



BUDGET SCRUTINY PANEL

This meeting will be recorded and the sound recording subsequently made available via the Council's website: [charnwood.gov.uk/pages/committees](https://www.charnwood.gov.uk/pages/committees)

Please also note that under the Openness of Local Government Bodies Regulations 2014 that other people may film, record, tweet or blog from this meeting. The use of any images or sound recordings is not under the Council's control.

To: Councillors Miah, Parsons, Seaton, Charles (Chair) and Popley (For attention)

All other members of the Council
(For information)

You are requested to attend the meeting of the Budget Scrutiny Panel to be held in Committee Room 2, at the Council Offices, Southfields, Loughborough on Wednesday, 4th January 2023 at 6.00 pm for the following business.

Chief Executive

Southfields
Loughborough

21st December 2022

AGENDA SUPPLEMENT

8. BUDGET SCRUTINY PANEL DRAFT REPORT 3 - 16

To allow the panel to review and agree the Budget Scrutiny Panel draft report.

DRAFT REPORT OF THE BUDGET SCRUTINY PANEL – 2023/24 DRAFT BUDGET

Foreword by Councillor Charles, Chair of the Panel

There have been a number of unprecedented events in recent years which have made a significant impact locally, nationally and globally. The Council has risen to each challenge, continuing to maintain services across the borough and support customers wherever possible. Over time, financial pressures on the council have got stronger and it is becoming increasingly difficult to provide the level of service expected by our customers. The Covid-19 Pandemic, the steady reduction in government funding, the war in Ukraine and the current cost-of-living crisis have contributed towards increasing financial challenges.

The Council has been proactive in identifying ways to make efficiency savings, making processes more streamlined and using digital transformation where appropriate. In addition, the Council's commercialisation portfolio has grown and is currently generating around £1.5m annually. Maintaining the current level of service provision across the Council is, however, likely to prove difficult in the coming years, as the Council makes necessary adjustments to achieve financial sustainability.

The Budget Scrutiny Panel have thoroughly scrutinised the draft budget and highlighted a number of observations to put forward to Cabinet. This scrutiny has helped to ensure the Council's funds are used in the most efficient and productive ways and that the residents of the Borough receive value for money and assurance that the Council is using its limited financial resources wisely.

1. Background

Following a decision of the Scrutiny Commission at its meeting on 12th September 2022, a Budget Scrutiny Panel has undertaken scrutiny of the Council's draft budget for 2023/24.

2. Panel Membership

Councillors Charles (Chair), Miah, Parsons, Popley, Seaton

3. Meetings and Matters Considered

31st October 2022

At this meeting, the Panel considered:

- A draft Terms of Reference and a meeting plan

- A presentation on the financial position of the Council
- The approach to 2023/24 budget setting

13th December 2022

At this meeting, the Panel considered:

- The draft budget 2023/24
- Possible Budget Scrutiny Panel Recommendations
- Identification of Lead Members/Directors/Heads of Service to attend final meeting

4th January 2023

At this meeting, the Panel considered:

- An update on the financial settlement from government
- A review of Specific Budget Elements
- The draft panel report

The detail of the discussion at the above meetings is set out in the minutes of those meetings, attached as **appendices** to this report.

4. Officers and Cabinet Lead Members

The Panel was assisted in its scrutiny of the Council's draft budget for 2023/24 by:

The Lead Member for Finance and Property Services
The Lead Member for Investment
The Lead Member for Private Housing
The Lead Member for Public Housing
The Director of Finance, Governance and Contracts (S151)
The Director of Housing and Wellbeing
The Director of Commercial and Economic Development
The Head of Finance
Democratic Services Officer

5. Recommendations -

No formal recommendations were made by the panel.

6. Observations

The Panel wishes to make the following observations in respect of future budgets and budget scrutiny:

- (i) Capital funding would be better spent on site acquisitions, rather than construction. Construction costs were increasing significantly and would reduce in effectiveness for any given level of spend. Site acquisitions would be more likely to appreciate in value.
- (ii) The Commercialisation reserve did not have specific governance arrangements and officers should ensure the funds were used for the intended purpose of covering vacant commercial properties and for any renovations required to properties in the commercialisation portfolio.
- (iii) The Council had a growing structural deficit and some of the Council's funding streams (such as the commercialisation income and income generated by increased interest rates) were not completely guaranteed. Ideally, these should be considered as a safety margin, as opposed to a necessary source of income.

