

CABINET – 14TH FEBRUARY 2019

Report of the Head of Strategic Report

Part A

ITEM 6 BUDGET SCRUTINY PANEL

Purpose of Report

To consider the findings and recommendations of the Budget Scrutiny Panel, alongside officer advice and recommendations in response, with a view to the Cabinet deciding which recommendations it wishes to agree, if any.

Recommendations and Reasons

Set out below is the Panel's recommendation to the Cabinet and reason, followed by officer advice and recommendation.

Panel Recommendation

That the Cabinet be asked to consider the Panel's view that it was important that there was a statement in the next Medium Term Financial Strategy regarding the Council's future approach to the need for further savings or income generation and the use of reserves.

Reason

To enable a context to be provided for future decision making and inform scrutiny of the Council's budgets and other financial matters.

Officer Recommendation

That the Panel's view that there should be a statement in the next Medium Term Financial Strategy regarding the Council's future approach to the need for further savings or income generation and the use of reserves be agreed.

Response of the Strategic Director of Corporate Service to the Panel's Recommendation

The Panel's comments are agreed. The outcome for the Council's finances is very uncertain up and until the outcome of the fair funding review is known. The next Medium Term Financial Strategy will therefore need to address explicitly the need for further savings and approaches to income generation and the use of reserves.

Panel Conclusions Not Requiring Further Action

That the Panel's conclusions not requiring further action and the responses of Strategic Director of Corporate Services (if any) set out in Annex 2 to this report be noted.

Reason

To acknowledge the work done and comments made by the Budget Scrutiny Panel.

Policy Justification and Previous Decisions

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

The Scrutiny Management Board, on 23rd January 2019, agreed that the report of the Budget Scrutiny Panel be submitted for consideration by the Cabinet.

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

Implementation Timetable including Future Decisions and Scrutiny

An item setting out the proposed General Fund and Housing Revenue Account budgets for 2019/20 appears elsewhere on this agenda. The budgets will be submitted to the Council meeting on 25th February 2019 for approval.

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

Report Implications

Implications are as set out in both the Panel report and in officer responses.

Key Decision: No

Background Papers: Detailed in the Panel's Report as agreed by the Scrutiny Management Board (Annex 1).

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Part B

Background

1. At its meeting held on 28th March 2018, the Scrutiny Management Board agreed the process for scrutinising the Council's budgets for 2019/20. The Panel met four times between 26th June 2018 and 8th January 2019.
2. The Scrutiny Management Board considered the Panel's report at its meeting on 23rd January 2019 and resolved that the findings and recommendations of the Panel be submitted for consideration by the Cabinet. The report agreed by the Scrutiny Management Board for submission to Cabinet is set out at Annex 1.
3. In addition to the recommendation the Panel made to the Cabinet, the Panel made a further recommendation to the Scrutiny Management Board (relating to matters for the Scrutiny Work Programme) and a number of conclusions not requiring further action. For information, these are set out at Annex 2, together with any officer response.

Annexes

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| Annex 1 | Report of the Budget Scrutiny Panel |
| Annex 2 | Summary of conclusions made by the Panel which do not require action by the Cabinet, together with any officer response (for information). |

REPORT OF THE BUDGET SCRUTINY PANEL – 2019/20 DRAFT BUDGET

1. Background

Following a decision of the Scrutiny Management Board at its meeting on 28th March 2018, the Budget Scrutiny Panel has undertaken scrutiny of the Council's budget for 2019/20.

2. Panel Membership

Chair: Councillor Miah
Councillors Draycott, Gerrard, Parsons and Seaton

3. Meetings and Terms of Reference

The Scrutiny Management Board agreed a budget scrutiny process for the Panel setting out the timing of its meetings and discussion topics. The process was different to that followed in previous years because of the decision taken by the Council to establish a Loughborough Area Committee. The Committee's roles include considering the draft budget proposals regarding the Loughborough Special Expenses for the forthcoming financial year.

In addition, the Panel refined the process that had been agreed by the Scrutiny Management Board to bring forward its consideration of the draft revenue budgets and, therefore, give itself more time to consider the content of its draft report.

The Panel's work was carried out as set out below.

Panel Meeting 1 – 26th June 2018

Focus: Scrutiny of outturn information for the 2017/18 financial year in respect of the Council's revenue (General Fund and Housing Revenue Account (HRA)) and capital budgets.

Information received: Reports of the Head of Finance and Property Services setting out the revenue outturn position of the General Fund and HRA for 2017/18, and the Capital Plan outturn for 2017/18 which had been considered by the Cabinet on 14th June 2018, and a summary of the revenue outturn position for 2016/17.

Panel Meeting 2 – 2nd October 2018

Focus: Scrutiny of the draft Medium Term Financial Strategy (MTFS) including a review of the underlying assumptions and the implications of the calculations for efficiency plans and future budgets.

Information received: Report of the Strategic Director of Corporate Services setting out the draft MTFS 2019 to 2022 which had been agreed by the Cabinet on 13th September 2018.

Panel Meeting 3 – 12th December 2018

Focus: Scrutiny of the draft General Fund and HRA budgets including inviting relevant Cabinet Lead Members and officers as witnesses.

Information received: Report of the Head of Finance and Property Services setting out the draft General Fund and HRA Budgets 2019/20 considered by the Cabinet on 13th December 2018.

Panel Meeting 4 – 8th January 2019

Focus: Consideration of the Panel's draft report and finalisation of its conclusions and recommendations.

The information received is available at:

https://www.charnwood.gov.uk/committees/budget_scrutiny_panel (meeting held on 26th June 2018)

and

<https://charnwood.moderngov.co.uk/ieListMeetings.aspx?CId=136&Year=0> (all other meetings).

4. Evidence and Witnesses

In addition to the reports referred to above, the Panel heard evidence from the Cabinet Lead Member for Finance and Property Services in respect of general issues relating to the Council's finances and budgets and the following Cabinet Lead Members and officers in respect of particular issues identified by the Panel:

Issue	Relevant Cabinet Lead Member and Officers
Use of reserves	Councillor Barkley Strategic Director of Corporate Services
Impact of reductions in County Council services on Borough Council's budget	Councillor Barkley Strategic Director of Corporate Services
HRA budget including conclusion of the decent homes contract	Councillor Harper-Davies Councillor Mercer Strategic Director of Housing, Planning & Regeneration and Regulatory Services Head of Landlord Services Head of Strategic and Private Sector Housing

Garden waste bin charges	Councillor Harper-Davies Head of Cleansing and Open Spaces
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The Panel was supported by Simon Jackson – Strategic Director of Corporate Services.

5. Issues Considered at Panel Meetings

The following section identifies and summarises the main issues considered by the Panel. Further information regarding the matters considered and issues discussed at the meetings of the Panel is set out in the minutes of those meetings which are attached as Appendices A, B and D to this report.

Net Underspends

The Panel received evidence that there had been net underspends in the General Fund budget of several hundred thousand pounds in 2016/17 and 2017/18 and that it was predicted that there would be a net underspend of £500,000 in 2018/19. It was recognised that net underspends included situations where income budgets were exceeded but they were identified as a concern for the following reasons:

- It could result in necessary services not being delivered
- It made financial planning for the following year more difficult as the opening balances would not be as set out in the budget. The variances could be much greater than the sensitivity analysis undertaken as part of developing the Medium Term Financial Strategy.

