

**Extract of Minutes of Performance and Overview Scrutiny Committee on
11th July 2024 on the Financial Strategy**

Performance & Overview Scrutiny 11th July 2024

Note: the following minutes focus on the challenge from members – for the full discussion, the recording of the meeting is at

Performance and Overview Scrutiny Committee - 11th July 2024 (youtube.com)

Attendees:

Councillors: Rachel Buckler (Vice-Chair), Ben Callard (Cabinet Member), Alistair Neill (Chair), John Crook, Meirion Howells, Jane Lucas (observing), Paul Pavia, Peter Strong, Laura Wright.

Officers: Jonathon Davies, Peter Davies, Hazel Ilett, Richard Jones, Robert McGowan, Nia Roberts, James Vale, Pennie Walker.

1. Apologies for Absence

Councillor Fookes and Councillor Bond, with no substitutes. The Chair commented that it would be helpful if any changes to membership of the committee could be formalised to ensure a full complement.

2. Declarations of Interest

None.

3. Medium Term Financial Plan (MTFP) Financial Strategy – To provide formal feedback ahead of Council on 18th July 2024

Cabinet Member Ben Callard introduced the report and answered the members' questions with Peter Davies and Jonathan Davies.

- The difference between the medium-term financial strategy and the medium-term financial plan was queried. The explanation given was that the strategy sets out the long-term financial vision, context and framework for the Council, while the plan is a more detailed and updated document that informs the annual budget setting process.
- There was a suggestion from one Member that the report was felt to have political undertones arising from some of the language and terminology used and whether that was helpful for a Council document. It was confirmed by the Cabinet Member that this was a political document, and that the examples given by the member of a possible political inference were factually correct

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statements, for example, the reference to reductions in funding to local government over the last 14 years.

- A question was asked about what the main challenges and risks are for the Council's finances in the next five years. These were summarised and included the uncertainty of the Welsh Government funding, the impact of COVID-19 and Brexit, the rising demand and cost of social care and homelessness services, the need to invest in digital and data capabilities, and the delivery of savings and transformation programmes. The Chair asked why the report did not mention the principal cause of financial challenges for the Council being that Monmouthshire County Council receives the lowest financial settlement from Welsh Government.
- A member asked how the Council would address the projected budget shortfall of £34.7 million over the medium term. The Cabinet Member and officers responded that the Council would develop a programme of change and improvement that will focus on four key areas: demand management, service redesign, income generation, and efficiency and productivity. The programme will be informed by the financial strategy and the medium-term financial plan and would involve consultation and engagement with stakeholders. The Chair asked how residents may have confidence that this future programme would deliver savings equivalent to £34.7 when over the last two financial years the Council has significantly overspent on its core social care services.
- The strategy highlights the need for 'radical change' to the council's operating model and its services, (which will be detailed in the forthcoming plans), but it would be helpful to us to explain at least in broad terms what this might entail, given that the strategy sets out the dependency on 'radical change' to manage the financial challenge of the £34.7 million shortfall. The Cabinet Member advised that this 'radical change' related to the programme of change already discussed and the improvements required. Further questions were asked as to how reducing costs on this scale, and moving to more online services would realistically 'improve' services. The Cabinet Member agreed that this may require greater clarification.
- A member asked whether and how the demand scenarios in the financial strategy are based on the latest data and forecasts.
- Another member asked whether we have drawn any comparison with other Councils and whether we were in a different position to the rest of the country.
- A member asked what the assumptions are behind the Council tax modelling in the financial strategy.

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- The procurement partnership with Cardiff, Atebion was raised, the question being whether the 3 years of work through the partnership had enabled the Council to improve its financial modelling and planning. The member suggested that if the key element was to ensure financial data was mature and comprehensive, were we satisfied that we were capturing the right data to give us early insights and did the Cabinet Member feel the data generated was sufficiently robust to make the best budget assumptions and more informed decisions.
- A member questioned the financial scenarios outlined in Figure 5 on page 20, asking why given the narrative and context in the report, Scenario 1 would be felt to be more likely than Scenario 2.
- A member asked what greater use of Artificial Intelligence and data analytics as set out in the strategy, would actually mean in strategic terms for the authority.
- The Chair highlighted that it is important to be clear about what is being proposed and the solutions, to ensure residents can understand the plan and support its delivery, given the scale of financial challenge.
- The Chair referred to the Wales Local Government Funding Analysis study conducted by Cardiff University in Q3 2023, that forecast a £744m budgetary shortfall across Wales by 2027-2028. Based on this Monmouthshire's projected shortfall appeared to be significantly higher than the average for local authorities in Wales. He highlighted his concerns around the fiscal situation and for departments without protected budgets which he suggested could result in decreased central funding. Officers confirmed that the most recent Wales Fiscal Analysis report had taken into account of a range of scenarios and that led to a base case assumption for local government funding in Wales over the next three years, noting that this informed the Council's modelling assumption around core funding.
- The Chair also commented that given that five years ago when we would have been conducting our financial modelling, we wouldn't have anticipated a pandemic, the Ukraine invasion and the resultant energy shock and high inflation, there is the need to consider to what extent we have scope for flexibility in our financial planning for unexpected major impacts. He suggested that in relation to this, the financial strategy's depletion of our cash and capital receipts reserves is a concern, particularly in terms of dealing with the social care challenges.
- A member commented on this being the first strategy of its kind and that the plan being reviewed 6 monthly was encouraging and a member asked whether

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the scrutiny process would be part of the consultation with councillors on the financial plan.

- There was also a suggestion that figures 2 and 3 could be made a little easier to read within the document.

The Cabinet Member and officers present responded to all of the questions raised, which can be viewed on the live stream and via the meeting transcript. The Committee drew its conclusions as below.

Chair's Summary:

The Chair thanked the Cabinet Member and officers for their time and their responses to questions from the Committee arising from the discussion of the Financial Strategy. He acknowledged that this is an extremely challenging period in which to look ahead, it's an unenviable task and he also thanked them for their efforts in drafting the report which clearly sets out the reasons for the financial challenges the Council is facing, and seeks to explain the financial strategy in an engaging way to residents. He emphasised that the questions raised at the Performance and Overview Committee were important as they raised significant concerns and issues with the aim of strengthening the strategy and report. The report was moved and the following points by way of summary would be tabled as the Committee's feedback on the report:

- The Committee recognises that these are challenging times for any Local Authority and appreciate the efforts that have gone into drafting the report. Discussion took place on the main challenges and risks for the Council's finances over the next five years and it was felt important to clearly explain to the public the Council's proposed approach.
- Given the unpredictability of forecasting five years ahead, there is a need for flexibility in our financial planning and the position of the Council's reserves remained a concern for some members.
- The Committee felt it imperative to capture robust data to give us early insights in order to make the best budget assumptions and informed decisions.