

DRAFT REPORT OF THE BUDGET SCRUTINY PANEL – 2021/22 DRAFT BUDGET

Foreword by Councillor Leon Hadji-Nikolaou, Chair of the Panel

The Panel wishes to thank the officers for their hard work during these difficult times. Despite the COVID pandemic, a number of schemes remain of paramount importance for the future of Charnwood and it is apparent that there is a certain amount of commitment towards them. The Loughborough and Leicester Science and Innovation Enterprise Zone, including the Loughborough University Science & Enterprise Park and Charnwood Campus, as well as the Town Deal are of great significance. The Charnwood Campus Medicinal and Synthetic Chemistry Research Centre is a good example of good progress. It is common sense that these developments are destined to generate employment and prosperity for the people in Charnwood.

It is inevitable that coping with the impact of the pandemic and maintaining the vision of future developments, good service provision and enterprise progression in Charnwood will come with certain sacrifices. In this context, the Panel has noted the proposed 5% increase in council tax. It seems that years of underspending, although not systematic, have contributed to dealing reasonably well with the current pressures and challenges. It has also been noted that there is substantial borrowing ahead, which may contribute to uncertainties in the near future.

It is the feeling of more than one member of the Panel that modifying Scrutiny Committee structures, which could lead to reduced function of scrutiny panels, may not be a prudent plan. Under the current pressures and the difficult decisions which are lying ahead, the need for proper and transparent scrutiny processes cannot be overemphasized. It has been recognized, however, that if scrutiny panels do not provide the expected standards of scrutiny, there may be a need for a revision of their efficiency.

It should also be highlighted that there is a solid recommendation by a member to pursue an active and far reaching advertising campaign promoting the Building Control service at Charnwood Borough Council.

1. Background

Following a decision of the Cabinet at its meeting on 13th February 2020 and a decision of the Scrutiny Commission at its meeting on 10th August 2020, a Budget Scrutiny Panel has undertaken scrutiny of the Council's draft budget for 2021/22.

2. Panel Membership

Councillors Hadji-Nikolaou (Chair), Bolton, Draycott, Hamilton, C.Harris, Parsons, Seaton and co-opted member Mr Angell.

3. Meetings and Matters Considered

29th September 2020

At this meeting, the Panel considered:

- Revised Budget 2020-21 (draft)
- Revised Capital Plan 2020 - 2023 (Cabinet report 15th October 2020);
- Budget Scrutiny Panel Report 2019-20

1st December 2020

At this meeting, the Panel considered:

- 2019-20 outturn accounts to inform its scrutiny of draft 2021-22 budget;
- Draft Budget for 2021-22
- a breakdown of the benefits, assessment of profit, risks and liabilities, and its impact on council tax rates in relation to the Enterprise Zone and the Town Deal;
- the criteria for assessing the suitability of properties, how it is determined that a net income of 3.5% will be achieved, the checks and balances that will be done and its impact on council tax rates in relation to commercial property acquisitions;
- an explanation of the rationale behind increased funding that has been allocated for Commercial property acquisition, Enterprise Zone and Town Deal;
- Further information regarding the Environmental Services Fleet clarifying why it has been proposed to finance with reserves, an analysis of other options that were considered and the benefits of proposed approach

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

5th January 2021

At this meeting, the Panel was provided an update on any significant adjustments to the Budget after receiving the Government local settlement and also agreed its report.

4. Officers and Cabinet Lead Members

The Panel was assisted in its scrutiny of the Council's draft budget for 2021/22 by:

The Cabinet Lead Member for Finance and Property Services
The Strategic Director; Commercial Development, Assets and Leisure
The Strategic Director; Environmental and Corporate Services
The Head of Financial Services

5. Recommendations

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

- (i) There was a general consensus and strong sentiment amongst the Members' of the Panel, that the Scrutiny Commission and Committees structure should be maintained in its current form and shape. The risk for the public interest from curtailing scrutiny outweighs the benefit of saving the small and rather negligible amount of £9,830 p.a. The assertion that reducing scrutiny may lead to further, un-cashable, efficiency savings relating to the time spent by officers to produce reports and attend committees can be challenged by the perception of bypassing 'checks and balances' by the elected representatives of the public. If Scrutiny Committees and Panels have not been effective and efficient, the panel members should be challenged and not the committees dispensed with.
- (ii) The income from commercial investments should be monitored and reported by the Audit Committee and/or Scrutiny Commission on a monthly basis, since this income is crucial for maintaining safe and appropriate level of reserves.
- (iii) An analysis of potential 'austerity reductions' over a 5-year period may help in re-planning local services.
- (iv) There should be recognition of the highly volatile situation currently being experienced with regard to the financial situation of the Council. In the 2019/20 budget, there were concerns that 'underspend' was built into the budget as a requirement of balancing the budget. Under the current circumstances generated by the COVID outbreak, this may not be a sustainable strategic element to balance the budget.
- (v) The Council needs to better understand what financial stresses will trigger action regarding the performance of the 2021/22 budget.