The Panel received evidence that there was not a policy to encourage underspends but that it was recognised that there was a history of underspends at the end of the financial year. The issue had been looked at by officers and for the 2019/20 budget each directorate would be expected to find £100,000 of savings arising from underspends as they became apparent during the year. That would require a different approach to financial management to that used by the Council in previous years but meant that no reductions in posts were being proposed as part of the 2019/20 budget.

Use of Reserves

The Panel considered what an appropriate level of reserves for the Council should be.

The Panel was informed that the Council used guidance from CIPFA to determine a minimum level for the working balance reserve. That was calculated on the basis of six weeks of General Fund expenditure and came to £2million. The Council's Medium Term Financial Strategy proposed that the Council would reach 2020, by which time there should be more certainty regarding local authority funding, with a working balance reserve of £2million plus a cushion of £1million. The Council had built up its reserves in the past but was now using them in accordance with that strategy.

The Panel was provided with an outline of the planned use of reserves along with other measures to reach a balanced budget over the period covered by the Medium Term Financial Strategy. The Council was seeking to save £350,000 in each of the next three years. It was also seeking to increase the amount of income that it generated in order to become more self-reliant. That included income from investments, which had been assisted by the recent increase in interest rates, and making best use of the Council's assets. The Panel was also informed that the Administration wished to protect frontline services and reserves were being used in order to do so.

Draft Medium Term Financial Strategy

In addition to considering the issue of reserves as set out above, the Panel scrutinised the draft Medium Term Financial Strategy.

The Panel was informed that net service expenditure was projected to increase over the three years covered by the Strategy. A significant part of that increase was due to the ending of the first extension period of the environmental services contract and the requirement to replace the refuse fleet alongside the second extension period. It had been known when preparing previous Strategies that a new contract or contract extension would be required and that would result in an increase in costs. However the size of the increase had not been expected and that had resulted in a higher projected net service expenditure than in previous Strategies. The Strategy also now included an assumption that there would be annual pay rises of 2% rather than 1%, which had been assumed in previous Strategies. These were examples of the Strategy being developed each year as more information became available.

The Borough Council had dealt with the impacts of decisions taken by Leicestershire County Council in respect of recycling credits and the Lifeline and warden services. Those decisions had devolved costs of £1million on to the Borough Council. The Panel was informed that should similar issues arise again the Council would have to consider what was the most appropriate course of action and that it was acknowledged that the possibility of that happening was not specifically identified in the reports considered by the Panel.

Budget-setting Process

The Panel was keen to explore the framework for setting the budget, including how decisions were made, the options that were considered and whether different approaches were applied to statutory and other services. The Panel was advised that one-off savings and pressures were removed from the current year's budget to produce a base budget. Savings and pressures for the following year were identified and for any pressures of more than £10,000 a business case was prepared. The results of that work were considered by relevant Cabinet Lead Members, the Council's Senior Management Team and the Lead Member for Finance and Property Services. The Panel also received the following response from the Lead Member for Finance and Property Services:

“Generally, and specifically for the forthcoming financial year, in setting the budget the priority of this administration is to protect existing front line services as far as possible within what we believe to be a sensible affordability envelope. Having said this, we do however recognise that certain elements of our services need to be reduced whilst other areas would benefit from expansion. This administration adopts a Lead Member-led approach where each portfolio holder has responsibility for assessing their own services and in the event that service changes are considered appropriate, sponsor individual business cases (prepared by the relevant Head of Service) setting out the case for change. These are then assessed by both the Senior Management Team and Cabinet and a view is taken as to whether proposed changes are to be included in the draft budget report which is scheduled for Cabinet in December.”

In relation to the issue of underspends described above, the Panel considered the extent to which net underspends were considered in the budget-setting process. The Panel was informed that because work on preparing budgets for the following year began halfway through the current year it was not possible to take into account net underspends when preparing the base budget for the following year. Material variations that were known about were highlighted in the Medium Term Financial Strategy and more granular changes were considered alongside other savings and pressures in preparing the draft budgets.

The Panel noted that the report accompanying the draft budgets was well written and that it was helpful that information was provided in the report to support the proposed savings and pressures.

Income, Assets and Commercialisation

At various stages the Panel considered the opportunities for the Council to become more self-sufficient through raising income, making best use of its assets and commercialisation.

In the case of the garden waste collection service, the Panel noted that the recent decision to raise the charge for the service had generated negative comments from customers. The Panel was informed that there had not been the expected reduction in subscriptions for the service and additional income was being projected in the draft budget for 2019/20 based on the number of subscriptions continuing to rise. Further options for marketing the service were being considered and the Panel considered that there were opportunities to extend the service and make it more commercial, for example by offering gardening services or delivering compost.

The Panel was informed that projections contained within the MTFS relating to the interest the Council would receive were based on a number of factors. Previous projections had assumed a quicker increase in interest rates and the new projections had been updated accordingly. Assumptions regarding the Council's property fund investments had been based on the past performance of those funds and what returns were considered to be achievable in the future. In addition the

Transformation and Efficiency Plan within the MTFS identified that further proactive treasury management could result in greater income generation.

The Panel considered that the volatility of the projections for the Council's treasury management activities was greater than would be expected. In response the Lead Member for Finance and Property Services stated:

“We have now started to see the benefits of a more proactive treasury management approach, particularly the initiatives introduced by Clare Hodgson [the Council's previous Head of Finance and Property Services], where we now invest in different financial instruments – loans to other local authorities and more latterly in property funds – which has seen us generate greater returns against a stagnant interest rate environment. In the MTFS we assume that we can maintain this new normal but overall project a pretty flat picture for interest receivable based on the existing mix of treasury activities – this reflects our expectations that interest rates will rise a little over the period of the MTFS (in small incremental steps) but that our average balances available for investment will also reduce slightly (as we expect some use of our reserves), offsetting the rate effect. A line to this effect has been added to the final version of the MTFS.”

It was noted that work had been done to increase the income received from the Messenger Close site and the Council was continuing to look at options for the Limehurst Depot site. In relation to the latter the Lead Member for Finance and Property Services stated:

“Limehurst has complex planning constraints (principally relating to the current Environment Agency view on flood risk). We are undertaking some follow up work looking to see if and how those constraints can be overcome and, being optimistic, I hope that we can bring forward a proposal for the future use of this site in the next few months.”

The Panel also noted that Council intended to provide a trade waste collection service. The projections in the MTFS were based on the need to fund set-up costs in 2019/20, the service beginning and breaking even in 2020/21 and generating a small profit in 2021/22. It was expected that the service would produce greater returns in subsequent years.

Draft Housing Revenue Account Budget

The Panel expressed concern regarding the increase in the provisions for bad debts as a result of the introduction of Universal Credit. The Panel noted that the Council had put in place plans to address the impact and that those plans included lessons that had been learnt from other councils where Universal Credit had been introduced earlier. The Panel also noted that the matter was considered regularly by the Housing Management Advisory Board.

The Panel received assurance that any backlog in disabled adaptations could be made up using funding from existing Housing Revenue Account (HRA) budgets.

