

# Nottingham City Council

## Corporate Scrutiny Committee

Minutes of the meeting held in the Ground Floor Committee Room - Loxley House, Station Street, Nottingham, NG2 3NG on 17 January 2024 from 9.32 am to 12.10 pm

### Membership

#### Present

Councillor Leslie Ayoola (Chair)  
Councillor Sam Harris  
Councillor Patience Uloma Ifediora  
Councillor Imran Jalil  
Councillor Andrew Rule  
Councillor Naim Salim

#### Absent

Councillor Devontay Okure,  
Substituted by Councillor Neghat Khan  
Councillor Georgia Power

Councillor Neghat Khan (Substitute for Councillor Devontay Okure)

### Colleagues, partners and others in attendance:

Nancy Barnard	- Governance and Electoral Services Manager
Beth Brown	- Head of Legal
Ross Brown	- Corporate Director for Finance and Resources
Shabana Kausar	- Director of Finance
Lucy Lee	- Director of Customer Services
Adrian Mann	- Scrutiny and Audit Support Officer
Lee Mann	- Director of Human Resources and Equality, Diversity and Inclusion
Neil McArthur	- Interim Director of Commercial and Procurement
Councillor David Mellen	- Leader of the Council and Portfolio Holder for Strategic Regeneration and Communications
Kate Morris	- Scrutiny and Audit Support Officer
James Rhodes	- Acting Assistant Chief Executive
Simon Salmon	- Head of IT
Damon Stanton	- Scrutiny and Audit Support Officer
Councillor Audra Wynter	- Deputy Leader of the Council and Portfolio Holder for Finance and Human Resources

### 25 Apologies for Absence

Councillor Georgia Power – unwell  
Councillor Devontay Okure – unwell

### 26 Declarations of Interests

None

### 27 Minutes

The Committee confirmed the minutes of the meeting held on 22 November 2023 as a correct record and they were signed by the Chair.

## **28 Budget Strategy and Medium-Term Financial Plan 2024/25 to 2027/28**

Councillor David Mellen, Leader of the Council and Portfolio Holder for Strategic Regeneration and Communications; Councillor Audra Wynter, Deputy Leader of the Council and Portfolio Holder for Finance and Human Resources; Ross Brown, Corporate Director for Finance and Resources; James Rhodes, Assistant Chief Executive; Shabana Kausar, Director of Finance; Lucy Lee, Director of Customer Services; Lee Mann, Director of Human Resources (HR) and Ethnicity, Diversity and Inclusion (EDI); Neil McArthur, Interim Director of Commercial and Procurement; Beth Brown, Head of Legal; and Simon Salmon, Head of IT, presented a report on the development of the overall 2024/25 budget proposals, and on the particular proposals relating to the Chief Executive's and the Finance and Resources directorates. The following points were raised:

- a) The 2024/25 budget has been developed in the context of very challenging circumstances both locally and nationally, and there are significant pressures in a number of areas. A £16.2 million net budget gap was identified as at July 2023. However, by December 2023, growing inflationary and demand pressures indicated a requirement to make savings of £53.7 million to achieve a balanced budget for 2024/25. As such, a strict approach has had to be taken to the development of the new budget, identifying potential savings of £20.5 million.
- b) The Local Government Finance Settlement for 2024/25 has now been announced and represents a small increase on the previous year but, nevertheless, an upcoming budget gap of £33.2 still remains even if the proposed difficult savings are made and Council Tax is raised by the maximum amount. However, inflation is now starting to show a declining trend, which will help to reduce a number of the Council's costs where sharply increasing inflation has had a significant impact, and could also lead to a decrease in the demand for some statutory services related to the cost of living.
- c) A 'Duties and Powers' approach has now been taken in the context of the 2024/25 budget and Medium-Term Financial Plan (MTFP). This methodology focuses on the delivery of a balanced and resilient budget for the consistent delivery of statutory services, taking into account the unavoidable budget pressures, in order to achieve significant savings and seek to close the current budget gap. However, the development of the upcoming budget is an extremely challenging process and, although the current proposals have been subject to a formal public consultation process where required, a number of the measures put forward have not yet been agreed by the Council's Executive.
- d) The 'Duties and Powers' approach assesses where the Council has a legal obligation to deliver a function, and where it can exercise functions on a discretionary basis. A two-stage approach was taken to mapping the Council's current activity against legal duties and discretionary powers in all budget areas. It is not always straightforward to separate duties and powers easily – particularly in the context of adult social care. In addition, there may be some duties that the Council must deliver, but nevertheless has discretion as to the level of delivery.

