BUDGET SCRUTINY PANEL
5TH JANUARY 2022

PRESENT: The Chair (Councillor Miah)
Councillors Hamilton and Parton

Strategic Director
Head of Financial Services
Democratic Services Officer (EB)
Councillor Barkley - Cabinet Lead Member for Finance and Property Service

APOLOGIES: Councillor Parsons and Seaton

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.

39. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting of the Panel held on 8th December 2021 were confirmed as a correct record.

40. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

No disclosures were made.

41. DECLARATIONS - THE PARTY WHIP

No declarations were made.

42. QUESTIONS UNDER SCRUTINY COMMITTEE PROCEDURE 11.17

No declarations were made.

43. INFORMATION ON THE GOVERNMENT FINANCIAL SETTLEMENT

A verbal update by the Strategic Director, Environmental and Corporate Services, was made updating the panel on the Government Financial Settlement issued on 16th December 2021.

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

Summary, key points of discussion:

- From the spending review in 2021 it was ascertained that the total amount given to the Local Government sector was £1.6 billion excluding social care.
- The settlement was broadly in line with the Medium-Term Financial Strategy (MTFS); however, it was only a one-year settlement as opposed to a multi-year settlement. This meant that the information within this year's spending review could not be relied upon as guidance for subsequent years.
- The Fair Funding review had not yet materialised, and it was noted that in the time since it had been proposed there had been a general election and a change in government ministers looking at the Levelling-up Agenda. One of the key premises of the previous Fair Funding work had been the 75% business rate pilot, however, it was now thought that the current secretary of state was not likely to continue with it.
- With regard to the retained National Non-Domestic Rate (NNDR), it was thought that it was more likely to be around £5.2 million rather that the £4.9 million that was previously estimated to be based on the projected 2021/22 outturn. The Council would be due due additional grant compensation due to indexation of business rates not increasing.
- It was likely Council tax would increase by 2% or £5, as is the maximum allowed without a referendum.
- Regarding the New Homes Bonus, in addition to the £1 million legacy funding, there was a single one-off payment of £0.6 million. This was lower than the £1 million typically generated in previous years due to lower housing completions.
- The single-year grants for Revenue Support, Services and Lower-tier Services could not be relied on to continue in subsequent years.
- Risks included inflation, the ongoing Covid-19 pandemic, and interest rates.
- It was thought that Business Rate retention would be £5.2 million.

In response to questions, the panel were advised that:

- There were no specific contingencies for inflationary risks, however, the pay-settlement for Council staff had been estimated and as such more money had been placed into the payroll budget. It was stressed that it was still unknown as to what the final settlement would be, although it was noted that each 1% added to the payroll would cost the Council £150k. Furthermore, contracts (estimated to be worth £8-9 million) were noted to be an inflationary risk. This was seen as a challenge for the MTFS as it was necessary to strike a balance between prudence and unrealistic optimism. It was added that 4.9% had been added on to the Serco contract for next year's budget. This was above the MTFS figures, so the risk had been built into the 2022/23 budget – but future years price increases remain uncertain. Regarding Salary inflation it was added that a 1.75% increase had been built in for this financial year and 2% for the next financial year, and then a further lump sum contingency had been included within the draft budget figures. As such it was hoped that enough contingency had been built in.

- With regard to Council tax base growth, a standard government return was completed by the Council, however there was some volatility surrounding it. Officers were aware that the base was likely to be lower as numbers had been down when the current MTFS had been completed. It was hoped that his was an anomaly rather than a downward trend. It was clarified that this was a challenge to the MTFS rather than the budget.
- The single year and transitional grants were not ringfenced and were part of the Levelling-up Agenda. The Lower Tier Services Grants would benefit district councils and could potentially be regarded as £1.1 million in transitional relief funding this financial year, but it could not be relied upon for the next financial year.
- For NNDR, the government gave the Council a Settlement Funding Assessment (SFA) and a tariff. The Council received business rates and retained an initial 40% and then had to pay the tariff to the government. The revenue retained through the SFA depended on how much was collected on business rates although 92.5% of the FSA is set by the government as a 'safety' net'. Section 31 grant was also given to cover small business relief and transitional relief. In the current financial year, the Council had also received money for retail, hospitality and leisure COVID reliefs for business. Additionally, some of the Section 31 money covered the difference between RPI and CPI. The final figure for 2022/23 would be known until the NNDR3 return is completed in May 2023. It was further added that the Council had worked with CIPFA who had come up with the business rate retention figure of £5.2 million based on forecast figures from the Capita system. Capita still needed to complete the exercise and figures would come out within a week. In terms of risk, officers were satisfied with £5.2 million and this would bring down the £0.5 million in unspecified savings needed. It was noted that while Council tax had variability, it was less volatile than business rates.
- There was no uncertainty about when money would be coming and the cash flow was positive. Council tax came in on a regular basis and government grants would come in the early part of the financial year. It was clarified that January was the peak in Council tax income as some people paid over 10 months.

RESOLVED that the report be noted

Reason

To acknowledge the Panel's consideration of the matter.

44. BUDGET UPDATE - APPROACH TO FINAL BUDGET DEVELOPMENT

A verbal update by the Strategic Director, Environmental and Corporate Services, was made advising members on the approaches to the final budget development for 2022/23.

