

Overview and Scrutiny Management Committee

Meeting held 10 February 2022

PRESENT: Councillors Denise Fox (Chair), Joe Otten (Deputy Chair), Angela Argenzio, Ian Auckland, Steve Ayriss, Dawn Dale, Mike Levery, Bryan Lodge, Zahira Naz, Martin Phipps and Mick Rooney

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1. APOLOGIES FOR ABSENCE

1.1 An apology for absence was received from Councillor Mark Jones.

2. EXCLUSION OF PUBLIC AND PRESS

2.1 No items were identified where resolutions may be moved to exclude the public and press.

3. DECLARATIONS OF INTEREST

3.1 There were no declarations of interest.

4. MINUTES OF PREVIOUS MEETINGS

4.1 4th November 2021

The minutes of the meeting of the Committee held on 4th November 2021, were approved as a correct record.

4.2 2nd December 2021

The minutes of the meeting of the Committee held on 2nd December 2021, were approved as a correct record.

5. PUBLIC QUESTIONS AND PETITIONS

5.1 Alistair Tice raised questions, and responses were provided as follows:-

- (1) The 2022-23 budget proposals refer to £52.7 million savings schemes which is a huge number but does not specify in its key messages or commentary what these cuts are. What are they? How can £50 million more be cut without a massive cut in already reduced services?

In response, Councillor Cate McDonald (Executive Member for Finance and Resources) stated that a full list of all £52.7m of savings schemes is shown in Appendix 2 to the Budget Book. Whilst the Council was having to reduce the

amount it would like to spend to meet the pressures on its services, this does not mean that expenditure was being cut. In fact, Table 7 shows that the Council's spending actually rises from £420.4m to £440.3m. However, given upwards pressures on spending of £81.7m (as shown in Appendix 1), the Council has had to reduce its budgets by £51.3m to limit the spending increase to what it can afford (i.e. £440.3m). Additionally, in a number of places, including Appendix 2, there is a link to the Council's Budget Implementation Plans (BIPs). These BIPs set out the savings proposals in more detail. The BIPs numbers are quoted in Appendix 2 to make them easier to find in the linked excel document.

- (2) The budget refers to proposals to use £70 million reserves (£30m for 21-22, and £40m for 22-23) and later says if the £52.7 million cuts and the cuts required from the strategic reviews do not happen, the Council "will have to use remaining reserves in a risky and unsustainable manner" in 2023-24. So how much reserves have been identified as available altogether? Where have these reserves come from as they were not referred to on the Council website or by Eugene Walker in correspondence about levels of reserves, only the £12.9 million unearmarked reserves were referred to? And how can such big numbers of reserves be used now when campaigners against cuts have repeatedly been told by Council leaders and officers that reserves couldn't be used to set a No Cuts budget which we were told would be illegal ?

Councillor McDonald stated that the Council has identified that £70m of reserves were available altogether. The Council had a number of reserves, which were generally amounts set aside to meet known future commitments. Of these reserves, only £12.9m was not set aside for specific items (i.e. these reserves are "unearmarked"). However, every year the Council reviewed all its reserves to see if they were all still needed (or indeed if they required increasing as new commitments emerged), and then could use any it does not need. This year, improvements in items such as the financial position of the South Yorkshire Pension Fund (into which the Council pays towards its employees' pensions, as all employers have to) means the Council can reduce some of its reserves. Obviously, if the Council had used these reserves in earlier years (in a more risky manner since we did not then know, for example, that pension fund values would experience a sustained rise), then we could not use them now, and consequently would have to make bigger savings this year. The Council can use its available reserves to smooth spending between years to give it time to deliver savings, but it is legally required (by Central Government) to set a balanced revenue budget each year. Reserves once spent, are gone forever.

- (3) In view of the lack of information on the Council website about the proposed £52.7 million cuts, and the existence of at least £70 million reserves available, wasn't the Council's public consultation a purely tick box exercise about which the public could not make an informed comment due to a lack of transparency about the real state of the Councils finances?

Councillor McDonald stated that the Council had published the state of the Council's finances in both the draft financial statements and the Medium Term Financial Analysis that were considered by the Co-operative Executive in October

2021. A link to the Medium Term Financial Strategy had also been included in the public consultation to make sure that people had simple route to it. The Council's budget monitoring information had also made both local and national trade and non-trade press.

Eugene Walker (Executive Director, Resources) added that the questions raised highlighted the serious problems facing the Council. The improved performance of the South Yorkshire Pension Fund over the last few years had enabled the Council to use more of its reserves, and if such reserves had been used in previous years, the Council would now be in a much more difficult position. In terms of going forward, it was important that officers continued to be prudent, and work closely with Members to set a balanced budget. If a balanced budget was not set, the Government could appoint a Commissioner to set a budget, which could result in severe cuts being made, with no regard to any political or community concern.

