

MINUTES OF OVERVIEW AND SCRUTINY COMMITTEE

Wednesday, 24 January 2024
(7:01 - 9:26 pm)

Present: Cllr Glenda Paddle (Chair), Cllr Dorothy Akwaboah (Deputy Chair), Cllr Andrew Achilleos, Cllr Ingrid Robinson, Cllr Muazzam Sandhu, Cllr Phil Waker and Cllr Mukhtar Yusuf;

Apologies: Cllr Donna Lumsden, Cllr Fatuma Nalule and Cllr Paul Robinson

32. Declaration of Members' Interests

There were no declarations of interest.

33. Minutes - To confirm as correct the minutes of the meeting held on 5th December 2023

The minutes of the meeting held on 5 December 2023 were confirmed as correct.

34. Budget Strategy 2024/25 to 2026/27

The Interim Strategic Director, Resources (S151 Officer) and the Deputy Leader and Cabinet Member for Finance, Growth & Core Services presented a Budget Strategy 2024/25 to 2026/27 report.

On 18th July 2023, the Cabinet approved a refreshed Medium Term Financial Strategy (MTFS) for 2023/24 to 2027/28 for the Council's General Fund. The Budget Strategy report was presented to Cabinet on 19th December 2023.

There had been a growing number of Councils issuing section 114 notices with Councils across the country facing around £4b of funding shortages. Following on from the Autumn Statement by Government in November, the Council had received a one-year funding settlement for 2024/25.

The Council was facing an expected budget gap of £23.335m for 2024/25. The expected gap came after the identification of £10.618m of savings. The net savings, after growth was expected to be £8.327m. It was expected for Council tax to increase by 4.99%.

The Council needed to reduce its expenditure significantly over the short to medium-term to match its funding and income. The Council was working to remove vacant posts as part of the saving proposals; however, further saving proposals would include cutting services, disbanding services and redundancies to ensure that the Council reached a sustainable budget position.

The current balance of the Council's reserves was at £107.63m as was shown in Table 4, Summary of Reserves within the report. The Council was unable to use some of its reserves such as the General Fund although the balance of the General Fund was at £17.03m, the fund would only be reduced to £12m due to the Council's minimum level required for unforeseen financial issues.

Section 3.1 of the report explained that the MTFs identified a potential budget deficit of £23.335m for 2024/25. In response to a question, the Cabinet Member for Finance, Growth & Core Services explained to the Committee that the budget deficit figure was open to change; however, the committee was assured that there would not be a substantial rise of the figure.

Section 3.3 of the report covered the potential risk of the Council not receiving a £10.3m dividend income from Be First for 2024/25. A question was asked whether the predicted £23.335m budget deficit included the potential £10.3m dividend the Council was expected to receive. The Committee was assured that the £10.3m dividend income would be delivered from Be First; however, it was unclear when it would be delivered. If Be First did not deliver the dividend income, the Council's budget deficit would increase to £33m.

The budget briefing from September 2023 stated that the Council was an outlier in its borrowing levels with the borrowing total at £1.275b in September 2023. The data from the Officer for Local Government Local Authority showed the Council's total debt as a percentage of core spending power was at 721.4% which was significantly higher compared to neighboring Councils. Some of the borrowed money went towards the building and development of housing within the Borough, which had brought in more income to the Council. Due to the Council's current financial situation, there would be no more borrowing and therefore new building schemes would not be viable. There were some schemes that were concluding which might result in further borrowing with interest rates not being fixed.

The Cabinet member for Finance, Growth & Core Services reassured the Committee that the Council had and would continue paying above the London Living wage. The borrowing levels would not impact the Council's employees' wages; however, the Council was reviewing its supply chains and outsourced contracts.

The Committee were advised that the report proposed an investigation on community hubs that were underperforming, and a question was asked on why there was a variation of performances in the community hubs. The Borough had 11 community hubs in operation. Four of the community hubs had partnered with either faith organisations or the voluntary sector, which had higher performance levels compared to other hubs. The main reasons for community hubs to underperform was either due to the size of the hub, location, range of services offered and advertisement.