- e) As a result, the current budget proposals have been developed on the basis of establishing all service options in the context of delivering the legal minimum as the base position. Full consideration has been given to whether any given service could be stopped, what the impacts of this would be on citizens, and how the objectives of the Council Plan could be delivered by alternative means. The development of an effective budget cannot be purely a financial exercise, so the proposals have been created in close consultation with all Council directorates. Although a number of the proposals put forward have not been agreed by the Executive, they have been debated and challenged in numerous sessions between officers and councillors.
- f) Fundamentally, there will always be a degree of estimation in the MTFP, particularly in a context where demand for certain statutory services (such as social care and homelessness support) is increasing. As a result, the most immediate risks for the budget process have been identified and will be considered fully when determining financial resilience and the adequacy of the Council's reserves. A Section 114 Notice has been introduced to achieve a balanced budget for 2023/24, with associated additional spend controls in place. Work is underway to address historical issues that are affecting current budgets, in addition to mitigating against potential future shocks and risks within Council-owned companies. A robust level of reserves has therefore been set to help manage future risks to ensuring a balanced budget.
- a) Despite the saving proposed, a gap of £33.2 million is still projected in the 2024/25 budget as at December 2023. The MTFP assumptions and potential arising pressures are being kept under closure review, and reviews of technical and core funding areas are underway to explore how the Council's revenue could be increased, but it is possible that the gap could widen as there are growing pressures within high-demand statutory services. As a result, an application has been made to the Government for £65 million overall in Exceptional Financial Support (EFS) to ensure that this gap can be bridged. However, EFS tends not to be given in terms of a direct grant – instead, the Council might be enabled to spend certain levels of capital or ring-fenced funds for general revenue purposes. Currently, it is not known when a decision on the EFS application will be made. It is also currently unclear as to what the impact would be if the Government resolved to appoint commissioners to the Council.
- b) A public consultation on the 2024/25 budget proposals was launched following the Executive Board meeting on 19 December 2023, running for four weeks until 16 January 2024. The Council must consult on any proposals that would represent the withdrawal of a benefit that would result in a significant impact. Equality Impact Assessments were produced for all of these proposals, which were published wherever possible. The launch of the consultation was published to the public, partners, stakeholders and staff, and a communications plan was put in place. A number of consultation events were carried out, including with staff, and further individual and collective consultations will be required for some of the proposals.
- c) Within the Council's Finance and Resources directorate, it is planned to make savings of £5.14 million by 2027/28 – which represents a 12.56% reduction of the

net revenue budget equivalent to 165 full-time equivalent (FTE) posts. It is intended to have achieved nearly 50% of the proposed savings for the 2024/25 budget period. Many of the proposed savings within Finance and Resources are internally focused and so were not part of the public consultation (but were published as part of the report submitted to the Executive Board on 19 December 2023), covering the department areas of HR and EDI; Customer Services; Legal and Governance; IT; Commercial and Procurement; Finance; and Audit and Risk.

- d) In addition, a saving of £0.773 million is proposed within the Chief Executive's directorate, representing a 20.4% reduction of the net revenue budget equivalent to 18 FTE posts.

