BUDGET SCRUTINY PANEL
8TH DECEMBER 2021

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

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

Councillor Barkley - Cabinet Lead Member for Finance and Property Service

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.

30. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting of the Panel held on 6th October 2021 were confirmed as a correct record.

31. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

No disclosures were made.

32. DECLARATIONS - THE PARTY WHIP

No declarations were made.

33. QUESTIONS UNDER SCRUTINY COMMITTEE PROCEDURE 11.17

No questions had been submitted.

34. REVENUE MONITORING POSITION (GENERAL FUND AND HRA) PERIOD 7

A report of the Head of Financial Services setting out the revenue position for the General Fund and HRA at the end of period 7 was considered (item 6 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:

- The actual spend was £10,807,000 against a budget of £10,907,000 – giving an underspend of £100k. This included a major underspend of £97k regarding salaries, expenditure and other income shortfalls associated with the Town Hall. Depending on the success of shows at the Town Hall, the income would not be known until Period 9. Some schools had been cancelling attendance at pantomime shows due to Covid-19 concerns and this may affect income.
- The managed vacancy savings profile budget was £295k with an actual saving of £381k. The Council were £86k ahead of Target in Period 7 and this was reflected in the outturn forecast.
- The current year-end forecast was a £260k overspend in addition to the £847 use of budgeted reserves for the year, this was looking to be mitigated.
- £276k had been claimed back for DCLG compensation and this was included in the £260k overspend.
- The Loughborough Special Account had a projected year end £12k underspend.
- The Housing Revenue Account (HRA) had a net overspend of £53k primarily due to income losses. However, this was mitigated by a salary underspend.

The Chair thanked the Head of Finance for including the Period Spend to date and making the figures clear.

RESOLVED to note the report

Reason

Members were satisfied with its reflection on the General Fund and HRA monitoring.

35. DRAFT 2022/23 GENERAL FUND AND HRA BUDGETS

A report of the Head of Finance advising members of the projected base budget position for 2022/23 including the savings and growth proposals put forward for the year and provide the basis for the budget consultation was submitted (item 7 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.

Councillor Parton entered the meeting during the discussion of this item.

Summary, key points of discussion:

- Savings of £1million had been generated in addition to the savings made in 2021/22.
- The budgets would depend on the Government Settlement and it was anticipated that more information on the settlement would be released on 13th December 2021.

- There were projected balances of £4.5million at the end of 2022/23 with a commercial income of £886k included int the budget and £200k reserves to cover losses.
- Difficulties faced included the New Homes Bonus being reduced from £3million to £1million in 2022/23 with a further loss of the remaining £1m income in 2023/24. This and other factors create a major uncertainty in the total government funding that the Council may receive of £2.7million in 2022/23, with a further £1m reduction New Homes Bonus due in 2023/24.
- However, there was room for cautious optimism within the Spending Review 2021 outlined by the Chancellor in October and it was hoped that total government funding in 2022/23 would be similar to that of 2021/22.
- Other issues which had impacted the budgets included the inflationary pressures which were £700k more than envisaged in the Medium-Term Financial Strategy (MTFS). All major contracts were linked to inflation.
- If the Government settlement was not what was expected, further measures would need to be taken.
- It was assumed that £2.7m of funding would arise in some form based on funding received in the previous financial year. Further to this it was hoped that the total precept income would be similar to the £17.6m figure as presented in the draft budget.
- Regarding the savings to be determined of £500k, savings ideas had been discussed by officers, however, it was hoped that these would not be required.
- It was necessary to ensure that the total use of reserves was below £500k, and it was considered that £224k would be a reasonable use of reserves, however, this would depend on the settlement.
- In the context of a minimum working balance of £2m, the £4.563m working balance in the draft budget was considered reasonable.
- The re-investment reserve and Capital Plan reserve were earmarked for spend-to-save. Revenue reserves could be used to bolster the balance if needed. Whilst there was no room for complacency, there was a reasonable level of reserves.
- There was a risk surrounding the increase in garden waste collection charges due to the upcoming Environment Bill which was likely to be finalised in March 2022. There had been lobbying to allow councils to charge for the service and it was thought that money could be raised through garden waste subscriptions in the next financial year. A small reduction in subscribers due to increased costs had been factored into the draft budget, but it was thought that the increased cost of the service would result in increased revenue. The estimated amount generated form garden waste collection was calculated by multiplying the number of estimated subscribers with the price increase and calculating the gain. The charge was based on what was thought reasonable through benchmarking based on what other authorities charge.
- There were necessary pressures surrounding the General Fund. These did not include inflation in contracts or salaries which were reflected in the increase in the base budget.
- The Housing Revenue Account (HRA) was a key element, however there was more time to plan and react to changes. The 30-year business plan would be coming forward in the coming months which may address the HRA in more detail.