At appendix A of the report, there was a proposed savings of £100,000 by cutting the consultancy budget in Community Solutions. The overall budget for consulting fees was just over £3m, with just over £1m of the budget spent to date. Over half of the budget for consulting fees was reserved for specialist for IT projects.

The Council covered a £50.2m loan and equity to Be First on the acquisition of the Muller site which had since been sold with a £35.6m profit. Some of the profits had covered shortfalls of Be First dividend payments to the Council from 2021 – 2023. A question was raised regarding where the remaining £26.7m profit would be allocated. The Committee was informed that the remaining profit belonged to Be First as it acquired the land and brokered the sale of the land. The profit was placed

in a reserve for Be First and would be used to cover any short fallings on the dividend payments to the Council.

A question was asked on if there were other potential growth areas that the Council was looking into given the current economic challenges. Be First was exploring other areas of development which included forming relationships around commercial development. Be First and the Council was reviewing assets that the Council had already owned. Selling all the Councils assets would be enough to offset the budget gap; however, many of the assets generated revenue for the Council which the Council would lose if the assets were to be sold.

In response to a question regarding rent, the Cabinet member for Finance, Growth & Core Services explained that supply and demand dictated the rent within the Borough. There had been an increase in demand for rental housing which had pushed up the renting cost of the Borough. The high demand for rented housing had also led to higher demands in Council Servies.

The Committee asked how the Council ensured it would get its value for money regarding its subsidiaries. It was explained to the Committee that before the Councils made an investment, it would review all of the data and risks associated; however, there was no way for the Council to predict future outcomes of investments. The Council subsidiaries were autonomous from the Council itself with the Council being the sole shareholder. Therefore, the Council would have to incur the cost of any money lost from its subsidiaries. The Council and its Heads of Service had monitored the subsidiaries Key Performance Indicators (KPI) regularly. Previously, the Council's subsidiaries made use of Council services; however, subsidiaries such as Reside were moving away from using Council services and using external companies.

In response to a question about redundances for Council staff, it was conveyed to the Committee that a redundancy strategy was in place and was currently being discussed with the trade unions. The Council currently had a £2m reserve and a central budget of over £1m set aside that would cover redundancy cost.

A question was asked on the likelihood that the Council would issue a Section 114 notice within the new financial year. There was no definitive answer on whether a Section 114 notice would be issued in the new financial year; however, the Council was doing what it could to mitigate its circumstances. The Cabinet Member for Finance, Growth & Core Services explained that all factors currently indicated that although there would be challenges, the Council would deliver a balanced budget in the new financial year.

The Committee were advised that the Council's reserves could only provide one-off support, and in response a question was asked on if there were any long-term changes that could be made to balance the budget. In response the Cabinet Member advised that the Council needed to be re-sized into a smaller organisation going forward to reduce its overall spending. There would be a reduction in services offered, which would require less Council staff to deliver the services. The Council was looking into reducing the demand for its services as the cost of social care had increased with an overspend of £14m in the current financial year.

The Council was also looking into streamlining the procurement process to ensure

it was getting value for money and drive down costs.

In response to a question regarding legacy budget issues, the Interim Strategic Director, Resources (S151 Officer) clarified that the legacy budget corrections related to a review of recharges between the HRA and General Fund. The majority of the legacy budget corrections were related to resetting the recharges between the HRA and General Fund. The HRA overspent during the last financial year, the overspend was reduced from £1.8b to £1.2b by cutting capital works.

The Committee proposed and resolved to approve the following recommendations:

1. A Scrutiny Review into the Investment and Acquisition Strategy be undertaken to understand if it was fit for purpose. This would include consideration of the associated costs of the Strategy and the levels of return it is generating.
2. Following on from a benchmarking exercise, it was noted that LBBD spend was excessive compared to other boroughs with regard to social care. A Scrutiny Review would be undertaken into the spending of Adult and Children's care with seeking assurance for the spend.
3. Budget monitoring reports to be presented to the committee quarterly from the new municipal year.
4. A Member Briefing to be held on the Councils companies to provide a more in-depth understanding on how they operate.

(Standing Order 7.1 (Chapter 3, Part 2 of the Council Constitution) was extended at this juncture to enable the meeting to continue beyond the two-hour threshold).

35. Work Programme

The Committee noted the work programme.