The Committee raised the following points in discussion:

- e) The Committee queried whether it was typical for a public consultation to be carried out on budget proposals that had not been agreed by the Executive. It was explained that it was an unusual situation for the Council to consult on budget proposals that had not been agreed by the Executive, but the timeline for establishing a legal and balanced budget for 2024/25 is now extremely short, so all options needed to be progressed and consulted on while discussions on the establishment of a final budget were still ongoing. Ultimately, a budget must be produced for the Full Council meeting on 26 February that will deliver all of the necessary savings within the soonest possible timeframe.
- f) The Committee asked how the 'Duties and Powers' approach to budget development linked with the previous 'Best Value' methodology. It was set out that the 'Best Value' methodology would yield savings and its associated transformation work is still underway in the Council, but the stricter 'Duties and Powers' approach is required in the current context to seek to close the significant budget gap. The 'Duties and Powers' approach is used by other unitary and upper-tier Local Authorities when it is necessary to establish what the costs of providing the minimum level of statutory services are, as a basis for planning future service delivery.
- g) The Committee sought assurance that it would be possible to deliver the saving proposed within the necessary timescale. It was reported that a significant level of work had been carried out to assess the deliverability of the proposals, particularly in the context of those where savings were required immediately – as opposed to the 'Best Value' transformation work that would deliver efficiencies over a longer period. The full delivery of the proposals is fundamental to achieving a legally balanced budget, so work has been carried out to ensure the right level of resourcing and time to implement them.
- h) The Committee asked what additional spending controls would be in place for 2024/25, and how emerging financial pressures would be addressed. It was set out that there would be direct officer accountability within directorates for the delivery of approved savings. The Council's financial resilience is dependent on its overarching reserves, so work has been carried out to ensure that a robust level of reserves is in place. Currently, the Council has very limited financial resilience for an organisation of its size, so it is unlikely to be able to deploy further resources from reserves for the foreseeable future. In addition, the 'Duties

and Powers' approach taken to make savings now will mean that there will be a lesser ability to make similar savings in the future, as service delivery will already have been moved back towards the statutory minimum level – placing a reliance on transformation work to create further efficiencies.

- i) The Committee queried how ongoing transformation work would be progressed in the context of the current budget pressures. It was explained that the MTPF does rely on the efficiencies generated through transformation to be delivered during 2024/25, and on achieving a saving of £60 million over the next six years. Transformation is progressing well in a number of areas and steps are in place to ensure that the whole programme is on track, including establishing the needed levels of resource. Ongoing work is also underway to re-assess the assumptions relating to transformation activity to ensure that they remain robust, before a final 2024/25 budget is presented.
- j) The Committee asked whether one-off capitalisation would be used for investment in transformation, and how growing in-year revenue pressures would be addressed. It was reported that, given that the Council is not in a position to borrow more money, it will be necessary to dispose of Council property assets to achieve further capital receipts. However, using EFS, it would be possible to capitalise costs for the carrying out of transformation on the basis that this work would deliver future savings. As such, it is vital for the Council to develop a pipeline of appropriate property assets for disposal at best value. However, there will be a wide range of competing demands for these capital receipts and identifying where to deploy the limited resources will be a significant challenge – with the delivery of a legally balanced budget being the first priority, along with investing in transformation and ensuring health and safety. The demand for statutory services is likely to increase, so the Government is consulting on how the EFS system could best operate – including consideration of how Local Authorities could take certain measures at their own discretion.
- k) The Committee sought assurance that the EFS funding applied for would ensure that any in-year gaps in the 2024/25 budget could be bridged. It was explained that there had been a significant impact on the 2023/24 budget due to material variations arising in-year. A MTFP assumptions review will be carried out, and a level of EFS has been applied for to ensure the proper financial resilience. However, the delivery of all planned savings must be led effectively within each directorate. The MTFP covers a long period and seeks to ensure a good level of investment in frontline services. Nevertheless, there is always a risk of it being impacted by in-year material variations that can be very challenging to anticipate, and this is a problem being experienced by Local Authorities nationally – a number of which are or may need to seek EFS.
- l) The Committee sought confirmation on whether an increase in Council Tax above the current maximum would be sought, given that this had occurred at other Local Authorities that had issued Section 114 Notices. It was reported that seeking to raise Council Tax above the current maximum level must be given consideration as a potential option, but was not being proposed at this time.
- m) The Committee noted that an open letter had been written to the Council in relation to the public budget consultation, raising concerns about the length and

accessibility of the process, and asked how this would be addressed. It was explained that although the period of the consultation was limited, there was nevertheless a strong response. The open letter will be acknowledged and that work will be carried out to take learning from the current consultation to make improvements in the future – particularly when further consultations are undertaken on how savings in specific services will be delivered.