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

Summary, key points of discussion:

- There was £0.5 million needed in unspecified savings. It was thought that if this was brought down to £0.2 million then the savings could be found in-year without an impact on services.
- There were risks built into the budget and funding had come in as anticipated. £1 million had been saved this financial year and it was thought that work on the 2023/24 budget would need to commence earlier. The biggest disappointment had been not receiving a multi-year settlement as that would have facilitated planning further ahead. The £1.6 billion in the Levelling-up Agenda would be subject to government distribution. Risks had been identified and integrated, however it was stressed that there was no room for complacency. Real funding had decreased by approximately 30% over the past 10 years and services had been maintained.

In response to questions, the panel were advised that:

- At the present time, £1m had been brought to Cabinet on savings and efficiencies for 2022/23 and it was intended that a further £200k be saved in the next financial year. It was thought that this could be done through transformation and efficiency. There had not yet been a conversations between officers and the Cabinet on the issue, but officers were comfortable bringing such issues to Cabinet.
- Some work on efficiencies and savings would take longer to realise than other work, however it was thought that work could commence by Spring 2022. The Section 151 Officer had been through the risks and had identified that it was future years that appeared more challenging. As such the need to make savings in-year was identified. It may be possible to decouple issues in the budget to a large extent as it could not be guaranteed that issues would be addressed in the window before the next financial year.
- The figures in the budget would go to Cabinet for approval and then to Full Council in February 2022. Some issues could be addressed under delegated authority, however it was up to Cabinet to decide on the way forward. Cabinet would also look at the 2023/24 financial year based on the MTFS. Plans needed to be made based on assumptions and assessments as funding could not be guaranteed.

RESOLVED that the report be noted.

Reasons

To acknowledge the Board's consideration of the matter.

The Lead Member of Finance and the Head of Financial Services left the meeting following the consideration of this item.

45. PANEL REPORT

A draft report of the Panel was submitted for agreement of the Panel, to then be submitted to the Scrutiny Commission on 10th January 2022 (agenda item 8 filed with these minutes).

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

Summary, key points of discussion:

- Based on the costs of the Bedford Square project having doubled, it was proposed that a small contingency be put aside for overspend on the Shepshed Project should a similar increase in costs occur. In response, it was clarified that Bedford Square funding had increased along with costs, which had been approximately £70-80k from the Council. It was added that every major capital project had a contingency within it. It was further clarified that increases in costs can occur when unexpected discoveries such as wires were found when digging as it meant that companies would need to conduct work which took time and money. In order to avoid such issues with the Shepshed Project, an approach was planned using feasibility money and work to do initial digging to ascertain what was underground before the actual budget was set. A budget had been set as a placeholder; however, this was a substantial amount and as such it was thought that it would be enough. The project would go through the Capital Plan amendment process. There was contingency in the project already. but it would depend on the times when work could be undertaken. Processes and money were in place and as such it was not thought that amendment was needed.

The Chair added that the Capital plan was not yet fully costed.

The Strategic Director, Environmental and Corporate Services suggested that the issue would be considered by the Finance and Performance Scrutiny Committee.

- It was proposed that an exercise be undertaken to ascertain the land value of such garage land, versus the income gained per annum from garage rental. Garage land to be sold for housing either for Council builds or private builders.

The Strategic Director, Environmental and Corporate Services again suggested that the issue would be considered by the Finance and Performance Scrutiny Committee as part of the Regeneration agenda. He further added that some reviews had already been undertaken on garage land and it was thought that 26-32 homes could potentially be delivered by redeveloping Council owned garage parking spaces for housing to meet local need across the Borough.

The Chair proposed that the issue be picked up in the next cycle of the Budget Scrutiny Panel.

The Chair further suggested that future meetings of the panel would need to make recommendations based on what was discussed in terms of financial impact, savings and income with regard to the year's budget and put to the Scrutiny Commission to decide whether to pass them to Cabinet.

- In response to a proposal to raise car-parking fees by 10p in order to generate income and mitigate savings to protect front-line services, it was explained that this was a complex issue as raising car-parking fees may discourage shoppers from town centres. It was further added that car-parking fees were being considered, but through individual tariffs rather than a flat rise. Further uncertainty was expressed surrounding the extent to which parking needs would return to pre-pandemic levels.

The Strategic Director, Environmental and Corporate Services again suggested that the issue would be considered by the Finance and Performance Scrutiny Committee.

- Regarding an observation that alternative uses could be sought for example to create carbon capture area/solar farms, helping Charnwood Borough Council to meet their carbon reduction targets, it was noted that this was outside the remit of the Budget Scrutiny Panel and again could be considered by the Finance and Performance Scrutiny Committee.

The Chair observed that there were no formal recommendations to be made from the Panel, but the following observations should be made to the Scrutiny Commission:

- Key risk areas included:
    - The need to deliver on 2021/22 savings, including salary increases.
    - Risks surrounding the final and future grant settlement figures,
    - The impact of the environmental bill on garden waste collection
    - The need to monitor commercial rents.
    - Inflationary risks.
    - Contractual cost risks.
    - The impact of Omicron and the ongoing Covid-19 pandemic.
    - Interest rates and the effects a rise in rates would have on the wider economy, particularly in terms of business rates and council tax collection. Whilst treasury management would give the Council more income, borrowing would cost the Council more.
- Whilst not having officers in their posts created savings, it meant that services are not being delivered.
- The Council needed to be mindful of the financial pressures faced by its residents.

RESOLVED that a report containing the above observations be presented to the Scrutiny Commission.

Reason

To inform the Scrutiny Commission of the conclusions of the Panel for consideration.

NOTES:

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