

**BUDGET SCRUTINY PANEL
2ND OCTOBER 2018**

PRESENT: The Chair (Councillor Miah)
Councillors Draycott, Gerrard, Parsons and
Seaton

Strategic Director of Corporate Services
Democratic Services Officer (MH)

APOLOGIES: Councillor Barkley (Lead Member for Finance and
Property Services)

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 26th July 2018 were confirmed and signed.

9. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

The following disclosures of interests were made:

- (i) by Councillors Miah and Seaton – personal interests as members of Leicestershire County Council.

10. DECLARATIONS - THE PARTY WHIP

No declarations of the existence of the Party Whip were made.

11. QUESTIONS UNDER SCRUTINY COMMITTEE PROCEDURE 11.17

No questions had been submitted.

12. DRAFT MEDIUM TERM FINANCIAL STRATEGY 2019-2022

A report of the Head of Finance and Property Services setting out the draft Medium Term Financial Strategy 2019 to 2022, which had been agreed by the Cabinet on 13th September 2018, was submitted (item 6 on the agenda filed with these minutes).

Members of the Panel expressed their extreme disappointment that the Cabinet Lead Member for Finance and Property Services had given his apologies for the meeting. At its previous meeting the Panel had identified specific issues that it wished to question the Lead Member on. The recent scrutiny review had highlighted the importance of Lead Members being present at meetings to answer scrutiny questions and it was noted that the Lead Member had also not attended the Panel's first

meeting. The Panel did not know the reason for the Lead Member's absence and there might be good reasons for it; however the minutes should reflect the Panel's views regarding the matter.

Having discussed the options for proceeding with its scrutiny of the draft Medium Term Financial Strategy the Panel decided to proceed with the meeting but to identify issues during the course of its scrutiny of the Strategy that it wished the Lead Member to respond to.

The Strategic Director of Corporate Services assisted with consideration of the item and provided the following responses to issues raised:

- (i) Net service expenditure was projected to increase over the three years covered by the Strategy. A significant part of that increase was due to the ending of the first extension period of the environmental services contract and the requirement to replace the refuse fleet alongside the second extension period. It would be more cost effective for the Council to purchase the new fleet than for the contractor to do so because the Council could borrow money more cheaply than the contractor.
- (ii) It had been known when preparing previous Strategies that a new contract or contract extension would be required and that would result in an increase in costs. However the size of the increase had not been expected and that had resulted in a higher projected net service expenditure than in previous Strategies.
- (iii) The Strategy also now included an assumption that there would be annual pay rises of 2% rather than 1%, which had been assumed in previous Strategies. These were examples of the Strategy being developed each year as more information became available.
- (iv) The Council was looking at the possibility of offering some services on a more commercial basis. In particular the Council was looking to provide a trade waste collection service. The projections in the Strategy were based on the need to fund set-up costs in 2019/20, the service beginning and breaking even in 2020/21 and generating a small profit in 2021/22. It was expected that the service would produce greater returns in subsequent years.
- (v) The projections relating to the interest the Council would receive were based on a number of factors. Previous projections had assumed a quicker increase in interest rates and the new projections had been updated accordingly. Assumptions regarding the Council's property fund investments had been based on the past performance of those funds and what returns were considered to be achievable in the future. In addition the Transformation and Efficiency Plan within the Strategy identified that further proactive treasury management could result in greater income generation.
- (vi) The increases in the fees for the garden waste collection service were presented in a similar way to that described above with the income generated as a result of the current fees and the additional income from higher fees shown separately. This approach was a presentational choice and was used to show the steps that the Council was taking to address the financial challenges it had to face.

- (vii) The Council did take steps to monitor the occupation of properties, in part so that Council Tax could start to be charged. If necessary Council Tax could be charged retrospectively from the date of occupation. Houses that had planning permission but were not built were a more significant issue for the Council's finances.
- (viii) The Strategy included an assumption that there would be no increase in the Loughborough Special Rate. The setting of the Loughborough Special Rate was a separate decision for full Council. The Strategy included the assumption that the Council would increase Council Tax at the maximum amount of £5 in each of the financial years it covered. The Council could decide to increase the Loughborough Special Rate and reduce the increase in Council Tax by a corresponding amount to keep within the limit set by the Government.
- (ix) There was considerable volatility in the Collection Fund, particularly relating to changes in Government policy on non-domestic rates relief and rating appeals. There was a backlog in appeals being determined by the Valuation Office and more recent revaluations would generate further appeals. The Strategy included a reasonable estimate of the financial impact of appeals. It was assumed that the volatility would decrease from 2020/21 onwards following the move to the localisation of non-domestic rates and the potential rebasing of rates.
- (x) The projections for New Homes Bonus and Council Tax receipts both included assumptions regarding the number of houses being built in the Borough. The two amounts were not perfectly correlated because of factors such as the localisation of Council Tax support and the time frame over which New Homes Bonus payments were made.
- (xi) The loans taken out by the Council as part of the restructuring of the financing of local authority housing had fixed interest rates.

