

FINANCIAL FORECAST
(Report by the Overview and Scrutiny Panel (Economic Well-Being))

1. INTRODUCTION

- 1.1 The Overview and Scrutiny Panel for Economic Well-Being has examined the financial forecast contained in the report by the Director of Commerce and Technology at its meeting on 9th September 2010. To assist the Panel in their discussions, all Members of the Council were invited to attend the meeting and take part in the debate. This report contains a summary of their discussions.

2. THE FINANCIAL FORECAST

- 2.1 The Panel has been acquainted with the present position in relation to the Council's financial forecast for the period to 2018/19. Members have been informed of potential variations in a number of sources of income and other factors that could affect the Council's financial position. The Panel has acknowledged the uncertainty surrounding the current forecast which contains a number of assumptions which are expected to be clarified over the next few months.
- 2.2 The Panel has acknowledged the severity of the current situation facing the Council and the uncertainty created by current economic and political conditions, together with the likely deficit for the year, falling revenue reserves, the emerging prospects for lower government funding and government plans to replace Council Tax capping from 2012/13. Members have also acknowledged that the total budget shortfall is likely to rise to over £8 million p.a. in four years time. As a result, the Panel has recognised that radical decisions will need to be taken by the Council which are likely to affect most services in some way. All Councillors have been invited to make suggestions for budgetary savings which will then be rigorously assessed.
- 2.3 Attention is drawn to the uncertainty in the level of Government grant the Council will receive in the next few years. The Panel has been advised that the forecast has been based on a cash reduction of 25% over 5 years. It needs to be noted that this figure could increase to 40% and does not include inflation. However, it is envisaged that the authority will be afforded an element of protection as any reductions should be not be greater than the average for similar authorities. The Director of Commerce and Technology also has highlighted the circumstances that will influence the Council when setting the budget and the constraints that are likely to exist in relation to the level of Council Tax. The new Government has indicated that it does not

support capping and is proposing to replace it with a requirement that a Council must hold a referendum it intends to increase its Council Tax by more than a specified amount. It is not expected that this will be introduced in the current year and although the Government has indicated that there should be no Council Tax increases in 2011/12 or 2012/13, there might be an opportunity to increase Council Tax to a level closer to the average for District Councils.

- 2.4 With regard to any future proposals that might require a referendum on Council Tax, a suggestion was made that this should not be undertaken in conjunction with the County Council, whose proportion of the Council Tax represents a much larger element of local taxation.
- 2.5 The Panel's attention has been drawn to the recent budget consultation exercise, which has generated almost 2000 responses and will be used to obtain public views on changes in services and what local service priorities are. It is expected that a summary of the results will be available at the end of September 2010. Members have suggested that they would like to see the responses analysed by source as this could affect the overall findings.
- 2.6 In discussing the contents of the report, there has been some disagreement as to whether the Council should start to take steps in preparation of the anticipated reduction in Government grant which is expected to be announced on 22nd October 2011. Some Members are of the opinion that the Council should start to make plans at the earliest opportunity for likely budgetary reductions, while others think that decisions can only be made once the level of grant and the situation with regard to potential changes in the Council's responsibilities are known.
- 2.7 Comment has been made on the possible devolution of services to towns, parishes or localities. With the recent decision on public conveniences in mind, it has been suggested that if these organisations are to be invited to take on board other additional responsibilities, consultation should be undertaken with town and parish councils at the earliest opportunity to enable them to incorporate the need for any additional funding into their budget setting processes. The District Council might also engage with towns and parishes about the opportunities for other budgetary savings.
- 2.8 The Panel has expressed uncertainty over the statutory duties and responsibilities of the District Council. Members have suggested that it is not possible to make recommendations on possible changes in service levels and functions without sufficient knowledge of the Council's statutory responsibilities and the non statutory services it provides. Whilst the Panel has acknowledged the inherent difficulties in producing such information, the Panel has asked for details to be circulated, together with an indication of the number of employees who are currently employed to undertake wholly non statutory functions.

Having noted that basic statutory functions do not necessarily cost much to provide, the view has been expressed that the cost of basic statutory services without any enhancement needs to be considered against the Council's priorities. Comment has also been made that the Council provides some services, which were not classified as statutory under UK Parliamentary Law but nevertheless are subject to other influences arising from, for example, European Union Legislation, such as recycling targets. At the same time consideration should be given to facilities which are provided on a joint or shared basis and the contractual arrangements and obligations which exist. It will also be necessary to consider the effect of any changes to services and functions on the Council's reputation. The Council will need to review the way in which statutory services are delivered.

- 2.9 Members strongly recommend that the Council should adopt a strategic approach to planning changes to its services. It is suggested that the current challenges might provide an opportunity to refocus the Council by providing a vision through a top down approach. The strategy should demonstrate what the Council will do in the future and how it will get there. Similar concerns have been voiced at a recent meeting of the Corporate Plan Working Group who have suggested that a clear vision of Council services is required in advance of any organisational changes. Comments have been made that the Council will need to know what the Council is seeking to achieve and which positions it will need to retain to do so before it proceeds with the Voluntary Redundancy Scheme.
- 2.10 With regard to the need to make savings, a Member has suggested that a business approach should be adopted and Heads of Service invited to identify ways in which savings might be made as part of an action plan. In addition, a flexible approach should be taken towards the salary differentials between levels in the Council's organisational structure and, generally, the salary assigned to posts should be reduced as employees leave.
- 2.11 Having noted that the Panel will formally be invited to consider proposals for variations in the budget in due course, Members have emphasised the need to develop a clear plan outlining possible proposals for reductions. There is a need for Members of the Council, other than those in the Cabinet, to be involved in the formulation of any plans at an early stage. The Executive Councillor for Finance and Customer Services has explained that it is his intention to discuss proposals with Members prior to any formal discussion on the proposals at the meeting of the Overview and Scrutiny Panel (Economic Well-Being) in November 2011. It will not be possible to make any decisions before the results of the public consultation have been considered.

- 2.12 Several suggestions for possible areas where savings might be made have been made in the course of the discussions. A list of these suggestions appears in an Appendix to this report.

3. **CONCLUSION AND RECOMMENDATIONS**

- 3.1 Having recognised the significant financial challenges which face the authority in coming years, Members have emphasised the need to highlight these challenges and urge the Cabinet to take note of the comments and suggestions made by the Overview and Scrutiny Panel (Economic Well-Being).

The Panel is of the opinion that Overview and Scrutiny should have a role in the development of any financial savings plan and an additional meeting will be convened for this purpose. At the same time, the Panel has

- i. endorsed the recommendations with regard to the annuity basis for the calculation of Minimum Revenue Provision as outlined in Annex C to the report by the Director of Commerce and Technology;
- ii. recommended to the Cabinet that consultation be undertaken at the earliest opportunity with town and parish councils on opportunities for the devolution of services and functions to enable them, if necessary, to include additional provision during their budget setting process;
- iii. emphasised to the Cabinet the need for a clear vision and strategic approach to any spending reductions / variations;
- iv. requested more detailed information on the Council's the statutory obligations and the number of employees undertaking wholly non statutory functions.

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