

**BUDGET SCRUTINY PANEL
1ST DECEMBER 2020**

PRESENT: The Chair (Councillor Hadji-Nikolaou)

Councillors Bolton, Draycott, Hamilton, C. Harris,
Parsons and Seaton
Mr Angell (co-opted member)

Strategic Director; Commercial Development,
Assets and Leisure
Strategic Director; Environmental and Corporate
Services
Head of Financial Services
Democratic Services Officer (NC)

APOLOGIES: none

The Chair stated that the meeting would be live streamed and the recording 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.

7. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 29th September 2020 were confirmed as a correct record.

8. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

No disclosures were made.

9. DECLARATIONS - THE PARTY WHIP

No declarations were made.

10. QUESTIONS UNDER SCRUTINY COMMITTEE PROCEDURE 11.17

No questions had been submitted.

11. AGENDA VARIANCE

RESOLVED that items 7, 8, 9 And 10 on the agenda be considered by the Panel before item 5 - Draft Budget 2021-22.

Reason

To support the Panel in its scrutiny of the draft Budget 2021-22. Members considered it would be of value to review information provided in items 7, 8, 9, and 10 before its consideration of the draft Budget 2021-22.

12. GENERAL FUND AND HRA REVENUE OUTTURN 2019-20

Considered a report of the Head of Financial Services, the General Fund and HRA Revenue Outturn 2019-20 as submitted to the Cabinet on 9th July 2020, provided to support the Panel in its scrutiny of the draft 2021-22 budget (item 7 on the agenda).

Assisting with consideration of the report: Lead Member for Finance and Property Services, Strategic Director, Environmental and Corporate Services, Head of Financial Services.

Summary, key points of discussion:

- overspend of budget of £234k (43%) a bad debt provision for the Fusion contract – prudent to assume in accounting matters that these monies would not be received, but not written off as a bad debt. A percentage of the income loss from this year had been claimed back from the Government's COVID emergency fund. A detailed report submitted to Cabinet had considered support required for leisure centres during this year. It was hoped that by April 2021 leisure centres would be able to operate closer to normal and recoup losses.
- the Council were following strict guidelines to claim for COVID related income losses from the Government which included some mitigation steps required by the Council, the first claim had been received and the draft budget had been revised to allow for the anticipated funding from the government and to reflect COVID related losses.
- clarity provided on the collection of debt and that major contracts such as the Fusion contract operated differently to normal debt procedures.
- finding savings in 2019/20, a non-COVID year, had been challenging, concerns raised regarding Planning Service over and underspends for two years running and overspends for Supported Living housing benefits costs.
- it was important not to underestimate the challenges faced in 2021-22 and the role of Scrutiny Councillors in highlighting issues.
- the reduction of the number of scrutiny committees from 4 to 2 (as highlighted in the draft budget 2021-22) and whether this was acceptable particularly in the current situation when the role of scrutiny was considered vital.

The Lead Member for Finance and Property Services noted that Fusion had obtained £13mill Government loan to support its survival during this difficult year and that the Council were committed to leisure centres opening within the appropriate social distancing guidelines.

RESOLVED to note the report

Reason

Members were satisfied with its reflection on the General Fund and HRA Revenue Outturn 2019-20.

13. COMMERCIAL PROPERTY ACQUISITIONS - PROCESS

Considered a report of the Strategic Director, Commercial Development, Asset and Leisure regarding the process for acquiring commercial properties, including an explanation of the rationale behind the allocation of increased funding (Commercial Property, Enterprise Zone and Town Deal), Item 8 on the agenda).

Assisting with consideration of report: Lead Member for Finance and Property Services, Strategic Director, Commercial Development, Asset and Leisure, Strategic Director, Environmental and Corporate Services.

It was noted that the Councillor briefing in commercial property acquisition processes had been completed in November prior to this meeting and the information from the briefing had been shared with members.