Work would be undertaken where required as the Council had a statutory duty to make those adaptations.

The Panel also scrutinised matters relating to the conclusion of the decent homes contract and received assurance that this would not affect the HRA budget for 2019/20.

Capital Plan

Although the Council was not preparing a new Capital Plan for 2019/20, the Panel also considered matters relating to the Council's capital budgets.

The Panel identified that there had been a 30% underspend in the 2017/18 General Fund capital schemes budget. The Panel received assurance that slippage on General Fund capital projects which were delivered directly by the Council was generally low. There could be significant slippage on projects that were outside the Council's direct control, for example those funded by Section 106 funds. It had been recognised that there could be improvements in the budgeting and project management of schemes in the Capital Plan, especially regarding the timeframe for delivering projects.

However, concerns regarding underspends in both the General Fund and HRA capital budgets for 2018/19 were identified by the Audit Committee at its meeting on 27th November 2018. The Panel noted that the Cabinet will respond to the issues raised by the Audit Committee at its meeting on 17th January 2019.

Risks

The Panel has identified a number of risks facing the Council in relation to its financial planning and budgeting.

There was considerable volatility in the Collection Fund, particularly relating to changes in Government policy on non-domestic rates relief and rating appeals, and those fluctuations were significant with respect to the size of the Council's budget. The Panel was informed that there was a backlog in appeals being determined by the Valuation Office and more recent revaluations would generate further appeals. The Panel was informed that the MTFS included a reasonable estimate of the financial impact of appeals and that it was assumed that the volatility would decrease from 2020/21 onwards following the move to the localisation of non-domestic rates and the potential rebasing of rates.

There was considerable uncertainty regarding Government funding from 2020/21 as a result of the Fair Funding Review, potential changes to New Homes Bonus and changes to the retention of business rates. The impact of the United Kingdom's exit from the European Union could also affect the amount of funding that the Government was able to provide to local authorities. The draft MTFS considered by the Panel describes the situation in the following terms:

“The numbers presented above come with a very significant health warning. Whilst prepared with all information available, the outcome of the government’s Fair Funding review, due for completion in the latter part of 2019, could result in a fundamental reset of the Council’s funding base. This review will inform the future share of business rates that the Council is able to retain under the prospective new business rates retention scheme (due for implementation from 2020/21) and, in particular, the future of the New Homes Bonus Scheme which currently generates around £4m per annum for the Council but which in a worse-case scenario could be discontinued. The financial projections for the latter years of the MTFS (2020/21 and 2021/22) therefore carry a significant downside risk.”

Scrutiny

The Panel notes that the Council is in a much better financial position than many other councils but scrutiny needs to be rigorous. It was therefore disappointing that the Lead Member for Finance and Property Services did not attend either of the Panel’s first two meetings. The Lead Member did however respond in writing to the Panel regarding the matters that were discussed at those meetings and that response can be found in Appendix C to this report.

The Panel also identified that it was a concern that there had been a reduction in the Internal Audit Control Environment Assessment compared to previous years. The Lead Member responded to that concern by stating:

“As was recorded in the notes, the Council is in a sound financial position, but the value of rigorous scrutiny is appreciated. The Internal Control Environment Assessment for last year was somewhat disappointing but from my perspective it is important to know that we continue to carry out internal audit reviews of our controls, and that, as members, we have visibility of their outcomes.”

As set out in section 3 above the budget scrutiny process was conducted differently this year compared to previous years.

6. Conclusions

Following its scrutiny work, the Panel agreed the following conclusions in respect of the draft 2019/20 General Fund and HRA Budgets:

- (i) That it be noted that the Panel commends the work of officers in the finance team and the Cabinet Lead Member in preparing the Council’s budgets and presenting the financial information in an open and transparent manner.
- (ii) That it be noted that the Council would be using reserves in each of the three years covered by the Medium Term Financial Strategy.
- (iii) That it be noted that the continued financial pressures facing the Council arising from reductions in the funding the Council received from the Government meant that the Council could not undertake all of the proactive activities that it might otherwise wish to undertake.

- (iv) That it be noted that the Panel welcomes the fact that there were no proposals to reduce the number of posts in the budgets for 2019/20.
- (v) That it be noted that there would be a significant difference in the way that underspends would be managed in 2019/20 compared to previous years and that the impact of seeking to save £300,000 per year in this way would need to be monitored.
- (vi) That it be noted that certain recent increases in income, for example from planning fees, may not be sustained due to changing economic conditions and that there may be resistance to increasing the Council's fees and charges.
- (vii) That it be noted that there was considerable uncertainty regarding the amount of funding that the Council would receive from the Government after 2020 and that this was a potential financial risk.
- (viii) That the Council should continue to look at alternative sources of income and revenues.
- (ix) That the Cabinet be asked to consider the Panel's view that it was important that there was a statement in the next Medium Term Financial Strategy regarding the Council's future approach to the need for further savings or income generation and the use of reserves to enable a context to be provided for future decision making and inform scrutiny of the Council's budgets and other financial matters.
- (x) That the Scrutiny Management Board be asked to consider the Panel's view of the importance of pre-decision scrutiny of out-turn reports, virements and in-year service pressures, particularly when they related to additional costs arising from decisions by other agencies to reduce services, in ensuring the sound financial management of the Council.

7. Background Papers

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

8. Appendices

Appendix A – Minutes of the Budget Scrutiny Panel meeting held on 26th June 2018.

Appendix B – Minutes of the Budget Scrutiny Panel meeting held on 2nd October 2018.

Appendix C – Written response provide by Cabinet Lead Member for Finance and Property Services in response to issues raised by the Panel at its meeting on 2nd October 2018

Appendix D – Minutes of the Budget Scrutiny Panel meeting held on the 12th December 2019.

BUDGET SCRUTINY PANEL 26TH JUNE 2018

PRESENT: The Chair (Councillor Miah)
Councillors Draycott and Parsons

Strategic Director of Corporate Services
Democratic Services Officer (MH)

APOLOGIES: Councillors Gerrard and Seaton
Councillor Barkley – Lead Member for Finance and
Property Services

The Chair stated that the meeting was being recorded and that the recording would be made available on 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 the meeting, and the use of any such images or sound recordings was not under the Council's control.

1. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 3rd January 2018 were confirmed as a correct record and signed.

2. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

The following disclosure was made:

- (i) by Councillor Miah – a personal interest in item 7 (Final Outturn for the Previous Financial Year) as he had been appointed by the Council to the Fearon Hall Community Association which was a recipient of funding through one of the schemes identified in the Capital Outturn report.

3. DECLARATIONS – THE PARTY WHIP

No declarations were made.

4. QUESTIONS UNDER SCRUTINY COMMITTEE PROCEDURE 11.17

No questions had been submitted.

5. BUDGET SCRUTINY PROCESS 2018/19

The budget scrutiny process for 2018/19, agreed by the Scrutiny Management Board at its meeting on 28th March 2018, was submitted (item 6 on the agenda filed with these minutes).