7. Background Papers

No further papers to those already identified in/appended to this report.

8. Appendices

Minutes of the meetings of the Budget Scrutiny Panel held on 31st October 2022 and 13th December 2022.

**BUDGET SCRUTINY PANEL
31ST OCTOBER 2022**

PRESENT: The Chair (Councillor Charles)
The Vice Chair (Popley)
Councillors Miah, Parsons and Seaton.

Barkley (Deputy Leader of the Council and
Cabinet Lead Member for Finance and Property
Services)

Director Finance, Governance and Contracts
Head of Finance
Democratic Services Officer (SW)

APOLOGIES: Councillor

The Chair stated that the meeting would be recorded and the sound recording subsequently made available via the Council's website. He also advised that, under the Openness of Local Government Bodies Regulations 2014, other people may film, record, tweet or blog from this meeting, and the use of any such images or sound recordings was not under the Council's control.

1. MINUTES OF THE PREVIOUS MEETING

There were no minutes of previous meetings to consider.

2. DISCLOSURES OF PECUNIARY INTERESTS, AND OTHER REGISTRABLE AND NON-REGISTRABLE INTERESTS

No declarations were made.

3. DECLARATIONS - THE PARTY WHIP

No declarations were made.

4. QUESTIONS UNDER SCRUTINY COMMITTEE PROCEDURE 11.17

No questions were submitted.

5. DRAFT TERMS OF REFERENCE AND MEETINGS PLAN

Councillor Seaton arrived at the meeting at 6:09pm.

A draft Terms of Reference for the Budget Scrutiny Panel was submitted (item 6 on the agenda filed with these minutes).

The Director of Governance, Finance and Contracts assisted with the consideration of this item. The following summarises the discussion:

- i. Suggested agenda items for the second meeting of the panel included:
 - review of the draft budget
 - review of specific budget elements if identified pre-meeting
 - identification of Lead Members/Directors/Heads of Service to attend final meeting.
- ii. Suggested agenda items for the final meeting of the panel included:
 - review of specific budget elements identified at meeting two.
 - Summary of key issues/risks/concerns in the Budget Scrutiny Panel report for Scrutiny Commission/Cabinet.
- iii. It was highlighted that the Budget Scrutiny Panel 2021/22 had suggested that a number of items be considered by this year's panel:
 - Council garage land and land to be considered for council housing/building. This topic had been addressed at Full Council through the Questions on Notice function at the meeting held on 21st February 2022. Members felt that the response to the Question on Notice was outdated and asked for more information on the possibility of building houses on the land referred to. It was stated that this type of information would be contained within the Capital Plan and that it would not affect the draft budget balances.
 - Void properties. This topic was due to be addressed by the Scrutiny Commission at their meeting on 12th December 2022.
 - Car parking. This topic was being addressed by the Finance and Performance Scrutiny Committee.

It was decided that there was not a requirement for the Budget Scrutiny Panel to consider these items at a future meeting.

- iv. It was highlighted that underspending was an issue across district councils and that annual financial settlements made it difficult to plan accurately.

RESOLVED

1. That the draft Terms of Reference be adopted.
2. That the following agenda items be scheduled for future meetings of the Budget Scrutiny Panel:

Meeting 2

- review of the draft budget
- review of specific budget elements if identified pre-meeting
- identification of Lead Members/Directors/Heads of Service to attend final meeting.

Meeting 3 (Final Meeting)

- review of specific budget elements identified at meeting two.

- Summary of key issues/risks/concerns in the Budget Scrutiny Panel report for Scrutiny Commission/Cabinet.
3. That the Budget Scrutiny Panel does not review the items identified by the previous Budget Scrutiny Panel.

Reasons

1. To ensure the Budget Scrutiny Panel operates effectively and within scope.
2. To ensure the most appropriate items are reviewed by the Budget Scrutiny Panel.
3. To avoid duplication of work.