Summary, key points of discussion:

- consideration of the financial risks taken by the Borough Council in relation to other councils who had invested significantly larger sums.
- monitoring of commercial property purchases and income - officer led reporting and analysis of purchases would be performed and that the monitoring of properties purchased would be added to the Audit Committee's work programme to review the financial returns. This would provide a long-range view over several years. A reserve would be maintained to smooth cash flow, using methods provided by CIPFA.
- the relevance of the Panel scrutinising the Capital Plan this year in light of the new development by the Council to acquire commercial property – it was set every other year for three years and was considered by the previous Budget Scrutiny Panel at its meeting in December 2019 when the plan was set for 2019-22. An updated strategy and programme to align with covid impact, was submitted to the Cabinet in October 2020 and was considered by the Council at its meeting in November 2020. A Capital Plan Amendment report would be considered by the Cabinet at its meeting on 10th December with minor amendments included. When the new plan was set next year it could be scrutinised by the Budget Scrutiny Panel in detail in 2021-22.
- commercial property acquisitions had been allocated budget codes and would therefore be included in the routine quarterly revenue monitoring plan. The role of the Budget Scrutiny Panel was to scrutinise the draft budget 2021-22.
- as borrowing from the Public Works Loan Board (PWLB) was no longer an option for purchasing commercial property to generate yield, the increased risk with borrowing internally from the Council's treasury function was concerning. Other options to borrow privately were available and competitive although likely to have longer assessment time periods. The Council's internal borrowing position was checked by financial advisors and considered robust. The Council could continue to use the PWLB if commercial property acquisition was not part of its capital programme and it was noted that this tranche of investment was almost completed and could be removed from the capital plan at any point.

- it would be pertinent for the Audit Committee to review the increased risk although the risk was considered minimal and was a short term issue in terms of revenue.
- with respect to funding Town Deal or Enterprise Zone projects, (para 5, page 27) it was difficult to determine the level of additional funding the Council could be required to provide. Projects with a regeneration focus or of social value would be considered differently to purely commercial project business cases. The Council would consider a lower return or breakeven analysis as acceptable in conjunction with balancing the benefits of the project to the Borough.
- it was important to note that the Council would not fund projects that would have a significant adverse impact on the budget.

The Lead Member for Finance and Property Services stated that all commercial borrowing would be evaluated irrespective of the source of borrowing and would be assessed against the Council's criteria to ensure the return was sufficient and justified. It would still be possible to borrow from PWLB as long as the Capital Plan did not include commercial property investment and it was likely to be removed by April 2021.

RESOLVED to note the report.

Reason

The Panel were satisfied with its scrutiny of the matter and responses obtained from officers to queries.

14. ENTERPRISE ZONE AND TOWN DEAL - PROCESS

Considered a briefing note of the s151 Officer providing a breakdown of the benefits, assessment of profit, risks and liabilities and its impact on council tax rates in relation to the Enterprise Zone and Town Deal (item 9 on the agenda).

Assisting with consideration of the report: Strategic Director, Environmental and Corporate Services.

It was clarified that the Charnwood Campus was located at the site previously occupied by Astra Zeneca and that the funding would be used to refurbish one of the buildings on the site. Members considered that the project was welcome and would provide the town with high level investment and employment.

RESOLVED that the report is noted.

Reason

The Panel were satisfied with the information received.

15. ENVIRONMENTAL SERVICES FLEET - OPTIONS

Considered a briefing note of the s151 Officer regarding financial proposals for funding the Environmental Services Fleet, including an analysis of other options considered and the benefits of proposed approach, (item 10 on agenda).

Assisting with consideration of report: Lead Member for Finance and Property Services, Strategic Director, Environmental and Corporate Services.

