



Minutes of the Cabinet

**Thursday 11th January, 2024 at 5.00pm
in Committee Room 2 at the Council House,
Priory Road, Dudley**

Present:

Cabinet Members

Councillor P Harley (Leader - Chair)

Councillor P Bradley (Deputy Leader – Vice-Chair)

Councillors P Atkins, I Bevan, R Buttery, D Corfield, S Clark, Dr R Clinton and M Rogers.

Opposition Group Members Nominated to attend the Cabinet

Labour Group - Councillors S Ali, A Aston, J Cowell, J Foster, P Lowe and S Ridney.

Independent Group – Councillors S Keasey and M Westwood.

Officers

B Heran (Deputy Chief Executive), M Abu Affan (Director of Public Health and Wellbeing), M Bowsher (Director of Adult Social Care), C Driscoll (Director of Children's Services), H Martin (Director of Regeneration and Enterprise), N McGurk (Acting Service Director - Neighbourhood Delivery), I Newman (Director of Finance and Legal), H Mills (Senior Democratic Services Officer) together with other officers.

External Auditor

A Smith – Grant Thornton (for Agenda item no. 4)

Observers

Councillors R Collins, D Harley, I Kettle, E Lawrence and R Priest.



52 **Apologies for Absence**

Apologies for absence from the meeting were submitted on behalf of Councillors L Taylor-Childs and P Sahota.

53 **Declarations of Interest**

No interests were declared in accordance with the Members' Code of Conduct.

54 **Medium Term Financial Strategy**

The Cabinet considered a joint report of the Deputy Chief Executive and the Director of Finance and Legal on the latest General Fund revenue position for 2023/24 and provisional Medium Term Financial Strategy (MTFS) to 2026/27, together with a supplementary report of the Director of Finance and Legal in respect of the MTFS and Pens Meadow School.

Councillor S Clark (Cabinet Member for Finance, Legal and Human Resources) presented the report and in doing so referred to the financial position of the Council and the potential risk of a Section 114 notice being issued by the Director of Finance and Legal within the next 12-month period. The unprecedented pressures associated with social care, a history of Dudley being a low Council Tax Authority and ongoing inflation rises were all considered to be contributing factors to the Council's financial situation and a common theme across all authorities in the Country. It was considered that the financial settlement provided by Government did not keep pace with the rising costs, which resulted in the Council being expected to use their own reserves. Whilst regrettable, it was considered necessary to impose additional charges, such as charging for green waste collections, and to look to reduce the total operating model of the Council to make savings. It was further reported that the Council had approached central government for exceptional financial support.

In referring to paragraphs 4 and 15 of the report in relation to the building of a new Pens Meadow School to replace the current split site provision, it was stated that the Cabinet was requested to consider whether or not to approve a specific override to the spending controls or to defer the Pens Meadow School project. Advice was set out in the supplementary report of the Director of Finance and Legal.

Following the presentation, whilst acknowledging the Council's financial position and advice of the Director of Finance and Legal, the Leader expressed his support for the Pens Meadow Project to continue as it was considered that the current school facilities were not suitable or fit for purpose. Whilst he recognised that the project would require funding now, he reported that it would ultimately reduce spending in future years. It was reported that the cost for a high needs child to attend Pens Meadow School was in the region of £31,000 per year, whereas for a child to attend a provision in the private sector would cost between £60,000 and £90,000.

Councillor R Buttery (Cabinet Member for Children's Services and Education) supported the comments made by the Leader and stated that plans to redevelop Pens Meadow had been under consideration for a significant period of time, during which no repairs or improvements had been made for that length of time. Whilst the teaching and care of children at the school was recognised to be outstanding, the facilities were considered inadequate, located on two separate sites which caused difficulties for both pupils and staff and therefore Members were urged to support the continuation of the project.

The Opposition Spokesperson for Finance and Digital (Councillor S Ali), referred to the dire and perilous financial position of the Council which, in his view, was as a result of a reduction in central government funding since 2010/11 and a systematic decimation of Dudley's funding of services and mismanagement by the administration. The use of financial reserves to meet shortfalls was referred to, together with previous years' budgets not being delivered, on which concerns had previously been raised by Members and the external auditors. Clarification on the impact of the spending control measures, the services affected, what savings had been made and whether a legal budget would be set for the 2024/25 financial year was requested.

In responding to questions raised, Councillor S Clark advised that the first phase of spending controls implemented had focussed on staffing and agency, which forecasted an improvement of £1.5 million and that a legal budget would be set for this financial year.

The Leader of the Council concurred with comments made with regard to the disappointing settlement in comparison to previous years and expressed concern about the settlement being received on the last working day of the calendar year. This inevitably caused difficulties when trying to resolve discrepancies. Representations would continue to be made to local Members of Parliament for the settlement to be delivered at the same time as the Chancellor's autumn statement.

The Leader commended the Children's Services Directorate on their efforts to reduce spend with regard to children in care, equating to £19 million, however recognised that this was still not enough and more needed to be done to drive down cost for both adults and children's social care. Whilst it was acknowledged that the Council worked closely with NHS partners, the relationship between the NHS and Local Authorities needed to improve to ensure services operated efficiently and effectively.

