

**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.

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