

CABINET – 9TH FEBRUARY 2023

Report of the Head of Governance and Human Resources Lead Member: Cllr Barkley

Part A

BUDGET SCRUTINY PANEL

Purpose of Report

To consider one recommendation of the Budget Scrutiny Panel following its scrutiny of the Council's draft budget for 2023/24.

Recommendation

Set out below is one Panel recommendation to the Cabinet, followed by the officer response and recommendation. The Cabinet is asked to consider this and decide if it wishes to agree.

Reason

To acknowledge the work undertaken by and the views of the Budget Scrutiny Panel and to ensure implementation of scrutiny recommendations where agreed by the Cabinet.

Panel Recommendation 1

- (i) The panel proposes the development of a brief summary or 'dashboard', to provide a general indication of the Council's finances be made available to all Councillors on a regular basis. It was suggested that this summary document be included within each committee agenda. It was recognised that there would be a significant amount of work required to develop this proposal and so it was considered that the final agreement be made outside of the panel report.

Response of the Director, Finance, Governance and Contracts (S151)

The Council does not at present prepare financial information in a form that would approximate to the 'dashboard' suggested. The potential value in such a dashboard is accepted, but as noted by the Panel, considerable work would be required to develop such a document, due to the wide range of activities undertaken by the Council and distilling down this breadth of activities into relatively few metrics.

Officers also have concerns over the ongoing work required in providing commentary alongside the numbers, which would be necessary in many cases to provide appropriate context to the metrics.

Officers do not believe that general financial information should be circulated via attachment to each committee agenda as this would be more likely to confuse rather than inform.

Having noted the above, the finance team and SLT are looking to revamp the current budget monitoring reporting process and introduce a more tabular style of report commencing in the 2023/24 financial year. It is anticipated that this could be adapted to provide additional reporting to members alongside pre-existing monitoring and outturn reports that are presented to the Finance and Performance Scrutiny Panel.

Achieving the best way of wider dissemination to members will require some thought but one possible option may be to include a finance section within the regular member update presentations.

Officer Recommendation 1

That additional dashboard-style reporting of financial information for members is developed for the 2023/24 financial year.

Policy Justification and Previous Decisions

The Scrutiny Commission, at its meeting on 9th January 2023, agreed that the report of the Budget Scrutiny Panel be submitted for consideration by the Cabinet.

Scrutiny Committee Procedure 11.12(a) sets out the procedures by which a report of a Scrutiny Committee should be considered by the Cabinet.

In accordance with Scrutiny Committee Procedure 11.12(d), background information and officer advice has been provided within this report to enable the Cabinet to make any decisions without undue delay.

Implementation Timetable including Future Decisions and Scrutiny

A report setting out the draft General Fund and HRA Budget 2023/24 is included on the agenda for this meeting, for recommendation to Council at its meeting on 27th February 2023 for approval.

The Cabinet's response to the Panel's recommendation will be fed back to the Scrutiny Commission, indicating what (if any) action the Cabinet proposes to take. Where necessary, the Scrutiny Commission will review the implementation of any Cabinet decisions at an appropriate time, usually after 6 months.

Report Implications

Implications, if any, are as set in out in the above officer responses.

Key Decision: No

Background Papers: None

Officer to contact: Sally Watson
Democratic Services Officer
(01509) 634969
sally.watson@charnwood.gov.uk

Part B

Background

1. Following a decision of the Scrutiny Commission at its meeting on 12th September 2022 a Budget Scrutiny Panel has undertaken scrutiny of the Council's draft budget for 2023/24.
2. The Scrutiny Commission considered the Panel's report at its meeting on 9th January 2023 and resolved that the recommendation of the Panel be submitted for consideration by the Cabinet.
3. Meeting discussion
 - i. *It was emphasized that there was a substantial amount of financial information available to members of the Council, including the annual budget books available on the Council's website and the information considered by the Finance and Performance Scrutiny Committee on a quarterly basis.*
 - ii. *Officers involved with Council finances were extremely knowledgeable on the subject and were always monitoring figures closely. It was highlighted that members had confidence in the way finances were managed by officers of the Council.*
 - iii. *It was highlighted that all members would be required to attend a member development session in financial awareness following the elections in May 2023. This was to ensure that all members of the Council had sufficient knowledge of financial processes and understanding financial information at the start of the new term of office.*
 - iv. *Members would receive an update on the Council's response to the cost of living in June 2023. It was requested that this update included information on the amount of funding available, the amount of funding spent, and how quickly the funding had been spent.*

