

SCRUTINY COMMISSION – 13TH JANUARY 2020

Report of the Budget Scrutiny Panel

ITEM 10 BUDGET SCRUTINY PANEL

Purpose of the Report

To consider recommendations and observations of the Budget Scrutiny Panel.

Action Requested

That the Scrutiny Commission considers the Budget Scrutiny Panel report, attached as an Annex to this report, and, if satisfied, submit it to the Cabinet at its meeting on 13th February 2020.

Background

Following a decision of the Scrutiny Commission at its meeting on 3rd June 2019 and a decision of the Corporate Services Scrutiny Committee at its meeting on 25th June 2019, a Budget Scrutiny Panel has undertaken scrutiny of the Council's draft budget for 2020/21.

Background Papers: None additional to any listed in the Budget Scrutiny Panel's report.

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REPORT OF THE BUDGET SCRUTINY PANEL – 2020/21 DRAFT BUDGET

Foreword by Councillor Geoff Parsons, Chair of the Panel

In the current volatile local authority funding climate, subject to political change and increasing service pressures, there can be no doubt that Charnwood Borough Council is moving into potentially “choppier waters”.

The Council has maintained front line services over recent years, which has been managed with acceptable use of reserves, prudently replenished and accumulated during a better funding period. Budget pressures have grown and this approach going forward will no longer provide adequate assurance for the Budget Scrutiny Panel that service provision can be maintained. Any aspiration to improve or expand services will require a more proactive approach to funding.

The current Medium Term Financial Strategy provides a reasonably secure funding envelope within which to plan and deliver the requisite changes required, however there is no room for complacency and a determined effort is required.

This budget, combined with the Medium Term Financial Strategy, highlights an increase in risk to the Council, one which it is well placed to manage, but which requires steady, determined activity in order to secure the future. The Budget Scrutiny Panel maintains an important function in challenging the Cabinet and its budgetary plans and ensuring that the voice of the public is heard with regard to the financial security of the services provided and the efficiency and effectiveness with which public money is spent.

1. Background

Following a decision of the Scrutiny Commission at its meeting on 3rd June 2019 and a decision of the Corporate Services Scrutiny Committee at its meeting on 25th June 2019, a Budget Scrutiny Panel has undertaken scrutiny of the Council's draft budget for 2020/21.

2. Panel Membership

Councillors Parsons (Chair), Baines, Bolton and Miah.

3. Meetings and Matters Considered

25th September 2019

At this meeting, the Panel considered:

- the draft Medium Term Financial Strategy 2020-23 (Cabinet report 19th September 2019);

- the approach taken by the Council to budget setting;
- following a request by the Chair that it be provided, information and advice to assist effective scrutiny of the draft budget 2020/21, including a more detailed analysis of the General Fund budget (2019/20) to better understand gross expenditure and budget challenges.

4th December 2019

At this meeting, the Panel considered:

- the impact of the revised Medium Term Financial Strategy on the budget;
- the draft General Fund and HRA Budget 2020/21 (Cabinet report 16th December 2019);
- the draft Capital Plan 2020/21 to 2022/23 (Cabinet report 16th December 2019);

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

8th January 2020

At this meeting, the Panel agreed its report.

4. Officers and Cabinet Lead Members

The Panel was assisted in its scrutiny of the Council's draft budget for 2020/21 by:

The Cabinet Lead Member for Finance and Property Services
 The Strategic Director of Corporate Services
 The Head of Finance and Property Services

5. Recommendations - Future Budgets and Budget Scrutiny

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

- (i) *In order to effectively scrutinise the budget going forward, a greater clarity of the "direction of travel" is required by the Budget Scrutiny Panel. Early dialogue with the Cabinet Lead Member and the Leader of the Council would provide the Panel with the context in which to consider the budget. Further, there may be scope for consideration of a longer budgetary timeframe than the Medium Term Financial Strategy provides for, in order to allow adequate time for the scale of change that may be required to meet the Council's ambitions and to ensure the Budget Scrutiny Panel is able to fully scrutinise each budget in terms of its role within the overall cycle.*

