

Finance and Resources Scrutiny Committee
Budget Scrutiny 2022/2023

1. Introduction

- 1.1 The process to scrutinise the budget for 2022/23 has been to meet with executive members and officers of each directorate in eight task and finish groups (two per directorate) from 6 to 24 January 2022. In total, these meetings took 19 hours to complete. The initial four meetings included summary presentations which set out the activities each directorate undertook, and which went on to explain the budget numbers which were included in the draft budget report presented to the Executive by the Executive Director of Finance on 23 December 2021.
- 1.2 Members of the Finance and Resources Scrutiny Committee (the Committee) were able to ask questions and request additional information to be supplied at the four follow-up meetings. At the time of writing, some information is still outstanding, in particular a summary of the feedback received from the public during the consultation process.
- 1.3 This budget scrutiny process has been a new experience for most committee members, many executive members and some officers, and improvements in terms of efficiency can undoubtedly be made going forward. A substantial part of the work can be brought forward to earlier in the financial year to relieve the time pressure in January, and more emphasis by the Committee on understanding the monitoring of the financial results each period to be able to understand better the validity of the “Opening Budget” numbers and the accuracy of the assumptions made in the budget setting, will result in a greater understanding of the numbers in the budget. Having said this, the Committee are satisfied that it has been able to undertake a robust review of the 2022/23 budget.
- 1.4 The Committee believe that the level of public consultation could be improved. Most residents probably did not know it happened and those not online have been excluded. The Committee would also **request** that recognised groups e.g., Corby Tenant Forum, Rural Forum, are proactively consulted with regard to future budget consultations and other public consultations so that the Council can be satisfied it has conducted a robust consultation exercise.
- 1.5 The Committee recognises the tight timescale that have needed to be adhered to in relation to this consultation exercise. It is hoped by appropriate training of members, and through more regular budget monitoring, that the Committee’s role can be enhanced in future years and the Committee welcomes the opportunity to be involved earlier in the process for subsequent years. In addition, the Committee would remind executive members that it is happy to receive requests to scrutinise budget concerns that arise during the financial year.

2. General & Corporate Comments

- 2.1 Despite several requests, the Committee have not been able to view overall staff numbers, staff vacancies and the level of agency numbers employed by the council. While unfilled positions potentially save money, agency workers are more expensive. Moreover, under-staffing can lead to pressures on employees who decide therefore to leave, resulting in either additional agency personnel or higher salaries in an attempt to fill the vacancies in a sellers' market. Of course, it is possible that the consequent budget savings and pressures largely negate each other, but this should not be automatically assumed.
- 2.2 The Committee **recommends** that the Executive review staffing levels, vacancies, and the cost of agency workers to satisfy itself that the budget is realistic in terms of short-term staffing changes.
- 2.3 The financial effect of all pay rises has been dealt with centrally, and there is an amount of £2.8m included in the corporate area of the budget to cover projected increases to pay. This figure has been calculated on the assumption that inflationary pay increases will be in the order of 3%, meaning that every 1% rise approximates to a cost of £1m. Inflation is projected to reach 7%+ in the next few months. The Committee understand that there is not necessarily a direct link between the level of pay increases and the CPI, but it appears potentially imprudent to budget for just 3% at a time of galloping inflation.
- 2.4 The Committee **recommends** that the Executive look at this again to satisfy itself that 3% is indeed realistic.
- 2.5 There had been a general assumption across all directorates that utility costs will increase by an average of 15%. The Committee understand that currently many existing utility prices have been set by contract, but when these expire and/or are renegotiated it seems reasonable to assume that costs will soar. On this basis, 15% seems very much a best-case scenario and unduly optimistic.
- 2.6 The Committee noted that the Executive Director of Finance indicated at the Committee's meeting on 1st February 2022, that further consideration had been given to this matter since the commencement of the consultation, and that this was being adjusted to 40% (£500k reserve). The Committee **recommends** that the Executive looks at this again to satisfy itself that 40% is indeed realistic.
- 2.7 The 2021/22 budget included a contingency figure of £5.7m, c.£2m of which has been spent to date. For 2022/23, the contingency level as been set at £4.25m. In the light of recent experience, is this appropriate (either too much or too little?).
- 2.8 The Committee **recommends** that the Executive review the assumptions behind the £4.25m to satisfy itself that it is appropriate.
- 2.9 The level of reserves, both opening and closing, is dependent on the amounts brought forward by the legacy authorities, and the policies and assumptions used to determine anticipated movements during the next year. As several

legacy financial statements are still to be finalised, the amount of reserves brought forward on vesting day will continue to be estimated, and these financial statements will need to be completed, audited and signed before NNC's financial statements for 2021/22 can be completed. We have not reviewed in detail the make-up of the earmarked reserves, and still need to read the Section 25 report.