- The Loughborough Special Expenses would be covered by the Loughborough Area Committee.
- CPI had grown by 3.1% and RPI by 4.9 %.
- Salary inflation of 1.75% and £150k equal to an additional 1% had been built into the budget. The projections built in regarding salaries had projected a salary increase above what had been assumed when the budget had been drafted. The employer offer of 1.75% had been rejected by the unions and whilst it was hoped there could be a settlement, meeting the 10% increase asked for by the Unions would be a significant challenge. The Managed Vacancy saving at Period 7 was £86k ahead of what had been budgeted for, this leaves Period 8 to Period 12 to recoup vacancy savings which would hopefully cover pay awards not budgeted for.
- Regarding the HRA, there had been £16.4m in expenditure and £22m income. There was a net balance of £3.1m earmarked as revenue contribution to capital which topped up the HRA Capital Plan each year. Weekly rent for Council properties was still lower than the Council's peer group. There was £9.6m in the HRA financing fund to cover debt repayments in the 30-year business plan. There was £2.3m in the major repair reserve.
- Heads of Service were working with The Bridge and contributions were reduced but continuing.
- The figure of £2.7m for the Lower Tier Services grant was a balancing figure and it was assumed that the sum of all of the figures on precept income would come to £17.6m. The New Homes Bonus was £998k, down from £3m in the previous financial year, and it was hoped that at least part of this deficit could be made up.
- Concern was raised that many assumptions were being made. It was clarified that the draft Budget was a plan that would depend on the Government Settlement.
- The £239k transfer to the General Fund from the working balance revenue reserve was intended to balance income against expenditure. This figure would depend on government compensation regarding the New Homes Bonus.
- A typographical error in the Budget Summary was noted, the variance in the total balances should read £3,324k.
- An overspend of £200k was projected against the budget and savings made had been reflected in the budget which had been achieved other than those regarding essential car use. Concern was raised that the £2m balance figure was being approached by the end of 2021/22 before going in to 2022/23. It was stressed that this was why the use of reserves was such an important figure.
- Of the £929k for MRP, Interest and Commercial Reserve, £200k has been allocated to Commercialisation Reserve, leaving MRP/ interest charge of £729.
- Commercialisation income had not been budgeted for in the previous financial year. As such, rents collected had been allocated to make a start on the provision. The yearly additions to the reserve would create the total £1.5m needed to cover the next lease event. There would be a lease event in 3-4 years' time and a renegotiation of the lease was planned. If the tenant chose not to renew the lease, the provision was earmarked to cover potential refurbishment costs and the void period. This property was in a developmentally attractive area and there were good alternative uses for the

site. If the lease was not extended, then the next option was to let it to another tenant or find an alternative lucrative use.