- (vi) Currently there is not an easy way to estimate savings that have been made directly as a result of scrutiny work over recent years. Efforts towards providing metrics on Committees and Panels' efficiency may be a developmental need.
- (vii) In light of the £413k overspend in building control fees as set out on page 15 of the Outturn General Fund report that an active and far reaching advertising campaign be pursued promoting the building control service at Charnwood Borough Council.
- (viii) That in future years it would be helpful for the Panel to be provided with breakdowns of overall numbers. Not only would this give the Panel a greater understanding of the budget, but it would also mean that such detailed and lengthy questions would not need to be asked during the already lengthy meetings.
- (ix) The Panel consider that continuity in the Budget Scrutiny Panel membership is necessary as getting to grips with the Council's finances is difficult.

6. Observations

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

- (i) There is significant risk for the budget, since a single large unpredictable expense could reduce the budget to an unsafe level of reserves.
- (ii) It is noted that in view of the financial situation a 5% Council Tax increase has been proposed.
- (iii) The Council has now committed to substantial General fund borrowings which is by itself imposing a significant risk.
- (iv) The uncertainties in the 2021/22 budget are significant. It is difficult to predict the financial impact of New Homes Bonus and Supported Living on the budget.
- (v) Although the HRA Accounts presently remain in decent shape, the Council should start making capital repayments on the £79M loan as from 2024/25. It seems that the Council currently save money in the HRA account, to cover these future payments; however, this will become more difficult in a potential environment where it is unable to collect as much rent as in the past.
- (vi) There are HRA concerns regarding Tenancy Services cleaning contract. The budget has been re-profiled to reflect a more accurate estimate of expected spend. Some of the reduction may be attributed to the introduction of the communal cleaning scheme. The budget also provides for pest control and cleaning at individual dwellings to reduce health and safety risks.
- (vii) The options provided as part of the Community Grants Service Review, which included the proposed reduction to the Member Grants scheme has been noted.

- (viii) Fusion Leisure Centre: An effective communications plan has ensured membership holders (and other customers) are fully appraised of the ongoing situation due to Covid-19 and the options open to them.
- (ix) Loughborough Town Hall has been affected by the COVID outbreak. If Charnwood continues to be in tier 3, any shows affected would either be postponed or cancelled depending on discussions with the Producer/Promoter. Any decisions take account of the latest government guidelines. Customers are contacted via email, telephone, offering the option to transfer to a rescheduled show date (if applicable), then offer a credit to the customer's account or if requested a refund (minus booking fees) in line with the venues Terms & conditions of sale. The Marketing team use social media and the venue website to announce programme changes as required in response to changes to scheduled shows. Since the first lockdown in March there has been 62 programmed shows impacted by the pandemic and venue closure, 10,617 refund have been given a total of £184,142.50
- (x) It was noted that views on the Loughborough Special Rates will be addressed by the Loughborough Area Committee. Two requests for further information were requested by the Panel and have now been provided.
- (xi) With regard to the process of the Budget Scrutiny Panel, it would have been beneficial to review the Budget after the Local Council settlement had been received.

7. Background Papers

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

8. Appendices

Minutes of the meetings of the Budget Scrutiny Panel held on 29th September 2020 (appendix 1) and 1st December 2020 (appendix 2).

**BUDGET SCRUTINY PANEL
29TH SEPTEMBER 2020**

PRESENT: The Chair (Councillor Hadji-Nikolaou)

Councillors Bolton, Draycott, Hamilton, C. Harris,
Parsons, and Seaton.

Co-opted member Mr Angell

Strategic Director; Commercial Development,
Assets and Leisure
Strategic Director; Environmental and Corporate
Services
Head of Financial Services
Democratic Services Officer (NC)

APOLOGIES: none

The Chair stated that the meeting would be livestreamed 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. REVISED BUDGET 2020-21 (DRAFT)

The Strategic Director of Environmental and Corporate Services presented a Finance Update setting out the details of the revised 2020/21 budget, the updated MTFS 2020-2023, the revised Capital Plan 2020-2023 and the Capital Strategy 2020-21.

Assisting with the consideration of the presentation: The Cabinet Lead Member for Finance and Property Services, the Strategic Director of Environmental and Corporate Services, the Strategic Director for Commercial Development, Asset and Leisure and the Head of Finance Services.