Summary, key points of discussion:

- consideration of why funding of the Environmental Services Fleet used Council reserves - this was a finance transaction and did not include operational management obligations. The cost to the Council would have been increased if it had chosen to not purchase the Fleet itself.
- the decision to use council reserves was not based on access to Public Works Loan Board funding and through this option the Council would not be required to pay Minimum Revenue Provision (MRP) charges. It was recognised that MRP charges were beneficial in future financing of replacement of assets but noted that the charges were exempt for 6 years and the vehicles were expected to last for 8 – 10 years.
- clarification that further savings mentioned in the report (page 3) did not refer to removing pre-existing schemes but to defer projects.

When considering the resolution of this item, it was requested that recognition be given to the history of this matter and the complications in its delivery. In 2018 the Environmental Services contract had been renewed and the purchase of the Fleet had been included. During the last two years it had been considered advantageous for the Council to purchase the Fleet itself and, subject to some delays due to the pandemic, this had now almost been completed.

RESOLVED that the report be noted

Reason

The Panel were satisfied with the information provided.

16. DRAFT BUDGET 2021-22

A report of the Head of Financial Services regarding the draft Budget 2021-22 was submitted (item 6 on the agenda).

Assisting with consideration of the report: Lead Member of Finance and Property Services, Strategic Director, Environmental and Corporate Services and Head of Financial Services.

Summary, key points of discussion:

- reduction in the number of scrutiny committees from four to two and whether this would impact the ability of councillors to scrutinise matters thoroughly. Considering the number of issues that had been scrutinised, some project savings were likely to have been made as a result of scrutiny but did not appear to have not been taken into account. It was explained that savings had been identified through workshops with Cabinet Lead Members to review options and this had been one of the savings identified. The cash saving of £10k did not include the resource saving of officer time in servicing scrutiny committees.

- whether councillors had been consulted regarding the reduction of member grants from £1000 to £500. As the minimum limit for grants to be allocated was £250 this could impact small community organisations.
- concerns regarding proposed £200k service pressure for Supported Living additional Housing Benefit losses could rise. It was noted that this was not under the Council's control, it could vary significantly, as providers were increasing living capacity to meet the needs of the homeless. However negotiations were in progress with the two main housing providers to become registered providers, which would enable the Council to claim back some of the losses. This was not the case for residents claiming Universal Credit.
- the recently published pay freeze for public sector workers did not directly impact local government pay as it was not directly regulated by Government but as local government pay tended to reflect trends in public sector pay there could be an impact on future pay rises.
- there was an element of uncertainty over the figures in the draft budget with Business rates and New Homes Bonus identified as having a downside risk, but this would be clarified once accurate data was available in mid-December.
- Corporate staff - Terms and Conditions (appendix 1) related to the proposed discontinuation of essential car user allowance. Although included in the draft budget the proposal would be subject to standard HR consultation processes and was not confirmed to be included in the budget at this time.
- the deletion of vacant posts or vacant hours had been identified by Heads of Service and tended to relate to circumstances where staff had reduced their hours through part time working or phased retirement. Other savings may be considered in the new year.
- it was perceived that the Council historically did not have a good track record at achieving savings. Concerns were raised regarding keeping the reserve at £2mill working balance and what plans were in place if the uncertainties around identified schemes in the budget were to come in at a higher service pressure. There were other reserves unallocated totalling £5.16mill (reinvestment, capital plan) that could be utilised if significant adjustments were required. A detailed budget monitoring exercise reviewing the outturn position this year would be completed at Period 7 and caution had been applied with respect to COVID funding in the following year which would be reviewed before final budget was presented.
- Business rates appeals adjustment (p 9) figures were based on last years' provisions which had been determined as too high so this income reflected an accounting adjustment exercise. It was a 'one-off' adjustment and all preceptors would receive a contribution from this budget income.
- it was recognised that there were big issues, and sensitivities in this budget and it was important to ensure these were identified and highlighted to the Cabinet. It was hoped that the Government provided the financial support to make the budget balance. The provision of accurate information by mid-December after this meeting had been held, could impact the Panel's scrutiny of the budget and change any recommendations it wished to identify. It was noted that the numbers contained in the draft budget were as robust as possible and that if any material adjustments were required after the receipt of the Government information this would be shared with the Panel.

