

Overview and Scrutiny Board

1 February 2023

Meeting commenced: 14:00

Meeting ended: 17:11

Present in Person

Elected Members:

Councillor John Mullen - in the chair

Councillor Adrian Brocklehurst, Stuart Dickman, Karen Garrido, Robin Garrido, Margaret Morris, Mike Pevitt and Rob Sharpe

Invitees:

Paul Dennett	City Mayor
Councillor Jack Youd	Lead Member for Finance and Support Services
Councillor Bill Hinds	Executive Support Member for Finance, Procurement, Workforce and Industrial Relations
Councillor John Merry	Deputy City Mayor and Lead Member for Adult Services, Health and Wellbeing

Officers:

Tom Stannard	Chief Executive
Joanne Hardman	Chief Finance Officer
Tony Thompstone	Strategic Finance Manager
Debbie Brown	Strategic Director for Service Reform
John Searle	Strategic Director for Place
Muna Abdel Aziz	Director of Public Health
Maggie Kufeldt	Interim Director of Adult Services
Melissa Caslake	Interim Director of Children's Services

Virtual Attendees:

Councillor Sharmina August	Lead Member for Inclusive Economy, Anti-Poverty and Equalities
Councillor Barbara Bentham	Lead Member for Environment, Neighbourhoods and Community Safety
Councillor Jim Cammell	Lead Member for Children's and Young People's Services

1. Apologies for absence

Apologies for absence were submitted on behalf of Councillors Joshua Brooks, Jim King and Irfan Syed.

2. Declarations of Interests

There were no declarations of interest.

3. Minutes of Proceedings

The minutes of the meeting held on 7 December 2022 were approved as a correct record.

4. Matters Arising

There were no matters arising.

5. 2022/ 2023/24 Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy Statement

Consideration was given to a report of the Lead Member for Finance & Support Services in respect of the above item.

The Treasury Management Strategy detailed the expected activities of the treasury function for the coming financial year 2023/24. Its production and submission to the council was required under the CIPFA Code, which required this to cover non-treasury management investments.

The Annual Investment Strategy was a separate requirement under the Local Government Act 2003. This included non-treasury management investments.

It was logical, convenient and informative to consider these strategies together. They would be presented to Council, alongside the budget report, for the forthcoming year. Any changes in the budget report could impact on the details of this report.

RESOLVED: THAT the strategy for 2023/24 be approved including:

- The Treasury Management Strategy
- Annual Investment Strategy and specifically:
 - Approve the policy for the calculation of Minimum Revenue Provision
 - Approve the Treasury Management Policy Statement and Practices

6. 2023/24 Revenue budget and capital programme

Consideration was given to a report of the Lead Member for Finance & Support Services in respect of this matter.

The report outlined the proposals to produce a balanced revenue budget position for 2023/24, incorporating the impact of the provisional settlement announced in December 2022. It also indicated the proposed capital commitment associated with the 2023/24 programme.

The report would inform Members' comments to the City Mayor as he formulated his final budget proposals for the forthcoming Council meeting on 22 February 2023.

The City Mayor, Councillor Hinds and Joanne Hardman introduced the report and made reference to the following:

- Core spending power

Core Spending Power (CSP) is the government's favoured measure of local authorities' available resources. It includes funds raised locally in the form of taxation and the main general grants payable to local government including social care.

The headline increase in CSP for Salford is 10.3%. This increase is driven mainly by: -

- Assumed increase in council tax charges to the maximum level of 5%
- Assumed continued growth in the council tax base reflecting growth for the previous five year period
- Inflationary increases to revenue support grant
- Additional social care funding

- Council Tax

The core council tax referendum threshold has increased from 1.99% in 2022/23 to 2.99% in 2023/24. This is accompanied by an adult social care precept of 2% meaning a total council tax increase of 4.99% in 2023/24. The government has indicated that the same referendum thresholds will apply in 2024/25.

