

Resources and Equality Scrutiny Panel

Minutes - 7 December 2023

Attendance

Members of the Resources and Equality Scrutiny Panel

Cllr John Reynolds (Chair)
Cllr Zee Russell
Cllr Greg Brackenridge
Cllr Qaiser Azeem
Cllr Ciaran Brackenridge
Cllr Sohail Khan (Vice-Chair)
Cllr Lamina Lloyd
Cllr Alan Butt
Cllr Paul Singh

Attendees

Cllr Louise Miles – Cabinet Member for Resources

Employees

David Pattison – Chief Operating Officer
Claire Nye – Director of Finance
James Howse – Interim Director of Finance
Charlotte Johns – Director of Strategy
Luke Dabin-Williams – Finance Business Partner
Stephen Morgan – Corporate Analytics Manager
Lee Booker – Scrutiny Officer

Part 1 – items open to the press and public

Item No. *Title*

- 1 **Apologies & Substitutions**
Apologies were received from Cllr Susan Roberts and Cllr Ellis Turrell. Cllr Paul Singh substituted for Cllr Ellis Turrell.
- 2 **Declarations of interest**
There were no declarations of interest from the Panel or Officers.
- 3 **Minutes of previous meeting**
The minutes for the Resources and Equality Scrutiny Panel which occurred on the 12th October 2023 were approved as a true and correct record.

4 **Budget Performance & Update**

The Director of Finance began the presentation (a copy is attached to the signed minutes) and informed the Panel that when Full Council approved the 2023-2024 budget on 1 March 2023 the Council had a forecasted budget deficit of £16.4 million in 2024-2025 rising to £23.1 million across 2025-2026. Work had been undertaken by the Council to reduce the deficit, with the budget update to Cabinet in October, projecting the deficit to be in the region of £2.6 million for 2024-2025, but that current MTFS efficiency targets and future efficiency assumptions to be identified for 2024-2025 meant the total gap was currently £9.4 million. Work was still being undertaken to further reduce the deficit and create a balanced budget for the future with the current budget deficit rising to over £20 million for 2025-2026. Economic uncertainties were: future funding, inflationary pressures, demand for services, future pay awards.

The Corporate Analytics Manager informed the Panel that sickness rates had increased to 3.23% in quarter 2, and that this did not include COVID sick absence. Mental health issues, musculoskeletal and operations were the top 3 recorded reasons for workplace absence. Employees had access to mental health support via the employee assistance programme. Staff turnover had increased, the Council were operating a post-job change interview scheme to find out more about the reasons why staff were leaving the City of Wolverhampton Council as an employer and would have data in the future. As of 2023/2024, customer service call waiting times were lower than historic trends.

The Director of Finance expanded on risks, citing key areas for the Panel to note. There was increasing demand for temporary and supported living accommodation, which was caused by a multitude of factors, most common being an impact of the cost of living contributing to people becoming homeless, or landlords evicting people in the private sector. The Council was responding by looking into preventative measures available, such as taking back into ownership more properties to allow for temporary accommodation allocation. The Council were mitigating inflationary pressures on planned and reactive building maintenance by reducing overall activity in this area. There were on going and increasing cyber security risks. The energy market was volatile and this was a risk for central Council services cost wise. Further risks were listed on the presentation document.

The Vice Chair wanted to know why COVID illness cases were not included in the sick leave statistics and wanted to understand how they impacted the figures.

The Corporate Analytics Manager stated that COVID was not recorded in Agresso anymore, he explained that people who were off with COVID were recorded as part of the overall sickness statistics, but not separated anymore as they had been in previous times.

The Chair and Vice Chair sought further clarification in reference to the wording within the slides.

The Chief Operating Officer stated that the wording of the slides would need to be changed going forward. He confirmed what the Corporate Analytics Manager said was correct.

The Chair stated it would be worthwhile looking at the stats and strategy for those suffering from long-covid.

A Panel member said the exit interviews were not very in depth and she felt they needed to have more challenging interviews to get a stronger sense of why staff leave. She wanted to know why people were not wanting to work in the local authority.