The following comments were made by members of the Panel:

- (i) The volatility of the projections for the Council's treasury management activities was greater than would be expected.
- (ii) The fluctuations in the Collection Fund were significant with respect to the size of the Council's budget and that was a risk the Council needed to be aware of.
- (iii) The Strategy should be clearer in explaining that the assumptions regarding the Loughborough Special Rate did not preclude the consideration of increases to the Rate by full Council.
- (iv) When considering investing in commercial assets, the Council could place an emphasis on investing locally, for example in Loughborough town centre or in business units. It was recognised that any investments would need to make a return.
- (v) Increasing fees for the garden waste service could not genuinely be considered to be an efficiency saving. Increasing those fees had generated significant comment and was an issue that members of the Panel would have questioned the Lead Member about.
- (vi) The Council should seek ways in which it could be more self-sufficient in terms of its financing. That would require the Council to be more outward looking and was different to raising fees for existing Council services. For

example, an opportunity had been missed with regard to charging premises that wished to retain bring sites rather than removing them.

- (vii) During the debate at the budget-setting Council meeting in February 2018 reference was made to the Budget Scrutiny Panel not making comments on the draft budgets. The scrutiny process was different to the views that Labour councillors may have on the administration's budget proposals.
- (viii) If the Lead Member had been present information would have been sought regarding the current position in respect of the former Limehurst depot site.
- (ix) It would be helpful if information regarding the previous year's Strategy could be provided to members of the Panel.
- (x) Different views were expressed regarding whether the impact of the United Kingdom's withdrawal from the European Union should be referred to in the Strategy.

RESOLVED

1. that the Panel's extreme disappointment at the absence of the Lead Member for Finance and Property Services be noted;
2. that the Panel's comments regarding the draft Medium Term Financial Strategy be noted and forwarded to the Lead Member for Finance and Property Services to consider before the Strategy was finalised;
3. that the Cabinet Lead Member for Finance and Property Services be asked to respond to the issues raised by the Panel at this meeting and at its previous meeting prior to the Cabinet meeting on 15th November 2018 at which the final version of the Strategy would be considered;
4. that further information be provided to members of the Panel regarding the reasons for the differences between the projections for New Homes Bonus and Council Tax receipts for 2019/20 in the draft Medium Term Financial Strategy and the previous approved Strategy;
5. that further information be provided to members of the Panel regarding the breakdown of the £325,000 interest payable by the Council in 2017/18;
6. that further information be provided to members of the Panel regarding the timetable for reviewing the Housing Revenue Account Business Plan.

Reasons

1. To formally record the Panel's views on the matter.
2. To record the results of the Panel's scrutiny of the draft Strategy and to enable its comments to inform the preparation of the final version of the Strategy.
3. To enable the Panel to receive a response to its scrutiny of the Strategy and issues relating to it.
4. To provide the Panel with clarification regarding the matter.

5. To provide clarification of the amounts that had been paid in addition to the known amount relating to a long-term loan.
6. To provide the Panel with clarification regarding the matter.

13. FURTHER PANEL MEETING DATES 2018/19

At its previous meeting the Panel had agreed to bring forward its scrutiny of the draft General Fund and HRA budgets to its December meeting and make that a formal meeting.

RESOLVED that in preparation for the Panel's next meeting, scheduled for 12th December 2018, officers circulate details of the draft General Fund and HRA budgets to members of the Panel when the Cabinet report is published on 30th November 2018.

Reason

To enable members of the Panel to identify areas of focus and witnesses to invite for the Panel's next meeting.

NOTES:

These minutes are subject to confirmation as a correct record at the next meeting of the Budget Scrutiny Panel, which is scheduled for 12th December 2018.