- (ii) *Recognising the need for the new Chief Executive to have the opportunity to contribute to these important issues, the Budget Scrutiny Panel is keen that progress on the pulling together of the Transformation Group and the creation and delivery of a realistic, achievable and effective Transformation Plan is continued at pace. The potential savings required are essential in managing a process towards a balanced budget and a Council able to live within its means and provide the necessary services to the public.*
- (iii) *The parallel plans for improved revenue generation are also essential and the Budget Scrutiny Panel will keenly monitor activity and progress in this area.*
- (iv) *That a significant communication effort be made with all Council stakeholders to ensure that everyone understands the importance and nature of the budget situation and that everyone's efforts are focused on clear and achievable goals. Much of the budget process and numbers are currently "out of focus" for many members and stakeholders, and this then does not allow for everyone to articulate and focus their efforts behind a clear and understandable set of aims and objectives. This clarity of language should be embedded in future budget consultation processes to ensure the public are able to easily access the headlines of the Council's budgets and plans.*
- (v) *Further to communication with staff, the Panel would welcome asking them to come up with suggestions for reduction in controls. The experience of a Panel member is that less important areas are often over controlled while the more strategic areas are often not well controlled at all.*

6. Recommendations and Observations – Draft General Fund and HRA Budget 2020/21

The Panel wishes to make the following recommendations and observations in respect of the draft General Fund and HRA Budget 2020/21:

- (i) *Regarding increasing revenue generation:*
 - *There is a need to match investment amounts with returns and at the level the investment opportunity may require. There is a feeling at present within the Budget Scrutiny Panel that "random" amounts of money are being committed/allocated for "general as yet unspecified revenue generation" rather than revenue generation ideas which might deliver the agreed and required return then being appropriately funded and the investment amount being allocated and agreed.*
 - *There is the need to ensure that the appropriate skills and culture change are embedded within all Council stakeholders.*

- (ii) *Recognition that there are some major one-off incidents within the 2019/20 budget whose impact on the 2020/21 budget requires to be mitigated. These include the current slight overspend forecast on the General Fund, the one cost (at present) of the unforeseen, significant increase in Supported Living Allowance payments and the need to deliver on the budgeted savings already set out in the 2019/20 budget, which have not yet been achieved.*
- (iii) *The HRA major budgetary issue would appear to be the assurance that adequate provisions are being made for the repayment of the long-term borrowing, against our housing stock. The Budget Scrutiny Panel remain comfortable at present that the HRA loan liabilities and repayment timeframes are being adequately planned for.*

7. Recommendations and Observations – Draft Capital Plan 2020/21 to 2022/23

The Panel wishes to make the following recommendations and observations in respect of the draft Capital Plan 2020/21 to 2022/23:

The draft Capital Plan would appear to be adequately covered in terms of the funding required in order to deliver it. What remains a constant issue is the annual underspend on this account, something which would appear to be likely again in the current year and leaves open the question for the 2020/21 Capital Plan. Continued effort is required, however, to ensure that all projects are viable, deliverable to the timeframes agreed when funding is allocated.

8. Background Papers

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

9. Appendix

Minutes of the meetings of the Budget Scrutiny Panel held on 25th September and 4th December 2019.

January 2020

**BUDGET SCRUTINY PANEL
25TH SEPTEMBER 2019**

PRESENT: The Chair (Councillor Parsons)

Councillors Baines, Bolton and Miah

Councillor 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.

1. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

No disclosures were made.

2. DECLARATIONS - THE PARTY WHIP

No declarations were made.

3. QUESTIONS UNDER SCRUTINY COMMITTEE PROCEDURE 11.17

No questions had been submitted.

4. DRAFT MEDIUM TERM FINANCIAL STRATEGY 2020-23

Considered a report of the Strategic Director of Corporate Services setting out the draft Medium Term Financial Strategy (MTFS) 2020-23, to be considered by Cabinet on 19th September 2019, for scrutiny by the Panel (item 5 on the agenda filed with these minutes).

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.

The Cabinet Lead Member briefly set out the key issues and risks for the MTFS 2020-23, highlighting in particular the value of having put aside reserves, the uncertainty of the environment in which the Council was operating and the need for

transformation/efficiency plans to deliver. He considered that the MTFs was as accurate as it could be based on the information currently available.

For context, the Chair referred to there currently being considerable activity taking place in the area of the Council's finances, including the new Capital Plan for 2020-23 due to be considered by Cabinet (and this Panel) in December 2019 and the Investment Strategy agreed by Cabinet in September 2019 that and the Treasury Management Strategy for 2019/20 (part of Capital Strategy) agreed by Council in February 2019, both of which were of crucial importance and included changes in approach. All illustrated a new environment in which to manage and move forward with the Council's finances, taking as a starting point the position stated by the Cabinet Lead Member that the Council wished to maintain front line services. The role of this Panel was to scrutinise the budget being proposed to achieve that.

Councillor Baines arrived at 6.10pm.