The Chief Operating Officer stated that the City of Wolverhampton's turn over and retention rates were good in comparison to other local authorities. He said studies done by the government showed that all local authorities were challenged by staff retention. He said in certain professional areas within local authorities, such as legal with lawyers, it was hard to employ those professionals directly. He said that the City of Wolverhampton was responding to this by taking a "growing our own" approach, where resources and time were being put into training and developing staff. He said the Council's Equality, Diversity & Inclusion strategy was also aimed at making the workplace better for employees and was considerably advanced compared to some Councils. He said exit interviews were showing that in most cases colleagues who were head hunted for work which offered a promotion on their current role, this showed that Wolverhampton had some challenges around progression points past certain levels.

The Councillor replied stating she believed an anonymous survey should be done to allow for more honest feedback from staff currently working in the Council. She also asked if more apprenticeships could be opened up further across the Council.

The Chief Operating Officer stated that the Council had apprenticeships across the board, with 48 currently on going. He said the Council had found thus far that most apprentices continued working within the City of Wolverhampton Council upon completion of their apprenticeship. He also stated that 45% of apprenticeships were from a non-white background which was contributing towards the increasing diversity of the employee make up at the Council. He stated that exit interviews were done in person to get the conversation flowing but they could be done anonymously throughout Human Resources services. He also said the those employees leaving could ask to do their exit interview with someone from a different service, which meant they'd be speaking to someone who did not know them and was not within the department they had been working for.

The Cabinet Member for Resources added that a number of the Council's apprentices had won regional and national awards.

A Panel member stated that he was pleased to hear the level of opportunities and

staff development within the Council. He also said that if staff were being head hunted by other Local Authorities or businesses, it showed the City of Wolverhampton Council produced excellent professionals. He stated he felt it was good the Council had looked at and prepared for further pay rises, however, he asked if they had modelled higher than 2 or 3% and if they had looked at 6% to ensure all eventualities were prepared for.

The Director of Finance stated that it wasn't possible at this stage to know what pay offer would be asked for and what would be negotiated nationally. She said the situation was under constant review and that they did look at various outcomes when doing economic forecasting.

A Councillor referred to the increase in demand for temporary and supported living accommodations. He said this was most sharply seen in the private sector as a driver for increased homelessness. He wanted to know if the Council was prepared for further increases in demand in this area.

The Director of Strategy replied that they were seeing increased demand, driven by a variety of reasons, from evictions through to family breakdown and that this was an issue being seen across the country. She said they were supporting people with the resources they had but that she would flag it with the Directors for further consideration. She said an item was coming to the Climate Change, Housing and Communities Scrutiny Panel in the future.

There was discussion between Panel members about reported rent increases from residents and financial support available.

A Panel member stated she saw support offered for Mental Health issues with the Employee Assistance scheme but wanted to know what support was available for the other major contributor to staff sickness; Musculoskeletal (MSK).

The Chief Operating Officer explained that the Council followed the requirements and guidance of Health and Safety law which included workplace risk assessments and the various equipment offered for this. He said the Council also provided and paid for physiotherapy for staff when medically required. He also stated that the new hybrid working format, with home based working, offered a great variety of options for staff and this had contributed to a reduction in the number of MSK in the workplace.

The Councillor thanked the Chief Operating Officer for his answer. She enquired about budget deficit forecasts. She wanted to know if there was comparative data available of what the previous year's forecast was compared to the reality of what the years actual deficit ending up being, to get an idea of accuracy.

The Director of Finance stated they had a robust approach which was often correct, however, with the limited information available they were not always able to predict everything and she cited pressures in children's services as an area which they had not foreseen. She stated that often they were fairly accurate.

The Cabinet Member for Resources stated that because Councils were only funded for a year at a time, it made it difficult for planning purposes, which was why they had become reliant on forecasting.

There was general discussion around 1 year settlements and the uncertainty they cause Local Authorities between the Panel and Officers.

