



Report of the Corporate Scrutiny Committee to City Council on the Budget and Medium Term Financial Plan 2024/25 – 2027/28

04 March 2024

Introduction

The Corporate Scrutiny Committee is the Committee responsible for scrutinising finance and is providing its view to City Council ahead of the decision on the budget and setting of Council Tax on 04 March 2024.

As part of its Work Programme for 2023/2024 the Committee has met on three separate occasions to consider the budget. This has included the overall budget strategy and methodology, the proposals that Executive Board agreed to send out for public consultation on 19 December 2023 and in which the Committee responded to it as a formal consultee, and the final budget in which the Executive has put forward to Council for final decision and setting of the Council Tax on 04 March 2024. In addition to this, the Council's services scrutiny committees scrutinised the impacts of the budget proposals on service provisions within their directorates at their meetings in January. Each of those Scrutiny Chairs are a member of the Corporate Scrutiny Committee and have thus fed those discussions back to the Corporate Scrutiny Committee meeting held on 14 February 2024.

Key Findings and Observations

On 13 September 2023 the Committee met to scrutinise the budget strategy and methodology, including composition and changes, the duties and powers review which looked to establish a legal minimum in which the Council discharged its services, and an overview of the national and economic context in which the Council found itself in. The Committee expressed its concerns with the level of non-delivery of transformation savings and the pressure this was placing on the accounts. It also sought assurance from Corporate Directors about what was being done to address the significant budgetary overspends from the Council's directorates and how officers intend on steering the Council back on a sound financial footing. The Committee noted the duties and powers review underway which looked to assess where the Council has a legal obligation to deliver a function, and where it can exercise functions on a discretionary basis in all budget areas to establish a legal minimum of service provisions and where extensive savings could be found. At the time of this meeting there was a projected net overspend of £25.894 million.

At its meeting on 17 January 2024 the Committee considered the budget proposals which Executive Board had agreed to send out for public consultation. The Corporate Scrutiny Committee responded to the budget as a formal consultee. At its meeting on 14 February the Committee considered the final budget in which was proposed to be put forward to Council for final decision and setting of the Council Tax on 04 March 2024.

The Committee expressed concern with the public consultation, specifically how accessible and representative it was. Members agreed that it should have been available in different languages, and that proposals should have been explained more clearly, particularly the nature and impact of those proposals. The Committee highlighted the open letter submitted to the Council which raised concerns about this. The Committee recommended that the Council listened to those concerns and ensured that the design-phase consultations which sought to ascertain views on the delivery of the savings following approval were as broad and as accessible as possible. It further recommended that a 'lessons learnt' document is produced and that the Committee is consulted ahead of the 2025/26 budget consultation. The Committee requested to view a more detailed demographic breakdown of those who responded to the consultation. It was noted that some proposals had changed as a result of the consultation, predominately proposals affecting public transport.

The Committee did not have sight of all the Equality Impact Assessment's (EIA's) and therefore were unable to give assurance that the proposals are not having an impact on equalities. Some EIA's had been provided to the individual services committees, however there were a number that were yet to be published. A number of the services Committee's requested that these were published as soon as possible.

The Committee sought assurance on the deliverability of the proposed savings and that a balanced budget for 2024/25 could be delivered in the context that the significant savings proposed would still leave a substantial budget gap. It was explained that the full 'Duties and Powers' approach taken had generated budget proposals that had been challenged robustly to ensure that they are credible, while also taking into account the cost of investment needs and delivery requirements. A number of proposals highlighted during the individual scrutiny committee meetings were considered high risk and queries were raised as to the practicalities of their deliverability. The S151 Officer explained that in accordance with Section 25 of the Local Government Act 2003 he must report to Council on the robustness of the estimates and in part has relied on the professional assessments of the Corporate Leadership Team who have identified savings within their directorates. Due diligence processes will be carried out on a continual basis to identify any proposals at risk of not being deliverable and appropriate mitigation measures will be taken.

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.

