

**CABINET – 10TH FEBRUARY 2022**

**Report of the Head of Strategic Support  
Lead Member: Cllr Barkley**

**Part A**

ITEM 6      BUDGET SCRUTINY PANEL

Purpose of Report

To consider the recommendations of the Budget Scrutiny Panel following its scrutiny of the Council's draft budget for 2022/23.

Recommendation

To note the report and the observations set out within it.

Reason

To acknowledge the work undertaken by and the views of the Budget Scrutiny Panel and to note its observations.

Key Decision:            No

Background Papers:    None

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## Part B

### Background

1. Following a decision of the Scrutiny Commission at its meeting on 13<sup>th</sup> September 2021, a Budget Scrutiny Panel has undertaken scrutiny of the Council's draft budget for 2022/23.

No formal recommendations were made, however, it was noted that future meetings of the Panel would need to make recommendations based on what was discussed in terms of financial impact, savings and income with regard to the year's budget.

2. Further to this, the Panel wished to make the following observations in respect of future budgets and budget scrutiny:
  - (i) Key risk areas include:
    - a. The need to deliver on 2021/22 savings, including salary increases.
    - b. Risks surrounding the final and future grant settlement figures,
    - c. The impact of the environmental bill on garden waste collection
    - d. The need to monitor commercial rents.
    - e. Inflationary risks.
    - f. Contractual cost risks.
    - g. The impact of Omicron and the ongoing Covid-19 pandemic.
    - h. Interest rates and the effects a rise in rates would have on the wider economy, particularly in terms of business rates and council tax collection. Whilst treasury management would give the Council more income, borrowing would cost the Council more.
  - (ii) Whilst not having officers in their posts creates savings, it means that services are not being delivered.
  - (iii) The Council needs to be mindful of the financial pressures faced by its residents.
3. The Scrutiny Commission considered the Panel's report at its meeting on 10th January 2022. It was noted that future meetings of the Panel would be required to recommend on financial impact, savings and income with regard to the year's budget. Some of the topics highlighted for consideration in the next cycle of Budget Scrutiny Panel meetings were void properties, garages and the scoping of car parks and charges.
4. The Scrutiny Commission approved the report of the Budget Scrutiny Panel for submission to the Cabinet at its meeting on 10th February 2022.

### Annexes

Annex 1      Report of the Budget Scrutiny Panel, January 2022

## SCRUTINY COMMISSION – 10TH JANUARY 2022

### Report of the Budget Scrutiny Panel

ITEM            BUDGET SCRUTINY PANEL REPORT

#### 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 10<sup>th</sup> February 2022.

#### Background

Following a decision of the Scrutiny Commission at its meeting on 13<sup>th</sup> September 2021, a Budget Scrutiny Panel has undertaken scrutiny of the Council's draft budget for 2022/23.

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

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## REPORT OF THE BUDGET SCRUTINY PANEL – 2022/23 DRAFT BUDGET

### Foreword by Councillor Miah, Chair of the Panel

It has been a tough year where staff and Councillors have worked well to keep the Council's finances resilient to ever increasing and changing demand.

#### 1. Background

Following a decision of the Scrutiny Commission at its meeting on 13<sup>th</sup> September 2021, a Budget Scrutiny Panel has undertaken scrutiny of the Council's draft budget for 2022/23.

#### 2. Panel Membership

Councillors Miah (Chair), Hamilton, Parsons, Parton and Seaton.

#### 3. Meetings and Matters Considered

##### 6<sup>th</sup> October 2021

At this meeting, the Panel considered:

- The Period 4 Monitoring Report, covering General Fund and HRA to the end of July 2021, Period 4.
- The MTFS Tracker – Review of the MTFS Position. Tracking the data on the Medium-Term Financial Strategy.
- The approach to budget setting for the financial year 2022/23.

##### 8th December 2021

At this meeting, the Panel considered:

- The Revenue Monitoring Position (General Fund and HRA) – Period 7. Setting out the revenue position for the General Fund and HRA at the end of period 7.
- The draft 2022/23 General Fund and HRA budgets. Showing 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.
- The Draft Capital Plan 2022/23 to 2024, also considering possible sources of funding and to begin a period of consultation.
- Views on the Government financial settlement.
- Possible Budget Scrutiny Panel recommendations.