- Funding review and business rate reform

Local government has been waiting for confirmation from government on several funding reviews, i.e., the fair funding review, changes to business rates retention levels and the anticipated business rates reset. Our medium-term financial strategy had assumed implementation in 2023/24 (having already rolled forwards from previous years).

Throughout the last year, it became increasingly likely that the reviews would be further delayed. The provisional settlement confirmed deferral of the business rates reset and any changes arising from rates retention levels. An extension of the business rate retention pilots for one year was also announced.

The government has indicated that there will be no changes associated with fair funding or business rates reset until 2025/26. However, there is only commitment to the business rate retention pilots for 2023/24 with a consultation exercise regarding business rates retention levels anticipated during 2023/24.

The business rates multiplier is set by the government. It is the rate per £1 of rateable value, so determines any increase in business rates. The multiplier will be frozen in 2023/24.

However, as the 2023 revaluation will be implemented to update the rateable value of properties, ratepayers are likely to see a change to their bills. In addition, there will be reliefs granted to a range of business sectors including transitional relief to limit bill increases due to the revaluation. Local authorities will receive compensation for the income lost.

- Funding Streams

In summary the impact of funding changes and extensions is set out below: -

- Notional Revenue Support Grant is increased in line with the CPI September inflation rate which leads to an increased allocation of £2.1m.
- Lower tier service grant has been repurposed to create a funding guarantee which is allocated to authorities with a core spending increase of below 3% prior to any increase in council tax charges, Salford is not eligible for this funding, therefore this results in a reduction of £0.5m funding.
- Service Grant is rolled forward but at a reduced level. The national funding pot for this grant has been reduced from £822m to £464m. This is partly due to the reduced cost of employer national insurance contributions due to a change in government policy. The grant has been diverted to meet inflationary pressures on the revenue support grant and the supporting families programme. The impact upon Salford is a reduction in the funding allocation from £5m to £2.8m.
- The New Homes Bonus scheme has been extended for a further year however no legacy payments will be generated for future years and the government has confirmed its commitment to consult on the format of any replacement scheme before the 2024/25 settlement. The allocation for Salford in 2023/24 is £6m.
- Additional resources have been announced for social care
- Confirmation of various specific grants is still awaited including the Public Health Grant.

- Social Care Funding

The government have announced further resources for social care as set out below:

- Social Care Grant – Nationally, funding is to increase by £1.345bn (of which £1.265bn is repurposed social care reform funding). Funding is allocated based upon the adult relative needs formula with some equalisation of precepts. Salford is to receive a net additional £7.8m and can use this to support both Adults and Children’s social care. As set out by the government ‘more details of this grant are to be set out in due course’.
- Discharge Funding – The government previously announced £600m funding to aid discharge which is to be divided between local government and health. Local authorities will share £300m, allocated on the basis of existing improved better care fund methodology. Salford will receive £2.0m which needs to be pooled as part of the better care fund. The conditions of this funding will be set out in due course.
- Adult social care market sustainability and improvement funding – At a national level, £400m is to be added to the existing £162m funding pot originally identified for the fair cost of care exercise. This is to be used to address delays in discharge, social care waiting times, low fee rates paid to providers, provider workforce pressures and to fund technological innovation. Funding is distributed on the basis of the adults’ relative needs formula. Salford’s allocation will increase from its 2022/23 level of £0.9m to £3.1m. The government has confirmed that there will be reporting requirements associated with the use of this funding, and performance, with further details to be provided.

Whilst this additional funding is welcomed it is forecast to be insufficient to meet the existing and growing financial pressures upon both adults’ and children’s social care. Grant conditions are awaited to confirm whether new investments will be required to retain eligibility for these grants. Clarification has also been sought as to the long term future of repurposed social care funding assuming the deferred social care reform is introduced in 2025.

Consultation on the provisional settlement closed on 16 January 2023. The final settlement for 2023/24 is still awaited. The financial details included within this report assume that there will be no changes within that announcement.