RESOLVED

1. *That the Budget Scrutiny Panel report be approved for submission to the Cabinet at the next available meeting.*
2. *That the update on the Council's response to the cost of living in June 2023 included information on the amount of funding available, the amount of funding spent, and how quickly the funding had been spent.*

Reasons

1. *To ensure timely and effective scrutiny of the matter and subject.*

2. To ensure the update on the Council's response to the cost of living included relevant information on funding.

The report submitted to the Scrutiny Commission is set out at Annex 1. This includes a foreword by the Chair of the Panel, Councillor Charles.

Annexes

Annex 1 Report of the Budget Scrutiny Panel, January 2023

REPORT OF THE BUDGET SCRUTINY PANEL – 2023/24 DRAFT BUDGET

Foreword by Councillor Charles, Chair of the Panel

There have been a number of unprecedented events in recent years which have made a significant impact locally, nationally and globally. The Council has risen to each challenge, continuing to maintain services across the borough and support customers wherever possible. Over time, financial pressures on the council have got stronger and it is becoming increasingly difficult to provide the level of service expected by our customers. The Covid-19 Pandemic, the steady reduction in government funding, the war in Ukraine and the current cost-of-living crisis have contributed towards increasing financial challenges.

The Council has been proactive in identifying ways to make efficiency savings, making processes more streamlined and using digital transformation where appropriate. In addition, the Council's commercialisation portfolio has grown and is currently generating around £1.5m annually. Maintaining the current level of service provision across the Council is, however, likely to prove difficult in the coming years, as the Council makes necessary adjustments to achieve financial sustainability.

Whilst there is a need to do more to ensure the Council's finances are balanced and sustainable, there is a recognition of the significant financial pressures faced by members of the community and the Council is working hard to ensure resources are in place to support residents. The Council has a [dedicated webpage](#) that includes information on warm spaces in Charnwood, energy saving advice and the financial support available to members of the community. The Council has also provided £37,000 in grant funding to partner organisations such as Age UK Leicestershire and Rutland and Citizens Advice Charnwood as part of its Charnwood Community Action campaign. Furthermore, the Council has organised a 'Cost of Living and Wellbeing Roadshow', supported by organisations such as the Department for Work and Pensions and the Trussell Trust, which took place in Syston in November. Following the success of this event, a further roadshow will be planned in Loughborough in the near future.

The Budget Scrutiny Panel have thoroughly scrutinised the draft budget and highlighted a number of observations to put forward to Cabinet. This scrutiny has helped to ensure the Council's funds are used in the most efficient and productive ways and that the residents of the Borough receive value for money and assurance that the Council is using its limited financial resources wisely.

1. Background

Following a decision of the Scrutiny Commission at its meeting on 12th September 2022, a Budget Scrutiny Panel has undertaken scrutiny of the Council's draft budget for 2023/24.

2. Panel Membership

Councillors Charles (Chair), Miah, Parsons, Popley, Seaton

3. Meetings and Matters Considered

31st October 2022

At this meeting, the Panel considered:

- A draft Terms of Reference and a meeting plan
- A presentation on the financial position of the Council
- The approach to 2023/24 budget setting

13th December 2022

At this meeting, the Panel considered:

- The draft budget 2023/24
- Possible Budget Scrutiny Panel Recommendations
- Identification of Lead Members/Directors/Heads of Service to attend final meeting

4th January 2023

At this meeting, the Panel considered:

- An update on the financial settlement from government
- A review of Specific Budget Elements
- The draft panel report

The detail of the discussion at the above meetings is set out in the minutes of those meetings, attached as **appendices** to this report.

4. Officers and Cabinet Lead Members

The Panel was assisted in its scrutiny of the Council's draft budget for 2023/24 by:

The Lead Member for Finance and Property Services

The Lead Member for Investment

The Lead Member for Public Housing

The Director of Finance, Governance and Contracts (S151)
The Director of Housing and Wellbeing
The Director of Commercial and Economic Development
The Head of Finance
Democratic Services Officer

5. Recommendations -

- (i) The panel proposes the development of a brief summary or 'dashboard', to provide a general indication of the Council's finances be made available to all Councillors on a regular basis. It was suggested that this summary document be included within each committee agenda. It was recognised that there would be a significant amount of work required to develop this proposal and so it was considered that the final agreement be made outside of the panel report.

