

**BUDGET SCRUTINY PANEL
4TH DECEMBER 2019**

PRESENT: The Chair (Councillor Parsons)

Councillors Baines, Bolton and Miah

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

Strategic Director of Corporate Services
Head of Finance and Property Services
Democratic Services Officer (LS)

APOLOGIES: None

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.

7. MINUTES OF THE PREVIOUS MEETING

Reference Minute 4, paragraph (ix) (agenda page 6): Explanation was provided of the likely timing of the windfall that it was hoped would be realised as a result of the over-provision for business rates appeals.

Reference Minute 4, paragraph (xv) (agenda page 7): The Chair wished to highlight the issue raised, response given, and conclusion set out, for discussion later at this meeting.

Reference Minute 4, paragraph (xix) (agenda page 7): An update on the position with the shared service arrangement for Internal Audit was given.

Reference Minute 5, paragraph (viii) (agenda page 9): The Chair wished to highlight the issue raised, for consideration later at this meeting. Knowing the Council's long-term direction of travel was necessary for effective scrutiny.

The minutes of the meeting of the Panel held on 25th September 2019 were confirmed as a correct record and signed.

8. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

No disclosures were made.

9. DECLARATIONS - THE PARTY WHIP

No declarations were made.

10. QUESTIONS UNDER SCRUTINY COMMITTEE PROCEDURE 11.17

No questions had been submitted.

11. IMPACT OF REVISED MEDIUM TERM FINANCIAL STRATEGY ON BUDGET

Considered a report of the Strategic Director of Corporate Services setting out the impact of revisions to the Medium Term Financial Strategy (MTFS) 2020-2023 on the draft budget (item 6 on the agenda filed with these minutes).

Assisting with consideration of the report: The Strategic Director of Corporate Services, Head of Finance and Property Services.

Summary, key points of discussion:

- (i) Reference to the greater financial challenge being faced as a result of the loss of New Homes Bonus set out. Also, concern regarding the amount of mitigation being assumed in relation to that. In response, stated that assumption based on many councils being very exposed to the loss, such that Government was likely to mitigate that. The methods by which that might be done were briefly outlined. Revised MTFS reflected the position and risk.
- (ii) Current position in respect of Nonspecific Savings target in 2019/20 General Fund revenue budget was confirmed, at Period 7 approximately £78k of the £300k target had been identified. Also, that MTFS 2020-2023 assumed similar savings of £300k each year.
- (iii) Reference to significant overspend relating to Supported Living Allowance in 2019/20, not budgeted for in the year. Forecast overspend by year end of approximately £600k, pressure in the current year.
- (iv) General Fund currently budgeted year end to overspend slightly, unusual for the Council. Likely that Capital budget would be underspent at year end.
- (v) Additional to the circumstances set out in (ii), (iii) and (iv) above was the loss of New Homes Bonus set out in the report. Concluded that Council was under significant financial pressure moving forward and the Panel may wish to put forward its view of that.
- (vi) Concern that General Election may delay announcement of the settlement from the Government for 2020/21, expected just before Christmas.
- (vii) Key message at end of report, “plans being developed to address financial challenges via commercialisation and transformation initiatives”. Reference to Quarter 2 amber status of Business Plan objective DES3 – CMT, Transformation Programme and the intention that the new Chief Executive would take that forward as part of a new Corporate Plan. Importance of progressing/accelerating that programme highlighted given the financial challenge faced.

RESOLVED that the report setting out the impact of revisions to the Medium Term Financial Strategy 2020-2023 on the draft budget be noted.

Reason

To acknowledge the Panel's consideration of the matter as part of its budget scrutiny role.

12. DRAFT GENERAL FUND AND HRA BUDGET 2020/21

Considered a report of the Head of Finance and Property Services setting out the draft General Fund and Housing Revenue Account (HRA) Budget 2020/21, to be considered by Cabinet on 16th December 2019, for scrutiny by the Panel (item 7 on the agenda supplement filed with these minutes).

Having undertaken scrutiny of the matter, the Panel would need to identify any observations or recommendations that it wished be included in its draft report.