The Strategic Director of Corporate Services assisted with consideration of the item and provided the following responses to issues raised:

- (i) Each department was allocated a budget to spend and there was no policy to encourage underspends.
- (ii) In previous years heads of service had been asked to identify savings within the financial year. However, that had not been the case in 2017/18 or 2016/17.
- (iii) Budget management within the year was undertaken at the service level, directorate level and corporately. There could be unexpected pressures within the year but there could also be unexpected reductions in costs. The authorisations required to vire money between budgets to address those issues were set out in the Council's financial regulations and procedure rules.
- (iv) The Council operated a managed salary savings budget to take account of the fact that when vacancies arose there would often be a period while the recruitment process was completed during which the post would not be filled. This was a corporate budget and did not have to be managed by individual services.

Members of the Panel made the following comments:

- (i) It was expected that Cabinet members invited to the Panel's October meeting would be able to explain in detail the framework for setting the budget, including what decisions had been made, the reasons for those decisions and what options had been considered. Such explanations should address the different approaches applied to statutory services, added value services and their priority and self-sufficiency.
- (ii) There continued to be significant underspends in the revenue and capital budgets. Those variances were much greater than the sensitivity analysis undertaken as part of developing the Medium Term Financial Strategy.
- (iii) Underspends could be seen as cuts as the funding identified as necessary to deliver services was not being used. Underspends were apparent as soon as monitoring began each financial year and appeared to be part of the culture of the organisation.
- (iv) The Council was in a much better financial position than many other councils but scrutiny needed to be rigorous. It was a concern that there had been a reduction in the Internal Audit Control Environment Assessment compared to previous years.
- (v) The descriptions used for savings and pressures identified in the budget papers submitted to Council could be clearer to avoid significant changes being missed. Some significant reductions in services were not identified in the budget papers.

RESOLVED

1. that the budget scrutiny process agreed by the Scrutiny Management Board for 2018/19 be noted;
2. that the process agreed by the Scrutiny Management Board be amended so that the Panel's third meeting becomes a formal one at which scrutiny of the draft General Fund and Housing Revenue Account (HRA) budgets would take place;
3. that officers be asked to look at options for rescheduling the Panel's third meeting to a date later in December.

Reasons

1. To confirm the scope and details of the work of the Panel as set out by the Scrutiny Management Board.
2. To enable the Panel to have more time to prepare its report and consider its conclusions and recommendations at its fourth meeting.
3. To facilitate undertaking scrutiny of the draft General Fund and HRA budgets at that meeting.

6. FINAL OUTTURN FOR THE PREVIOUS FINANCIAL YEAR

Outturn information, in the form of the reports submitted to the Cabinet on 14th June 2018 regarding the General Fund, Housing Revenue Account (HRA) and Capital outturns for 2017/18 with additional information provided regarding the revenue outturn in 2016/17 to enable comparisons to be made, was submitted (item 7 on the agenda filed with these minutes).

The Strategic Director of Corporate Services assisted with consideration of the item and provided the following responses to issues raised:

General Fund

- (i) The level of the Council's reserves relative to its size was not unusual. For some councils it was lower and for some significantly higher. The Council used guidance from CIPFA to determine a minimum level of the working balance reserve. That was calculated on the basis of six weeks of General Fund expenditure and came to £2million.
- (ii) When setting the budget each year the outturn position of the Council's reserves at the end of the current financial year was not known and had to be estimated. In 2017/18 the starting point for the reserves was higher than had been budgeted and less reserves had been used during the year.

- (iii) The Council's Medium Term Financial Strategy proposed that the Council would reach 2020, by which time there should be more certainty regarding local authority funding, with a working balance reserve of £2million plus a cushion of £1million. The Council had built up its reserves in the past but was now using them in accordance with that strategy.
- (iv) The recent increase in the level of Council Tax enabled the Council to maintain services at the current level. Council Tax now contributed a greater proportion of the Council's revenue than previously as the overall level of Government grants had decreased. The slight increase in the level of income generated by services enabled the Council to keep pace with inflation.
- (v) There had been an opportunity to carry out a feasibility study regarding the Council's accommodation options as a result of an underspend on other consultancy fees. The matter had been covered in a report to the Cabinet that was primarily concerned with the Limehurst Depot site. Prior to any options identified by the feasibility study being progressed they would be the subject of a further Cabinet report.
- (vi) The Council's scheme of delegation and financial procedure rules set out the authority that officers had to make the decisions that were required to implement the financial plans set out in the budget. If officers did not have delegated authority then the decision would be taken by the Cabinet or Full Council as appropriate.
- (vii) The virement rules could be used to manage under- and overspends on a service, directorate or corporate basis. Most of the Council's services were not subject to significant demand variation.

Housing Revenue Account

- (viii) The rollout of Universal Credit had been slow and the impact to date on the provision for bad debt was small. The Council had plans in place to address the impact in Charnwood. Those plans included lessons that had been learnt from other councils where Universal Credit had been introduced earlier.

Capital Plan

- (ix) The Ministry of Housing, Communities and Local Government had provided further confirmation that Disabled Facilities Grants funding should be forwarded to district councils.
- (x) The slippage on General Fund capital projects which were delivered directly by the Council was generally low. There could be significant slippage on projects that were outside the Council's direct control, for example those funded by Section 106 funds. It had been recognised that there could be improvements in the budgeting and project management of schemes in the Capital Plan, especially regarding the timeframe for delivering projects.

Members of the Panel made the following comments:

General Fund

- (i) Views were expressed both that the Council's current level of reserves was very high for an authority of its size and that the current level of reserves was useful because it enabled the Council to have more options in the future.
- (ii) It was understandable if the public was concerned that the Council was increasing Council Tax and using reserves but not increasing services.
- (iii) It was important that councillors were kept informed regarding significant initiatives that were started during the course of the year. Issues like a review of the Council's accommodation needs should not come as a surprise to councillors.
- (iv) The outturn figures for 2016/17 also showed underspends which suggested that initiatives like the Charnwood Lottery and the removal of bring sites were not required. It was appropriate to consider whether services and assets continued to serve a purpose and provided value for money. It was important that there was joined-up thinking regarding what was needed and the impacts of proposed changes.
- (v) It was important that when significant virements had to take place that they were identified early so that scrutiny could take place in a timely manner.

Housing Revenue Account

- (vi) The increase in the provisions for bad debts was a concern. It would result in the Council having less income for its landlord function, including paying off the housing debt. The Housing Management Board was examining the issue. It was expected that the rollout of Universal Credit would result in the provision having to increase but that it would then reach a plateau.

Capital Plan

- (vii) There had been a 30% underspend on the General Fund capital schemes budget. In previous years there had been greater slippage on the HRA capital schemes budget and less on the General Fund capital schemes budget. Those issues warranted an explanation and it was a concern that the outturn reports had not been scrutinised prior to them being considered by the Cabinet. It was recognised that there were difficulties in delivering projects which required fund-raising or other action from external organisations in order to complete them. However, the situation raised questions regarding how to deal with such variations in financial planning and scrutiny. That should form part of the questioning at the Panel's next meeting.

RESOLVED

1. that the information be noted;
2. that information be provided to members of the Panel regarding how the figure of £882,000 for the outturn contribution from the Capital Plan Reserve in 2017/18 is reconciled with other figures set out in the reports submitted to the Panel;
3. that details of the Fuel Poverty Scheme included in the Capital Plan be provided to Councillor Draycott.