Summary, key points of discussion:

- (i) All suggestions to assist the Council with achieving the outcome needed were welcomed by the Cabinet Lead Member.
- (ii) Agenda page 9, reference to proposed use of £1.1m of reserves in 2020/21 assuming delivery of £0.5m of transformation and delivery savings. Confirmed that this was a separate matter to the proposed request for funding of £220,000 from the Reinvestment Reserve to facilitate the mobilisation of the Council's Transformation Programme that had recently been notified by a General Exception Notice. The latter was a new request, further explanation of the funding for which was provided.
- (iii) Reference to the challenge presented in finding required savings, together with the concern expressed by the Corporate Services Scrutiny Committee at its last meeting when considering the 2019/20 Period 4 revenue position that budgeted for managed savings were not yet being achieved. Very important to continue to monitor the position in that respect.
- (iv) The settlement from the Government for 2020/21 had not yet been confirmed. Brief discussion regarding the uplift anticipated, together with the likely direction towards adult social care and children's services.
- (v) Agenda page 17, reference to MTFs assuming maximum permitted annual increase in Council Tax of 2%. If the Council did not have reserves, that increase would not be sufficient to maintain front line services. Question as to whether consideration had been given to establishing the position of residents on a higher increase. In response, that had been considered, but would require a referendum, the cost of which would likely exceed any increase in income. The Cabinet Lead Member did not consider such an approach to be appropriate, rather the Council needed to work towards transformation to reduce costs and increase income over the period of the MTFs.
- (vi) Representation could be made to the Government department or local Members of Parliament that district council funding was not sufficient, either by the Council if it so wished, or by individual councillors. Representation on the issue was being made by the Local Government Association, also via the District Councils' Network. In respect of the latter, reference to discussion regarding a possible relaxation of the capping limit on district councils to 2% or

£12. Any £12 increase would be a decision for the Council but would be of considerable financial assistance. This was currently only being discussed and the assumption should be that this would not be an option.

- (vi) The Council had put aside reserves for the purpose of the resilience now needed.
- (vii) View that residents may not be averse to an increase in charges if that allowed good local services to be maintained.
- (viii) Agenda page 18, reference to expected increase in (Council) tax base of 1.9% year on year for the period of the MTFS and the number of properties that represented? In response, stated as between 1,500-1,700 a year. View that developments around the Borough seemed to involve more than that, noted that time lag to properties being completed and on the Council Tax Register.
- (ix) Agenda page 20, question regarding the level of risk associated with outstanding business rates appeals? In response, explanation was provided of the likely risk, knowledge held on the matter and the substantial provision held by the Council in that respect, the conclusion being that the provision for both the 2010 and 2017 valuation lists was at a sufficient and realistic level. The provision could be seen in the Council's Statement of Accounts and was available should it be required (as a provision rather than cash). Hoped that that represented an over-provision that would realise a windfall in the future.
- (x) Agenda page 20, confirmed that £450,000 from 75% Business Rate Retention pilot represented a one-off income in 2019/20 and was not included in the 2019/20 budget. It could not be used towards budgeted for managed savings, rather for spend to save initiatives and public realm works in line with the pilot bid.
- (xi) Agenda page 20, reference to Empty Property costs (business rates) for which reliefs could not be claimed back, estimated at £500,000 each year from 2020/21. That was a cost to the Council. While the Council was able to claim back some reliefs, that was not the case in respect of Empty Properties. The estimated cost was considered to be realistic and prudent, based on detailed consideration of the position with business rates and a recognition of an increase in empty properties. The position was being monitored regularly as an important area of risk, also revised for the final MTFS if needed.
- (xii) Agenda page 20, question regarding whether business rate income growth factor of 3% per annum was realistic given number of shops closing? In response, this was based on information from the Council's financial consultants looking at national trends. Many other, less visible businesses were trading successfully, for example logistics and warehousing, such that 3% was not unrealistic. The position would be monitored. A similar growth rate had been applied last year.
- (xiii) Agenda page 22, question as to why the housing growth forecast in the New Homes Bonus calculation and the housing growth projections by the Council's Planning Service differed? Noted that that question had been asked by the Cabinet when it had considered the draft MTFS and that a more detailed explanation therein might be useful. In summary, the key difference was a Government termed "deadweight" which assumed, in calculating the New Homes Bonus, a 0.4% growth anyway, which added approximately 300 homes.
- (xiv) Agenda page 27, concern regarding the Government proposal that councils provide a garden waste collection service free of charge, given the effect that would have on the income to the Council from its current service, which was

substantial. In response, the Cabinet Lead Member and officers present confirmed that they were aware of the issue/risk at this stage, but that the proposal was unlikely to be realised within the period of this draft MTFS. No action could be taken until further information was available on the proposal. The likelihood of compensation for councils that would lose income was briefly discussed.