Assisting with consideration of the report: The Cabinet Lead Member for Finance and Property Services, the Strategic Director of Corporate Services, the Head of Finance and Property Services. A summary of the current position, the challenges faced, and the actions planned, particularly in relation to the General Fund, was given by the Cabinet Lead Member, assisted by the Strategic Director.

Summary, key points of discussion:

- (i) Currently no plans to reduce services or staff.
- (ii) Reference to recent review of recharges and firm approach in respect of any non-necessary service pressures.
- (iii) High priority being given to meeting the challenge, particular reference to commercialisation and transformation work.
- (iv) Reference to £975k deficit in draft Budget, balances on agenda supplement page 8 (Table 1 in the report) set out the working balance of £4.8m which took into account the shortfall for 2019/20 of £971k also.
- (v) Reference to importance of transformational changes in meeting the shortfall, historically those changes had not been realised. In response, the MTFs included a transformation/efficiency plan, that had been refined as part of the budget setting process such that all items included were considered to be deliverable (those that were not considered so had been removed). Reference also to the challenge of the £300k Nonspecific Savings target in the draft Budget and how that had been dealt with via line by line reduction in individual non-staff, non-contractual budgets. In conclusion, draft Budget figures reflected elements of transformation plan considered to be deliverable in 2020/21.
- (vi) Question regarding elements of commercialisation within the draft Budget? Agenda supplement page 14 (Appendix 1 in the report) showed the inclusion of £150k net income from new commercial property investment and £30k commercialisation income from review of fees and charges, considered to be achievable amounts, based on experience elsewhere and investment Council would make into capability in the area of commercial property investment.
- (vii) Question regarding level of reserves at end last financial year? Agenda supplement page 8 (Table 1 in the report), 2018/19 column showed end of year reserves of £10.7m, representing all the reserves, focus was working balance of £6.8m. Confirmed that expecting to use reserves of £1m in the current year. Although in line with the budget, the Council had been spending in excess of funding, illustrated by its use of reserves, question as to when it would decide

- not to do so by either cutting services or making efficiency savings at a faster rate? Not appropriate to continue to overspend, better to make tough choices now. In response, reference to high priority being given to both increasing income and making savings, realistically and clearly set out in the MTFS. Recognised that continued use of reserves was not sustainable. A prudent approach was being taken in a very uncertain environment and officers and Cabinet Lead Members would be working hard to deliver the draft Budget set out, there being no other option.
- (viii) All activity taking place in the area of the Council's finances and all policies and plans relating to that indicated that the Council was endeavouring to deal with the challenge faced. It was hoped that the speed of transformation required would reflect that and could be achieved.
 - (ix) Suggestion that undertaking a sensitivity analysis/considering the worse case scenario might provide a more prudent approach? Challenge being set by MTFS/draft Budget considered appropriate/realistic. Not possible to state exact contribution to required savings from transformation.
 - (x) Following concern regarding the need for commercialisation proposals to deliver, further information given on the expertise to be secured to ensure that, together with the challenges involved. Checks and scrutiny that any proposed investment would be subject to briefly outlined.
 - (xi) No general inflation provision for some of services, represented an additional pressure.
 - (xii) Agenda supplement page 10, paragraph 23, Reinvestment Reserve: Confirmed that transfer of £122k related to 2020/21.
 - (xiii) Agenda supplement page 10, paragraph 24, Capital Plan Reserve: Confirmed that £1,093k was current year's anticipated end of year balance.
 - (xiv) HRA, concern that proposed 2.7% rent increase would further increase arrears. May be the case, would monitor. Anticipated that most tenants would be in position to afford increase.
 - (xv) Information provided on the consultation arrangements for the draft Budget, those consulted, and the documents provided to assist that. All comments taken into account, ideas to assist the Council welcomed. Confirmed that officers and Cabinet Lead Members available to assist with queries from any consultee. Complexity of information recognised.
 - (xvi) Reference recommendation 2 in the report, that Loughborough Special Expenses Budget and Levy 2020/21 be endorsed for consultation. Confirmed that, due to General Election, next Loughborough Area Committee meeting had been moved from December to 6th January 2020, new meeting date should allow for the Committee to be consulted on the matter, members of the Committee had been consulted on the change of meeting date and implications of that.