Summary, key points of discussion:

- revenue contributions to capital of 213K for 2019/20 - this was an indicator of the Council's capital purchases and contributions from the revenue budget. It was not proposed to budget for this in 2020/21.
- less interest on balances - money earned by the Council through investment in money markets was used as a balance to support returns, earn interest and undertake commercialisation.
- changes from the original budget to revised budget highlighted - DCLG COVID income loss claim and DCLG COVID emergency grant approx. £3mill difference. The Council had received £2.1mill to cover additional COVID costs and anticipated a further £1.2mill from the Government. This was based on estimates of the predicted total claim by the end of the year. Three claims would be made (September, December and April) and with this support the budget position was more favourable. With the Government grant, balances had not depleted significantly in the first half of the year, but interest received had reduced to £300K in comparison to previously stated £500K.
- in-year cost savings – it was indicated that the Town Hall was expected to be closed for the remainder of this year and that the Panto for 2020 had been cancelled; this had been budgeted for.
- salary savings of £700K – this did not impact service delivery. This had been calculated after a thorough exercise reviewing vacancy provision. The Council usually budgeted for a 100% filled vacancy factor but over time as certain positions reduced in hours or were not filled, extra money had been carried over. This has resulted in a history of underspend by the Council although the money had also been allocated towards agency costs. The monitoring exercise completed in period 4 had resulted in the salary savings and would be taken forward into the following year's budget.
- Minimum Revenue Provision (MRP) would be paid to replenish borrowing. This was perceived as beneficial and it was noted that it related to a policy change whereby there would not be an MRP charge until a year after the asset had been acquired.
- interest on General Account – the previous year had resulted in good interest gains. It was noted that the 'interest marketplace' was volatile, would be monitored on a quarterly basis and that figures reflected a lower amount than previously conjectured. Currently the Council had not seen a reduction in its cash holdings although interest rates had not risen as much as anticipated. The Council had benefited from investments in the portfolio receiving a good rate of interest from before the pandemic and the decrease in national interest rates.
- potential depletion in Council Tax - the collection rate at present had diminished to 0.9% of its target. The situation would be monitored, and it was likely that the end of the furlough scheme in the new year could impact this.
- recruitment process – there was not an embargo on recruitment, but the process had been adjusted to allow the Senior Leadership Team oversight of all recruitment requests to approve/reject as required. It was not discounted that there may be a need to reduce headcount in the future.
- supported living (Housing benefit) - an explanation of how this affected the Borough was given. It was noted that due to the introduction of Universal Credit the Council was unable to re-claim housing benefit unless the housing provider was a registered provider. It was important to state that this was a

- national issue and the Council fully supported the provision of supported living, but the burden was applied unevenly across local authorities and added £0.4mill pressure on top of budgeted cost of £0.5mill to the Council's finances.
- concerns were raised for people being affected by homelessness or ejections from rented accommodation – a budget had been allocated for additional spending this year, the MTFs projections included this. It was currently unknown what additional Government support would be available and if the regulations would change.
 - the confidence of the Council in obtaining government funding for COVID losses – the bulk of the losses had been incurred in the first 4 months and the Council considered it reasonable to claim £700K in September. The Council would claim for less if its income improved with lockdown restrictions lessening, but the revised budget reflected income reductions for the whole year.
 - whether costs for a second wave of coronavirus had been included in the budget - a reasonable estimate of costs had been included going forward beyond 31st March, although it was noted it was a challenge to determine an accurate figure.
 - MTFs projections 2020-23 (Service Pressures, Planning) – the Planning service pressure of £332K was based on reduced fees and reduced numbers of applications. There were no plans currently to reduce staff numbers but the ongoing service review and the recent changes to planning procedure indicated in the Planning White Paper could affect this. Budgetary structural changes could be required, and the data provided by the Heads of Service would be challenged robustly before submission of a final draft MTFs projection.
 - substantial overspend – in previous years it had been challenging to make savings. It was planned to continue to build cost savings going forward. A Service Review programme was underway and a review of major contracts, asset procurement and the Council's commercial approach would be progressed.
 - that the working balance was showing a negative position and that it would be beneficial in the meeting scheduled in December to look in more detail at savings proposals.
 - the draft revised budget presented was considered challenging and it was noted that not all issues highlighted were as a result of the pandemic.

Councillor Harris left the meeting.

The Lead Member for Finance and Property Services noted that the budget was an honest appraisal of the current circumstances, reducing costs where possible, but acknowledged that there were many uncertainties and challenges to face. The Cabinet was aware that the Council was moving into a high-risk environment and noted that although a report from the recent Audit Committee meeting had not been drafted to submit to Cabinet, Cabinet members were particularly aware of the situation.