- Due to a prudent approach being taken, provisions into the General Fund were able to be released. An Enterprise Zone agreement was settled on and benefits were received from the Business Rate Pilot. The benefit from the pilot had not been budgeted for, however, some had been received. Along with a group of Leicestershire authorities, the approach to provision within the pilot had been standardised. The Council had been over-prudent and as such still had substantial reserves and as such the starting position was a lot better. The Budget projected General Fund reserves of £4.6m would remain at 31 March 2023. Having made adjustments, the Strategic Director was confident that Council was in a reasonable position base on the current rules. However, the impact of the settlement was not yet known, and the rules may change, in a worst-case scenario, the Council could be £2.8m short.
- Concern was raised about key risk areas, including the need to deliver on 2021/22 savings, including salary increases and inflation, pressures surrounding the final settlement figures, the impact of the environmental bill on garden waste collection and the need to monitor commercial rents.
- The reduction in opening hours of the Customer Service Centre would create savings in salaries. This would be a compliant process with appropriate consultation. Some staff had already expressed a predilection for voluntary redundancy, and for remaining staff it was thought that there would be approximately half an hour’s difference in their working hours. It was remarked that staff turnover in this department was high. Work had been undertaken regarding the Customer Service Centre and how to underpin savings and this had been informed by the level and pattern of calls. There had been a reduction in demand for face-to-face service during the Covid-19 pandemic that had not returned. More use was being made of the online service and statistics demonstrated that given the number of calls received, a reduction in hours would be more efficient. The out-of-hours line would be open for emergencies when the centre was not open. The possibility of sharing the service with another council had been explored, and previously the Council had carried out the service on behalf of Harborough District Council, however, Harborough District Council was now withdrawing from the agreement. Sharing the service was seen as complex and would not result in a large saving, however, the possibility was not ruled out.
- The Head of Finance would consult the Head of Leisure Service regarding the possibility of renegotiating the contract for the Loughborough Christmas lights to make a saving.
- The HRA was based on Capital Plan requirements and a £5-6m Capital Plan budget was set each year., funding coming mainly from the HRA budget with surplus going into the Capital Plan reserve. Appropriations were used as a balancing figure.

The Chair remarked that 5% inflation was projected, which was considerably more than the 1.75% pay increase offered and enquired as to how much higher salaries would cost the council.

The Strategic Director clarified that the General Fund Salary budget was £13m-14m, so for every 1% increase it would cost £130k-£140k. As such an increase in line with the 5% inflation rate would cost approximately £500k. He added that it may be that the central government conclude they could fund it, and when the settlement was announced the MTFS would need to be done with care.

The Head of Finance added that the budgeted 1% increase added £150k in the budget, plus pension increase on every post. The current managed vacancy saving budget of £0.5m was reduced due to vacant posts being deleted from the establishment

The Chair expressed concern that whilst not having officers in their posts created savings, it meant that services were not being delivered.

Councillor Seaton left the meeting during the discussion of this item.

RESOLVED to note the report

Reason

Members were satisfied with its reflection on the Draft 2022/23 General Fund and HRA Budgets.

36. DRAFT CAPITAL PLAN 2022/23 TO 2024/25

Considered a report of the Head of Financial Services considering the Draft Capital Plan 2022/23 to 2024/25 as well as possible sources of funding and to begin a period of consultation (item 8 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:

- The plan spanned the next three years. £3.54m had been identified for the Loughborough Town deal monies and £0.9m had been identified for the Shepshed Public Realm project. The total funding for the HRA was £23.3m. Every scheme had been noted and every project had been allocated. Plans that had been committed but not costed would be submitted for due process.
- There was a new Capital Plan every two years for a three-year period, so the first year of the new plan was also the last year of the previous plan, so in order to get the context of the next financial year it was necessary to read both plans. If money was not spent on the current plan it could be rolled over to future years and would end up with a merger Capital Plan for the ensuing three years. The new plan had a limited set of proposals reflecting overall funding and most proposals concerned looking after existing assets. The biggest item in the new plan concerned continuing funding for Disabled Facilities Grants (DFG), which was government funding within the General Fund.
- It was noted that the cost of the Bedford Square project had increased, however, the scheme was also expanding in order to attract Town Deal funding. This meant that additional Council funding was a relatively small

amount. It was added that the Bedford Square project had been based on quotes that were over one year old.