6. Observations

The Panel wishes to make the following observations in respect of future budgets and budget scrutiny:

- (i) The Budget Scrutiny Panel wishes Cabinet to ensure that use or release of the Commercialisation Reserve is appropriate at the point in time and that appropriate governance around that decision is in place.
- (ii) The Budget Scrutiny Panel wishes to reinforce the importance of the focus of reducing the structural deficit, to produce a long-term, sustainable and balanced budget and to provide a platform for the Council to take opportunities to further enhance services in the future. The Council has a significant structural deficit which requires addressing and the panel believe that this task should be undertaken with urgency and priority. By addressing these matters, the panel feels that the Council will be better placed to serve the local community with a long-term strategy that is viable and fully costed.

7. Background Papers

No further papers to those already identified in/appended to this report.

8. Appendices

Minutes of the meetings of the Budget Scrutiny Panel held on 31st October 2022, 13th December 2022 and 4th January 2023.

**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.

**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.

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

**BUDGET SCRUTINY PANEL
4TH JANUARY 2023**

PRESENT: The Chair (Councillor Charles)
The Vice Chair (Councillor Popley)
Councillors Miah and Parsons

Councillor Barkley (Deputy Leader of the Council
and Cabinet Lead Member for Finance and
Property Services)
Councillor Poland (Lead Member for Public
Housing)

Director Finance, Governance and Contracts
Head of Finance
Director Commercial and Economic Development
Director Housing and Wellbeing
Democratic Services Officer (SW)

APOLOGIES: Councillor 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.

15. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 13th December 2022 were confirmed and signed.

16. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

No disclosures were made.

17. DECLARATIONS - THE PARTY WHIP

No declarations were made.

18. QUESTIONS UNDER SCRUTINY COMMITTEE PROCEDURE 11.17

No questions were received.

19. INFORMATION ON THE GOVERNMENT FINANCIAL SETTLEMENT

The Director of Finance, Governance and Contracts (S151 Officer) provided a verbal update on the financial settlement from government. The Director of Finance, Governance and Contracts and the Head of Finance assisted with the consideration of this item.

The following summarises the key points and the discussion:

- i. The Council had received a provisional financial settlement from government on the 19th December 2022, which was in line with predictions outlined in the draft budget. A final settlement would be confirmed in February 2023, and it was unlikely there would be any changes made to the provisional settlement.
- ii. The core spending power suggested in the provisional settlement was in line with predictions; £18.1m versus 17.3m in 2022/23.
- iii. It was anticipated that Business Rates retentions would be slightly better than anticipated in the draft budget, although this would not have a significant impact on Council finances. Initial estimates suggested that the Council would likely be required to use reserves of around £1.7m, as opposed to the £1.9m estimated in the draft budget, although it was noted in the detailed calculation that the retention was still required.
- iv. The settlement covered one year of Council finances and there was some indication that subsequent financial settlements would be similar. The 2024/25 financial year was the final year of the current spending review period and it was difficult to make predictions on settlements after the period had ended.
- v. It was expected that there would be an overspend on operational expenses on the General Fund for 2022/23. Income from interest receivable and the outturn on Business Rates was expected to be better than anticipated in the original budget and so this would likely mitigate the overspend.
- vi. It was highlighted that the outturn in June 2023 was significant as there was a possibility that it would be better or worse than initially anticipated, and this would have an impact on the balance sheet for the following year.
- vii. Some of the government grants received by the Council in previous years would not be offered in the 2023/24 period. The New Homes Bonus had been reduced substantially but a funding guarantee of £2.3m had been included within the provisional settlement leaving totality of government grants similar to previous years.

RESOLVED that the Budget Scrutiny Panel notes the information provided.

Reason

To ensure members of the Budget Scrutiny Panel were informed about the financial settlement from government.

20. REVIEW OF SPECIFIC BUDGET ELEMENTS

Cabinet Lead Members and Officers attended the meeting to assist with the review of specific budget elements. The Director of Commercial and Economic Development, the Director of Finance, Governance and Contracts (and S151 Officer) and the Head of Finance assisted with the consideration of this item.