Councillor P Lowe (Opposition Group Leader), on behalf of the Labour Group, acknowledged the difficulties the Cabinet had in establishing a legal budget and asked for clarification on what had changed since 5th December, 2023, when it was reported that it was hoped that services would not be cut and that the Council would not be bankrupt or issuing a Section 114; how confident was the Local Authority that any requests to the Government for exceptional financial funding would be agreed and whether the proposed budget was considered 'barely legal'.

In responding to questions, Councillor S Clark advised that comments made on 5th December, 2023 had been made prior to confirmation of the settlement, which once received had been less than expected and initially forecasted. He expressed disappointment in terms of the settlement, however, remained confident that a legal budget would be set for the 2024/25 financial year. It was reported that the overspend had been for various reasons which included an increase in costs of adult and children's social care and the increase of wages to bring up to a minimum level, which had impacted on the Council's depleted and low reserves. Government support to continue to finance adult social care was required.

The Leader, Cabinet Member for Finance, Legal and Human Resources and the Director of Finance and Legal (Section 151 Officer) responded to questions from Councillor S Keasey regarding how the Council had lost control of the budget; did the 2023/24 budget remain legal following the changes made in July 2023; could a guarantee be provided that community funding would not be cut; was there any evidence to support the decision to continue with the Pens Meadow Project irrespective of the Section 151 Officer's professional advice and would this impact upon future working relationships and would Councillor allowances be reviewed, together with the introduction of car parking charges.

The Cabinet Member for Finance, Legal and Human Resources advised that decisions needed to be made now to prevent a Section 114 notice being issued. It was acknowledged that the Council's current financial situation was perilous and difficult decisions would need to be made. The impact of the increase in costs in respect of adult social care and children's

social care were reiterated and the way in which the NHS and the Local Authority worked together needed to be addressed by the Government as a matter of urgency.

In referring to the Pens Meadow Project, the Director of Finance and Legal stated that his advice was based on financial fact in that to build a school would incur debt charges during a period when the Council was at risk of issuing a Section 114 Notice. The potential for savings would be in future years and did not impact the immediate financial issue, therefore the advice provided was in spite of any potential future benefits. Resources at year end were forecast to be sufficient to set a legal budget at this time, but by an uncomfortably small margin. Forecasts would be reviewed on a week to week, month to month basis to assess whether a Section 114 Notice would be required.

Resolved

- (1) That the forecast General Fund revenue outturn position for 2023/24 and the effect on General Balances at 31st March, 2024, be noted.
 - (2) That the progress with delivery of savings as set out in Appendix B in the report, be noted.
 - (3) That the actions of the External Auditors as outlined in paragraph 12 of the report submitted, be noted.
 - (4) That the various risks and issues which will need to be taken into account in finalising budget proposals for 2024/25 and the Medium-Term Financial Strategy, be noted.
 - (5) That, following consideration of the benefits and risks as set out in paragraph 15 of the report and the supplementary report of the Director of Finance and Legal, an override of the spending controls in order to allow the project to replace Pens Meadow School to proceed, be approved.
 - (6) That the preliminary financial strategy, as outlined in the report, as a basis for scrutiny and consultation, be approved.
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55 **Grant Thornton Auditor's Annual Report**

A report of the Director of Finance and Legal was submitted on the Grant Thornton draft Auditor's Annual Report (AAR) combined for 2021-2022 and 2022-2023.

A Smith (External Auditor) attended the meeting and presented the report, and in doing so advised that the report had previously been considered by the Audit and Standards Committee on 18th December, 2023. Three areas were assessed as part of their work which related to financial sustainability, governance and the arrangements in place by the Council to improve economy, efficiency and effectiveness.

Significant weaknesses had been identified in the Council's arrangements in relation to financial sustainability, governance and improving economy, efficiency and effectiveness. In addressing these concerns, four key recommendations had been made including those relating to the Council's financial position and the need to replenish reserves and rebuild them to become financially resilient moving forward. A reset in relationships between Officers and Members was also recommended to help restore trust and respect, and a further recommendation related to the Council settling the requirements of the Regulatory Notice issued by the Regulator of Social Housing with respect to the identification of a failure to meet minimum service standards.

With reference to the previous agenda item in relation to the 2024/25 budget, concerns were raised with regard to the continued use of reserves and the Council's current financial position and therefore consideration would now be given to issuing a statutory recommendation in advance of the budget setting, which would request the Council to identify a minimum of an additional £2.5 million worth of savings and preferably more so as to create a contingency that could be used and deployed to address any in-year pressures that may arise.

The Leader and the External Auditor responded to questions from Members of the Opposition Groups regarding how audits were conducted; who was responsible for the poor Member and Officer relationships and was pressure being placed on Officers by Councillors; and why action had not be taken by the Cabinet when the Auditor's report had first been presented in July 2023.

The Leader assured Members that measures had been put in place and work was ongoing to address the recommendations, however these issues were not a quick fix and would take time to implement. The Improvement Board was now established and had been tasked to look at the total operating model to produce savings. Updates would be provided to the Cabinet and Shadow Cabinet accordingly.

Resolved

That the Auditor's Annual Report (AAR) and the management actions, as detailed in the draft AAR attached as Appendix 1 to the report submitted, be received and supported.

56 **Issues arising from Overview and Scrutiny Committee and Select Committees**

No issues were raised under this agenda item.

57 **Questions from Members to the Leader (Cabinet Procedure Rule 2.5)**

No questions were raised under this agenda item.

The meeting ended at 6.08pm

LEADER OF THE COUNCIL