- (xv) Agenda page 29, question as to whether work had started to identify the efficiencies required by the draft MTFS and the process for that, particularly the £0.5m required in 2020/21? In response, reference made to Table 25 in the MTFS (agenda page 34), that set out proposals for £300,000 of the £467,000 in 2020/21, some of which were firmer than others at this stage. Efficiencies required in years 2 and 3 of the MTFS presented more of a challenge and required a more rigorous identification approach. Reference to the focus on transformation by the Council's new Chief Executive, such that efficiencies to be made would be increasingly firmer. In terms of keeping councillors informed, significant service changes would require Cabinet approval and would be available for scrutiny. The Chair concluded discussion of this issue by stating that it was incumbent on the Panel to consider whether the savings promised were delivered as time progressed. To that end, he hoped that membership of the Panel would be a constant, also to enable the Panel's knowledge and understanding to increase.
- (xvi) The Head of Finance and Property Services provided a brief outline of how the draft MTFS would form the basis of the 2020/21 budget working papers and the role of Heads of Service in finding percentage reductions.
- (xvii) Agenda page 30, reference to the Investment Strategy agreed by Cabinet in September 2019 and the £10m stated therein to expand the Council's commercial property portfolio. It was explained that that represented a statement of intent to invest the amount and financing of that would be based on professional advice as to the best way to do so at the time (borrowing or internal funds or a mix of the two).
- (xviii) The Cabinet Lead Member referred to financial parameters and checks in place, including Minimum Revenue Provision and capital ratios which could not be exceeded, also the stringent due diligence that would be undertaken where significant investment was proposed. Brief discussion regarding risk appetite, being risk aware not risk averse.
- (xix) Agenda page 33, view that the Council should be looking to more shared service arrangements with other district councils to achieve back office cost savings. Net loss on Building Control trading activities could not be afforded, particularly non-statutory elements. Recent move to shared service arrangement for Internal Audit. Shared arrangements sometimes needed for resilience rather than saving.
- (xx) Agenda page 35, reference to stated shortfalls in Housing Rent Allowance budgets and the reason for that as stated in the MTFS. In response, this was a national trend, expected to further increase and was demand-led (the driving cost was Supported Living Allowance and the Borough had two major providers/centres), further details of which were outlined. The Council could only work to monitor the position. The final version of the MTFS would look to more accurately reflect what was expected in relation to this risk. This was a key area of concern.

- (xxi) Agenda page 36, Table 26, question as to why planning fee income risk was stated as zero? In response, based on limited information currently available and experience to date (the income was currently on target at Period 4, 2019/20, would review position for final MTFS.
- (xxii) Agenda page 38, reference to the interest and principal payable on loans for commercial investment being an ongoing 'revenue' charge to the Council. Minimum Revenue Provision would ensure that an appropriate charge was made in the accounts for such repayments, further information on which was briefly outlined, including how that provided for replacement assets.
- (xxiii) Agenda page 41, it would be useful if Table 28 could also provide the information referred to in the note to that table, as the balances brought forward were calculated based on that information, to better understand the history of the matter.
- (xxiv) Agenda page 42, the Chair referred to his observation, in relation to the draft MTFS and other Council financial documents referenced earlier in the meeting, that reserves had been put aside to meet a more challenging financial environment, but a more stringent/aggressive approach was now needed to secure future finances. He reiterated this Panel's role in helping to achieve that.
- (xxv) Agenda page 43, housing rents, question as to whether there was a further 1% reduction in rents required for 2020/21, or whether rents would stay the same or increase, as that would affect the Housing Revenue Account position? That was not known at this meeting.

In respect of (xxiii) above, the Head of Finance and Property Services agreed to include that information in the next version of the MTFS.

In respect of (xxv) above, the Head of Finance and Property Services agreed to send a response by email to members of the Panel.

RESOLVED that the draft MTFS 2020-23 and the Panel's scrutiny of the matter, summarised above, be noted.

Reason

To acknowledge the Panel's consideration of the draft MTFS 2020-23 as part of its budget scrutiny role.

5. APPROACH TO BUDGET SETTING

Discussed, the approach taken by the Council to budget setting.

Assisting with the discussion: The Cabinet Lead Member for Finance and Property Services, the Strategic Director of Corporate Services, the Head of Finance and Property Services.