The Lead Member for Finance and Property Services stated that the budget had been drafted without knowing what the government settlement would be. There was still further savings to make but this would not necessarily be during 2021-22 financial year, and the Council were looking to maintain the £2mill working balance.

Several queries with respect to Service detail would be raised with Heads of Service outside of the meeting.

It was stated that it would be beneficial if notes could be provided for the draft budget as detailed in Appendix 3 of the report for Loughborough Special Expenses.

RESOLVED

1. that the following information be requested from Heads of Service and circulated to the Panel:
 - a. reduction in the number of Scrutiny Committees (p15) – the income obtained from savings made by scrutiny recommendations, how the savings for reducing the number of committees had been calculated;
 - b. reduction of Member Grants funding from £1000 to £500 (p15) – understanding of the consultation process;
 - c. Loughborough Special Expenses (Parks – Loughborough and Loughborough in Bloom) (p18)– a breakdown of figures;
 - d. deletion of vacant posts or vacant hours (p15) – the total numbers of deleted posts;
 - e. Fusion Contract / Leisure Centres (p16)– how deferred subscriptions or refunds were handled and total costs;
 - f. Town Hall (p16)– how deferred tickets or refunds had been handled and total costs;
 - g. Tenancy Services (p17) – further information regarding the cleaning of HRA properties and pest control;
 - h. Compliance (p17)– further information regarding the reduction of fire alarms budget
2. that the Strategic Director, Environmental and Corporate Services provides a verbal update at the next meeting of the Panel regarding any significant adjustments to the draft budget after the Government funding is received in mid December;
3. that the Panel endorses the recommendations in the report to Cabinet.

Reasons

1. the Panel wished to receive additional information to support its scrutiny.
2. The Panel considered that any recommendations it may wish to make after scrutinising the draft budget 2021-22, as presented at this meeting, may change in light of decisions made by the Government to provide funds in mid-

December and that it wished to be cognisant of all the facts before submitting its recommendations to the Scrutiny Commission.

3. The Panel considered the recommendations were appropriate.

17. PROPOSED RECOMMENDATIONS REVIEW

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 11 on the agenda).

The Panel discussed a process by which recommendations could be proposed and agreed by members for inclusion in the draft report. To aid the discussion, the Democratic Services Officer clarified that the process followed by the Panel in 2019-20 involved an email discussion identifying any recommendations or observations to be highlighted in the report based on the minutes of the meetings of the Panel on 29th September and 1st December 2020, and was coordinated by the Chair of the Panel.

Given the short period of time between the Panel's meeting to agree its report and consideration of that report by Scrutiny Commission, it was noted that the report considered by the Panel at its meeting on 5th January 2021 should have been seen by all members, commented upon and any agreed amendments made such that any further amendments agreed at the Panel's meeting on 5th January 2021 were minimal.

There were no recommendations made by the Panel at this meeting for inclusion in the Panel's draft report although the proposed rise in council tax was observed.

RESOLVED

1. that Panel Members review the minutes of the meetings of the Panel and forward proposed recommendations and observations to the Chair in a timely manner to enable resolutions 2 and 3 below to be completed within deadline;
2. that the chair collates the proposed recommendations and observations into the draft Panel report and then circulates the report to Panel Members for agreement;
3. that a draft of the agreed Panel report is made available for publication with the agenda on 18th December 2020, and that the consideration of the report at its meeting on 5th January 2021 ensures it requires minimal amendment.

Reasons

- 1-3 to enable proposed recommendations and observations to be agreed by Panel members and to ensure that the Panel report reviewed at its meeting on 5th January 2021 requires minimal amendment before submission to the Scrutiny Commission at its meeting on 11th January 2021.

NOTES:

1. No reference may be made to these minutes at the next ordinary Council meeting 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.