



To:
Councillor Rob Stewart,
Cabinet Member for Economy,
Finance and Strategy

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Date
Dyddiad:

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Summary: This is a letter from the Service Improvement, Regeneration and Finance Scrutiny Performance Panel to the Cabinet Member for Economy, Finance and Strategy concerning the meeting held on 14 November 2023 and the Q1 Revenue and Capital Budget Monitoring Report 2023/24. This letter does not require a response.

Dear Councillor Stewart,

On the 14 November, the Service Improvement, Regeneration and Finance Scrutiny Performance Panel met to discuss the Q1 Revenue and Capital Budget Monitoring Report 2023/24. The Panel are grateful to you and Ben Smith, Director of Finance and Section 151 Officer for attending to discuss and answer questions.

The officer noted his recommendations made and agreed by Cabinet on 19 October. He highlighted that there is an overspend in Q1 with Cabinet agreeing to reinforce the need for all service directors to contain their spending this year. He stressed that local government budgets are under enormous pressure from inflation with growing risks for all. He also confirmed the pay award has been set at £1925.

The officer explained that £20m has been set aside in central inflation pots. This was increased due to the levels of general inflation forecast for 2023/24 and the unprecedented energy price rises. Also, the Contingency Fund budgeted contribution was set at £6m for 2023/24 and is anticipated to be fully allocated this year.

We were pleased to see the reintroduction of a savings tracker which forecasts 70% to be achieved by the end of the year with expectation this will improve. We requested to see the wider savings tracker, confidentially if required. The officer has agreed to provide this.

Due to the capital financing strategy and borrowing strategy the officer anticipates at least a £5m under spend on capital financing. Also, the report highlights that the

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Housing Revenue Account has some inflationary pressures. In addition, residual shortfall will be met from a planned £20m draw from earmarked reserves.

You and the officer anticipated this quarters overspend, but with directors taking action, you expect this to be reduced by the second quarter. In addition, the Leader highlighted the ambitious capital programme with further announcements on capital closer to the budget.

We highlighted the reference in the report to an additional review on equal pay. We wondered that as a structure had been put in place to prevent further claims what else is outstanding. You stated that there is still potential for new risks to emerge, however the level of risk is not near the scale of some local authorities and legal advice is being sought. We requested a copy of this advice once received, however we understand this will only be what can be released within the confines of confidentiality.

We raised the issue of the Minimum Revenue Provision (MRP) and asked for clarity on whether this would turn negative in future years. The officer responded to say that in earlier years there was a gain on the MRP and there would be a tipping point when there would be costs to the Council. This is why under spends on capital financing have routinely been set aside into the capital equalisation reserve to help mitigate that effect. The Leader stated that due to successful borrowing you are in a position to repay all of the MRP and make money on top to invest and offset pressures.

We commented on the fact that there has been more of an issue on rent arrears rather than council tax arrears. The officer commented that there are some growing risks with housing under greater pressure than in recent years and confirmed that there was a surplus on Council tax arrears last year. We asked for clarity on what the Council tax collection surplus is based on as collection rates were changed. The officer confirmed that this year's Council tax budget was set on a lower assumed collection rate of 94.5% of the quantum following his advice to do so.

We raised concerns about the roll out of Universal Credit (UC) and whether this has affected the number of tenants paying their own council tax and increased the number of those in difficulty and if so, are we signposting them for extra help. You estimated that around a third of those on UC pay all or part of their rent with the remaining two thirds receiving 100% paid by UK government. The split of those receive this directly against those who have it paid directly to the Council on their behalf was not to hand however the housing team have been working on early intervention to avoid significant arrears. The officer added that the move to roll out of UC does complicate matters in terms of benefit arrangements and people's personal budgeting circumstances.

Your Response

We are interested in any thoughts you may have on the contents of this letter but in this instance, we require no formal written response.

Yours sincerely,



Councillor Chris Holley

Convener, Service Improvement, Regeneration and Finance Scrutiny Performance Panel

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