Reasons

1. To acknowledge the information received.
2. To clarify how the figure was calculated.
3. To provide Councillor Draycott with further information about the matter.

7. FURTHER PANEL MEETING DATES 2018/19

Further meetings of the Panel in 2018/19 (to accord with the process for scrutiny of the budget agreed by the Scrutiny Management Board) had been scheduled, details of which were submitted.

RESOLVED

1. that further meetings of the Panel take place on the following dates, in accordance with decisions taken earlier in the meeting:
 - Tuesday, 2nd October 2018
 - A date in December 2018 to be determined and changed to a formal meeting
 - Tuesday, 8th January 2019;
2. that the Lead Member for Finance and Property Services be invited to the Panel's meeting scheduled for 2nd October 2018.

Reasons

- 1.&2. To confirm the arrangements for future meetings of the Panel.

Note

These minutes are subject to confirmation as a correct record at the next meeting of the Panel, which is scheduled for Tuesday, 2nd October 2018.

**BUDGET SCRUTINY PANEL
2ND OCTOBER 2018**

PRESENT: The Chair (Councillor Miah)
Councillors Draycott, Gerrard, Parsons and
Seaton

Strategic Director of Corporate Services
Democratic Services Officer (MH)

APOLOGIES: Councillor Barkley (Lead Member for Finance and
Property Services)

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 26th July 2018 were confirmed and signed.

9. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

The following disclosures of interests were made:

- (i) by Councillors Miah and Seaton – personal interests as members of Leicestershire County Council.

10. DECLARATIONS - THE PARTY WHIP

No declarations of the existence of the Party Whip were made.

11. QUESTIONS UNDER SCRUTINY COMMITTEE PROCEDURE 11.17

No questions had been submitted.

12. DRAFT MEDIUM TERM FINANCIAL STRATEGY 2019-2022

A report of the Head of Finance and Property Services setting out the draft Medium Term Financial Strategy 2019 to 2022, which had been agreed by the Cabinet on 13th September 2018, was submitted (item 6 on the agenda filed with these minutes).

Members of the Panel expressed their extreme disappointment that the Cabinet Lead Member for Finance and Property Services had given his apologies for the meeting. At its previous meeting the Panel had identified specific issues that it wished to question the Lead Member on. The recent scrutiny review had highlighted the importance of Lead Members being present at meetings to answer scrutiny questions and it was noted that the Lead Member had also not attended the Panel's first

meeting. The Panel did not know the reason for the Lead Member's absence and there might be good reasons for it; however the minutes should reflect the Panel's views regarding the matter.

Having discussed the options for proceeding with its scrutiny of the draft Medium Term Financial Strategy the Panel decided to proceed with the meeting but to identify issues during the course of its scrutiny of the Strategy that it wished the Lead Member to respond to.

The Strategic Director of Corporate Services assisted with consideration of the item and provided the following responses to issues raised:

- (i) Net service expenditure was projected to increase over the three years covered by the Strategy. A significant part of that increase was due to the ending of the first extension period of the environmental services contract and the requirement to replace the refuse fleet alongside the second extension period. It would be more cost effective for the Council to purchase the new fleet than for the contractor to do so because the Council could borrow money more cheaply than the contractor.
- (ii) It had been known when preparing previous Strategies that a new contract or contract extension would be required and that would result in an increase in costs. However the size of the increase had not been expected and that had resulted in a higher projected net service expenditure than in previous Strategies.
- (iii) The Strategy also now included an assumption that there would be annual pay rises of 2% rather than 1%, which had been assumed in previous Strategies. These were examples of the Strategy being developed each year as more information became available.
- (iv) The Council was looking at the possibility of offering some services on a more commercial basis. In particular the Council was looking to provide a trade waste collection service. The projections in the Strategy were based on the need to fund set-up costs in 2019/20, the service beginning and breaking even in 2020/21 and generating a small profit in 2021/22. It was expected that the service would produce greater returns in subsequent years.
- (v) The projections relating to the interest the Council would receive were based on a number of factors. Previous projections had assumed a quicker increase in interest rates and the new projections had been updated accordingly. Assumptions regarding the Council's property fund investments had been based on the past performance of those funds and what returns were considered to be achievable in the future. In addition the Transformation and Efficiency Plan within the Strategy identified that further proactive treasury management could result in greater income generation.
- (vi) The increases in the fees for the garden waste collection service were presented in a similar way to that described above with the income generated as a result of the current fees and the additional income from higher fees shown separately. This approach was a presentational choice and was used to show the steps that the Council was taking to address the financial challenges it had to face.

- (vii) The Council did take steps to monitor the occupation of properties, in part so that Council Tax could start to be charged. If necessary Council Tax could be charged retrospectively from the date of occupation. Houses that had planning permission but were not built were a more significant issue for the Council's finances.
- (viii) The Strategy included an assumption that there would be no increase in the Loughborough Special Rate. The setting of the Loughborough Special Rate was a separate decision for full Council. The Strategy included the assumption that the Council would increase Council Tax at the maximum amount of £5 in each of the financial years it covered. The Council could decide to increase the Loughborough Special Rate and reduce the increase in Council Tax by a corresponding amount to keep within the limit set by the Government.
- (ix) There was considerable volatility in the Collection Fund, particularly relating to changes in Government policy on non-domestic rates relief and rating appeals. There was a backlog in appeals being determined by the Valuation Office and more recent revaluations would generate further appeals. The Strategy included a reasonable estimate of the financial impact of appeals. It was assumed that the volatility would decrease from 2020/21 onwards following the move to the localisation of non-domestic rates and the potential rebasing of rates.
- (x) The projections for New Homes Bonus and Council Tax receipts both included assumptions regarding the number of houses being built in the Borough. The two amounts were not perfectly correlated because of factors such as the localisation of Council Tax support and the time frame over which New Homes Bonus payments were made.
- (xi) The loans taken out by the Council as part of the restructuring of the financing of local authority housing had fixed interest rates.

The following comments were made by members of the Panel:

- (i) The volatility of the projections for the Council's treasury management activities was greater than would be expected.
- (ii) The fluctuations in the Collection Fund were significant with respect to the size of the Council's budget and that was a risk the Council needed to be aware of.
- (iii) The Strategy should be clearer in explaining that the assumptions regarding the Loughborough Special Rate did not preclude the consideration of increases to the Rate by full Council.
- (iv) When considering investing in commercial assets, the Council could place an emphasis on investing locally, for example in Loughborough town centre or in business units. It was recognised that any investments would need to make a return.
- (v) Increasing fees for the garden waste service could not genuinely be considered to be an efficiency saving. Increasing those fees had generated significant comment and was an issue that members of the Panel would have questioned the Lead Member about.
- (vi) The Council should seek ways in which it could be more self-sufficient in terms of its financing. That would require the Council to be more outward looking and was different to raising fees for existing Council services. For

example, an opportunity had been missed with regard to charging premises that wished to retain bring sites rather than removing them.

