

**BUDGET SCRUTINY PANEL
6TH OCTOBER 2021**

PRESENT: The Chair (Councillor Miah)
Councillors Bolton, Hamilton, Parsons, Parton and
Seaton

Strategic Director
Head of Financial Services
Democratic Services Officer (NC)
Democratic Services Officer (EB)

Councillor Barkley - Cabinet Lead Member for
Finance and Property Services

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.

24. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

No disclosures were made.

25. DECLARATIONS - THE PARTY WHIP

No declarations were made.

26. QUESTIONS UNDER SCRUTINY COMMITTEE PROCEDURE 11.17

No questions had been submitted.

27. PERIOD 4 MONITORING REPORT

The Head of Financial Services presented a report covering General Fund and HRA to the end of July 2021, Period 4. (Item 5 on the agenda filed with these minutes).

Assisting with the consideration of the presentation: The Cabinet Lead Member for Finance and Property Services and the Strategic Director.

Summary, key points of discussion:

- In Period 4, the actual spend was £6.73million which meant a £7k underspend against the profiled budget of £6.737million. The General Fund managed vacancy saving annual target was £527.7k. There had been a small shortfall of 32k in savings recovered.

- Financial pressures were highlighted including Planning related pressured that had been discussed with the Senior Leadership Team (SLT) and a projected shortfall of 107k in car park fee income. To mitigate some income losses were put in a claim to the DCLG for Quarter 1 of £275k, however, it was clarified that claims could only be made for Quarter 1 as part of the government initiative. It was added that staff working from home had saved the Council some expenditure and that there had been some income from the Vaccination Centre. The Council were looking to reserve funds for shortfalls in the future.
- The Housing Revenue Account (HRA) had an underspend of £81k. Some void rents were currently falling behind profile and voids were in a shortfall position and garages were not hitting targets.
- A 30-year HRA business plan was being considered and would be coming forward in the autumn.
- In relation to concerns about the fluctuations in costs that made up the £7k shortfall, it was noted that budgets were set as closely as possible. The Covid-19 pandemic had affected income streams such as Car Park fees, however, some decisions had been made to try and encourage people back to town centres which would have an effect on the budget. Local transport costs had been incurred since the budget had been set. It was further added that there had been unexpected costs such as the £100k overspend forecast for Planning and this may not have been seen at the beginning of the year. Currently the budget setting for the 2022/23 financial year was underspent, but issues were being highlighted going forward. It was added that resilience was fairly robust.
- The car allowance saving scheme had a potential shortfall of £200k as an estimate. This figure had been developed over time and proposals would be going to a Trade Union meeting which would potentially save approximately £100k per annum. In terms of implementation it was hoped that the proposals would go to Personnel Committee before the end of 2021 and a three-month implementation period would follow with proposals coming into effect from 1st April 2022. It was clarified that no savings were expected this year but subsequently there would be around £100k of savings per annum thereafter.
- It was clarified that 'Commitments' were orders placed on the system and captured Period 4 contract expenditure not yet paid. A breakdown of spending and commitments would be put in reports going forward.
- A virement policy existed and Heads of Service could follow virement policy rules. Budgets were closely examined for the new financial year with patterns of overspends and underspends. The largest amounts had been flagged up.
- The one-off £50k Brexit grant had been allocated to the Council prior to the Brexit deal being finalised. There was no particular plan for this money at this stage and the money was not ringfenced.
- Many of the postings to accounting ledgers happened automatically each month. These figures were examined and then issues such as commitments were calculated, views were then sought from Heads of Service and the SLT. Certain factors and decisions such as car parking were not budgeted for at this stage, however, a detailed exercise would take place for Period 7. A view needed to be taken on car parking income and to what extent it would return to pre-Covid levels.
- It was clarified that the issues discussed were more of a finance function than a legal function and as such the involvement of the legal team was minimal. It was further clarified that performance issues on housing, particularly voids,

- were a matter for Landlord Services and the relevant Director and Head of Services were working on it.
- In terms of financial pressures for the rest of the financial year, there were £658k in potential pressures, with £275k from the DCLG this figure was reduced to £383k and with the estimated Essential Car User allowance of £100k this figure was further reduced to £183k. With the estimate overspend of £100k on Planning this was brought down to £83k. This was seen as a realistic projection up until March 2022 and members of the Panel would be kept informed.
 - Rent arrears had decreased since July 2020 and former tenant arrears had also decreased. However, there were concerns going forward that tenants may struggle to pay rent as Universal Credit was being reduced by £20 per week and the furlough scheme was coming to an end. It was noted that this didn't affect those on Housing benefit. So far Council Tax arrears had not been affected, however, factors may affect them in future. Going forward the situation would become more refined.
 - Concern was raised about sums of money in Planning where there was an overspend or no income. It was clarified that officers were asked for information as part of budget monitoring and a £100k overspend on Local Plan transport costs had been reported as part of this and this money had been committed, however the figure was not yet in the ledgers. In terms of the end-of-year forecast, Leicestershire County Council had required money for additional highways monitoring.
 - In terms of clarity over how much money had been spent and how much was committed, there was a £7k underspend up to Period 4, however, £100k of costs had been added on to that projection. The £100k was the figure that Heads of Services had brought to SLT and was committed to be spent.
 - It was clarified that the comparisons on rent arrears between 2020/21 and 2021/22 were taken at a point in time at the end of Period 4 and as such were a year-on-year comparison for Period 4.
 - It was clarified that performance issues on voids were being scrutinised by the Finance and Performance Scrutiny Committee and were also examined by the Housing Management Advisory Board, although the latter was not a decision-making meeting.
 - It was requested that headings be updated on the Period 7 to show how the £100k for Planning had been used.