Council tax and business rates are a key source of income for the council. These income streams flow through the collection fund and have a delayed effect upon the general fund. It has become more difficult to model the collection fund given the impact of Covid19 and wider economic pressures such as inflation. In Salford’s case, the forecast financial position of the collection fund in 2022/23 is:

- Council tax surplus of £5.519m for 2022/23 with the council's share being £4.651m. Main drivers of the surplus relate to lower than anticipated call on the council tax reduction scheme and better collection performance than originally anticipated.
- Business Rates surplus of £2.035m for 2022/23 with the council's share being £2.015m. Main drivers are better collection performance, lower call on the appeals provision and the interaction of various reliefs that are compensated for by section 31 grant.
- The third and final year allocation of the 2020/21 exceptional deficit balances for council tax of £2.854m with the council's share being £2.414m and for business rates of £6.424m with the council's share being £6.360m.

Projections of the council tax base for 2023/24 of 73,859 reflect an increase of 1,954 band D properties compared to the 2022/23 base reflecting an increase in the number of properties.

Consideration has been given by Cabinet to the existing service pressures, investment requirements, opportunities to reduce spend, generate efficiencies and bring the 2023/24 budget into balance. The revised funding gap and the savings and other actions to address it are set out in the table below.

2023/24 proposed savings summary	
	2023/24
	£m
Funding gap	
Opening funding gap	11.295
Increase in Settlement Funding Assessment	-3.452
Postponement of Fair Funding Review	-6.825
Business rates - postponement of reset, continuation of 100% pilot and under indexing of the multiplier compensation grant	-27.415
Additional CT income from increasing charge by 4.99% as per government assumptions	-3.905
Additional CT income from CT base increase above original assumption	-0.907
Collection fund estimated 22/23 outturn	-6.666
New Homes Bonus	-1.594
Services grant	-2.821
Deferred use of reserves to reflect revised government timescales	16.376
Capital financing costs	1.500
Pay award, pension and NI changes	1.222
Pay review	4.100
Price, energy and contract increases	7.164
Redistribution of funds by GMCA	-3.169

Use of non-recurrent funding to create a cost of living crisis fund	3.169
Existing service pressures	8.018
Net investment in social care	9.994
Revised funding gap	6.084
2023/24 Savings Proposals	
Residual budget linked to previous closure of Deli Delicious	-0.015
Reduction of community devolved budget	-0.100
Reduced lease costs - Eccles	-0.078
Increased fee income relating to street lighting, planning and CCTV services	-0.300
Reduction in net cost of bonfire events	-0.035
Assessment and release of service reserves	-0.854
Increased income from the sale of services to partners and additional commission on payments	-0.135
Review of budget capacity by the core public health team	-0.100
Application of reserves - Local Tax Income Guarantee (LTIG) grant	-1.090
Application of reserves - MTFs smoothing reserve	-1.500
Innovate savings	-1.878
Actions to address funding gap	-6.084
Balance of funding gap	0.000

The key features of the proposed budget for 2023/24 are:

- Investment in key service areas reflecting council priorities and existing service pressures
- Creation of a Cost of Living Crisis Fund to assist the community in these difficult economic circumstances
- Additional investment in the capital programme
- A balanced budget in 2023/24
- The commencement of planning to meet forecast gaps in 2024/25 and 2025/26

The medium term financial strategy has been updated alongside the detailed annual budget.

The principles adopted in updating the strategy remain consistent with our previous approach:-

- Aligning the budget to strategic priorities
- Achieving value for money, increasing efficiency and improving service delivery
- Maintaining the financial health of the council
- Managing risk in a period of significant uncertainty
- Ensuring effective budget management

In the context of a single year settlement it is difficult to accurately forecast the council's medium term budget position however current projections reflect a potential funding gap of £12.6m and £24.5m in 2024/25 and 2025/26 respectively.

Capital programme

The council has a capital programme to ensure that assets are developed and maintained, and to support regeneration in the city.

