adult Social Care precept next year.

The Chief Financial Officer then discussed the need for a number of investments which included : a net investment of £0.66m into Children's safeguarding during the next year and £4.9m in to Adult Social Care during the next financial year then rising to £6.7m by 2023/24. This meant that the Council's net budget for Children's Safeguarding next year would be over £37 million and for Adult Social Care the net budget would be almost £53.3 million. During the next financial year over £90 million, the equivalent to over 65% of the total net revenue budget, for both Adult Social Care and Children Safeguarding services. Also proposed was a £10m investment for affordable housing initiatives and £37m additional investment in the Telford Growth Fund to protect existing jobs and to attract new jobs.

Members heard a summary of the savings proposals for the year 2022/23 there would be savings of £5.6m, which would increase to £8.6m in 2023/2024.

A consultation period on the proposals would run from 7 January to 6 February 2022. Members will scrutinise the Administration's budget proposals and any alternative budget proposals put forward by any Opposition group(s). Members heard that cabinet will agree final recommendations to full Council on 17 February and that final decisions on the budget and council tax for 2022/23 would be taken to full Council on 3 March 2022.

The Chief Financial Officer updated Members on the Autumn Budget Comprehensive Spending Review (CSR) 2021. He highlighted that there would be an increase of Government spending of 3.8% a year in real terms and national income would increase due to taxation. This was the highest increase since the early 1950s.

No announcements had been made about the future of the fair funding review and the Revenue Support Grant (RSG) had fallen from just over £50 million to £10 million.

Following that members heard that £84m in social care, both adult and children, made up around two thirds of the net budget in 2021/22.

In relation to the Base Budget Movements for 2021/22 to 2025/26 there would be a £10.6m allowance for inflation on major contracts such as waste collection and disposal and environmental maintenance. It was stated that a 1.75% increase had been assumed for employee pay awards in 2021/22 which was yet to be finalised. The assumptions for future years were that it

would remain the same during 2022/23 with an increase of 1.25% during the following three years.

Members were informed that Adult Social Care grants had only been announced as one-off amounts but had been assumed for the full four year period, the budget assumed that Single Status would be implemented in April 2024 and the cost of the Health and Social Care Levy would be £725,000 per year from next year.

The Chief Financial Officer discussed the Investments outlined in the Base Budget for 2022/23. There was a proposed £6.48m new (gross) investment for Adult Social Care in the year 2022/23. Children Safeguarding new (gross) investment for 2022/23 at £1,200,000. Savings for 2022/23 would be £5.656m and a 1% Adult Social Care Precept was set at £767,000 for next year only subject to the outcome of consultation.

With regard to the Service and Financial Planning Strategy for 2022/23, there was no assumed use of balances but a small requirement for their use during the following three years.

The Local Government Finance Settlement set out the position for individual local authorities. At a national level, the Revenue Support Grant was to increase to 3.1%. The New Homes Bonus allocations for 2022/23 had been reduced at a national level by £68 million from 2021/22.

As regards the position for the Council, there were £15 million in various grants, with £12 million of this relating to public health grant that had not yet been announced and the report included the assumption that these grants would remain the same as the current year. The Chief Financial Officer discussed the savings proposals detailed in appendix 10 and illustrated that the Growth fund produced a net revenue surplus that contributed to the savings.

A discussion followed and the Committee posed a number of questions:

What assumption do you have for interest rates and inflation for the next few years?

With regard to interest rates, the assumption for long-term rates is 2.5% which is higher than any point on the current PWLB yield curve through to the maximum 50 years. There is a pay assumption as previously discussed, as regards general inflation an amount had been set aside for major contracts over the next year. Adult Social Care have an increase in investment down to an assumption that providers need more partly as a result of inflation costs. With increase of National Living Wage there is the assumption that ASC cost pressures will increase.

What is the impact of Single Status and what is the likelihood of paying it out?

There were an ongoing £1.27m from April 2024 and £8.9 million one-off in reserves earmarked for Single Status, £3m was taken from this reserve for COVID Pressures, but even though there is no firm implementation date for

single status work continued to progress. The recent restructures have brought opportunities to reduce it. That the work is ongoing but that the team in charge of finalising it has been helping with the COVID response.

How do we as a local authority financially compare to other local authorities with regard to the security of investments?

At the time of the meeting this information was not available. It was explained that getting this information was more difficult to obtain, but with regards to security of investments, that even though the authority were borrowing, investments are as low as possible to reduce levels of spending and most investments were held in the Government's Debt Management Office so were secure.

The Government have discussed about taking out New Homes Bonus, are they serious and where is the money coming from?

It was reported that the Government would using a new distribution method for the New Homes Bonus for next year but had not done so. It is expected for a further consultation would take place early in the year to illustrate the changes to New Homes Bonus.

There are high level of uncertainties for the future in regards to inflation and national insurance going up is it wise to assume the two year projections instead of the one?

The budget outlined the priorities of the council that is balanced with the level of taxation. With regards to Council Tax properties, Telford & Wrekin have fewer properties in band G and H and more in bands A and B as well as a lower level of council tax which means that 1% on council tax generates £767k. overall, given the scale of savings and the additional income from investments in the growth fund it is reasonable to take the two year assumption.

Looking at McCloud age discrimination case, what is the impact that this can have?

It was explained that this was an age discrimination case relating to the pension scheme. A three year revaluation process as at 31st March 2022 had commenced and would provide more details and would explore the increase and contribution rates that will be applied from April 2023, although there is an option to defer any increase to April 2024. Pension Fund Investments are doing well but pension contribution rates might not go up, but this is subject to the findings of the revaluation and further information was awaited.

Based on the proposals are there any specific groups that will be impacted more and if so what groups?

There were examples of which groups will be impacted, for example, Adult Social Care proposals will impact those that receive council funded ASC support but the tax payer will not see the full impact assumed by the Government. Regards to further impacts on groups there will be some impacts on employees from the restructures.

With the Adult Social Care budget increasing, could the Children's Safeguarding increase also?

The Children's Safeguarding increase of £0.66m was based on a projection relating to type of care, length of use, and numbers. This same modelling is done for an adults but not in as much depth as for children. The Cabinet Member for Finance, Governance and Customer Services added that there are different initiatives that are being utilised to keep costs down for Children Safeguarding and that for adult social care there are more pressures on providers.

What would the impact of retaining 1.75% for pay awards be over the next 2 years?

The impact was stated to be an additional £435,000 for 0.5% for each additional year, but that as we participated in the national collective bargaining process the amount within the budget did not limit what would be awarded to employees which would be in line with the national agreement.

Any additional queries ahead of the next meeting were to be submitted to Democratic Services.

BFSC37 Chair's Update

The Chair thanked the Director: Ken Clarke for the delivery of a workshop, in December 2021, on local government finance.

The meeting ended at 7.13 pm

Chairman:

Date: Monday, 17 January 2022