- (vii) During the debate at the budget-setting Council meeting in February 2018 reference was made to the Budget Scrutiny Panel not making comments on the draft budgets. The scrutiny process was different to the views that Labour councillors may have on the administration's budget proposals.
- (viii) If the Lead Member had been present information would have been sought regarding the current position in respect of the former Limehurst depot site.
- (ix) It would be helpful if information regarding the previous year's Strategy could be provided to members of the Panel.
- (x) Different views were expressed regarding whether the impact of the United Kingdom's withdrawal from the European Union should be referred to in the Strategy.

RESOLVED

1. that the Panel's extreme disappointment at the absence of the Lead Member for Finance and Property Services be noted;
2. that the Panel's comments regarding the draft Medium Term Financial Strategy be noted and forwarded to the Lead Member for Finance and Property Services to consider before the Strategy was finalised;
3. that the Cabinet Lead Member for Finance and Property Services be asked to respond to the issues raised by the Panel at this meeting and at its previous meeting prior to the Cabinet meeting on 15th November 2018 at which the final version of the Strategy would be considered;
4. that further information be provided to members of the Panel regarding the reasons for the differences between the projections for New Homes Bonus and Council Tax receipts for 2019/20 in the draft Medium Term Financial Strategy and the previous approved Strategy;
5. that further information be provided to members of the Panel regarding the breakdown of the £325,000 interest payable by the Council in 2017/18;
6. that further information be provided to members of the Panel regarding the timetable for reviewing the Housing Revenue Account Business Plan.

Reasons

1. To formally record the Panel's views on the matter.
2. To record the results of the Panel's scrutiny of the draft Strategy and to enable its comments to inform the preparation of the final version of the Strategy.
3. To enable the Panel to receive a response to its scrutiny of the Strategy and issues relating to it.
4. To provide the Panel with clarification regarding the matter.

5. To provide clarification of the amounts that had been paid in addition to the known amount relating to a long-term loan.
6. To provide the Panel with clarification regarding the matter.

13. FURTHER PANEL MEETING DATES 2018/19

At its previous meeting the Panel had agreed to bring forward its scrutiny of the draft General Fund and HRA budgets to its December meeting and make that a formal meeting.

RESOLVED that in preparation for the Panel's next meeting, scheduled for 12th December 2018, officers circulate details of the draft General Fund and HRA budgets to members of the Panel when the Cabinet report is published on 30th November 2018.

Reason

To enable members of the Panel to identify areas of focus and witnesses to invite for the Panel's next meeting.

NOTES:

These minutes are subject to confirmation as a correct record at the next meeting of the Budget Scrutiny Panel, which is scheduled for 12th December 2018.

From: **Cllr Tom Barkley**, Lead Member for Finance & Property Services

To members of the Budget Scrutiny Panel

Firstly, I would like to thank you for your diligence in reviewing the draft Medium Term Financial Strategy at your meeting of 2 October 2018. I apologise for not being able to attend the meeting in person but it appears a number of matters were addressed and I've no doubt that your input will prove to be very useful.

I have now had chance to look through the notes of the meeting in more detail and I would comment against the points raised as follows:

- (i) *The volatility of the projections for the Council's treasury management activities was greater than would be expected.*

We have now started to see the benefits of a more proactive treasury management approach, particularly the initiatives introduced by Clare Hodgson, where we now invest in different financial instruments – loans to other local authorities and more latterly in property funds – which has seen us generate greater returns against a stagnant interest rate environment. In the MTFS we assume that we can maintain this new normal but overall project a pretty flat picture for interest receivable based on the *existing* mix of treasury activities – this reflects our expectations that interest rates will rise a little over the period of the MTFS (in small incremental steps) but that our average balances available for investment will also reduce slightly (as we expect some use of our reserves), offsetting the rate effect. A line to this effect has been added to the final version of the MTFS.

- (ii) *The fluctuations in the Collection Fund were significant with respect to the size of the Council's budget and that was a risk the Council needed to be aware of.*

I agree with this comment and our experience tells us that the Collection Fund requires ongoing care and attention, particular in respect of the business rate element which is particularly volatile due to movements in business rate provisions.

- (iii) *The Strategy should be clearer in explaining that the assumptions regarding the Loughborough Special Rate did not preclude the consideration of increases to the Rate by full Council.*

The MTFS has always been a strategic overview. Whilst it is used to inform the budget it has never been a document that constrains any subsequent budget decisions that the Council may subsequently make. I

have added a paragraph in my introduction in the final version of the MTFS where I hope I now make this clear.

- (iv) *When considering investing in commercial assets, the Council could place an emphasis on investing locally, for example in Loughborough town centre or in business units. It was recognised that any investments would need to make a return.*

This is something that we are actively considering – I envisage that the Capital Financing Strategy, a new report we are required to produce from next year, will address this matter.

- (v) *Increasing fees for the garden waste service could not genuinely be considered to be an efficiency saving. Increasing those fees had generated significant comment and was an issue that members of the Panel would have questioned the Lead Member about.*

I consider the ongoing review of our fees and charges to be an important plank of our commercialisation agenda and believe its inclusion within our transformation and efficiency plan is valid.

In respect of garden waste charges in particular, it should be noted that the projected growth in revenues is driven by volume and not new price increases. In reality, the additional revenue included within the plan is a reflection of the GWB revenues we are seeing in this financial year.

- (vi) *During the debate at the budget-setting Council meeting in February 2018 reference was made to the Budget Scrutiny Panel not making comments on the draft budgets. The scrutiny process was different to the views that Labour councillors may have on the administration's budget proposals.*

This comment is noted.

- (vii) *The Council should seek ways in which it could be more self-sufficient in terms of its financing. That would require the Council to be more outward looking and was different to raising fees for existing Council services. For example, an opportunity had been missed with regard to charging premises that wished to retain bring sites rather than removing them.*

I agree with this comment in principle and we will always consider possible options that would make us more financially self-sufficient.

Bring sites are not a Council service that falls within my portfolio but I believe an appraisal was undertaken which did not conclude that retaining bring sites was worthwhile.

- (viii) *If the Lead Member had been present information would have been sought regarding the current position in respect of the former Limehurst depot site.*

Limehurst has complex planning constraints (principally relating to the current Environment Agency view on flood risk). We are undertaking some follow up work looking to see if and how those constraints can be overcome and, being optimistic, I hope that we can bring forward a proposal for the future use of this site in the next few months.

- (ix) *It would be helpful if information regarding the previous year's Strategy could be provided to members of the Panel.*

The Panel are entitled to this information of course and the officers will no doubt be happy to provide what is required. It will be helpful if this could be specified in advance of relevant meetings as the totality of available information is extensive.

- (x) *Different views were expressed regarding whether the impact of the United Kingdom's withdrawal from the European Union should be referred to in the Strategy.*

'Brexit' is mentioned in the MTFS as part of Section 4 – the political and economic overview. I think this is the limit of what we can actually say on the matter at this point in time.

In terms of the specific resolutions of the Panel I understand that you have been sent information on the reasons for the differences between the projections for New Homes Bonus and Council Tax receipts for 2019/20 in the draft Medium Term Financial Strategy and the previous approved Strategy, the breakdown of the £325,000 interest payable by the Council in 2017/18 and the timetable for reviewing the Housing Revenue Account Business Plan (resolutions 4-6). I also hope that in responding to you via this note that I have demonstrated that I have both seen your comments and considered them in advance of the final MTFS due at Cabinet on 15 November.