The Director of Environmental and Corporate Services stated that the information presented to the Panel at this meeting of the revised budget for 2020-21 was to provide background information and aid the Panel in scrutinising the 2021-22 budget at its next meeting.

Cllr Bolton had issues with her connection and left the meeting partway through this item.

RESOLVED

1. that the impact of Supported Living (housing benefit) on the Council's finances is highlighted to members, and that an explanation of the process by which this had an impact is included, if appropriate, in the Council Tax Member training scheduled for November;
2. that the Panel wished to acknowledge the work carried out by officers to draft the revised budget for 2020-21 and to express their full understanding of the seriousness of the decisions that had been made and would be required in the future for the Council regarding its finances.

Reasons

1. Members wished to highlight this aspect of the Council's finances and considered that all councillors would benefit from further awareness of the supported living financial position.
2. Members of the Panel were mindful of the difficult financial decisions to be made by the Council in the near future and wished to acknowledge this.

5. REVISED CAPITAL PLAN 2020-23 (DRAFT)

Considered a report of the Head of Financial Services setting out details of the revised Capital Plan 2020-23 (item 6 on the agenda filed with these minutes). It was noted that details in this report had been partially covered during item 5.

Assisting with consideration of the report: the Cabinet Lead Member for Finance and Property Services, Strategic Director of Environmental and Corporate Services, the Strategic Director for Commercial Development, Asset and Leisure and Head of Financial Services.

Summary, key points of discussion:

- the Environmental Services fleet would be partially funded using reserves earmarked for capital expenditure, allowing the reduction in MRP to create savings of £350K per year. Previously the Council had stated the funding would be through prudential borrowing, but this was now being applied to other projects. If the fleet had been funded through prudential borrowing the costs would have depended on the interest rate but could have cost up to £700K a year rather than the proposed £350K costs.
- the deferral or postponement of pre-existing capital schemes was disappointing as they appeared to relate to local or neighbourhood schemes. As these projects were the responsibility of the Council, local groups did not require notifying and Heads of Service had reviewed carefully which capital schemes could be deferred. Schemes under S106 agreements or by Parish councils would not be impacted.

- the proposed increase of investment in commercial property acquisitions from £10mill to £25mill appeared high risk, particularly as Government rules were likely to change. The Council would cease operations if regulations required but powers given under 1972 legislation entitled the Council to make commercial property acquisitions. Issues seen at other local authorities in purchasing commercial property had related to the types of assets acquired and level of due diligence performed. The Council would mitigate risk by completing due diligence on the property, the tenant and the economic viability before acquisition. A member briefing would be arranged to inform members on the process and explain further the rationale behind the expansion of funding for commercial property.
- concerns were raised in relation to recommendation 6 of the Budget Scrutiny Panel 2019-20 report. 'Random' amounts of money were being committed for general as yet unspecified revenue generation and this appeared to be an inappropriate way of proceeding. It was acknowledged that it was challenging to provide the rationale, risk profiles and detailed strategy for increased funding for the Town Deal, the Enterprise Zone and commercial property acquisition as individual projects had not yet been identified and it would be based on conjecture. Any commercial investment by the Council would require a minimum 3.5% net income target to be met. All potential commercial property purchases would be subject to a robust due diligence process and be available for scrutiny.
- an explanation regarding the allocation of £15mill to the Town Deal was given. Although funding was provided nationally by the Government for Town Deals, some projects identified could require match funding or additional funds to be viable commercially. The Council wished to be ready to take advantage of these opportunities, but submission of a robust business case with risk assessments would be required prior to investment.
- the 2.4mill deficit was anticipated to be reduced by Service Reviews and commercial investment. With the appointment of an experienced Strategic Director for commercial development, the Council had the required skills to move forward.

Councillor Parsons momentarily lost his internet connection.

- it was strongly questioned whether appropriate governance procedures were in place. The increase of borrowing up to £57mill over three years should be scrutinised effectively, to provide confidence of proper use of public funds. Before a commercial property was acquired, the Chair of Scrutiny Commission would be requested to approve the exemption from call-in; this was a statutory requirement of the Local Government Act 1972 (schedule 12a, paragraph 3/5) due to commercial sensitivity. The Chair and other invited councillors could choose not to approve the exemption if wished.
- it was important to have a quick robust process as commercial property transactions usually completed within 15 days, unlike domestic property purchases. Legal assessments and scrutiny by the executive would be undertaken during the 15 days. It was not possible to fit within usual committee timeframes due to the limited time available, but all delegated decisions would be reported to the next available ordinary Council meeting and the exemption

- from call-in would no longer apply at this point. It was noted that the Capital Plan and Strategy could be amended within a financial year.
- the increase of borrowing from £10mill to £25mill was not linked to the risk appetite of the Council. Although guidance was lacking, the figure had been calculated by assessing its proportionality to the size of the Council and was considered an appropriately sized fund for the Council's size, concerns would be raised by the Treasury and CIPFA if the Council were to invest more than was proportionate. If the Council achieved an average return of 4% from its commercial property portfolio this would generate £1mill towards the general fund.