5th January 2022

At this meeting, the Panel were presented with further information on the Government financial settlement as well as an update on the approaches to the final budget development. The Panel also agreed its report.

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

#### **4. Officers and Cabinet Lead Members**

The Panel was assisted in its scrutiny of the Council's draft budget for 2022/23 by:

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

#### **5. Recommendations**

No formal recommendations were made by the Panel. However, it was noted that future meetings of the panel would need to make recommendations based on what was discussed in terms of financial impact, savings and income with regard to the year's budget and put to the Scrutiny Commission to decide whether to pass them to Cabinet.

#### **6. Observations**

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

- (i) Key risk areas include:
  - a. The need to deliver on 2021/22 savings, including salary increases.
  - b. Risks surrounding the final and future grant settlement figures,
  - c. The impact of the environmental bill on garden waste collection
  - d. The need to monitor commercial rents.
  - e. Inflationary risks.
  - f. Contractual cost risks.
  - g. The impact of Omicron and the ongoing Covid-19 pandemic.
  - h. Interest rates and the effects a rise in rates would have on the wider economy, particularly in terms of business rates and council tax collection. Whilst treasury management would give the Council more income, borrowing would cost the Council more.
- (ii) Whilst not having officers in their posts creates savings, it means that services are not being delivered.
- (iii) The Council needs to be mindful of the financial pressures faced by its residents.

## **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 6<sup>th</sup> October and 8<sup>th</sup> December 2021.

**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 1<sup>st</sup> 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 8<sup>th</sup> 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.

**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 6<sup>th</sup> 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 13<sup>th</sup> December 2021.

- There were projected balances of £4.5million at the end of 2022/23 with a commercial income of £886k included in 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 from 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 Shephed 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 from 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 in 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 13<sup>th</sup> 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 5<sup>th</sup> 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 5<sup>th</sup> January 2022 requires minimal amendment before submission to the Scrutiny Commission at its meeting on 10<sup>th</sup> 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.

**BUDGET SCRUTINY PANEL  
5TH JANUARY 2022**

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

Strategic Director  
Head of Financial Services  
Democratic Services Officer (EB)  
Councillor Barkley - Cabinet Lead Member for  
Finance and Property Service

APOLOGIES: Councillor Parsons and Seaton

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.

39. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting of the Panel held on 8<sup>th</sup> December 2021 were confirmed as a correct record.

40. DISCLOSURES OF PECUNIARY AND PERSONAL INTERESTS

No disclosures were made.

41. DECLARATIONS - THE PARTY WHIP

No declarations were made.

42. QUESTIONS UNDER SCRUTINY COMMITTEE PROCEDURE 11.17

No declarations were made.

43. INFORMATION ON THE GOVERNMENT FINANCIAL SETTLEMENT

A verbal update by the Strategic Director, Environmental and Corporate Services, was made updating the panel on the Government Financial Settlement issued on 16<sup>th</sup> December 2021.

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

## Summary, key points of discussion:

- From the spending review in 2021 it was ascertained that the total amount given to the Local Government sector was £1.6 billion excluding social care.
- The settlement was broadly in line with the Medium-Term Financial Strategy (MTFS); however, it was only a one-year settlement as opposed to a multi-year settlement. This meant that the information within this year's spending review could not be relied upon as guidance for subsequent years.
- The Fair Funding review had not yet materialised, and it was noted that in the time since it had been proposed there had been a general election and a change in government ministers looking at the Levelling-up Agenda. One of the key premises of the previous Fair Funding work had been the 75% business rate pilot, however, it was now thought that the current secretary of state was not likely to continue with it.
- With regard to the retained National Non-Domestic Rate (NNDR), it was thought that it was more likely to be around £5.2 million rather than the £4.9 million that was previously estimated to be based on the projected 2021/22 outturn. The Council would be due additional grant compensation due to indexation of business rates not increasing.
- It was likely Council tax would increase by 2% or £5, as is the maximum allowed without a referendum.
- Regarding the New Homes Bonus, in addition to the £1 million legacy funding, there was a single one-off payment of £0.6 million. This was lower than the £1 million typically generated in previous years due to lower housing completions.
- The single-year grants for Revenue Support, Services and Lower-tier Services could not be relied on to continue in subsequent years.
- Risks included inflation, the ongoing Covid-19 pandemic, and interest rates.
- It was thought that Business Rate retention would be £5.2 million.

