

**Minute Extract from the Overview & Scrutiny Committee meeting  
held on 21 November 2019**

**Recommendation to Cabinet on 8 January 2020**

28/19 Medium Term Financial Plan

(Link to Council Priorities: All)

At its meeting held on 17 September 2019 the Performance and Finance Standing Panel (P&FSP) considered the Medium Term Financial Plan (MTFP) 2020/21 which had been considered by Cabinet at its meeting in September 2019. The Panel had discussed the challenges faced by the Council with regard to the funding gap in the medium-term and requested that a further report be prepared to consider the options available to the Council to assist with these financial issues over the period of the MTFP.

Councillor B.J.F. Cheyne, Chairman of the P&FSP introduced the recommendations and explained that the decision by central government to delay the 2019 spending review until 2020 presented the greatest area of uncertainty at this time. The areas of uncertainty included the threat of a negative Revenue Support Grant (RSG); delay in the review of Business Rates; and the gradual erosion of the New Homes Bonus.

The Panel had been concerned that the present budget shortfall for the coming year was approximately £1.3 million. The Council had already taken action in previous years to balance the budget and the room for further savings was becoming more narrowly focussed. Councillor Cheyne explained that consideration was needed in respect of new costs including those to address the Climate Change Emergency that had recently been declared by Council. The Panel had expressed concerns over the potential use of Council reserves to balance the budget in future years.

The Panel had also recognised that in the new year, the budget for the coming year would be presented and would be balanced in some way. However, there was a significant concern around the longer term and how the Council was to tackle the enormous budgetary task in future years.

In this regard, the P&FSP had considered a report in respect of 'Bridging the Funding Gap' at its meeting held on 12 November 2019 whereby a number of recommendations had been agreed for consideration by the Committee for recommendation to Cabinet in January 2020.

Councillor Cheyne explained that the Panel had agreed that there was a need to re-examine the Council services, particularly the discretionary services the Council offered, and the fees and charges associated for those services as well as the level of service they provided. The Panels' view, most importantly, was that the Council had to ensure it developed a robust Medium Term Financial Strategy. Furthermore, the Council's external auditors had highlighted the risk of the reliance on the use of the Council's reserves to balance future budgets. The Panel had been concerned that although the use of reserves was an obvious option it would increase a longer

term risk by reducing the Council's ability to make investments, such as property investments, which would contribute significantly towards future revenue income. Once the reserves had been spent, they would be gone and the present outlook indicated that these would never be replaced.

The Panel had suggested the formation of one or two Overview and Scrutiny Committee Working Groups to work alongside the P&FSP to examine in detail the six areas identified in recommendation (C) and for a further report to be presented at a future meeting of this Committee.

The Panel, whilst not pre-judging what recommendations may come forward, noted that difficult and unpopular courses of action may have to be considered as potential options. However, the Council had to ensure that it had a clear and unwavering strategy going forward to ensure its longer-term viability and stability.

The Chairman thanked Councillor Cheyne for his comprehensive update. One Member who was also a member of the P&FSP explained that what concerned the Panel when looking at the MTFS was that over the next 3 years there was a forecast of a £5 million budget gap and although easily identifiable savings had already been made, this was a significant amount of money that needed to be realised.

One Member enquired whether there was any idea on how much Government grant would be received by the Council. The Head of Finance explained that the £1.3 million shortfall mentioned included an assumption of a grant of £2.3 Million and no negative RSG. Officers were confident that there would not be a negative RSG but if there was, then there would be a £2.8 Million shortfall for the next year instead. He further added that the earliest the Council would establish this information would be following the General Election on 12 December 2019.

One Member requested clarity regarding the proposed Working Groups mentioned by Councillor Cheyne. The Head of Organisational Development advised that at this time the Overview and Scrutiny Committee were being asked to consider the recommendations of the P&FSP and make recommendations to Cabinet. Once Cabinet had considered the recommendations and subject to its permission, officers, in consultation with the P&FSP Chairman, would look at the formation of one or two Working Groups, resources permitting. Accordingly, Group Leaders would then be requested to put forward Member nominations for Membership of the group(s).

Upon consideration of the Performance and Finance Standing Panel's recommendations, the Overview and Scrutiny supported the approach proposed and,

**Recommended: that**

- (a) the principles for Fees & Charges (F&C) reviews as outlined in paragraph 1.3 of the 'Bridging the Funding Gap' report as attached at Appendix A of the report be agreed;**

- (b) a strategy for reducing the Council's subsidy over a defined period of time by considering the cost of the service when setting the Fees & Charges be agreed;**
- (c) the Performance and Finance Panel develop the following proposals in more detail around:-**
  - i. Discretionary v Statutory service provision;**
  - ii. The level of service provision;**
  - iii. The level of subsidy for chargeable and non-statutory services;**
  - iv. Discretions/reductions in fees for services;**
  - v. Provision of service (enabling v direct provision);**
  - vi. Outsourcing v insourcing;**
- (d) the Council conducts a Budget Consultation/Survey seeking views from residents as referred to in paragraph 1.4 of the 'Bridging the Funding Gap' report as attached at Appendix A of the report; and**
- (e) the Panel's view on the options to assist the medium-term financial planning be considered.**