- 2.10 The Committee **recommends** that the Executive critically review the level of reserves in conjunction with the Section 25 report to satisfy itself that the level of all reserves is appropriate for the council.
- 2.11 The Committee would like to express its disappointment be registered that there has been no presentation of fees and charges for 2022/2023, or any indication of currently proposed increases. Whilst the Committee recognise that an increase in some fees and charges are required to undergo a formal statutory process of public consultation, others are not. The Committee **recommends** that in future years information on fees and charges is included and available for scrutiny as part the budget-setting process.
- 2.12 The Committee noted that colleagues in WNC had recently reassessed their MTFS in light of new information. The Committee **requests** details of whether current WNC budget proposals for 2022/2023 are likely to have an adverse impact on NNC's own MTFS or any impact on the approved timetable for the disaggregation of services.
- 2.13 The Committee welcomed the Leader's announcement of the proposal to create a Member Empowerment Fund, and **requests** that details relating to this be circulated to members as soon as possible, together with guidance on what it can be spent on and the mechanism for submission of requests.
- 2.14 The Committee noted that within the approved Blueprint was a commitment to look at the creation of Community Hubs, with NNC and related external bodies working together, with the creation of an expanded "one stop shop" for the public. If this was still intended, the Committee did not note any specific references to this. The Committee would **request** that an update on the Council's intentions regarding community hubs be presented at a future Committee meeting.

3. Children's Services and Education

- 3.1 The budget for Early Years funding of £22m showed no growth from the previous year, whereas other budgets e.g., the Schools Block, the Central School Services Block and the High Needs Block proposed increases.
- 3.2 Given the importance of Early Years provision, particularly in communities of high deprivation, the Committee **recommends** that this be revisited and if possible an increase be considered. The Committee believe that ensuring there is adequate provision in this area would assist with the Council's commitment to the "Levelling-up Agenda".

- 3.3 The Committee noted that the Children’s Trust indicated that a bid for £1.1m was not approved by Government; this was a proposal to establish a children’s home within Northamptonshire. The inference provided to members was the establishment of this home would assist in reducing costs by reducing the need for “out of county” placements. The Committee noted that the failed bid to Government would be reassessed as a “local investment” opportunity to meet the aspiration of reducing “out of county” costs.
- 3.4 The Committee noted that an underspend in the Children’s Trust Early Years and Families budget was identified as £425k, due to the difficulties in attracting to staff to fill currently vacant posts. The Committee recognise that investment in this area may result in preventing costs to the public purse in the future. The Committee request that consideration be given to grant award to appropriate organisations e.g., Home Start who may be able to assist in mitigating loss of service in this area.
- 3.5 The Committee **requests** that in future years it has sight and the opportunity to meaningfully comment on the Children’s Trust budget-setting proposals. The Committee is keen to ensure that it can appropriately scrutinise the Trust’s financial performance during the financial year and has the opportunity to be meaningfully consulted on any budget proposals for subsequent years.

4. Place and Economy

- 4.1 The Committee believe that there is an urgent need for rationalisation of Council civic and commercial properties, to ensure that any spare capacity identified is considered for external rent or potential sale.
- 4.2 Whilst it is recognised that there is a need to ensure that the Council’s own office requirements are fully satisfied, the Committee **recommends** that this piece of work be completed as quickly as possible, and that the Committee have sight of any final report on this prior to any determination by the Executive.
- 4.3 The Committee further suggests that the budget assumptions included in the 2022/2023 proposals for revenue from NNC car parks be reviewed. It is noted that income in 2021/2022 has not been achieved, and the Committee recognise that the impact of the pandemic on shopping, work and leisure activities is a significant factor. The Committee are concerned that assumptions made in the budget proposals are overly optimistic both in terms of income and the potential increase in costs associated with repair and maintenance. The Committee **recommends** that the Executive assure itself that the proposed budget is prudent in this matter.
- 4.4 The Committee **requests** further detail regarding the Council’s longer-term proposals relating to waste management, particularly relating to the current disparity regarding green waste collection in the former East Northamptonshire area compared with other areas served by NNC. The Committee would like the opportunity to scrutinise the Council’s plans for waste management moving forward.

- 4.5 The Committee noted that £1m over 3-years has been allocated for Green Initiatives; this is welcomed. It was further noted that £500k has been allocated in Year-1, however no specific projects have yet been identified. The Committee **requests** that details of potential projects be circulated when known.
- 4.6 The Committee noted that previously members had been advised that a dedicated client team were to be formed to oversee the new highways contract later this calendar year. Members queried where this would be located; to date the Committee understand this had not been determined. The Committee **requests** to be kept updated on this matter, including details of any expenditure proposed to be incurred for completion of this exercise.
- 4.7 The Committee noted that the highways contract was subject to competitive tender, and officers had advised that the budget allocated was in line with what would be required, with some use of contingency funds. The Committee hoped that the Executive will closely monitor this contract to ensure the Council are achieving value for money.