6. FINANCIAL POSITION OF THE COUNCIL

A presentation was delivered by the Director of Finance, Governance and Contracts, detailing the financial position of the council. The Director of Finance, Governance and Contracts and the Head of Finance and Property Services assisted with the consideration of this item. The following points summarises the information provided:

- i. Inflation was having a significant impact on costs (energy, contracts and pay expectations) The peak of inflation was 11-12% currently and it was expected to stabilise in 2024/25.
- ii. Current projections were compared to the previous Medium-Term Financial Strategy (MTFS) and it was anticipated that inflation would impact finances in the following ways;

	2023/24	2024/25	2025/26
Payroll			
Original assumed increase	2%	1.50%	1.50%
Revised assumed increase	8%	4.5%	3%
Impact vs pervious MTFS	0.8	1.0	1.3
Major Contracts			
Impact vs pervious MTFS	0.2	0.4	0.6
Utilities			
Impact vs pervious MTFS	0.2	0.4	0.6
Total adverse impact	1.2	1.8	2.5

Post meeting note: The pay roll figures equated to an additional £1.5m, which included the pay awards for 2022/23 and 2023/24.

- iii. Base interest rates had been low in recent years (0.1% - 0.25%), but the rate had increased to 2.25%. Forecasts were currently unpredictable but current projections suggested that throughout 2023/24 the base rate would be at 5%.

This would have a significant impact on the council's treasury receipts and other decisions such as regeneration opportunities.

- iv. Treasury balances were speculative for 2023/24 and 2024/25 but there was a favourable projected impact when compared to the MTFS (0.2 for 2022/23, 2.3 for 2023/24 and 2.0 for 2024/25).
- v. The council had not yet received a financial settlement from government but it was assumed that it would be less than the amount received in 2022/23.
- vi. Revised assumptions suggested that £3.2m of non-specific funding received in 2022/23 would reduce by 10% in 2023/24 and 25% in 2024/25.
- vii. Other risks included homelessness costs (additional £0.3m estimated each year) and income stream risks, although these were being monitored closely.
- viii. There would be a greater use of reserves during the 2022/23 period which had previously been unbudgeted:

	2022/23	2023/24	2024/25
Original use of reserves	0.3	1.2	2.1
Revised use of reserves	2.1	0.6	1.6
Original working balance year end	4.6	3.4	1.3
Revised working balance year end	4.0	3.3	1.5

- ix. It was highlighted that Capital funding would be better spent on site acquisitions, rather than construction. Construction costs were increasing significantly and would likely devalue funding spent. Site acquisitions would likely increase the value of finding spent.
- x. It was recognised that the transparency of council spending was fundamental, particularly with regards to urgent executive decisions.
- xi. Budget books for 2022/23 and preceding years were available to view on the council's website.

RESOLVED that the panel note the information.

Reason

To ensure the panel were informed on the financial position of the council and to assist with the future discussions of the panel.

7. APPROACH TO 2023/24 BUDGET SETTING

The Lead Member for Finance and Property Services outlined the approach to 2023/24 budget setting. The Lead Member for Finance and Property Services, the

Director of Finance, Governance and Contracts and the Head of Finance and Property Services assisted with the consideration of this item. The following summarises the information provided:

- i. There were mechanisms in place which ensured the budget setting process was fully scrutinised and transparent.
- ii. There was significant pressure on the council due to restrictions on income and the significant increase in costs.
- iii. It was not anticipated that major cuts to services would be made, although any possible financial saving would be made.
- iv. The situation was unpredictable and unprecedented and the council welcomed a more stable and reliable outlook for future years.

RESOLVED that the panel notes the information.

Reason

To ensure the panel was kept informed about the approach to 2023/24 budget setting and to assist with the future discussions of the panel.

NOTES:

1. No reference may be made to these minutes at the Council meeting on 23rd January 2023 unless notice to that effect is given to the Democratic Services Manager by five members of the Council by noon on the fifth working day following publication of these minutes.
2. These minutes are subject to confirmation as a correct record at the next meeting of the Budget Scrutiny Panel.

**BUDGET SCRUTINY PANEL
13TH DECEMBER 2022**

PRESENT: The Chair (Councillor Charles)
The Vice Chair (Councillor Popley)
Councillors Parsons and Seaton.