The Committee expressed concern that the 2023/24 budget had developed a significant gap and queried whether there was confidence in the current 2024/25 budget forecasts. It was

set out that budget forecasting is a challenging process and that a number of emerging significant material variations had been experienced within the 2023/24 budget. A great deal of work has been carried out to manage cost growth and ensure that increasing and complex needs for statutory services are accounted for, and that there is appropriate investment in place for the delivery of a balanced budget in the following year. All possible planning will be done to ensure that the 2024/25 budget can respond effectively to unforeseen material variations.

As of February 2024, a budget gap of £41 million remained despite the savings proposed. Subsequently, an application of £65 million had been made to the Government for Exceptional Financial Supports (EFS) which would enable the Council to capitalise revenue costs and fund them through asset sales or prudential borrowing. The Committee asked when a decision would be made on the agreement of EFS, and whether there was a risk of EFS not being granted. It was reported that a decision is expected during the week of 26 February, following the completion of a full assessment by the Department for Levelling Up, Housing and Communities (DLUHC). A great deal of work has been carried out with DLUHC to ensure that the best case has been put forward, but consideration has been given to every possible contingency. The Committee queried whether any EFS agreed could require the raising of Council Tax above the normal maximum threshold. It was reported that this has been discussed with the DLUHC. Ultimately, if the Government agrees the establishment of EFS, it could stipulate that a proportion of the funding is raised through a greater than normal increase in Council Tax. It was established that support would remain available to residents through the Council Tax support scheme.

The Committee raised concerns that the savings proposed in discretionary services would increase costs and pressures within statutory services. It was explained that full risk assessments have been carried out for each proposal and where it is identified that a short-term saving would result in a long-term cost, proposals are reviewed and changed. The MTFP has been developed to seek to manage likely service demand growth going forward. Ultimately, the Council must work to deliver a balanced budget in the immediate context and then plan a clear, self-directed transformation and recovery process for sustainable service delivery in the future on the basis of the resources available – working in close cooperation with communities, stakeholders and partners to ensure that the best outcomes possible are achieved for the most vulnerable people.

Summary

The Committee appreciates the Council's unprecedented financial challenges and notes the instructions from the Improvement and Assurance Board (IAB) which stipulate the Council must find the maximum level of savings that Corporate Directors believe can be delivered. It does, however, have concerns in regards to the deliverability of the proposed budget savings and the significant impact these will have on the City's residents.

The Committee will continue to undertake budget scrutiny during the course of the next municipal year which may include scrutiny of the delivery plans for the proposed savings, alongside budget monitoring during the year.

I have provided links to the Minutes of the Committee's meetings as outlined within this report which provide a summary of the meetings and a synopsis of the views expressed.

13 September 2023 - <http://resmodw2k121/documents/g10271/Printed%20minutes%2013th-Sep-2023%2010.00%20Corporate%20Scrutiny%20Committee.pdf?T=1>

17 January 2024 - <http://resmodw2k121/documents/g10411/Printed%20minutes%2017th-Jan-2024%2009.30%20Corporate%20Scrutiny%20Committee.pdf?T=1>

14 February 2024 - [http://resmodw2k121/documents/g10345/Printed%20minutes%2014th-Feb-2024%2009.30%20Corporate%20Scrutiny%20Committee.pdf?T=1&\\$LO\\$=1](http://resmodw2k121/documents/g10345/Printed%20minutes%2014th-Feb-2024%2009.30%20Corporate%20Scrutiny%20Committee.pdf?T=1&LO=1)

Councillor Leslie Ayoola

Chair of the Corporate Scrutiny Committee

Members of the Corporate Scrutiny Committee:

Councillor Devontay Okure (Vice-Chair)

Councillor Sam Harris (Chair of the Housing and City Development Scrutiny Committee)

Councillor Patience Uloma Ifediora

Councillor Imran Jalil (Chair of the Communities and Environment Scrutiny Committee)

Councillor Georgia Power (Chair of Health and Adult Social Care Scrutiny Committee)

Councillor Andrew Rule

Councillor Naim Salim (Chair of Children and Young People Scrutiny Committee)