6. REVENUE BUDGET 2022-23 AND CAPITAL PROGRAMME 2022-2052

6.1 The Committee received a report of the Executive Director, Resources, attaching the Revenue Budget 2022/23 and Capital Strategy for 2022-52, which were to be considered by the Co-operative Executive at its meeting to be held on 16th February 2022.

6.2 In attendance for this item were Councillor Cate McDonald (Cabinet Member for Finance and Resources), Eugene Walker (Executive Director, Resources), Ryan Keyworth (Director of Finance and Commercial Services), Dave Phillips (Head of Strategic Finance) and Tim Hardie (Head of Commercial and Business Development).

6.3 Revenue Budget 2022/23

6.3.1 The Committee received a report of the Executive Director, Resources, setting out the 2021/22 budget position, the initial budget position for 2022/23, the medium-term financial position up to 2025, the outstanding work still required and the timeline for the budget-setting process.

6.3.2 Ryan Keyworth introduced the report, indicating that the Council was currently facing an overspend of around £30m, which mainly referred to Adult and Children's Social Care. The pressures facing the budget were mainly due to the loss of £20m in Government grants, together with the ongoing impact of the overspend from 2021/22. Mr Keyworth stated that the Council had been forced to use £14.5m reserves to enable it to achieve a balanced budget for 2022/23. He highlighted the serious problems facing the Council in terms of setting a balanced budget for 2023/24, given the level of savings required, specifically in terms of Adult and Children's Social Care.

6.3.3 Members of the Committee raised questions, and the following responses were provided:-

- Budgeting for the Social Care Services was extremely difficult, mainly due to the potentially very high costs of looking after an individual child or adult, and the difficulty in terms of predicting the numbers of such high cost cases, as well as the complexity of their needs. Whilst some authorities were experiencing pressures in either Adults' or Children's Social Care Services, generally they were not experiencing problems with both. A considerable amount of work was being undertaken with both Adults' and Children's Services, with a significant change process having been planned for Adult Social Care, with the aim of redesigning the way the Service was provided. The aim was to ensure that services were provided where required, but the manner in how this was done would be challenged, with a clear objective of maintaining the necessary service standards, but at a lower cost where justified. In terms of Children's Services, work was being undertaken to look at having more in-house provision in order to manage the risk of the high costs, as out of area care can be very expensive, as well as generally not being as beneficial for the child.
- In terms of resilience, the Council was looking at a whole-system approach with regard to Adults' and Children's Social Care. The Council was working with partners, particularly the Health Service, in connection with the improved integration of health and social care, which would result in an improved use of resources, and would benefit the people of Sheffield. With regard to Children's Services, a whole-Council approach had been adopted in terms of looking at the needs of children and young people, including the accommodation needs of care leavers. The Council was facing such problems due to a lack of Government funding in this area.
- The Council would also try and budget sensibly, and would be monitoring next year's social care costs very carefully, which would allow time for any issues of concern to be identified and dealt with. Going forward, the Council was planning to manage within its budget and not rely on reserves which, it had been acknowledged, would be very difficult. There would be a big responsibility on the new Council policy committees, which were to be established in May 2022, in terms of sticking to the budget.
- The Government had made additional funds available for social care, but this was mainly for new activities, and did not make up for the cuts made over the last 10 years. The Council had allocated all Government funding specific to 2021/22, with some grants, where there was more flexibility, being carried forward to 2022/23. The Council had been trying for years to ensure that the Government funding was passed down the supply chain, to frontline workers. Workforce issues in social care, particularly the level of wages, represented a major issue for the Council. The Covid-19 pandemic had made the situation worse, and the Government funding was not sufficient to enable the Council to address this issue, or to achieve its aspirations in terms of the foundation living wage. Social care staff were not adequately rewarded for the excellent work they undertook. The Council was looking at changing the way Adult Social Care was procured in the future, which would provide the Council with an opportunity to target more funding to frontline staff.

- The Council had only received a one-year budget settlement from the Government, which was frustrating as it made it difficult to plan for future years.
- The Council was still relatively financially strong, although if the required savings in 2022/23 were not met, the situation could change. Other local authorities were experiencing similar problems, and as a result of a lack of adequate reserves, some authorities were having to undergo mass staff redundancy exercises following the pandemic.
- One of the strategic reviews the Council planned to undertake this year related to the customer experience.
- A strategic review was also planned in respect of the Council's Depot Strategy. There were a number of depots around the city, and the review would look at their number and location. There was also a lot of work required in terms of backlog maintenance on the depots.
- The Council would be reviewing its cleaning and catering provision in order to identify where savings could be made. It was likely that there would be an increase in the costs for the catering provision.
- The main reason for the planned increase in capital financing was due to an increase in the minimum revenue provision (this provision was a statutory annual charge towards the cost of repaying borrowing), in relation to newly constructed assets, such as the Heart of the City. These costs were offset by the rents receivable from the new buildings.
- The Council had a long-term borrowing strategy and managed its cash position. There was a clear difference between its cash and revenue positions. At present, the Council was relatively high in cash balances, but its financial position was based on the statutory requirement to balance its revenue position, rather than its cash position. Whilst the Council can borrow cash to fund capital spending, it was not able to borrow to fund its revenue budget. The Council's current cash position means that it has not needed to borrow as much, but has been able to use its internal cash reserves to fund some of its capital spend, as opposed to borrowing, hence the reference to "under borrowing" in the report. The Council therefore used some of its cash reserves first as opposed to borrowing and having to pay interest charges. These charges would be higher than the interest it would receive if it retained higher cash balances.
- In respect of funding for pay rises, there was both a cost of pay increments and cost of living rise. The Council had operated by requiring the respective Portfolios to fund the cost of living rise, whereas the Council, corporately, had funded the cost of increments.
- The Council considered itself to be in a relatively strong financial position to enable it to deal with the problems facing the Adult and Children's Social Care Services. The Council had more reserves than many other local