Councillor Barkley (Deputy Leader of the Council
and Lead Member for Finance and Property
Services)
Councillor Baines (Lead Member for Investment)
Director: Finance, Governance and Contracts
(DCX and S151)
Head of Finance
Democratic Services Officer (SW)

APOLOGIES: Councillor Miah

The Chair stated that the meeting would be recorded and the sound recording subsequently made available via the Council's website. He also advised that, under the Openness of Local Government Bodies Regulations 2014, other people may film, record, tweet or blog from this meeting, and the use of any such images or sound recordings was not under the Council's control.

8. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 31st October 2022 were confirmed and signed.

9. DISCLOSURES OF PECUNIARY INTERESTS, AND OTHER REGISTRABLE AND NON-REGISTRABLE INTERESTS

No disclosures were made.

10. DECLARATIONS - THE PARTY WHIP

No declarations were made.

11. QUESTIONS UNDER SCRUTINY COMMITTEE PROCEDURE 11.17

No questions were received.

12. DRAFT BUDGET 2023/34

Councillor Popley joined the meeting at 5:31pm.

Councillor Parsons joined the meeting at 5:40pm.

A report of the Head of Finance to advise members of the projected base budget position for 2023/24 including service pressures and savings put forward for the

year and provide the basis for the budget consultation (item 6 on the agenda filed with these minutes).

The Deputy Leader of the Council and Lead Member for Finance and Property Services, the Lead Member for Investment, the Director of Finance, Governance and Contracts (DCX and S151) and the Head of Finance attended the meeting to assist with the consideration of this item.

The following summarises the discussion:

- i. There had been some ministerial announcements on the financial settlement from government, although a detailed settlement was expected the week commencing 19th December 2022. Indications suggested that the government were prioritising stability over the next few years and the settlement was likely to be similar to that received last year. It was anticipated that there would be a 3% increase in core spending power before local Council Tax decisions. It was highlighted that Ministers had noted that local authority reserves had increased significantly over recent years and there may be a requirement to use some of these funds, as instructed by Ministers at a later date. There was an extended producer responsibility for packaging to be introduced in 2024/25, which could mean the council had an increased duty in their waste disposal operations, which would incur further costs. The council had an idea of the Council Tax base in the borough, which had increased overall, although it had decreased in the Loughborough area, which may affect the Loughborough Special Expenses calculations in future years.
- ii. The Council's commercialisation portfolio generated £1.5m annually. This figure was reduced in calculations to account for interest payments, minimum revenue provision (equivalent to setting aside loan repayments) and to build a commercialisation reserve, in order to cover any properties that become vacant or require renovations. The income generated by the council's commercialisation portfolio was part of the council's funding stream and would be included within the council's budgets long term.
- iii. The Capital Plan reserve was specifically required for Capital Plan expenditure or to support the revenue budget in extreme circumstances and this would be subject to Cabinet or Council approval. The commercialisation reserve did not have specific governance arrangements but it was highlighted that the council operated a Scrutiny Commission and a Finance and Performance Scrutiny Committee which would be able to identify any issues with the commercialisation reserves, and that all processes were transparent.
- iv. The council should collect approximately £47m in Business Rates, 50% of should be passed to central government. Some of the remaining sum was

passed to authorities such as Leicestershire County Council and the Fire Authority and following this, a tariff was applied. The end result was that the council collected approximately £4.5m. A levy was applied to any amount above the base rate, of which the government received half. There were also further adjustments, whereby the council was compensated by S13 grants for some of the Business Rates exemptions businesses were able to claim.

- v. In the previous year, the council received government grants which were worth £3.2m in total. It was assumed that the council would receive £2.9m in similar funding for the 2023/24, although since the publishing of the report, it was anticipated that components, such as the New Homes Bonus, may remain the same as the previous year.
- vi. The council had £79m in borrowing which was taken in individual loans over periods of up to 30 years at fixed rates. The interest rates for the repayments was typically in the range of 2% - 4%, depending upon the duration of the loans.
- vii. The council would maintain services for the foreseeable future, although it was anticipated that service cuts may be highly likely in future years. The council was always looking for opportunities to make appropriate efficiency savings and would make further savings when needed. The draft budget had accounted for inflation cost in utilities, contracts costs and salaries (4.75% for an increased pay award for two years). The council was aware of potential risks and would prepare for these as much as possible. It was highlighted that the council's statutory obligations would be the priority for protection when possible service cuts were reviewed.
- viii. The major repairs reserve fund of £4.2m was required to update the council's housing stock where needed. If this amount was not used it would be added into the HRA fund for use. The council could retain some of the funds from the sale of council properties as a capital receipt and this was monitored as part of a capital return each year. The council was buying and selling council properties throughout the year.
- ix. Members highlighted that officers had done a substantial amount of good work in order to produce the draft budget for 2023/24 in difficult times.
- x. It was noted that the council had a growing structural deficit and that some of the council's funding streams (such as the commercialisation income and income generated by increased interest rates) were not completely guaranteed and should be considered as a safety margin, as opposed to a valuable source of income.

