

**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 Members felt that the response to the Question on Notice was outdated and asked for more information on the possibility of building houses on the land referred to.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.