

## **Financial Stability Review Group (FSRG) – Member Briefing Note to the Overview and Scrutiny Committee 8<sup>th</sup> October 2019**

The meetings of the Council's Financial Stability Review Group (the FSR Group) commenced with the Group meeting on 24<sup>th</sup> September. The FSR Group will meet on a monthly basis and report to each meeting of the Overview and Scrutiny Committee.

The FSR Group suggested minor amendments to their Terms of Reference. It was agreed that instead of the FSR Group working in two co-ordinated but distinct sub groups of the Budget Team and the Income Team, that the FSR Group would instead encompass all of these activities into the work of the whole Group. The Terms of Reference will be agreed at the next meeting of the Hub Committee on the 5<sup>th</sup> November.

The Medium Term Financial Strategy (MTFS) report for 2020/21 to 2024/25 was presented to Council on 17<sup>th</sup> September and was discussed by the FSR Group, in particular the financial modelling and the assumptions.

Members noted the predicted budget gap for 2020/21 of £0.4 million and the aggregated Budget Gap of £1.24 million over the next five years. It was also noted that the MTFS includes budgeting for a pay award of 1% and if this is increased when it is nationally negotiated, this would also increase the budget gap.

It was discussed that the new Chancellor (Sajid Javid) has announced that there will be a one year Spending Review covering the period 2020-21, with a multi year Spending Review held thereafter and that it was probable that there would be funding to remove negative Revenue Support Grant (RSG) for one year in 2020/21, but this had not been confirmed.

In addition, legacy payments for New Homes Bonus were likely to be honoured and the reform of the Business Rates Retention Scheme and the Fairer Funding Review will both be delayed until 2021/22. Members of the FSR Group noted that individual Council funding figures for 2020/21 will be released in December with the Local Government Finance Settlement and that this late notification of funding was causing difficulties for all tiers of Local Government with the inherent level of financial uncertainty.

It was discussed that the Council Tax Referendum limit was likely to be proposed at 2% for District Councils and that it had not yet been confirmed whether this would also include the normal £5 limit for District Councils. The MTFS had modelled council tax increases at 2.99% and therefore this would increase the budget gaps modelled which would be reflected within the next Budget report to the Hub Committee on 5<sup>th</sup> November. A 1% increase in council tax was equivalent to £47,000 in additional income.

The cost pressures for 2020/21 in the MTFS were already totalling £479,500 and the point was made by Members of the FSR Group that future years' cost pressures could also rise to this level nearer the time, as they were currently in the £300,000 region in the modelling. For example, the Council's agenda for tackling climate change involved producing a costed plan which could increase costs in future years of the MTFS.

This work was currently being progressed and could be built into the MTFS when a costed plan was available and approved by Members. This was one example of future unknown costs.

Members also discussed opportunities for future savings and income generation and noted the savings predicted in the MTFS from the leisure contract in future years and from commercial investments.

It was noted that there were opportunities on the Invest to Earn Committee agenda for the 1st October, which, subject to Member approval and completion of the due diligence on the projects, had the potential to provide a net ancillary income to the Council of £130,000 per year, if the investments progressed as outlined within the business cases. It was noted by Members that many of the Council's commercial income tenancies had lease expiry dates in the year 2028/2029 and therefore this was a pressure point for the Council, with a need to balance the portfolio with expiry dates before and after this date.

It was noted that a report on Kilworthy Park would be presented to Members at the Hub Committee meeting on the 5<sup>th</sup> November. Reference was also made to the trials for three weekly waste collections.

Members discussed Earmarked Reserves and reviewed the Capital Programme and it was agreed that there would be specific sections within the Council's Members' Budget Workshop on both of these.

A discussion also took place regarding the Council's proposed withdrawal of the Council Tax Support Grant paid to Town and Parish Councils and it was noted that the consultation responses from Town and Parish Councils would be presented to Members within the next Budget report to the Hub Committee on 5<sup>th</sup> November.

It was thought by the Financial Stability Review Group that the budget for 2020/21 was capable of being balanced subject to:

- consideration of the pensions strategy for the actuarial pension valuation
- the Government eliminating negative Revenue Support Grant for 2020/21
- further work on commercial investment business cases
- further savings and income generation ideas from the Extended Leadership Team being presented to Members at the forthcoming Members' Budget Workshop on 12<sup>th</sup> November.

Fees and Charges were also discussed with a focus being on the Council continuing to offer its services to Town and Parish Councils and third parties, through income generation initiatives. The next meeting of the Financial Stability Review Group is on 22nd October at 1.30pm. It was agreed that this meeting would focus around agreeing the content of the Members' Budget Workshop being held on Tuesday 12<sup>th</sup> November at 1.30pm.

Prepared by Mrs L Buckle (S151 Officer), 26<sup>th</sup> September 2019