In writing this note I thought it might also be appropriate to pick up one or two of the comments raised at the Panel's June meeting.

The first matter which I gather the Panel were interested in was the framework we use in setting the budget, our priorities, and what alternative mix of services we might consider. Generally, and specifically for the forthcoming financial year, in setting the budget the priority of this administration is to protect existing front line services as far as possible within what we believe to be a sensible affordability

envelope. Having said this, we do however recognise that certain elements of our services need to be reduced whilst other areas would benefit from expansion. This administration adopts a Lead Member-led approach where each portfolio holder has responsibility for assessing their own services and in the event that service changes are considered appropriate, sponsor individual business cases (prepared by the relevant Head of Service) setting out the case for change. These are then assessed by both the Senior Management Team and Cabinet and a view is taken as to whether proposed changes are to be included in the draft budget report which is scheduled for Cabinet in December.

The issue of persistent underspending against budgets was obviously a matter of some interest at the June meeting. I think to some extent the issue may be cultural, but I do not regard this as a wholly negative matter as we obviously want Council officers to use their budgets carefully. I do not regard underspends as 'cuts', but accept that they may indicate a sub-optimal allocation of resources in some areas. Overall, this is an issue which we regard as important and intend to address through the budget process and in future budget monitoring processes.

As was recorded in the notes, the Council is in a sound financial position, but the value of rigorous scrutiny is appreciated. The Internal Control Environment Assessment for last year was somewhat disappointing but from my perspective it is important to know that we continue to carry out internal audit reviews of our controls, and that, as members, we have visibility of their outcomes. Also in terms of visibility, I am not aware of any significant service reduction or service change that has not been the subject of a Cabinet or Council report, and therefore available for the scrutiny of all members

Finally, I do reiterate my apology for my unavailability for the previous Panel meeting but I do plan to see you all in December. In the meantime, if any Panel members would like to arrange a one-to-one meeting I will be happy to expand on any of the above points.

Kind regards

Cllr Tom Barkley

26 October 2018

BUDGET SCRUTINY PANEL 12TH DECEMBER 2018

PRESENT: The Chair (Councillor Miah)
Councillors Draycott, Gerrard, Parsons and Seaton

Councillors Barkley (Deputy Leader of the Council and Cabinet Lead Member for Finance and Property Services), Harper-Davies (Cabinet Lead Member for Performance of Major Contracts) and Mercer (Cabinet Lead Member for Housing)

Strategic Director of Corporate Services
Strategic Director of Housing, Planning & Regeneration and Regulatory Services
Head of Cleansing and Open Spaces
Head of Landlord Services
Head of Strategic and Private Sector Housing
Democratic Services Officer (MH)

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.

14. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting of the Panel held on 2nd October 2018 were confirmed as a correct record and signed.

15. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

The following disclosures of interests were made:

- (i) by Councillors Miah and Seaton – personal interests in any matters relating to Leicestershire County Council as members of the authority.

16. DECLARATIONS - THE PARTY WHIP

There were no declarations of the Party Whip.

17. QUESTIONS UNDER SCRUTINY COMMITTEE PROCEDURE 11.17

No questions had been submitted.

18. DRAFT GENERAL FUND AND HRA BUDGETS 2019/20

The Draft General Fund and Housing Revenue Account (HRA) Budgets 2019/20 report that was due to be considered by the Cabinet on 13th December 2018 was submitted (item 6 on the agenda filed with these minutes).

The Cabinet Lead Member for Finance and Property Services and the Strategic Director of Corporate Services assisted with consideration of the item.

In preparing for the meeting, members of the Panel had identified topics that should be considered at the meeting and the relevant Cabinet Lead Members and officers had been invited to the meeting. The Cabinet Lead Member for Performance of Major Contracts, the Cabinet Lead Member for Housing, the Strategic Director of Housing, Planning & Regeneration and Regulatory Services, the Head of Cleansing and Open Spaces, the Head of Landlord Services and the Head of Strategic and Private Sector Housing also assisted with the consideration of the item.

Use of Reserves

In response to issues raised the Cabinet Lead Member for Finance and Property Services and the Strategic Director of Corporate Services provided the following responses relating to the topic identified by the Panel:

- (i) An outline of the planned use of reserves along with other measures to reach a balanced budget over the period covered by the Medium Term Financial Strategy was provided. The Council was seeking to save £350,000 in each of the next three years. It was also seeking to increase the amount of income that it generated in order to become more self-reliant. That included income from investments, which had been assisted by the recent increase in interest rates, and making best use of the Council's assets. Work had been done to increase the income received from the Messenger Close site and the Council was continuing to look at options for the Limehurst Depot site.
- (ii) At the end of the period covered by the Medium Term Financial Strategy the Council's working balance would still be almost twice the level identified as the minimum balance requirement.
- (iii) The Administration wished to protect frontline services and reserves were being used in order to do so.
- (iv) The settlement figures from the Government had been expected on 6th December but had been delayed. However the settlement was expected to be similar to that which was used as a prediction in the draft General Fund budget.
- (v) There was considerable uncertainty regarding Government funding from 2020/21 as a result of the Fair Funding Review, potential changes to New Homes Bonus and changes to the retention of business rates. The Council had applied to be part of a pilot for the retention of 75% of business rates rather than the current 50%. The impact of the United Kingdom's exit from the European Union could also affect the amount of funding that the Government was able to provide to local authorities.

- (vi) In the past the Council had received a significant amount through the Revenue Support Grant. The Council would receive £165,000 in 2019/20 and that would be the final year in which that form of funding was provided. These changes were known and the funding had, to a large extent, been replaced by that which was received through the New Homes Bonus.
- (vii) As a result of national rules, certain types of educational establishments received an 80% relief on their business rates but local authority schools did not. There was therefore a reduction in the amount of business rates collected when a school converted to an academy.
- (viii) It was projected that there would be a £500,000 net underspend on the 2018/19 General Fund budget. Net underspends had occurred across all directorates and included situations where income budgets had been exceeded. As part of the draft 2019/20 budget each directorate would be expected to find £100,000 of savings arising from underspends as they became apparent during the year. That would mean that there was less opportunity for money from underspends to be vired to other areas of expenditure. There were sometimes good reasons for money not being spent but there was a history of budgets being underspent at the end of the financial year.
- (ix) The process for developing the draft budgets for 2019/20 was outlined. One-off savings and pressures from the 2018/19 budgets were removed to produce a base budget. Savings and pressures for 2019/20 were identified and for any pressures of more than £10,000 a business case was prepared. The results of that work were considered by relevant Cabinet Lead Members, the Council's Senior Management Team and the Lead Member for Finance and Property Services.
- (x) Work on preparing budgets for the following year began halfway through the current year and it was therefore not possible to take into account net underspends when preparing the base budget for the following year. Material variations that were known about were highlighted in the Medium Term Financial Strategy and more granular changes were considered alongside other savings and pressures in preparing the draft budgets. The actual amount of net underspends at the year end would not affect the budgets for the following year but would affect the balances at the start of that year.