The Cabinet Lead Member for Finance and Property Services stressed that the figures were intended to make the Panel aware of what could come forward in the financial year. The table showed what was included in the budget to date whether spent or not. The report had tried to show a summary of what had contributed to the underspend. He further clarified that if the £100k committed to Planning had not been included, then the underspend would have been shown at £100k more when it was known that this money would be spent.

RESOLVED

1. that the Report be noted.

2. that the subsequent Period 7 Monitoring Report would be clarified with a breakdown of commitments and expenditure.
3. that the subsequent Period 7 Monitoring Report would be clarified to show the distinction for income due and income received in the HRA.
4. that the subsequent Period 7 Monitoring Report have updated headings to show how the £100k for Planning had been used.

Reason

1. To acknowledge the Panel's consideration of the matter.
2. To clarify to the Panel what was committed to be spent and what had actually been spent.
3. To clarify to the Panel the income actually received by the HRA.
4. To provide the Panel with information about how committed money was being spent.

28. MTFS TRACKER - REVIEW OF MTFS POSITION

The Strategic Director submitted a report tracking the data on the Medium Term Financial Strategy. (Item 6 on the agenda filed with these minutes).

Assisting with the consideration of the presentation: The Cabinet Lead Member for Finance and Property Services and the Head of Finance Services.

Summary, key points of discussion:

- Historically, the Medium-Term Financial Strategy (MTFS) had been updated in the autumn with a view to informing budget setting, however, due to uncertainties surrounding the settlement it had been thought best to update the MTFS in March in common with most other authorities. As a result, the meeting looked at an updated version of the previous MTFS
- The figures from March had been used in terms of projections, following which the figures were examined in terms of performance against savings targets. Key differences had been found, particularly with regard to the essential car user figures.
- In terms of savings and progress against the budget the Council were £214k down, in terms of pressures the Council were £307k down.
- It was predicted that the Local Plan would have an adverse impact in terms of the Transport Plan amongst other costs.
- £1million worth of savings were being targeted in options developed terms of Options to Change. Accommodation had been particularly placemarked for savings.
- In the current financial year, more government funding in terms of Council Tax support had been received, and this income had been reflected on the report presented.
- There had been a revised use of reserve projections and savings were needed to be inputted to bridge the gap.
- The outturn had been examined and the outcome had been more favourable than projected. The MTFS had been based on an interim budget which had been negative due to the impacts of Covid-19. However, some lines of income

had held up better than predicted and Covid-support from the government had left the Council £2million better-off. Additionally, the Business Rate retention had meant that the Council could settle and finalise the position on the Enterprise Zone.

- Whilst expenditure outlook had been negative, use of reserves had been positive and savings and additional income were being sought to close the gap. Figures would change based on what was agreed.
- In terms of risks, the New Homes Bonus Scheme was finishing, and as such was on 'legacy payment'. £3million had been received from it in this financial year, however, only £998k was due next financial year and nothing the year after that. Whilst it was thought unlikely than no further government funding would be received to help bridge the gap, such a scenario was not impossible and as such needed to be planned for. If more needed to be saved as time progressed, the situation would become more difficult, as such a funding risk existed. A further risk was the Environment Bill, risks from it included the possibility of the Council having to pay for garden waste collections, food waste collections and changes to recycling. Currently the Council generated £4.3million from garden waste collections, if they were required to do them for free this income would be lost. It was not yet known if the bill would pass and what amendments would be made if it did. The Local Government Association (LGA) was lobbying ministers about the impact it would have on local government. It was thought that government funding may be given to help cover the costs of the effects of the bill on Local Authorities, but it may not cover all costs. Another risk was subsidy loss in supported living run by charities.
- Three scenarios were being examined and planned for in terms of use of reserves: 1, Assuming positive factors only. 2, Assuming all factors in the report. 3, Assuming negative factors only. If assuming negative factors only, £6.5million in reserves would need to be used in the 2023/24 financial year. It was stressed that the worst outcome was unlikely but not impossible.
- Based on receiving government funding and the Environment Bill being benign, the approach was to identify £1million+ worth of savings and to review once it was known what the settlement was so that the Council could remain comfortable on budget.
- In the worst case scenario, the Council would still be sustainable, but only able to provide basic services.

The Cabinet Lead Member for Finance and Property Services clarified that all possible scenarios were being shown, but it was not yet known what government funding would be available until December. A series of options were being worked on so that action to reduce expenditure by the amounts necessary could be taken. There was a need to avoid being in deficit and management action would be taken to avoid it.

In response to a question from Councillor Parsons, The Cabinet Lead Member for Finance and Property Services added that a list of priorities for cuts matching the risk scenarios would be drawn up in time for the settlement in December.

RESOLVED

1. that the Report be noted.

2. That a Report be presented at the meeting of the Budget Scrutiny Panel on 8th December 2021 providing the Panel with information on the settlement.

Reason

1. To acknowledge the Panel's consideration of the matter.
2. So that the Panel could be provided with the context to make informed recommendations based on the settlement.

29. APPROACH TO BUDGET SETTING FOR 2022/23 (VERBAL UPDATE)

The Strategic Director presented a verbal report outlining the approaches to setting the budget for the 2022/23 financial year. (Item 7 on the agenda filed with these minutes).

Assisting with the consideration of the presentation: The Cabinet Lead Member for Finance and Property Services and the Head of Finance Services.

Summary, key points of discussion:

- Officers had prepared a list of proposals for savings. If the list did not prove sufficient in terms of total savings there were other lists under development.
- The Council currently tried to preserve services in the way they operated.
- The list would not be decided upon until the settlement was known.
- The consideration of actions was a work in progress and would take most of the next five months.

RESOLVED that the Report be noted.

Reason

To acknowledge the Panel's consideration of the matter.

NOTES:

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