The Vice Chair stated that reinforced autoclaved aerated concrete (RACC) was listed on the strategic risk register and wanted to know what impact this was having on budgets.

The Chief Operating Officer said this was an on national issue which was why they had ensured it was covered. However, he stated Wolverhampton was in a better position than the rest of the country, they had already began work prior to the 2023 RACC scandal and most of the RACC had been removed from City of Wolverhampton properties. Their schools were not impacted by it. There were a few areas with small amounts, but none of these had risks associated with them at this time.

The report was accepted by the Panel.

5 Reserves

The interim Director of Finance summarised the definition of what reserves were: resources which had been set aside by the Council in previous financial years. They Council held earmarked reserves and general fund reserves. As part of its reserves strategy, the Council's earmarked reserves were held for – managing risk, investment reserves, smoothing reserves, restricted reserves. On page 42 of the agenda pack, there were useable and unusable reserves. Useable funds were used to fund one off commitments, unusable reserves were designed to contribute to technical administrative funding. Capital reserves were for major repairs (Housing and Revenue Account specific), a capital receipts reserve was designed to ringfence between revenue and capital. This was to ensure capital assets sold were only allowed to fund capital purposes. The interim Director of Finance displayed a number of graphs displaying financial figures relating to the reserves strategy in the presentation (a copy of the presentation is attached to the signed minutes). The General Fund Balance Reserve was £15.3 million and was designed to maintain corporate contingency by cushioning the impact of unexpected events and emergencies. The interim Director of Finance thought the figure of £15.3 million should be considered a minimum level and not the target, he hoped the Council would continue to grow its General Fund Balance Reserve.

The Chair queried the graph and stated that the total useable earmarked reserves as of 1st April 2023 was £49,073,000, the approved commitments were £26,500,000, leaving a balance of £22,000,000. He believed according to the data provided that the Council was going to be spending around £23,000,000 which he wanted noting. He also noted with concern the smoothing reserve, which was designed to deal with costs and then smooth back out over time. This reserve was not indicating signs of returning to a reasonable level and was in a state of decline, he cited that across 2 years this fund had decreased from £18,000,000 to £1,000,000. He believed a

strategy was needed to get the smoothing fund back on track.

The interim Director of Finance cited page 52 of the agenda pack and highlighted the future years strategy reserve which was £11,000,000, he said some of the pressures from the previous year were built into this figure.

The Director of Finance stated that the previous year they had anticipated an underspend in the budget and that money was to be used to smooth out money for the current financial year and mitigate the on-going financial pressures the Council faces. The October report identified potentially £3.2 million left over to use the following financial year. She stated that the presentation of the graph was not clear enough when viewed with hindsight and stated that some of the money would be stretched across into the following financial year. She stated that there was no underspend predicted for the current financial year and stated that the Chair was correct in reference to the smoothing reserve fund; once the money was gone, it was gone.

A Councillor stated he could see the reserves were all being spent considerably and wanted to know what the Council could do to build its reserve funds back up. He also wanted to know how the City of Wolverhampton Council's reserve funds compared to other neighbouring Local Authority reserves.

The interim Director of Finance stated that rebuilding reserve funds was critical and fell to the Section 151 officer to deal with. He said it was the statutory duty of the role of the Section 151 to deal with the reserves and that when the budget was presented to Council, the Council had a statutory requirement to give a view and set the budget. He said that the legal framework inbuilt into the Council ensured that the reserves were under constant review and given attention so that they were maintained. He said maintaining a 5% reserve budget was a minimum and said Councillors faced tough decisions in the future budget setting to maintain that figure in reserves. He said part of his team's job was to advise the Councillors about the budget. He stated that data showed the City of Wolverhampton Council's reserves fared as low in comparison to neighbouring Local Authority areas. He stated that reserves were not to be considered as a means to avoid poor budgeting. He pointed to Nottingham City Council as an example of a Council who a few years ago had high reserves but who had still recently declared bankruptcy. He said the benefit of reserves was mitigating risks, especially unknown risks which may appear for a Council to deal with.