- xi. The council was holding higher cash balances for longer at the present time which, alongside increasing interest rates, meant an increased financial return on treasury management income for longer. Investment income had increased over the past year and officers considered that this trend would continue for approximately one year. It was acknowledged that officers would need to do further work to reduce expenditure and increase income in the coming years and the draft budget allowed officers time to undertake this work.
- xii. Much of the council's funding stream was not likely to increase as trading income and government settlements would likely remain at similar levels and Council Tax income was capped.
- xiii. The renewal of contracts such as Serco and Ideverde were due within the next few years. The council had been having discussions around contract extensions, although some contracts would require a procurement process. Partners have highlighted that it would not be possible to continue the current service delivery for the same price and therefore it was anticipated that the council would have to pay more for these services. Many of the services provided by partners were statutory and therefore there was a requirement that the council continued with the current level of service delivery.

RESOLVED that the panel notes and endorses the recommendations in the report to the Cabinet.

Reason

The panel considered that the recommendations were appropriate.

13. POSSIBLE BUDGET SCRUTINY PANEL RECOMMENDATIONS

Considered any recommendations the Panel wished to propose for inclusion in the draft report and to agree a process by which recommendations would be proposed for inclusion in the draft report before the next meeting (item 7 on the agenda).

The Panel discussed a process by which recommendations could be proposed and agreed by members for inclusion in the draft report. It was agreed that members should provide any recommendations they wish to make to the Democratic Services Officer and the Chair, via email by the end of Friday 16th December 2022. Following this deadline, the Lead Officer would review the draft report of the Budget Scrutiny Panel and the Democratic Services Officer would publish as a supplementary item to the Budget Scrutiny Panel agenda for the meeting scheduled for 4th January 2023. At that meeting, members of the panel may make adjustments to the draft report, before it was submitted to the Scrutiny Commission at their meeting scheduled for 9th January 2023.

There were no recommendations made by the Panel at this meeting for inclusion in the Panel's draft report.

RESOLVED

1. That Panel Members forward proposed recommendations and observations to the Chair in a timely manner to enable resolutions.
2. That the Democratic Services Officer collates the proposed recommendations and observations into the draft Panel report.
3. That a draft of the Panel report is made available for publication following review of the Lead Officer, as a supplement to the agenda for the meeting of and Budget Scrutiny Panel scheduled for 4th January 2023.

Reasons

1-3 To enable proposed recommendations and observations to be agreed by Panel members.

14. IDENTIFICATION OF LEAD MEMBERS, DIRECTORS AND HEADS OF SERVICE TO ATTEND FINAL MEETING

Considered the Lead Members and Officers required to attend the next meeting of the Budget Scrutiny Panel (item 8 on the agenda).

Directors identified to attend the final meeting of the Budget Scrutiny Panel on 4th January 2023 were the Director of Housing and Wellbeing and the Director of Commercial and Economic Development.

RESOLVED that the Director of Housing and Wellbeing and the Director of Commercial and Economic Development be invited to attend the next meeting of the Budget Scrutiny Panel.

Reason

To assist with the consideration of the draft panel report and any points raised.

NOTES:

1. No reference may be made to these minutes at the Council meeting on 23rd January 2023 unless notice to that effect is given to the Democratic Services Manager by five members of the Council by noon on the fifth working day following publication of these minutes.
2. These minutes are subject to confirmation as a correct record at the next meeting of the Budget Scrutiny Panel.

3. This meeting of the Budget Scrutiny Panel was run as a virtual meeting on Zoom and therefore all attendees attended the meeting virtually.