

Statement to Full Council – 31 October 2023

Comments from the Scrutiny Finance Task Group on Medium Term Financial Plan & Capital Strategy

Introduction

1. The Finance Task Group met on six occasions over the August-September period to receive detailed briefings as the Medium Term Financial Plan (MTFP) was developed.
2. We would like to place on record our thanks to the Director: Finance and other members of the Finance team who have supported these briefings and for their ongoing openness and diligence in responding to our questions and points of clarification as these sessions progressed.
3. We submitted some initial comments on the MTFP to the Cabinet on 3 October and now wish to draw Full Council's attention to the points set out below. In submitting these comments, we are also mindful of the inherent difficulties faced by Finance officers in producing a MTFP for the authority given the wider/national context around the unpredictability of longer-term public finances.
4. Although submitted under my name, this report has been agreed by members representing all parties.

Finance Task Group comments

1. Invest to Save

As flagged previously in our comments to the Budget Council back in February and bearing in mind the ongoing seriousness of the budgetary pressures faced by the authority, we again flag the urgent need for greater emphasis on encouraging innovative Invest to Save proposals, including capital investment. Linked to this, we feel the authority should review and look to refine as necessary its approach to risk management around future investment opportunities.

As examples, we would particularly encourage that every effort continues to be made to identify and look to maximise opportunities to invest that can:

- reduce the financial impact around the use of emergency temporary accommodation, to include examining if there are any options around making best use of existing assets in the general fund rather than selling them off.
- alleviate the financial pressures associated with 'out of authority area' children's care placements.

More generally, we feel that encouraging innovation and the development of Invest to Save propositions and the associated capacity to take them forward is a cultural and organisational issue for the authority to address moving forwards.

2. Council Tax Reduction Scheme (CTRS) review

We submitted initial comments to the Cabinet on 4 July prior to the consultation on the CTRS being launched.

On 12 October, the Resources Scrutiny Commission had been due to receive a report on the outcomes of the public consultation on the review of the Council Tax Reduction Scheme. At a late stage, we were informed that the report would not be available and had to cancel our meeting. We subsequently became aware that the Council has received a legal challenge on the consultation process; we would request clarity as soon as possible on the position regarding the legal challenge and expect to receive a full update on the consultation outcomes and scheme proposals at our 21 November Resources Scrutiny Commission meeting.

We also feel we must again register our disappointment that some of the suggestions we put forward in July about the content and design of the consultation were not reflected in the final consultation documents.

The MTFP assumes the delivery of the £3m saving from the CTRS review in 2024/25 as determined at last year's Budget Council meeting; notwithstanding the outcome of the legal challenge, it is critical for Full Council to note and be fully aware of the fact that any decision ultimately not to implement or fully implement this planned saving would create a significant additional pressure within the MTFP.

Full Council should also be aware that a majority of members of the Finance Task Group do not support the proposals to change the CTRS. If a revised scheme is ultimately put in place, we retain concerns around deliverability of the envisaged saving and the likely negative impact on Council Tax collection rate and cost.

3. Clean Air Zone income

Our understanding (although we note this is not yet confirmed in the Mayor's Forward Plan) is that the administration will receive a report in December on the year 1 outcomes of the Clean Air Zone, including the detail on the financial income realised over that period.

For completeness, we feel it would have been helpful for this figure to have been included in the MTFP report. We will wish to understand this detail and any financial implications/impact in relation to the MTFP, noting that CAZ income is already identified as the source of match funding for projects being taken forward through the City Region Sustainable Transport Settlement and has been used to fund £5m of transport levy. It is likely that this income will be material to the Council and it seems inappropriate not to quantify it before issuing the MTFP.

4. Dedicated Schools Grant (high needs block)

We have noted the critical importance to the authority of delivering the DSG management plan and mitigation proposals. We note that the People Scrutiny Commission will be scrutinising the detail of the plan and progress against the mitigation measures. Finance Task Group/Resources Scrutiny members wish to be assured that mitigations are deliverable

whilst also maintaining services. We also need clarity on the financial (and other) risks to the authority if the mitigations fail.

5. Capital programme:

Given the budgetary pressures, we will continue to seek assurance/clarification as necessary on the action and measures being taken in relation to the governance, management and delivery of the capital programme, particularly in relation to slippage within the programme and addressing any inflationary impact of slippage/delay.

Moving forwards, recognising there will always be in-year issues and unanticipated factors to take into account, there is a need to significantly close the gap between the 'intent to deliver' (as reflected in the capital programme budget) and actual delivery, so there is greater certainty on delivery. Tackling a culture of 'over-optimism' in anticipated capital programme delivery (and around other aspects of budget/transformation programme management) is also an important cultural issue for the organisation to address.

External factors affecting capital programme delivery such as the impact of new environmental and planning requirements also need to be factored into future forecasting.

6. Inflation/costs

The impact of inflation remains a key issue for the authority. It is important to recognise that inflation impact is variable between sectors; for example, it is a particularly significant issue for the construction industry.

Members also need to be mindful of the impact/costs around meeting annual pay awards and other increasing costs. We note in particular the budget pressure from the increasing costs of home to school transport, which clearly need to be urgently addressed.

7. Property transformation programme

In the context of the Property Programme, we stress the importance of taking decisions on property disposals from the perspective of long-term benefit to the authority. The authority should also look to maximise commercial let opportunities - for example, there are significant commercial let opportunities linked to Temple Street refurbishment; opportunities to generate rent/return from empty council owned properties should also be fully explored.

8. Community Infrastructure Levy (CIL)

We are concerned that there is a lack of clarity within the MTFP about any assumptions that may have been made about the future use of CIL in relation to strategic infrastructure projects.

Councillor Geoff Gollop

Chair, Resources Scrutiny Commission & Finance Task Group
(on behalf of members of the Commission/Task Group)