There was general discussion by Officers and the Cabinet Member for Resources about the house hold analogy for budgeting and savings with a consensus around the challenges all Councils were currently facing with their finances in the context of the national economic downturn and high inflation.

The Chair took the Panel through Appendix 2 and commented on the School Arts Service Reserve fund. He said as the figure was only £3000, it was unlikely anyone was ever going to apply to use it and unlikely the Council would do a campaign around it. He felt that The Council should consider spending it or re-allocating it to another part of the budget and recommended this course of action. The Chair also recommended an explanation as to what the entirety of the Future Years Budget Strategy Reserve fund was spent on. The Chair commented on the Building Reserve Fund and felt that £4000 would not cover much. He felt this money should be moved

elsewhere and combined with another fund. The Chair commented that the Education Notices (penalty enforcement) Regulations 2007 fund was pointless as parents who wanted to take children out on holiday during school terms would do it regardless of fines and wanted to know if this fund was frozen or if it could be utilised elsewhere.

The Director of Finance said these reserves were restricted in their use for the criteria set out.

The Chair commented that just over £1,000,000 of the Licensing Reserve fund had been spent this year and wanted to know if anyone knew what it had been spent on.

The Finance Business Partner stated that it had been deemed that the reserve level in that fund was too high. They had used the money to lower Licensing charges for the time being.

A Panel member stated that the fund had built up because the Council was very good at processing Licenses for drivers. He felt it was relevant to look at how they could better use the reserve fund money to further improve the service.

The Chief Operating Officer stated that they had to accept all license applications received, providing they were fit and proper. He stated they were currently reviewing the service and that their priority was protecting the public.

A Councillor stated that some of the Licensing Reserve fund had been spent on improving technology such as an upgrade to license plate recognition.

A member of the Panel asked if some of the fund could be spent or transferred elsewhere.

The Chief Operating Officer said the funds were legally very tight and therefore restricted to specific uses.

The Chair asked the Director of Strategy to provide a short briefing note on this topic to the Panel members. He also commented that he would like to know in the future what the forecast balance for the Highway Management Reserve was going to be spent on. The Chair also wanted it noting that he wanted the Art Fund looking at so it could be considered what the money could be used for rather than leaving it sitting dormant. He suggested donating it to a charity which would benefit the local arts. He said the extremely small fund of £127 for the Grand Theatre Loop should be used rather than it sit dormant and be repeatedly flagged in reports.

A Councillor referred to page 42 in Appendix 2 and specified the Capital Grants unapplied Account. She wanted to know how much money was in there and why it wasn't being used.

The interim Director of Finance said he would be able to email the precise number of the funds outside of the meeting to the Panel. He said the account was a product of timing issues and the money was built into future Capital Grants.

The interim Director of Finance stated that the purpose of the report was to provide an update on the mid-year 2023-2024 Treasury Management activities for the General Fund and the Housing Revenue Account (HRA). He summarised the definition of treasury management to the Panel. However, as these were regular reports the Panel received, he moved on to the newer and more relevant information. He informed the Panel that the Council had operated within its prudential and treasury indicators. No new borrowing had been undertaken since March 2019. The level of borrowing as of September 30 2023 was £703.2 million. During quarter 2 (July – September) no loans were repaid. He then discussed Lender Option Borrower Loans (LOBOs), of which the Council had taken out 9 as of March 2023. These were a specific type of loan wherein the lender can “call in” the loan at any time, which means they could change the conditions of the loan such as interest rates. In such a scenario, the Council had two options: Accept the new terms or pay the loan off in full with no penalties. In October 2023, one of these loans were called in by the lender, to which the Council chose to repay back in full. He displayed the out-turn position 2023 – 2024 General Fund and HRA, informing the Panel that the variance was in the positive relative to approved budget and the forecast budget.

The Chair asked the interim Director of Finance to circulate to the Panel (subject to legal sensitivity) the contents of the 8 remaining LOBOs so that they could look at the risk levels facing the Council should a number be called in closely together.

The Chair and the Panel extended their thanks and well wishes to the Director of Finance for her hard work in the Council over the years.