It was noted that it could be beneficial to provide further information regarding the process undertaken to assess the commercial viability of the first commercial property acquisition with Audit Committee Members at its meeting scheduled in December.

RESOLVED

1. that the following information be submitted to the Panel at its next meeting:
 - a. a breakdown of the benefits, assessment of profit, risks and liabilities, and its impact on council tax rates in relation to the Enterprise Zone and the Town Deal;
 - b. the criteria for assessing the suitability of properties, how it is determined that a net income of 3.5% will be achieved, the checks and balances that will be done and its impact on council tax rates in relation to commercial property acquisitions;
 - c. an explanation of the rationale behind increased funding that has been allocated for Commercial property acquisition, Enterprise Zone and Town Deal.
2. that a draft of the proposed Commercial Development training to be scheduled for councillors is submitted to the Panel at its next meeting**

Reasons

1. The Panel was strongly concerned about the level of prudential borrowing and wished to receive further detailed information to scrutinise the Council's approach.
2. The Panel wished to clarify the process for commercial property acquisitions to support its scrutiny of budgetary matters.

*** Post meeting note – the proposed commercial development training has been arranged before the next meeting of the Budget Scrutiny Panel (2nd November).*

6. BUDGET SCRUTINY PANEL REPORT 2019-20

Considered a report of the Head of Strategic Support setting out details of the Budget Scrutiny Panel 2019-20 recommendations (item 7 on the agenda filed with these minutes).

The Panel had no questions.

RESOLVED to note the report.

Reason

Members acknowledged that circumstances had altered significantly since the Budget Scrutiny Panel of 2019-20 had made its recommendations.

Items for the next meeting

Members considered items to be submitted to its next meeting and discussed the benefits of scrutinising the Outturn Accounts for 2019-20 to aid its scrutiny of the 2021-22 Budget. After consulting with the Lead Member of Finance and Property Services and the Director of Environmental and Corporate Services it was suggested scrutinising the Outturn Accounts for 2019-20 would not add value as circumstances had since changed dramatically and it was the Panel's remit to scrutinise the draft Budget for 2021-22.

RESOLVED that the following items and other requests for information as agreed during this meeting be submitted to the Budget Scrutiny Panel meeting scheduled for 1st December 2020:

1. Reflection on 2019-20 outturn accounts to inform its scrutiny of draft 2021-22 budget;
2. Draft Budget for 2021-22 – to include proposed areas for savings and pressures;
3. Further information regarding the Environmental Services Fleet clarifying why it has been proposed to finance with reserves, an analysis of other options that were considered and the benefits of proposed approach.

Reasons

- 1-3. to support the Panel's scrutiny of the finances of the Council.

NOTES:

1. No reference may be made to these minutes at the Council meeting on 9th November 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.

**BUDGET SCRUTINY PANEL
1ST DECEMBER 2020**

PRESENT: The Chair (Councillor Hadji-Nikolaou)

Councillors Bolton, Draycott, Hamilton, C. Harris,
Parsons and Seaton
Mr Angell (co-opted member)

Strategic Director; Commercial Development,
Assets and Leisure
Strategic Director; Environmental and Corporate
Services
Head of Financial Services
Democratic Services Officer (NC)

APOLOGIES: none

The Chair stated that the meeting would be live streamed and the recording 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

The minutes of the meeting held on 29th September 2020 were confirmed as a correct record.

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. AGENDA VARIANCE

RESOLVED that items 7, 8, 9 And 10 on the agenda be considered by the Panel before item 5 - Draft Budget 2021-22.

Reason

To support the Panel in its scrutiny of the draft Budget 2021-22. Members considered it would be of value to review information provided in items 7, 8, 9, and 10 before its consideration of the draft Budget 2021-22.

12. GENERAL FUND AND HRA REVENUE OUTTURN 2019-20

Considered a report of the Head of Financial Services, the General Fund and HRA Revenue Outturn 2019-20 as submitted to the Cabinet on 9th July 2020, provided to support the Panel in its scrutiny of the draft 2021-22 budget (item 7 on the agenda).

Assisting with consideration of the report: Lead Member for Finance and Property Services, Strategic Director, Environmental and Corporate Services, Head of Financial Services.

