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**Report of the Chief Officer - Financial Services**

**Report to Council**

**Date: 24<sup>th</sup> February 2021**

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**Subject: Revenue budget 2021/22 – Liberal Democrat Amendments**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**1. Introduction**

- 1.1 This report provides Members of Council with comments on the robustness of the proposals contained in the amendments to the budget motion in the name of Councillor Stewart Golton.

**2. Robustness of the budget**

- 2.1 The Local Government Act (Part II) 2003 places a requirement on the Council that when making decisions on the setting of the council's budget and the council tax, they must consider a report from the council's statutory finance officer (the Chief Officer – Financial Services) on the robustness of the budget and the adequacy of reserves within the proposals. The report of the Chief Officer – Financial Services at item 8(i) on the council summons includes at section 11 comments to this effect in respect of the proposed budget motion.
- 2.2. Given this requirement, in considering any proposed amendment to the budget motion, members must also consider the comments of the Chief Officer – Financial Services on the robustness of the proposals. These comments supplement those contained in the main report.

### 3. Proposed amendments

- 3.1 Councillor Golton's amendments to the budget motion set out his proposals showing areas of additional spend and the sources of funding which are largely self-explanatory. In considering these amendments, the Chief Officer – Financial Services would wish members of Council to be aware of the following:
- a) Amendment 21 proposes an injection of £1.85m, funded by prudential borrowing, into the Capital Programme in respect of the provision of a new residential home for children. At this stage the £1.85m cost is based on preliminary estimates and therefore would be subject to the development of a more detailed business case including an assessment of value for money and procurement. This business case will also need to demonstrate that anticipated cost reductions from the provision of a new residential home are sufficient to cover the prudential borrowing costs of the proposed scheme.
  - b) Amendment 21 also proposes the establishment of an employee led company to provide fostering agency services. Before the establishment of this company a business case would need to be undertaken to ensure that the proposal is financially sustainable.
  - c) Amendments 22 and 26 propose to use Section 106 agreement resources for one off planned expenditure. The planned use of this resource needs to be consistent with the terms of the Section 106 agreement(s) with regard to what qualifies as community and infrastructure expenditure.
  - d) Amendments 21, 23, 24, 25, 27, 30 and 31 assume a reduction in the budgeted contributions to the Investment, Innovation, Strategic Contingency and Insurance reserves. Since the current Medium Term Financial Strategy assumes that contributions to the Strategic Contingency reserve and the Investment reserve fall out in 2022/23, and the reduction in the contribution is being used to resource recurring revenue expenditure, future budgets will require the identification of further saving proposals to fund the recurring expenditure identified in the amendments. There are risks identified in using these reserves which is covered later in the report.
  - e) Amendment 23 proposes an injection of £16m into the Capital Programme for an anaerobic digester to be funded through prudential borrowing. Of this, £4.5m would be phased into the 2021/22 programme. At this stage, the £16m cost is based on preliminary estimates and therefore would be subject to the development of a more detailed business case including an assessment of value for money and procurement.
  - f) Amendments 23, 24, 27 and 30 propose reductions in the contribution to the Insurance reserve. Since the Insurance reserve helps offset the impact upon the revenue budget of having to provide for both new claims and re-assessed current claims, plus managing the risks associated with schools insurance, then any reduction in the budgeted contribution could mean that the cost associated with variation in insurance liabilities would not be provided for and create a pressure on the Council's revenue budget.
  - g) Amendment 25 proposes a reduction in the funding of full-time Trade Union Convenors. This forms part of employees' terms and conditions of employment that can only be achieved either through collective agreement with the trade

unions or through the dismissal and re-engagement of staff on new contracts of employment. The amendment assumes that the reduction can be introduced during the financial year. Any slippage in respect of this assumption will require the identification of further savings proposals.

- h) Amendment 25 also proposes a reduction in the Council's contribution to Leeds 2023. Whilst the payment to Leeds 2023 can be varied the Council's grant agreement with the Trust does not reasonably allow the Council to do that other than by negotiation and agreement by both parties. Therefore these budget amendments could only be implemented following the successful re-negotiation of the current grant.
- i) Amendment 28 proposes the use of Adult Social Care earmarked reserves to fund Homelea and Richmond House prior to their anticipated transfer to a Social Enterprise organisation. Any slippage in the timescales for transferring these facilities beyond 2021/22 will require the identification of further budget savings
- j) Amendment 31 assumes that sufficient additional income will be generated at the Windmill Youth Centre by 2022/23 to offset the savings from its budgeted closure. Any slippage in this assumption will require the identification of further budget savings.
- k) A number of savings and spending proposals in the various amendments are interdependent which creates additional risks to the budget. This risk should be managed by not committing to the additional spend until the additional savings have been realised or clearly identified.

3.2 Should these budget amendments be approved, they will be subject to the council's procedures for further consultation and will need to be informed by equality impact assessments as appropriate.

3.3 These budget amendments do not have any impact on the council's general reserve.

#### **4. Overall conclusion**

In conclusion, whilst the proposals in the amendments will collectively increase the risks associated with the delivery of the Council's budget, and these risks are set out in section 15.6 of the 2021/22 Revenue Budget and Council Tax Report, the amendments to the budget motion in the name of Cllr Stewart Golton will not materially impact on the overall robustness of the Council's budget for 2021/22 or the adequacy of its general fund reserves as at 31<sup>st</sup> March 2022.