5. Adults, Communities and Wellbeing

- 5.1 With regard to Chester House, the Committee welcome the additional information circulated by officers ahead of the Finance & Resources Scrutiny Committee meeting held on 1st February 2022. Given the level of detail provided the Committee are keen to reserve the right for a fuller discussion on the Business Plan and associated documentation at a future meeting.
- 5.2 The Committee are also keen to have details regarding external grants received in relation to the project, the amounts, the purpose, and confirmation of spend. In addition, the Committee **requests** information relating to any potential “clawback” clauses included within grant agreements. The purpose of this is for the Committee to ensure all relevant information is received detailing potential risks and liabilities should the aspirations detailed in the Business Plan not be achieved, and the Council wish to explore alternative options.
- 5.3 The Committee recognises Chester House is a Council flagship project and the Committee want this to succeed and provide full benefit to the public.
- 5.4 In relation to the Chester House presentation to Committee, it was referred to by officers that there was potential for further capital investment on site. This had been budgeted for in the Business Plan and budget projections. The Committee wishes to express its concern that any such capital investment has not been highlighted in the Council’s overall Capital Programme. In addition, the Committee are keen to engage in further discussion regarding opportunities for the Council to reduce its subsidy during the lifetime of the Business Plan should profits exceed the targets set. If this facility proves more profitable than allowed for in income projections, the Committee **recommends** that serious discussions be conducted regarding reducing the Council subsidy during the the timespan of the approved Business Plan

- 5.5 The Committee **requests** that the information received to date, the information requested above, and the end of year budget outturn information (2021/22) be brought to the Committee early in the new financial year for further discussion.
- 5.6 It is noted that there are a number of very good community-based groups involved in housing, provision of services to the homeless etc. Some of these may receive direct Council grant funding. Is the Council making best use of funding and avoiding duplication, and should the Council be doing more to bring these groups together to ensure there is no duplication of effort, with a number of groups chasing the same funding streams.
- 5.7 It is noted that there are a number of excellent projects being undertaken across North Northamptonshire e.g., Destination Nene Valley, Greenway. Many have funded staff. A general query was raised as to how the performance of these projects was measured, and if measured whether this data could be made available to the Committee for consideration.
- 5.8 The Committee is keen to receive an update in the near future regarding the future options for the provision of stores to support NNC housing repairs & maintenance and any evaluation taken of the preferred option. It is recognised that there is still work to be undertaken with regard to the aggregation of Kettering and Corby's housing stock. The Committee **requests** that it receives regular updates on the steps being taken to formulate a single Housing Revenue Account (HRA).
- 5.9 In relation to the HRA, the Committee noted the variance in performance between Kettering and Corby for the turnaround of void properties. It was unclear as to why there was such a divergence in performance. The Committee **requests** a more detailed explanation of this variance.
- 5.10 The Committee acknowledge that Right to Buy receipts are time-limited with recent Government changes to the period over which they can be retained/spent. The Committee were satisfied that there were no risks of funding being removed during the financial year.
- 5.11 The Northamptonshire Local Government Pensions Committee have received reports of relating to the Covid pandemic and its future pensions liability, including the political impact on pensions of long-Covid. The Committee **requests** to know whether any assessment based on these reports and other material has been considered when forecasting the likely impact on future budgets for Adult and Children's services.
- 5.12 The Council is looking to create its own Public Health service; this is welcomed. The Committee would request that further financial information is provided regarding the result of this disaggregation, so the costs/savings associated with this can be scrutinised.

6. Enabling and Support Services Directorate

- 6.1 During discussions, officers confirmed that dedicated scrutiny-officer support would be made available from 2022/23. The Committee **requests** a timeline for the introduction of this dedicated support.
- 6.2 Reference was also made in discussion, regarding a dedicated scrutiny budget. The Committee **requests** that, in conjunction with the Scrutiny Commission, a discussion is held early in 2022/23 with regard to the exact budget available and some discussion regarding the allocation of this to support the work programme of both bodies.

7. Capital Programme

- 7.1 It was clear that the capital programme put forward by the Executive in several areas was aspirational and in these and other areas there was no proposed programme to spend any monies in 2022/23.
- 7.2 The Committee **recommends** that only those areas which can be developed next year should be shown and those for future spend could be identified accordingly.
- 7.3 The Committee have concern that the proposed allocation for Void Repairs & Improvements of £300k is too low. Given the number of voids that arise and the need to ensure void properties are brought back into use as quickly as possible, the Committee **requests** clarification from the Executive if they feel that £300k is sufficient.
- 7.4 With reference to the Community Equipment (Adults) allocation of £1,840k, the Committee **requests** clarification as to how this significant amount has been collated, with a view to understanding what this amount is required to cover.

8. Conclusion

- 8.1 The Committee wishes to express its thanks to scrutiny members, officers and executive members for their time and assistance during this Budget Scrutiny exercise. As stated in the introduction this has been the first such exercise for many of the participants, and the Committee will seek to conduct a debrief exercise to identify any learning points for future years.
- 8.2 It is further recognised that it is intended for 2022/2023 for the Scrutiny Commission and the Finance & Resources Scrutiny Committee to have dedicated scrutiny officer support; this is welcomed.
- 8.3 In addition, it is noted that further training for scrutiny members will be made available, which will enhance the process for future years and ensure scrutiny members have additional skills and expertise to add further value to the budget-setting exercise.