Summary, key points of discussion:

- overspend of budget of £234k (43%) a bad debt provision for the Fusion contract – prudent to assume in accounting matters that these monies would not be received, but not written off as a bad debt. A percentage of the income loss from this year had been claimed back from the Government's COVID emergency fund. A detailed report submitted to Cabinet had considered support required for leisure centres during this year. It was hoped that by April 2021 leisure centres would be able to operate closer to normal and recoup losses.
- the Council were following strict guidelines to claim for COVID related income losses from the Government which included some mitigation steps required by the Council, the first claim had been received and the draft budget had been revised to allow for the anticipated funding from the government and to reflect COVID related losses.
- clarity provided on the collection of debt and that major contracts such as the Fusion contract operated differently to normal debt procedures.
- finding savings in 2019/20, a non-COVID year, had been challenging, concerns raised regarding Planning Service over and underspends for two years running and overspends for Supported Living housing benefits costs.
- it was important not to underestimate the challenges faced in 2021-22 and the role of Scrutiny Councillors in highlighting issues.
- the reduction of the number of scrutiny committees from 4 to 2 (as highlighted in the draft budget 2021-22) and whether this was acceptable particularly in the current situation when the role of scrutiny was considered vital.

The Lead Member for Finance and Property Services noted that Fusion had obtained £13mill Government loan to support its survival during this difficult year and that the Council were committed to leisure centres opening within the appropriate social distancing guidelines.

RESOLVED to note the report

Reason

Members were satisfied with its reflection on the General Fund and HRA Revenue Outturn 2019-20.

13. COMMERCIAL PROPERTY ACQUISITIONS - PROCESS

Considered a report of the Strategic Director, Commercial Development, Asset and Leisure regarding the process for acquiring commercial properties, including an explanation of the rationale behind the allocation of increased funding (Commercial Property, Enterprise Zone and Town Deal), Item 8 on the agenda).

Assisting with consideration of report: Lead Member for Finance and Property Services, Strategic Director, Commercial Development, Asset and Leisure, Strategic Director, Environmental and Corporate Services.

It was noted that the Councillor briefing in commercial property acquisition processes had been completed in November prior to this meeting and the information from the briefing had been shared with members.

Summary, key points of discussion:

- consideration of the financial risks taken by the Borough Council in relation to other councils who had invested significantly larger sums.
- monitoring of commercial property purchases and income - officer led reporting and analysis of purchases would be performed and that the monitoring of properties purchased would be added to the Audit Committee's work programme to review the financial returns. This would provide a long-range view over several years. A reserve would be maintained to smooth cash flow, using methods provided by CIPFA.
- the relevance of the Panel scrutinising the Capital Plan this year in light of the new development by the Council to acquire commercial property – it was set every other year for three years and was considered by the previous Budget Scrutiny Panel at its meeting in December 2019 when the plan was set for 2019-22. An updated strategy and programme to align with covid impact, was submitted to the Cabinet in October 2020 and was considered by the Council at its meeting in November 2020. A Capital Plan Amendment report would be considered by the Cabinet at its meeting on 10th December with minor amendments included. When the new plan was set next year it could be scrutinised by the Budget Scrutiny Panel in detail in 2021-22.
- commercial property acquisitions had been allocated budget codes and would therefore be included in the routine quarterly revenue monitoring plan. The role of the Budget Scrutiny Panel was to scrutinise the draft budget 2021-22.
- as borrowing from the Public Works Loan Board (PWLB) was no longer an option for purchasing commercial property to generate yield, the increased risk with borrowing internally from the Council's treasury function was concerning. Other options to borrow privately were available and competitive although likely to have longer assessment time periods. The Council's internal borrowing position was checked by financial advisors and considered robust. The Council could continue to use the PWLB if commercial property acquisition was not part of its capital programme and it was noted that this tranche of investment was almost completed and could be removed from the capital plan at any point.

- it would be pertinent for the Audit Committee to review the increased risk although the risk was considered minimal and was a short term issue in terms of revenue.
- with respect to funding Town Deal or Enterprise Zone projects, (para 5, page 27) it was difficult to determine the level of additional funding the Council could be required to provide. Projects with a regeneration focus or of social value would be considered differently to purely commercial project business cases. The Council would consider a lower return or breakeven analysis as acceptable in conjunction with balancing the benefits of the project to the Borough.
- it was important to note that the Council would not fund projects that would have a significant adverse impact on the budget.

The Lead Member for Finance and Property Services stated that all commercial borrowing would be evaluated irrespective of the source of borrowing and would be assessed against the Council's criteria to ensure the return was sufficient and justified. It would still be possible to borrow from PWLB as long as the Capital Plan did not include commercial property investment and it was likely to be removed by April 2021.