A review of the 2022/23 capital programme has been undertaken during the year to determine capacity for in-year delivery and any required re-profiling to future years. Consequently, £72.3m of capital spend has been rolled forward into 2023/24. In addition, new bids of £88.9m are being taken forward for delivery in 2023/24. A significant element of the capital programme is supported by external funding, and the council seeks opportunities to maximise grant and contributions. It is anticipated that external funding of £30.5m will support new bids and be applied to individual capital schemes. Key assumptions include: -

- Continuing funding for infrastructure
- Grant support for delivery of affordable housing
- Grant support for continued delivery of regeneration schemes
- External and grant funding to support People services including Basic Need and Disabled Facilities Grant.

A small number of self-financing and invest to save schemes are included within the proposed 2023/24 new bids with a value of £18.1m. These reflect the council's priorities with significant funding being made available for the delivery of housing schemes.

The council balances the revenue consequences of its capital programme, in particular those schemes supported by unsupported borrowing, with other demands on the revenue budget.

For 2023/24 new bids will require £40.0m of unsupported borrowing recognising the importance of the programme to investment and regeneration in the city. This is at a higher level than in recent years which will increase capital financing costs within the revenue budget. The impact is included within the revenue estimates above.

The total capital programme for 2023/24 is therefore £161.1m. This represents an ambitious scale of delivery which will be supported by a strengthened monitoring

process which aims to review both financial and non-financial progress and develop any required recovery plan.

Lead Members, Executive Support Members and senior officers outlined the pressures and concerns that existed in respect of each service group. They also indicated how the service group was intending to contribute towards the achievement of a balanced budget position in the future.

In response to questions and comments from Board Members, reference was made to the following –

- Thanks to all officers for the work they had undertaken, under extremely difficult circumstances, throughout the Covid19 pandemic.
- The extreme pressures to council budgets which had arisen due to the government's programme of austerity
- Concerns relating to service provision in future years given that the government settlement was for only a 12-month period.
- Work being undertaken on the 'Innovate Salford' programme
- It was noted that a full breakdown of the Capital programme would be included in the budget report presented at Council

RESOLVED: (1) THAT the report be noted.

(2) THAT the following observations and recommendations of this Board be noted -

1. Members welcome that proposals achieve a balanced, no cuts budget for 2022/2023 and thank the City Mayor, Lead Members, Executive Support Members, The Chief Finance Officer and other officers for their hard work on this matter.
2. Following the Spending Review and Local Government Financial Settlement, while members welcome the increase in funding and the continuation of non-recurrent funding, they are disappointed that there is a heavy reliance on the council to raise a large proportion of money by regressive taxation.
3. Members recognise that residents will be hit hard by the proposed increase in council tax and the adult social care precept, together with the changes to national insurance and the increase in energy bills. As yet, the full details of the government grants are unknown. The Board recommends that the council support residents as much as possible and look at improving the Council Tax Reduction scheme.

4. Members note the budgetary pressures of the increase in the Council's Pay Review, National Insurance contributions, changes to the National Minimum Wage, changes in pension contributions, price inflation and pay inflation.
5. Members are disappointed that the settlement is for one year rather than three and therefore does not allow the council to plan for the medium and long-term.
6. There are concerns with regard to the impact of the Fair Funding Review on resources in future years. The Board requests a report on this matter when available.
7. In relation to the Place Directorate, members recognise the current commercial pressures. They note that the HGV fleet is under review and request examination of this process by the relevant Scrutiny Panel.
8. Members are mindful that the council need to achieve their savings and the Board will monitor overall progress on savings and the budget. Each Scrutiny Panel will monitor their own specific area.
9. The Board request that an early start is made with regards to planning the revenue budget and capital programme for 2024/2025.

7. Work Programme 2021/22

RESOLVED: THAT consideration of this item be deferred to the next meeting of this Board.

8. Any Other Business

There were no items of any other business.

9. Date and time of next meeting

RESOLVED: THAT the next meeting of this Board be held on Wednesday 1 March 2023 at 2.00pm