The following comments were made by members of the Panel in respect of this topic:

- (i) The report accompanying the draft budgets was well written and it was helpful that information was provided to support the proposed savings and pressures.
- (ii) The Audit Committee had identified underspends in the Council's capital programme. That might have a consequential effect on the Council's revenue spending.

Impact of Reductions in County Council Services on the Borough Council's Budget

In response to issues raised the Cabinet Lead Member for Finance and Property Services and the Strategic Director of Corporate Services provided the following responses relating to the topic identified by the Panel:

- (i) The Borough Council had dealt with the impacts of decisions taken by Leicestershire County Council in respect of recycling credits and the Lifeline and warden services. Those decisions had devolved costs of £1million on to the Borough Council. The Council had decided to fund the Lifeline and wardens service in order to provide good services to residents. Should similar issues arise again the Council would have to consider what was the most appropriate course of action.
- (ii) It was acknowledged that the possibility of that happening was not identified in the report.

The following comments were made by members of the Panel in respect of this topic:

- (i) It appeared that reductions in Government funding for local authorities were having the biggest impact on county councils. One of the responses by Leicestershire County Council to those pressures on its budget was to consider options for reorganising local government in Leicestershire into unitary authorities.

HRA Budget including Conclusion of the Decent Homes Contract

For part of the scrutiny of this topic relating to the conclusion of the Decent Homes Contract the Panel

RESOLVED that members of the public be excluded from the meeting during the consideration of issues relating to the conclusion of the Decent Homes Contract on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 3 and 5 of Part 1 of Schedule 12A to the Local Government Act 1972.

Details of the Panel's consideration of the issue are contained in Exempt Minute 18E.

The Panel then resumed in public session.

In response to issues raised the Cabinet Lead Member for Performance of Major Contracts, the Cabinet Lead Member for Housing, the Strategic Director of Housing, Planning & Regeneration and Regulatory Services, the Head of Landlord Services and the Head of Strategic and Private Sector Housing provided the following responses relating to the topic identified by the Panel:

- (i) Any backlog in disabled adaptations could be made up using funding from existing Housing Revenue Account (HRA) budgets. Work would be undertaken where required as the Council had a statutory duty to make those adaptations.
- (ii) Clarification was provided regarding the responsibilities of the post of Empty Homes Officer, that dealt with property owners in the private sector and was funded from the General Fund, the acquisition of new properties to be added to the HRA, which was in part funded by Right to Buy receipts, and the Voids Working Group, that was looking at voids within the Council's housing stock. Those voids were predominantly within sheltered housing schemes and a

report would be submitted to the Cabinet in March or April 2019 setting out priorities for work to those schemes.

Garden Waste Bin Charges

In response to issues raised the Cabinet Lead Member for Performance of Major Contracts and the Head of Cleansing and Open Spaces provided the following responses relating to the topic identified by the Panel:

- (i) The projected increase in income from the garden waste collection service was a result of the number of subscribers for the service being higher than expected. It had been expected that when the charge for the service was increased there would be a fall in the number of subscribers; this had not occurred and there had been a continued increase in the number of subscribers which was expected to continue. New subscriptions would also arise from new homes being constructed in the Borough. The use of stickers to identify properties that had subscribed to the service ensured that all the people benefitting from the service were paying for it. There were currently approximately 35,000 subscriptions and 76,000 properties in the Borough. It was recognised that not all properties in the Borough would require a garden waste bin but there was still potential for the service to grow.
- (ii) The service was marketed through information on refuse lorries and advertising it in Charnwood News, especially in the Spring. The Borough Council was in discussion with Leicestershire County Council regarding advertising the service at waste sites.
- (iii) The Council did not charge for the replacement of stolen or damaged bins. It was recognised that doing so could cause problems.
- (iv) The Council had considered whether the service should be seasonal but had concluded that it should operate year-round as people still collected leaves and undertook work to trees and shrubs during the Winter. It would be difficult to offer more frequent collections during the Summer as that would require additional resources. However people could subscribe for a second bin to be collected if they wished to.

The following comments were made by members of the Panel in respect of this topic:

- (i) Members of the Panel had heard a significant number of complaints following the earlier decision to increase the cost of the garden waste collection service.
- (ii) There were opportunities to extend the garden waste collection service and make it more commercial, for example by offering gardening services or delivering compost.

RESOLVED that the report and the evidence provided to the Panel be noted.

Reason

To acknowledge the information received.

19. FURTHER MEETINGS OF THE PANEL 2018/19

RESOLVED

1. that it be noted that the final meeting of the Panel in 2018/19 would be on 8th January 2019 to consider the Panel's draft report;
2. that at the meeting on 8th January 2019 the Panel consider what conclusions and recommendations it wished to make following its scrutiny of the Council's proposed budgets for 2019/20 and related matters.

Reasons

- 1.&2. To confirm the arrangements for the completion of the Panel's work.

NOTES:

1. These minutes are subject to confirmation as a correct record at the next meeting of the Budget Scrutiny Panel.

ANNEX 2

Panel Conclusions Not Requiring Further Action	Officer Responses (if any)
Conclusion 1. That it be noted that the Panel commends the work of officers in the finance team and the Cabinet Lead Member in preparing the Council's budgets and presenting the financial information in an open and transparent manner.	Noted – thank you.
Conclusion 2. That it be noted that the Council would be using reserves in each of the three years covered by the Medium Term Financial Strategy.	
Conclusion 3. That it be noted that the continued financial pressures facing the Council arising from reductions in the funding the Council received from the Government meant that the Council could not undertake all of the proactive activities that it might otherwise wish to undertake.	Prospective financial constraints mean that this is the case,

Panel Conclusions Not Requiring Further Action	Officer Responses (if any)
<p>Conclusion 4.</p> <p>That it be noted that the Panel welcomes the fact that there were no proposals to reduce the number of posts in the budgets for 2019/20.</p>	
<p>Conclusion 5.</p> <p>That it be noted that there would be a significant difference in the way that underspends would be managed in 2019/20 compared to previous years and that the impact of seeking to save £300,000 per year in this way would need to be monitored.</p>	<p>Agreed. Closer monitoring will be required.</p>
<p>Conclusion 6.</p> <p>That it be noted that certain recent increases in income, for example from planning fees, may not be sustained due to changing economic conditions and that there may be resistance to increasing the Council's fees and charges.</p>	<p>Agreed – these are inherent risks in respect of fees and charges income.</p>
<p>Conclusion 7.</p> <p>That it be noted that there was considerable uncertainty regarding the amount of funding that the Council would receive from the Government after 2020 and that this was a potential financial risk.</p>	<p>Agreed.</p>

Panel Conclusions Not Requiring Further Action	Officer Responses (if any)
<p>Conclusion 8.</p> <p>That the Council should continue to look at alternative sources of income and revenues.</p>	<p>Agreed.</p>

Panel Recommendation to the Scrutiny Management Board and Reason	Officer Responses (if any)
<p>That the Scrutiny Management Board be asked to consider the Panel's view of the importance of pre-decision scrutiny of out-turn reports, virements and in-year service pressures, particularly when they related to additional costs arising from decisions by other agencies to reduce services,</p> <p><i>REASON: To ensure the sound financial management of the Council.</i></p>	