- Regarding the Shepshed Bullring, a Senior Leadership Team meeting had taken place to discuss contingency. There was a potential of feasibility work and costs could be revisited, producing different numbers to the plan, which members could then vote on if there was a significant change. It was added that the £0.9m in the plan for Shepshed Public Realm was on top of 0.5m in the current plan, which made a total of £1.4m. Current plans would roll forward.
- Of the £6.3m of external funding, £3.5m was coming from the Loughborough Town Deal and £600k was coming from the Leicester and Leicestershire Local Enterprise Partnership (LLEP), the balance then came from the DFG.
- Expenditure was profiled, and then funding was profiled to match it. Projected receipts were based on profiling Right to Buy (RTB) receipts, and that Limehurst Depot was possibly also contained within the funding projections.
- There was no capital in new expenditure for commercial property. The purchase of commercial properties and the reduction in the treasury would not have an impact on capital planning. There was a new prudential code coming out that would contain new rules on borrowing. As such, whilst it was not impossible to buy commercial property, it was difficult and as such there was not much expansion as the Council did not want to over-commit. The treasury balances were still healthy and more funding for the Enterprise Zone was possible.
- It was noted that there had been no money allocated for certain ongoing schemes in 2022/23 within the new plan because there were equivalent amounts in the current plan.
- In terms of security of funding, the bulk of it was DFG, and as such it was up to the Government. The Government had received a report on how able people were to live in their own homes which resulted in grants being increases. These grants had been challenging to spend logistically as it had involved carrying out assessments, involving many private sector companies and getting contracts which had been time consuming. This process had also been hindered by the Covid-19 pandemic. If money from the Government ceased, then the programme would be restricted. Money had been received from the Leicestershire Business Rate pool. However, there was uncertainty from the LLEP and if external funding failed to materialise then use of reserves would need to be considered.
- Member grants had been reduced to £500 per member, half from revenue and half from capital.
- Members would have visibility of any new borrowing for forward funding schemes in respect of the Enterprise Zone. The money allocated was closely linked to the projected development on the Loughborough University and Charnwood Campus sites. Some plans were in progress that could draw down on some of this money if a forward funding agreement could be arranged. In practice it was thought likely that a proposal would come via a report to Council. All funding above £50m needed to come through Cabinet, so any carry-forward should come through Council. All money for such projects would be borrowed. It was added that business rates retention rules in the Enterprise Zone operated differently to business rates generally, some of the revenue went to the LLEP. As such, if sites were developed, forward funding could be entered into and rates could be kept to pay the loan.

- Ward councillors could be engaged through officers and Heads of Service who could put plans forward for the next three years.
- In the event that the LLEP ceased to operate, the Council would look for alternative vehicles and structures via Leicestershire County Council or Leicester City Council to become a body to collect business rates form the pool and redistribute. There would be risks surrounding the pool and the ability to generate funds and keep them in Leicestershire rather than them being remitted to central government. It would still be possible to get funding without the LLEP if business rates could be kept.

RESOLVED to note the report.

Reason

Members were satisfied with its reflection on the Draft Capital Plan 2022/23.

37. VIEWS ON THE SETTLEMENT

A presentation by the Strategic Director, Environmental and Corporate Services, outlining views on the settlement, was considered (item 9 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:

Bodies such as the Local Government Association and the District Councils Network as well as Pixel, a firm of consultants, had read the statement of the Chancellor of the Exchequer it order to predict what may be in the Government Settlement.

It was thought that the total amount going to the Local Government Sector would be increasing, and as such the Medium-Term Financial Strategy and the budget assumption of having a similar amount of money to previous years was seen as realistic, although there was still a distribution risk.

Government discussion of real terms increases in Local Government Funding assumed that Councils would maximise Council Tax increases. It was thought that the cap on increases would be 1.99% or £5, whichever was the larger figure, in line with previous years.

It had previously been thought that there was a good chance of a multi-year settlement, however, business rates were not being considered in the short-term so this may mean a single-year settlement.

It was hoped that more information would be released on 13th December 2021.

38. POSSIBLE BUDGET SCRUTINY PANEL RECOMMENDATIONS

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 10 on the agenda).

The Chair noted that no recommendations had been drawn up at this point.

The Strategic Director suggested that the relevant Heads of Service be invited to the next meeting if Panel members had any specific areas they wished to look at. However, any invitations would need to be issued within a very short time period given that the final meeting of the Panel is effectively to endorse the final recommendations.

RESOLVED

1. that Panel Members forward proposed recommendations and observations to the Chair in a timely manner via email.

2. that a draft of the agreed Panel report is made available for publication with the agenda for the consideration of the report at its meeting on 5th January 2022.

Reasons

1-2 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 2022 requires minimal amendment before submission to the Scrutiny Commission at its meeting on 10th January 2022.

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.