authorities to deal with these issues. Whilst they were only one-off reserves, they provided the Council with a bit more time to deal with the issues in a prudent manner. The Directors of Adult Social Care and the Children and Families Services were currently looking at how they could deliver the required budget savings and, as part of this process, would look at how other local authorities, who had already been through this process, had done this. Specific work would be undertaken to look at how savings could be made in the Early Intervention Service, without reducing the level of service provided.

- In terms of the major sporting facilities, the Council's reserves deal with the timing of the expenditure it needed to make on the facilities' debt, and would help with the transition of the facilities from Sheffield City Trust. The Council was currently working closely with the Trust on a clear business plan and financial settlement that would see the Council through to the end of the present arrangements, in 2024. The Council was satisfied with the current position regarding this issue.

6.4 Capital Strategy 2022-2052

6.4.1 Tim Hardie introduced the Capital Strategy 2022-2052, referring to the strategic priorities for 2022/23, together with the longer-term priorities up to 2052.

6.4.2 Members of the Committee raised questions, and the following responses were provided:-

- In addition to the schemes set out in the Strategy, officers were also undertaking investment pipeline planning work regarding the district heating system, and also talking to the Sheffield City Region on how the Council could access the funding coming through that organisation. Details of some of this work were set out in the Council's 10-Point Plan for Climate Change Action.
- It was acknowledged that there was more ambition in terms of the Capital Strategy than funding to enable the delivery of all the projects. It was important that the Council had a clear vision in terms of what it wanted regarding capital projects, as this would make it more viable to be able to obtain the funding required. The 30-year Strategy had been requested by the Chartered Institute of Public Finance and Accountancy (CIPFA) to help local authorities demonstrate that they had a prudent approach to their budgetary process. The Council had a good record in terms of investing in the city, such as the heart of the city project.
- As part of the investment pipeline work, a lot of work was being carried out with Homes England, which was also engaging social landlords, and proposals following this work would be shortly submitted to Members.
- The Council had suffered cuts of up to £225m per annum in Government funding from 2010 to 2020. The figure currently stood at around £180m due to some funding increases during the pandemic. A cumulative figure of £3b had been quoted in terms of a reduction in Government funding to the city

since 2010.

- There had been a considerable amount of pressure on the Council in terms of its finances over the last few years, which had been exacerbated by the Covid-19 pandemic. It was considered that the Council would not be in its current position without being so well-run, in terms of its prudence.
- Whilst there was still a considerable amount of work to be done, having good levels of reserves had enabled the Council to proceed carefully.

6.5 RESOLVED: That the Committee:-

- (a) notes the contents of the report of the Executive Director, Resources, now submitted, on the Revenue Budget 2022/23 and Capital Strategy 2022 to 2052, together with the comments now made and the responses provided to the questions raised;
- (b) expresses its thanks and appreciation to all those Council officers and Members involved in the budget-setting process for the excellent work undertaken by them in achieving a balanced budget, particularly in such difficult circumstances;
- (c) places on record its thanks and appreciation for the excellent work undertaken by Dave Phillips (Head of Strategic Finance), who was retiring from the Council in March 2022 after seven years' service, in connection with the Council budget; and
- (d) recommends that the report of the Executive Director, Resources, on the Revenue Budget 2022/23 and Capital Strategy 2022 to 2052 be approved by the Co-operative Executive without amendment.

7. DRAFT WORK PROGRAMME 2021/22

- 7.1 RESOLVED: That the Committee approves the report submitted by the Policy and Improvement Officer (Deborah Glen), setting out its draft Work Programme for 2021/22.

8. DATE OF NEXT MEETING

- 8.1 It was noted that (a) an additional meeting of the Committee would be held on Thursday, 24th February, 2022, at 10.00 am and (b) the next scheduled meeting of the Committee would be held on Thursday, 17th March, 2022, at 1.00 pm, in the Town Hall.

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