



SCRUTINY COMMISSION – 7th SEPTEMBER 2022

MTFS MONITORING AND STRATEGY UPDATE

MINUTE EXTRACT

The Commission considered a report of the Director of Corporate Resources, which provided an update on the worsening short and medium term financial position in light of the current economic climate. The report also detailed the changes proposed to be made to the previously agreed 2022-26 capital programme following the latest review and covering the specific revenue budget monitoring position as at the end of period 4 (the end of July). A copy of the report marked 'Agenda Item 13' is filed with these minutes.

Arising from discussion, the following points were made:

- (i) The budget gap for this year would be addressed through the use of contingencies. Corrective action would also be taken to push back a number of capital programme schemes. The position would remain difficult for the following financial year and most likely for the next four years.
- (ii) It was recognised that the Council like many other organisations was facing overlapping crises. The capital programme had been affected by the Covid pandemic and was now further being affected by the cost of living crisis and rising inflation.
- (iii) Inflation had risen rapidly in a short space of time which was affecting many areas of the Council's budget. This was a matter outside the Council's control but the steps being taken to consider measures to mitigate this were welcomed. It was further noted that the Cabinet would be considering a report at its meeting later this month on what those potential measures might be. Members were assured those proposed to be taken forward would follow the usual member decision making and consultation processes at the appropriate time.
- (iv) It was noted that direct energy costs had risen from £3m to £5m and would likely increase further to £7m in the next financial year. The impact of such additional costs was alarming.
- (v) A member expressed concern that the Council, after years of austerity, had few options and many discretionary services had already been cut over the last decade.
- (vi) It was questioned what the Cabinet were doing to lobby Government to address the fundamental problem for Leicestershire, in that it was one of the

lowest funded authorities in the country. The Leader Member for Resources, Mr Breckon CC, confirmed that he and Cabinet colleagues were continuing to push its fair funding campaign. Though no government help was expected in the short term this work would continue.

- (vii) A member raised concerns if the Council froze vacancies at a time when recruitment and retention was already difficult and questioned what added pressure this would put on officers and service continuity. The Director confirmed that nationally recruitment was a difficult issue, and the Council was experiencing these pressures in services such as children's social care. Members were assured that any vacancy freeze would not be applied in such areas, but a considered and targeted approach would be taken.
- (viii) A member questioned what was being done to ensure the Council's suppliers were in good shape given how many small businesses were being particularly hard hit by the current economic pressures. The Director confirmed that the Council was in contact with its suppliers, but whilst targeted work to support them during Covid had been undertaken, the Council no longer had the resilience to continue this. Any further assistance provided would be dependent on further funding from Government.
- (ix) The Director clarified that the Council's exposure to lost business rates would be limited, due to the MTFs assumption that Business Rate growth would be "reset" next year. The growth for the Council was currently £6m and there was no on-going assumption of a benefit from the Business Rate Pool.
- (x) A member commented that the Council needed to speed up its decision making around the disposal of some assets which had become considerably costly. Members were assured that when considering whether or not to retain or sell an asset a rounded approach was taken with revenue costs being balanced against capital receipts.
- (xi) When property schemes for the Corporate Asset Investment Fund were appraised in line with the Strategy, a 6% minimum return was sought. This would be reviewed as interest rates increased and other types of investment also considered.

RESOLVED:

- (a) That the revenue budget monitoring position as at the end of period 4 (the end of July) be noted;
- (b) That the current economic pressures affecting the Council's budget be noted with concern and the steps being taken to mitigate this recognised.