Summary, key points of discussion:

- (i) The budget setting process was briefly outlined. The Council's objective had been to maintain front line services whilst achieving a balanced budget, through

- a mix of commercialisation and efficiency savings. The existing service provision was considered to be appropriate, but the financial challenge ahead may require that to change.
- (ii) Substantial savings had been achieved in recent years and further substantial savings would be needed over the next three years. Achieving those would become increasingly difficult and transformation and investments to produce income were also being looked to.
 - (iii) Reference to budget information being net (of income) rather than gross. The gross figures had been provided to the Panel and were useful in illustrating true costs and how much was being spent to produce the income.
 - (iv) Elements of the Council's costs could not be touched as part of the process, for example contract costs which were increased by the contract inflation amount each year. Such costs amounted to around £10m. There were approximately £6m of costs that could be targeted for savings.
 - (v) Question as to whether crowdsourcing within the Council has been undertaken to identify potential savings/income generation? In response, previous year's concept of Big Ideas within the Corporate Management Team and the outcomes of that were briefly outlined. Reference was made to the use of crowdsourcing by the Coalition Government that followed the 2010 General Election and the good ideas that had generated from many sources, including the public. A member of the Panel considered that input from members of the public could be useful.
 - (vi) Reference to the benefit of a properly resourced audit function in identifying efficiencies and cost savings in commercial organisations and whether the new internal audit shared service arrangement at the Council might contribute to that through its Value for Money work? In response, the Council's internal audit remained a small team and was primarily tasked with assurance.
 - (vii) Question regarding non-statutory services and how those were considered in the budget process? Also, how spending was considered and evaluated against other spending? That was undertaken by relevant Cabinet Lead Members, the aim being to maintain front line services. Reference to a good starting point being a list of statutory and non-statutory services and the income and costs relating to those. That exercise had been undertaken, further details of which were outlined. The information from that could be provided to Councillor Baines to assist his work as Chair of the informal scrutiny panel on generating commercial income, if he so wished.
 - (viii) The Chair referred to the approach of maintaining current services and whether budget scrutiny should ask for clearer information on the long-term direction of travel, as that affected the questions the Panel needed to ask, also to consider whether a different approach was necessary.
 - (ix) Reference to the challenge of recent years in maintaining front line services and balancing the budget and the considerable work needed on transformation moving forward. All suggestions to assist that were welcomed.
 - (x) Question as to why the shortfall now stated had not been identified earlier and services remodelled such that the shortfall did not exist at this stage and an MTFs could be presented in which expenditure and income were equal and savings did not need to be found? Reference also to the Council having been in the position of having a shortfall for several years. In response, the MTFs was updated on an annual basis with continual changes in circumstances being contended with. Last year's MTFs had indicated a surplus in year 3 based on

the information and circumstances at that time. Significant changes since that time meant that the Council now dealing with a different scenario and that was being recognised in the draft MTFs 2020-23. It was likely that the position would continue to change moving forward. The Council had managed to build up reserves despite the challenging environment in which it had been operating over recent years and that had improved its current position and provided it with a period of time to make the changes now needed.

- (xi) Processes by which suggestions for savings or income generation were considered and taken forward were briefly outlined, that depended on the source and/or nature of the idea.

RESOLVED that the Panel's consideration of the approach taken by the Council to budget setting, summarised above, be noted.

Reason

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

The Cabinet Lead Member for Finance and Property Services was thanked for attending the meeting and assisting the Panel with its scrutiny work.

6. EFFECTIVE BUDGET SCRUTINY

Discussed, information and advice from the Strategic Director of Corporate Services to assist effective scrutiny of the draft budget 2020/21, following a request by the Chair that this be provided to the Panel.

The following information was circulated at the meeting and explained in brief: The Comprehensive Income and Expenditure Statement and the Balance Sheet as at 31st March 2019 (as set out in the Council's Statement of Accounts 2018/19).

The Director also presented a more detailed analysis of the General Fund budget to assist the Panel with a more in-depth understanding of gross expenditure and budget challenges. He agreed to send that information by email to members of the Panel, together with a similar analysis of the Housing Revenue Account, for use moving forward.

RESOLVED that the information and advice from the Strategic Director of Corporate Services to assist effective scrutiny of the draft budget 2020/21 be welcomed and noted.

Reason

To acknowledge the Panel's consideration of the information and advice as part of its budget scrutiny role.

NOTES:

1. No reference may be made to these minutes at the Council meeting on 4th November 2019 unless notice to that effect is given to the Democratic Services Manager by five members of the Council by noon on the fifth working day following publication of these minutes.
2. These minutes are subject to confirmation as a correct record at the next meeting of the Budget Scrutiny Panel.

**BUDGET SCRUTINY PANEL
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.