## In response to questions, the panel were advised that:

- There were no specific contingencies for inflationary risks, however, the pay-settlement for Council staff had been estimated and as such more money had been placed into the payroll budget. It was stressed that it was still unknown as to what the final settlement would be, although it was noted that each 1% added to the payroll would cost the Council £150k. Furthermore, contracts (estimated to be worth £8-9 million) were noted to be an inflationary risk. This was seen as a challenge for the MTFS as it was necessary to strike a balance between prudence and unrealistic optimism. It was added that 4.9% had been added on to the Serco contract for next year's budget. This was above the MTFS figures, so the risk had been built into the 2022/23 budget – but future years price increases remain uncertain. Regarding Salary inflation it was added that a 1.75% increase had been built in for this financial year and 2% for the next financial year, and then a further lump sum contingency had been included within the draft budget figures. As such it was hoped that enough contingency had been built in.

- With regard to Council tax base growth, a standard government return was completed by the Council, however there was some volatility surrounding it. Officers were aware that the base was likely to be lower as numbers had been down when the current MTFs had been completed. It was hoped that this was an anomaly rather than a downward trend. It was clarified that this was a challenge to the MTFs rather than the budget.
- The single year and transitional grants were not ringfenced and were part of the Levelling-up Agenda. The Lower Tier Services Grants would benefit district councils and could potentially be regarded as £1.1 million in transitional relief funding this financial year, but it could not be relied upon for the next financial year.
- For NNDR, the government gave the Council a Settlement Funding Assessment (SFA) and a tariff. The Council received business rates and retained an initial 40% and then had to pay the tariff to the government. The revenue retained through the SFA depended on how much was collected on business rates although 92.5% of the SFA is set by the government as a 'safety' net'. Section 31 grant was also given to cover small business relief and transitional relief. In the current financial year, the Council had also received money for retail, hospitality and leisure COVID reliefs for business. Additionally, some of the Section 31 money covered the difference between RPI and CPI. The final figure for 2022/23 would be known until the NNDR3 return is completed in May 2023. It was further added that the Council had worked with CIPFA who had come up with the business rate retention figure of £5.2 million based on forecast figures from the Capita system. Capita still needed to complete the exercise and figures would come out within a week. In terms of risk, officers were satisfied with £5.2 million and this would bring down the £0.5 million in unspecified savings needed. It was noted that while Council tax had variability, it was less volatile than business rates.
- There was no uncertainty about when money would be coming and the cash flow was positive. Council tax came in on a regular basis and government grants would come in the early part of the financial year. It was clarified that January was the peak in Council tax income as some people paid over 10 months.

**RESOLVED** that the report be noted

Reason

To acknowledge the Panel's consideration of the matter.

44. BUDGET UPDATE - APPROACH TO FINAL BUDGET DEVELOPMENT

A verbal update by the Strategic Director, Environmental and Corporate Services, was made advising members on the approaches to the final budget development for 2022/23.

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



Summary, key points of discussion:

- There was £0.5 million needed in unspecified savings. It was thought that if this was brought down to £0.2 million then the savings could be found in-year without an impact on services.
- There were risks built into the budget and funding had come in as anticipated. £1 million had been saved this financial year and it was thought that work on the 2023/24 budget would need to commence earlier. The biggest disappointment had been not receiving a multi-year settlement as that would have facilitated planning further ahead. The £1.6 billion in the Levelling-up Agenda would be subject to government distribution. Risks had been identified and integrated, however it was stressed that there was no room for complacency. Real funding had decreased by approximately 30% over the past 10 years and services had been maintained.

In response to questions, the panel were advised that:

- At the present time, £1m had been brought to Cabinet on savings and efficiencies for 2022/23 and it was intended that a further £200k be saved in the next financial year. It was thought that this could be done through transformation and efficiency. There had not yet been a conversations between officers and the Cabinet on the issue, but officers were comfortable bringing such issues to Cabinet.
- Some work on efficiencies and savings would take longer to realise than other work, however it was thought that work could commence by Spring 2022. The Section 151 Officer had been through the risks and had identified that it was future years that appeared more challenging. As such the need to make savings in-year was identified. It may be possible to decouple issues in the budget to a large extent as it could not be guaranteed that issues would be addressed in the window before the next financial year.
- The figures in the budget would go to Cabinet for approval and then to Full Council in February 2022. Some issues could be addressed under delegated authority, however it was up to Cabinet to decide on the way forward. Cabinet would also look at the 2023/24 financial year based on the MTFS. Plans needed to be made based on assumptions and assessments as funding could not be guaranteed.