RESOLVED that the report setting out the draft General Fund and HRA Budget 2020/21 be noted and Recommendations 1 and 2 to Cabinet therein be endorsed.

Reason

To acknowledge the Panel's consideration of the matter as part of its budget scrutiny role and to provide the opportunity for consultation on the budgets set out.

13. DRAFT CAPITAL PLAN 2020/21 TO 2022/23

Considered a report of the Head of Finance and Property Services setting out the draft Capital Plan 2020/21 to 2022/23, to be considered by Cabinet on 16th December 2019, for scrutiny by the Panel (item 8 on the agenda supplement filed with these minutes).

Having undertaken scrutiny of the matter, the Panel would need to identify any observations or recommendations that it wished be included in its draft report.

Assisting with consideration of the report: The Cabinet Lead Member for Finance and Property Services, the Strategic Director of Corporate Services, the Head of Finance and Property Services. Explanation was provided of the categorisation of schemes as Live, Committed or Third Party.

Summary, key points of discussion:

- (i) Agenda supplement page 24, scheme entitled Loughborough Playground Improvement Plan, concern regarding possible link between recycled crumb material and childhood cancers, important that this scheme to replace that material was given high priority. Further explanation provided on possible link, confirmed that works had been identified as a priority.
- (ii) Concern that no monies had been allocated for Charnwood Grants next year. In response, proposal to carry forward underspend, Head of Service confirmed comfortable with that position.
- (iii) Concern regarding the cost per seat of the seating scheme proposed for Loughborough Town Hall theatre, total investment of £225k. Scheme represented increase in number of seats/extension to auditorium, with anticipated increase in revenue for sell out events, payback of approximately £70k per annum. Early strand of commercialisation agenda.
- (iv) Reference to £0.5m per annum for Carbon Neutral Action Fund, importance of work acknowledged, but significant sum, clarity of spend going forward would be needed. Discussion regarding what work towards that would involve, how specific projects would be identified and implemented in due course. All options were being considered, including solar energy projects.
- (v) Bedford Square Gateway scheme provision of £890k in 2020/21, not known at this meeting whether scheme had been suitably progressed to enable that to be spent? Response could be provided following the meeting.

The Democratic Services Officer would ask the Head of Planning and Regeneration for a response to the issue raised in (v) above and email that to the Panel.

RESOLVED that, subject to the request for a response from the Head of Planning and Regeneration in respect of the issue raised in (v) above, the report setting out the draft Capital Plan 2020/21 to 2022/23 be noted and the recommendation to Cabinet therein be endorsed.

Reason

To acknowledge the Panel's consideration of the matter as part of its budget scrutiny role and to provide the opportunity for consultation on the Plan set out.

14. FURTHER MEETING OF THE PANEL

Noted that a further meeting of the Panel would be held on 8th January 2020, for the purpose of agreeing the Panel's report. The Panel's report was scheduled for consideration by Scrutiny Commission on 13th January 2020. The Commission would be requested to recommend the report to Cabinet at its meeting on 13th February 2020.

Given the short period of time between the Panel's meeting to agree its report and consideration of that report by Scrutiny Commission, the Democratic Services Officer wished to clarify the process by which the Panel would identify any specific recommendations or observations it wished to make in its report, such that the report considered by the Panel on 8th January 2020 had already been seen by all members, commented upon and any required amendments made, and any further amendments agreed at the Panel's meeting on 8th January 2020 would be minimal.

RESOLVED that the Democratic Services Officer sends to the Chair as soon as possible the minutes of the meetings of the Panel on 25th September and 4th December 2019, to assist identification of any recommendations or observations to be highlighted in the Panel's report, and then liaises with all members of the Panel on the content of that report prior to Christmas, such that any amendments required at the Panel's meeting on 8th January 2020 are minimal.

Reason

To ensure that the Panel's final report is available for consideration by Scrutiny Commission on 13th January 2020.

NOTES:

1. No reference may be made to these minutes at the Council meeting on 20th January 2020 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.