RESOLVED to note the report.

Reason

The Panel were satisfied with its scrutiny of the matter and responses obtained from officers to queries.

14. ENTERPRISE ZONE AND TOWN DEAL - PROCESS

Considered a briefing note of the s151 Officer providing a breakdown of the benefits, assessment of profit, risks and liabilities and its impact on council tax rates in relation to the Enterprise Zone and Town Deal (item 9 on the agenda).

Assisting with consideration of the report: Strategic Director, Environmental and Corporate Services.

It was clarified that the Charnwood Campus was located at the site previously occupied by Astra Zeneca and that the funding would be used to refurbish one of the buildings on the site. Members considered that the project was welcome and would provide the town with high level investment and employment.

RESOLVED that the report is noted.

Reason

The Panel were satisfied with the information received.

15. ENVIRONMENTAL SERVICES FLEET - OPTIONS

Considered a briefing note of the s151 Officer regarding financial proposals for funding the Environmental Services Fleet, including an analysis of other options considered and the benefits of proposed approach, (item 10 on agenda).

Assisting with consideration of report: Lead Member for Finance and Property Services, Strategic Director, Environmental and Corporate Services.

Summary, key points of discussion:

- consideration of why funding of the Environmental Services Fleet used Council reserves - this was a finance transaction and did not include operational management obligations. The cost to the Council would have been increased if it had chosen to not purchase the Fleet itself.
- the decision to use council reserves was not based on access to Public Works Loan Board funding and through this option the Council would not be required to pay Minimum Revenue Provision (MRP) charges. It was recognised that MRP charges were beneficial in future financing of replacement of assets but noted that the charges were exempt for 6 years and the vehicles were expected to last for 8 – 10 years.
- clarification that further savings mentioned in the report (page 3) did not refer to removing pre-existing schemes but to defer projects.

When considering the resolution of this item, it was requested that recognition be given to the history of this matter and the complications in its delivery. In 2018 the Environmental Services contract had been renewed and the purchase of the Fleet had been included. During the last two years it had been considered advantageous for the Council to purchase the Fleet itself and, subject to some delays due to the pandemic, this had now almost been completed.

RESOLVED that the report be noted

Reason

The Panel were satisfied with the information provided.

16. DRAFT BUDGET 2021-22

A report of the Head of Financial Services regarding the draft Budget 2021-22 was submitted (item 6 on the agenda).

Assisting with consideration of the report: Lead Member of Finance and Property Services, Strategic Director, Environmental and Corporate Services and Head of Financial Services.

Summary, key points of discussion:

- reduction in the number of scrutiny committees from four to two and whether this would impact the ability of councillors to scrutinise matters thoroughly. Considering the number of issues that had been scrutinised, some project savings were likely to have been made as a result of scrutiny but did not appear to have not been taken into account. It was explained that savings had been identified through workshops with Cabinet Lead Members to review options and this had been one of the savings identified. The cash saving of £10k did not include the resource saving of officer time in servicing scrutiny committees.

- whether councillors had been consulted regarding the reduction of member grants from £1000 to £500. As the minimum limit for grants to be allocated was £250 this could impact small community organisations.
- concerns regarding proposed £200k service pressure for Supported Living additional Housing Benefit losses could rise. It was noted that this was not under the Council's control, it could vary significantly, as providers were increasing living capacity to meet the needs of the homeless. However negotiations were in progress with the two main housing providers to become registered providers, which would enable the Council to claim back some of the losses. This was not the case for residents claiming Universal Credit.
- the recently published pay freeze for public sector workers did not directly impact local government pay as it was not directly regulated by Government but as local government pay tended to reflect trends in public sector pay there could be an impact on future pay rises.
- there was an element of uncertainty over the figures in the draft budget with Business rates and New Homes Bonus identified as having a downside risk, but this would be clarified once accurate data was available in mid-December.
- Corporate staff - Terms and Conditions (appendix 1) related to the proposed discontinuation of essential car user allowance. Although included in the draft budget the proposal would be subject to standard HR consultation processes and was not confirmed to be included in the budget at this time.
- the deletion of vacant posts or vacant hours had been identified by Heads of Service and tended to relate to circumstances where staff had reduced their hours through part time working or phased retirement. Other savings may be considered in the new year.
- it was perceived that the Council historically did not have a good track record at achieving savings. Concerns were raised regarding keeping the reserve at £2mill working balance and what plans were in place if the uncertainties around identified schemes in the budget were to come in at a higher service pressure. There were other reserves unallocated totalling £5.16mill (reinvestment, capital plan) that could be utilised if significant adjustments were required. A detailed budget monitoring exercise reviewing the outturn position this year would be completed at Period 7 and caution had been applied with respect to COVID funding in the following year which would be reviewed before final budget was presented.
- Business rates appeals adjustment (p 9) figures were based on last years' provisions which had been determined as too high so this income reflected an accounting adjustment exercise. It was a 'one-off' adjustment and all preceptors would receive a contribution from this budget income.
- it was recognised that there were big issues, and sensitivities in this budget and it was important to ensure these were identified and highlighted to the Cabinet. It was hoped that the Government provided the financial support to make the budget balance. The provision of accurate information by mid-December after this meeting had been held, could impact the Panel's scrutiny of the budget and change any recommendations it wished to identify. It was noted that the numbers contained in the draft budget were as robust as possible and that if any material adjustments were required after the receipt of the Government information this would be shared with the Panel.