**RESOLVED** that the report be noted.

#### Reasons

To acknowledge the Board's consideration of the matter.

*The Lead Member of Finance and the Head of Financial Services left the meeting following the consideration of this item.*

#### 45. PANEL REPORT

A draft report of the Panel was submitted for agreement of the Panel, to then be submitted to the Scrutiny Commission on 10th January 2022 (agenda item 8 filed with these minutes).

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

Summary, key points of discussion:

- Based on the costs of the Bedford Square project having doubled, it was proposed that a small contingency be put aside for overspend on the Shepshed Project should a similar increase in costs occur. In response, it was clarified that Bedford Square funding had increased along with costs, which had been approximately £70-80k from the Council. It was added that every major capital project had a contingency within it. It was further clarified that increases in costs can occur when unexpected discoveries such as wires were found when digging as it meant that companies would need to conduct work which took time and money. In order to avoid such issues with the Shepshed Project, an approach was planned using feasibility money and work to do initial digging to ascertain what was underground before the actual budget was set. A budget had been set as a placeholder; however, this was a substantial amount and as such it was thought that it would be enough. The project would go through the Capital Plan amendment process. There was contingency in the project already. but it would depend on the times when work could be undertaken. Processes and money were in place and as such it was not thought that amendment was needed.

The Chair added that the Capital plan was not yet fully costed.

The Strategic Director, Environmental and Corporate Services suggested that the issue would be considered by the Finance and Performance Scrutiny Committee.

- It was proposed that an exercise be undertaken to ascertain the land value of such garage land, versus the income gained per annum from garage rental. Garage land to be sold for housing either for Council builds or private builders.

The Strategic Director, Environmental and Corporate Services again suggested that the issue would be considered by the Finance and Performance Scrutiny Committee as part of the Regeneration agenda. He further added that some reviews had already been undertaken on garage land and it was thought that 26-32 homes could potentially be delivered by redeveloping Council owned garage parking spaces for housing to meet local need across the Borough.

The Chair proposed that the issue be picked up in the next cycle of the Budget Scrutiny Panel.

The Chair further suggested that future meetings of the panel would need to make recommendations based on what was discussed in terms of financial impact, savings

and income with regard to the year's budget and put to the Scrutiny Commission to decide whether to pass them to Cabinet.

- In response to a proposal to raise car-parking fees by 10p in order to generate income and mitigate savings to protect front-line services, it was explained that this was a complex issue as raising car-parking fees may discourage shoppers from town centres. It was further added that car-parking fees were being considered, but through individual tariffs rather than a flat rise. Further uncertainty was expressed surrounding the extent to which parking needs would return to pre-pandemic levels.

The Strategic Director, Environmental and Corporate Services again suggested that the issue would be considered by the Finance and Performance Scrutiny Committee.

- Regarding an observation that alternative uses could be sought for example to create carbon capture area/solar farms, helping Charnwood Borough Council to meet their carbon reduction targets, it was noted that this was outside the remit of the Budget Scrutiny Panel and again could be considered by the Finance and Performance Scrutiny Committee.

The Chair observed that there were no formal recommendations to be made from the Panel, but the following observations should be made to the Scrutiny Commission:

- Key risk areas included:
  - The need to deliver on 2021/22 savings, including salary increases.
  - Risks surrounding the final and future grant settlement figures,
  - The impact of the environmental bill on garden waste collection
  - The need to monitor commercial rents.
  - Inflationary risks.
  - Contractual cost risks.
  - The impact of Omicron and the ongoing Covid-19 pandemic.
  - Interest rates and the effects a rise in rates would have on the wider economy, particularly in terms of business rates and council tax collection. Whilst treasury management would give the Council more income, borrowing would cost the Council more.
- Whilst not having officers in their posts created savings, it meant that services are not being delivered.
- The Council needed to be mindful of the financial pressures faced by its residents.

**RESOLVED** that a report containing the above observations be presented to the Scrutiny Commission.

#### Reason

To inform the Scrutiny Commission of the conclusions of the Panel for consideration.

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.