The following summarises the discussion:

- i. The commercialisation reserve was intended to mitigate risk as changes occurred over time. Commercialisation reserve funding would only be used in specific events, such as if a tenant did not renew a contract and therefore there was no rental income from the property or if there were requirements for refurbishment. Funding could also be released if the risk profile had significantly reduced (for example, long-term letting). It was highlighted that any release of funds from the Commercialisation Reserve would be transparent and subject to committee approval. The decision-making process on the release of funds from the Commercialisation Reserve would only be triggered following the events specified.
- ii. The Commercialisation Reserve was entirely separate from the General Fund and earmarked for the commercialisation portfolio as outlined.
- iii. The calculations on the release of funds was based on CIPFA modelling. The detail of these calculations and a business case would be included in any committee reports required to release funds from the reserve. The S151 Officer would lead the process of establishing the figures required in the event that funding release was triggered.
- iv. It was suggested that balances associated with the Commercialisation Reserve could be included within reports submitted to the Audit Committee to enable members to be better familiarised with the Commercialisation Reserve.

RESOLVED that the members of the Budget Scrutiny Panel note the information.

Reason

To ensure members of the Budget Scrutiny Panel were informed on specific budget elements.

21. BUDGET SCRUTINY PANEL DRAFT REPORT

The Budget Scrutiny Panel draft report was considered with a view to agree a final version for submission to the Scrutiny Commission at its meeting on 9th January 2023 (item 8 on the agenda filed with these minutes).

The Director of Finance, Governance and Contracts (S151 Officer) and the Democratic Services Officer assisted with the consideration of this item.

- i. It was agreed that the first observation in the draft report of the Budget Scrutiny Panel be removed as it was considered to be too strong a statement for the Budget Scrutiny Panel to make.
- ii. It was agreed that the foreword of the report included more content on the cost-of-living crisis and an indication that the Council was mindful of the circumstances of residents. It was suggested that more information be included on the ways that the Council was supporting residents, including the resources available.
- iii. It was agreed that the wording in the paragraph detailing observation two be changed as follows; *“The Budget Scrutiny Panel wishes Cabinet to ensure that use or release of the Commercialisation Reserve is appropriate at the point in time and that appropriate governance around that decision is in place.”*
- iv. It was agreed that the wording in the paragraph detailing observation three be changed as follows; *“The Budget Scrutiny Panel wishes to reinforce the importance of the focus of reducing the structural deficit, to produce a long-term, sustainable and balanced budget and to provide a platform for the Council to take opportunities to further enhance services in the future. The Council has a significant structural deficit which requires addressing and the panel believe that this task should be undertaken with urgency and priority. By addressing these matters, the panel feels that we will be better placed to serve our local community with a long-term strategy that is viable and fully costed.”*
- v. It was agreed to include a recommendation that the panel proposes the development of a brief summary or ‘dashboard’, to provide a general indication of the Council’s finances be made available to all Councillors on a regular basis. It was suggested that this summary document be included within each committee agenda. It was highlighted that a report was submitted to each meeting of the Finance and Performance Scrutiny Committee on a quarterly basis which detailed the information requested. It was recognised that there would be a significant amount of work required to develop this proposal and so it was considered that the final agreement be made outside of the panel report.
- vi. It was agreed that these changes be made and following this, the draft report be circulated to members of the panel to make final comments and

suggestions with a deadline. The report would then be published as a supplement to the Scrutiny Commission agenda for the meeting on 9th January 2023. The changes to the draft report highlighted in the meeting were to be confirmed outside of the meeting, following final consultation with the members of the panel and the Chair.

RESOLVED

1. That the changes as outlined in the meeting be made to the draft report and that the updated draft report be circulated to members of the panel for comment.
2. That following (1), the report of the Panel be submitted to the Scrutiny Commission at its meeting on 9th January 2023.

Reasons

1. To ensure the panel report accurately reflects the observations and recommendations of the Budget Scrutiny Panel.
2. To enable the Scrutiny Commission to consider the report, with a request that it be recommended to the Cabinet at its meeting on 9th February 2023.

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. The following Budget Scrutiny Panel Members, Lead Members and Officers attended the meeting virtually; Councillor Popley, Councillor Poland, Councillor Barkley, the Director of Commercial and Economic Development, the Director of Housing and Wellbeing and the Head of Finance.