The Lead Member for Finance and Property Services stated that the budget had been drafted without knowing what the government settlement would be. There was still further savings to make but this would not necessarily be during 2021-22 financial year, and the Council were looking to maintain the £2mill working balance.

Several queries with respect to Service detail would be raised with Heads of Service outside of the meeting.

It was stated that it would be beneficial if notes could be provided for the draft budget as detailed in Appendix 3 of the report for Loughborough Special Expenses.

RESOLVED

1. that the following information be requested from Heads of Service and circulated to the Panel:
 - a. reduction in the number of Scrutiny Committees (p15) – the income obtained from savings made by scrutiny recommendations, how the savings for reducing the number of committees had been calculated;
 - b. reduction of Member Grants funding from £1000 to £500 (p15) – understanding of the consultation process;
 - c. Loughborough Special Expenses (Parks – Loughborough and Loughborough in Bloom) (p18)– a breakdown of figures;
 - d. deletion of vacant posts or vacant hours (p15) – the total numbers of deleted posts;
 - e. Fusion Contract / Leisure Centres (p16)– how deferred subscriptions or refunds were handled and total costs;
 - f. Town Hall (p16)– how deferred tickets or refunds had been handled and total costs;
 - g. Tenancy Services (p17) – further information regarding the cleaning of HRA properties and pest control;
 - h. Compliance (p17)– further information regarding the reduction of fire alarms budget
2. that the Strategic Director, Environmental and Corporate Services provides a verbal update at the next meeting of the Panel regarding any significant adjustments to the draft budget after the Government funding is received in mid December;
3. that the Panel endorses the recommendations in the report to Cabinet.

Reasons

1. the Panel wished to receive additional information to support its scrutiny.
2. The Panel considered that any recommendations it may wish to make after scrutinising the draft budget 2021-22, as presented at this meeting, may change in light of decisions made by the Government to provide funds in mid-

December and that it wished to be cognisant of all the facts before submitting its recommendations to the Scrutiny Commission.

3. The Panel considered the recommendations were appropriate.

17. PROPOSED RECOMMENDATIONS REVIEW

Considered any recommendations the Panel wished to propose for inclusion in the draft report and to agree a process by which recommendations would be proposed for inclusion in the draft report before the next meeting (item 11 on the agenda).

The Panel discussed a process by which recommendations could be proposed and agreed by members for inclusion in the draft report. To aid the discussion, the Democratic Services Officer clarified that the process followed by the Panel in 2019-20 involved an email discussion identifying any recommendations or observations to be highlighted in the report based on the minutes of the meetings of the Panel on 29th September and 1st December 2020, and was coordinated by the Chair of the Panel.

Given the short period of time between the Panel's meeting to agree its report and consideration of that report by Scrutiny Commission, it was noted that the report considered by the Panel at its meeting on 5th January 2021 should have been seen by all members, commented upon and any agreed amendments made such that any further amendments agreed at the Panel's meeting on 5th January 2021 were minimal.

There were no recommendations made by the Panel at this meeting for inclusion in the Panel's draft report although the proposed rise in council tax was observed.

RESOLVED

1. that Panel Members review the minutes of the meetings of the Panel and forward proposed recommendations and observations to the Chair in a timely manner to enable resolutions 2 and 3 below to be completed within deadline;
2. that the chair collates the proposed recommendations and observations into the draft Panel report and then circulates the report to Panel Members for agreement;
3. that a draft of the agreed Panel report is made available for publication with the agenda on 18th December 2020, and that the consideration of the report at its meeting on 5th January 2021 ensures it requires minimal amendment.

Reasons

- 1-3 to enable proposed recommendations and observations to be agreed by Panel members and to ensure that the Panel report reviewed at its meeting on 5th January 2021 requires minimal amendment before submission to the Scrutiny Commission at its meeting on 11th January 2021.

NOTES:

1. No reference may be made to these minutes at the next ordinary Council meeting 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.