- n) The Committee considered that, given the huge impact of the current process on services, the service design consultations must reach as wide an audience, and be as accessible, as possible. Members suggested that, in future, consideration should be given to how the public consultation on budget proposals could be started sooner, and how the layout of the consultation could be used to draw links between proposals in a thematic way to better show their collective impact on a given area.
- o) The Committee queried what impact a reduction in Trade Union facility time would have on the performance of HR, given that union representatives can often help to resolve issues before they reach a formal stage. It was set out that it is important that good relations with staff unions are supported, and that individual representatives within departments are empowered, as this helps to resolve a number of problems at an early stage. Although a reduction of 20% in facility time is proposed, a good level of time will still be supported.
- p) The Committee asked whether the proposal to remove the Council's benefit and welfare advice offer to private tenants could increase demand for homelessness support, and whether a greater move towards a digital-only Customer Services offer could increase the risk of digital exclusion. It was reported that the proposals to reduce the benefit and welfare advice offer followed on from a previous savings process. Many queries received by the service relate to adult social care issues, so work is underway to support these queries in the right area. Work is also taking place to support the most vulnerable people in their communities, rather than from a central point, with measures to address the potential for digital exclusion. There is a risk that unmet demand for benefit and welfare advice could result in more need for statutory services, so the impacts will be reviewed and mitigations introduced where possible.
- q) The Committee sought assurance that sufficient resources will be available in the Council's Finance and Legal teams to support the delivery of the vital property asset disposal programme, and to the IT team to ensure that staff are not unable to work for long periods of time due to IT issues – and that the Council has proper data security. It was set out that a significant amount of training had been carried out with officers on how and when to engage with Finance and Legal colleagues so that the workload can be managed effectively and Council decision-making on important issues can proceed in a timely way. A great deal of work is carried out within IT to ensure that digital access to services is easily accessible, and that IT support is available to staff as soon as possible. However, demand for support exceeds the available resources, and this does have an impact on productivity. A triage process is in place so that the most significant issues are responded to swiftly. Proper resourcing remains in place to ensure data security within the Council.

- x) The Committee sought assurance that staff restructuring and redeployment would not result in temporary gaps in vital roles. It was set out that a staffing structure is being designed that will be fully fit for purpose in the current context, with roles then deployed to as required. No posts in the current establishment will be deleted until a new structure is confirmed.
- y) The Committee noted that a decision on the general Members' Allowance and Special Responsibility Allowances would be made following the consideration of proposals by the Independent Remuneration Panel.

The Chair thanked the Portfolio Holders and officers for attending the meeting to present the report and answer the Committee's questions.

**Resolved:**

- 1) To recommend that the comments and concerns expressed in the open letter to the Council in response to the public consultation on the 2024/25 Budget proposals are taken into account in the planning of the upcoming design-phase consultations, to ensure that they reach a broad audience and are as accessible as possible.**

**29 Recommendation Tracker**

The Chair presented the current list of recommendations made by the Committee, which are awaiting a formal response from the relevant Portfolio Holders.

The Committee noted the Recommendation Tracker.

**30 Work Programme**

The Chair presented the Committee's current Work Programme. The following points were discussed:

- a) Following the conclusion of the public consultation, the 2024/25 budget proposals will be considered by the Executive Board at its meeting on 13 February 2024. Prior to the finalised budget being debated at Full Council on 26 February 2024, the Committee will have an opportunity to review the proposals at its next meeting on 14 February 2024.

The Committee noted the Work Programme.