

**Agenda Item No:** 4  
**Report To:** Overview and Scrutiny  
**Date:** 23 September 2014  
**Report Title:** Informing the Next 5 Years  
**Report Author:** Senior Scrutiny Officer



**Summary:** At the Cabinet meeting in July 2014 the O&S Budget Scrutiny Task Group were invited to scrutinise the 'Informing the Next 5 Years' report particularly the Medium Term Financial Plan (MTFP) assumptions (appendix A and B), the detailed savings proposals (appendix C) and the Borrowing and Investment strategy (appendix E) and to report back to Cabinet in October prior to the detailed budget build in the autumn.  
The Budget Scrutiny Task Group considered this report and present their findings to the O&S Committee.

**Key Decision:** NO

**Affected Wards:** All

**Recommendations:** **That:-**  
**The Overview and Scrutiny Committee note the report and recommends that the Cabinet:-**

- **Be advised that the O&S Committee broadly supports appendices A, B, C & E of the 'Informing the next 5 Years' report but would like to suggest two additions:-**
  1. **Appendix F (Projected New Homes Bonus receipts) : any surplus should be applied to balances, not new expenditure**
  2. **Any future new Capital Projects should be subject to scrutiny by the O&S Budget Scrutiny Task Group prior to consideration by Cabinet or inclusion in the budget**

**Policy Overview:** N/A

**Financial Implications:** N/A

**Risk Assessment** N/A

**Equalities Impact Assessment** N/A

**Background  
Papers:**

None

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## Report Title: Informing the Next Five Years

### Purpose of the Report

1. At the Cabinet meeting in July 2014 the O&S Budget Scrutiny Task Group were invited to scrutinise the 'Informing the next 5 years' report particularly the Medium Term Financial Plan (MTFP) assumptions (Appendix A and B), the detailed savings proposals (Appendix C) and the Borrowing and Investment strategy (Appendix E) and to report back to Cabinet in October prior to the detailed budget build in the autumn.
2. The Budget Scrutiny Task Group have considered this report and present their findings to the O&S Committee

### Issue to be Decided

3. The O&S Committee are asked to support the recommendation from the Task Group to the Cabinet.

### Background

4. The 'Informing the Next 5 Years' report was submitted to Cabinet in July 2014. This was very early in the budget cycle in order that the Budget Scrutiny Task Group could also consider the report to reassure Members that the report had been well scrutinised before being accepted.
5. The original report is available on the Council's website on the agenda for the Cabinet meeting on 10 July 2014 and via this link:  
<http://vm-abcapps/committeeSystem/ViewAgenda.aspx?MeetingId=1739>
6. The report was in preparation for next year's budget, and dealt with revenue budget (day to day costs) and investment/borrowing strategy. There will be further decisions/discussions on the budget before it is set in February 2015. The report will inform the business plan into the next council. Opportunities and risks will be monitored and managed as situations can change – e.g. the outcome and impact of the General and Local elections in May 2015 is unpredictable; it is expected that all parties would honour the government grant for the first year (2015/16) but thereafter the situation will be more uncertain.
7. The report explained the changes to the funding for local government, the continuing reductions in the amount of central government support, and the expectation that district councils will have to become self financing.
8. For future funding the assumption has been made (in common with many other district councils), that Revenue Support Grant (RSG) will continue to be reduced year on year to £0 (or a non-material amount), so other sources of income: Retained Business Rates, New Homes Bonus and Council Tax will become much more important.

9. In addition, Heads of Service have been asked to identify departmental Budget Savings proposals and these have been rigorously reviewed and agreed to be taken forward (Appendix C of the original report).
10. By the end of their discussions, Members were able to support the reported MTPF assumptions, the detailed savings proposals and the borrowing and investment strategy. The Budget Scrutiny Task Group also considered appendix F- projected New Homes Bonus receipts - and suggested that any surplus should be committed to balances and not spent.
11. The Task Group accepted that there was no programme of Capital projects – these would be dealt with on a project-by-project basis, subject to Members’ decision on priority, viability, financial implications etc., and that no money would be spent without a transparent appraisal. Nevertheless, the members of the Task Group considered that it would be desirable for potential projects to be subject to scrutiny by them before being presented to the Cabinet.

## Conclusion

12. The Task Group would like the O&S Committee to support the following recommendation to Cabinet:  
**The Overview and Scrutiny Committee note the report and recommends that the Cabinet:-**
  - **Be advised that the O&S Committee broadly supports appendices A, B, C & E of the ‘Informing the next 5 Years’ report but would like to suggest two additions:-**
    1. **Appendix F (Projected New Homes Bonus receipts) : any surplus should be applied to balances, not new expenditure**
    2. **Any future new Capital Projects should be subject to scrutiny by the O&S Budget Scrutiny Task Group prior to consideration by Cabinet or inclusion in the budget**

## Portfolio Holder’s Views

13. ‘I thank the Task Group for its examination of the report and am pleased they broadly support the Cabinet’s Medium Term Financial Plan, but I do not support the specific recommendations as they are unnecessary for the following reasons.
  - First, the use of New Homes Bonus is most carefully considered by Cabinet. As highlighted in the plan, our strategy is to achieve an appropriate balance between holding New Homes Bonus to support the council’s budget and future financial position, together with a level of investment in new initiatives (projects and grants). There is not a plan to use all future New Homes Bonus to support projects, as may be implied by the Task Group’s comment. Our plan was clear; the future financial prospects are uncertain, but with a high probability that government grants continue to reduce. We cannot be certain

about the future of the New Homes Bonus grant either in its current form. Accordingly, Cabinet's plan is to utilise NHB prudently and make decisions only when NHB is in the bank and with a view to the future and NHB increasingly acting as a contingency.

- Second, on project scrutiny, I should like to remind Members that, as well as Portfolio Holder and collective Cabinet input, several major projects have working group arrangements that involve other Members, as well as our professional officers from a range of disciplines. The Stour Centre remodelling working group, the Conningbrook working group, and the Hothfield regeneration working group are three current examples. The role of this type of group is to provide constructive feedback and challenge.'

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