Committee: **Cabinet**

Date of meeting: **18 September 2019**

Subject:	Medium Term Financial Plan and Budget Strategy 2020/21
Lead Officer:	Head of Finance
Portfolio Holder:	Leader – Councillor S Selleck Resources – Councillor C Sadler
Link to Council Priorities:	All
Exempt information:	None
Delegated status:	For Recommendation to Council on 2 October 2019
Key Decision:	Not Applicable

Executive Summary:

Elmbridge Borough Council takes a multi-year approach to its budget planning. Following the agreement of the Medium-Term Financial Strategy (MTFS) by Council in February 2019, this report consolidates and updates the financial strategy of the Council in readiness for the preparation of the 2020/21 revenue and capital budgets. The timetable that the budget process will follow in order to present the 2020/21 budget to Council in February 2020 is subject to the Spending Review announcements due later in the year.

Recommended: that

(a) **agree the budget principles on which the Budget Strategy report is based and the approach to meeting the budget reduction requirement in 2020/21 and across the period of the Medium-Term Financial Strategy (MTFS);**

(b) **agree that Officers liaise with relevant Portfolio Holders to identify potential savings and additional income to assist in addressing the budget gap to enable a balanced budget to be set for 2020/21 and the period of the MTFS;**

(c) **in principle that any growth in individual service areas will need to be funded by corresponding savings/income.**

(e) **agree to adapt the budget timetable set out in Section 8 and that the work outlined is progressed with a view to informing budget preparation subject to Spending Review announcements.**

(f) **delegated authority be given to the Strategic Director & Deputy Chief Executive as Section 151 officer, in consultation with the Leader and the Portfolio Holder for Resources to submit an application to be part of a 75% business rates retention pilot (or pool) for 2020/21, following careful consideration of the implications if these arrangements are available.**

Report:

1. Background

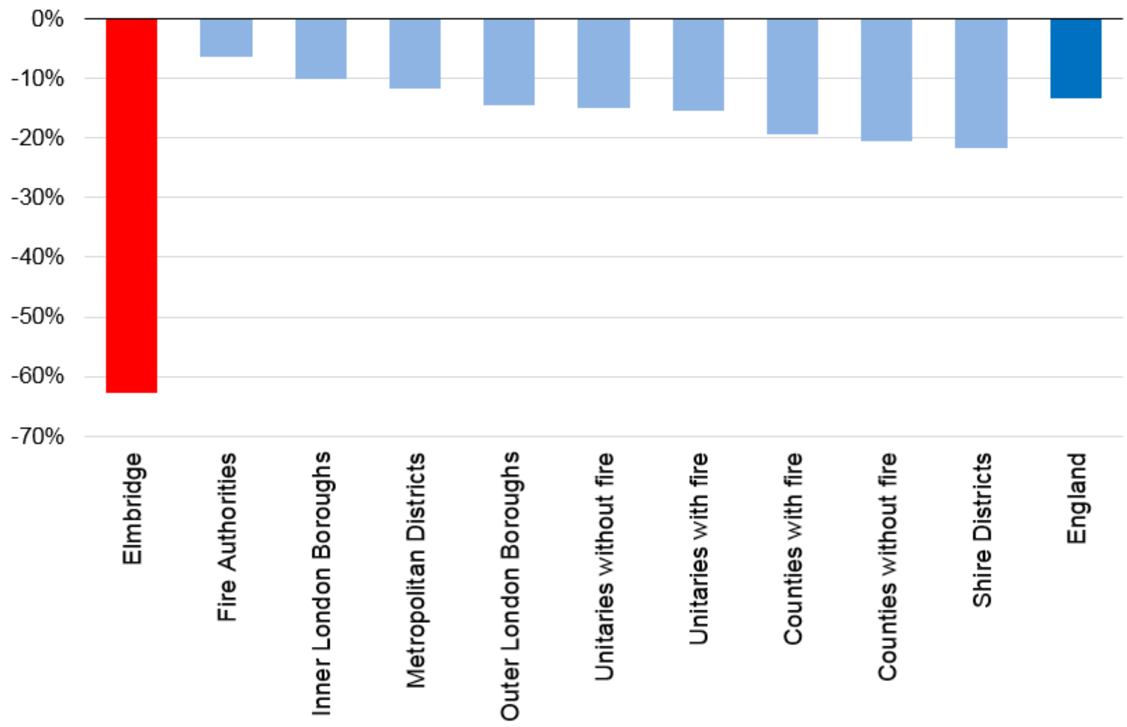
1.1 Finance Settlement and Local Context

As part of the 2016/17 financial settlement, the government made an offer to local authorities to guarantee the level of funding for four years (2016/17 – 2019/20). Elmbridge accepted the offer and the amount contained within the provisional settlement in accordance with the government's commitment. It should be noted that the Ministry of Housing, Communities and Local Government (HMCLG) are still to provide any funding indications beyond 2019/20.

In 2016/17 Elmbridge had a significant decrease in assessed funding need in comparison to other authorities as set out below:

Cumulative change in headline Settlement Funding Assessment (SFA) by class of authority

Cumulative change between 2017/18 and 2019/20



1.2 Consultation on Funding

The Chancellor has now formally announced that the 2019 Spending Review has been postponed until 2020. Instead, a one-year Spending Round, covering budgets for 2020/21, will take place in September but an exact date has not yet been announced.

The Chancellor said the Treasury will carry out an accelerated exercise to ensure departments and devolved administrations have the financial certainty they need to deliver their Strategies on public services next year.

Chief Secretary to the Treasury has said:

“This Spending Round will give financial certainty to departments’ Strategies for next year.

They will invest in the priority areas of schools and policing, while delivering our promises on the NHS, Defense and Official Development Assistance.

A one-year Spending Round completed in September will give Government the time and space to focus on delivering Brexit. The next multi-year Spending Review will now be carried out in 2020”.

This one-year Spending Round will set departmental day-to-day spending budgets for 2020/21.

The announcement by HM Treasury said that there will be a one-year Spending Round, to be carried out by September 2019, and clarifying that:

- This will be a one-year Spending Round which will fund departments’ 2020/21 activities.
- In 2020, a full Spending Review will be held, reviewing public spending as a whole and setting multi-year budgets.

This should now provide an opportunity for MHCLG to announce the following:

- Whether the planned Fair Funding Review and redesign of Business Rates will be implemented, as previously announced, in April 2020; or will be delayed until April 2021, after Spending Review 20. This can now be announced at any time MHCLG wishes to make such an announcement.

- A technical paper on Settlement 2020/21. However, it is likely that this would not be issued until the conclusion of the one-year Spending Review.

On 4 September the Government announced the 2020/21 spending review. The spending review only provided high levels of funding and individual authority figures would become available at a later date after consultation. Key within the report were:

- An increase in Social Care Funding (new money) of £1 billion for Social Care Authorities
- An assumed council tax increase of 2%
- A further social care precept of 2% (an additional council tax for SCC)
- Legacy payments of New Homes Bonus (NHB) will be paid, but there still remains uncertainty regarding any new payments
- Business Rates Pilots to come to an end in March 2020 and no new pilots are planned for 2020/21.

Until the provisional figures for 2020/21 are released there continues to be significant uncertainty over the Council's position in relation to the retained Business Rates and the possibility of a negative RSG.

1.3 Negative Revenue Support Grant (RSG)

Negative RSG was introduced at the 2016/17 Local Government Finance Settlement. The implications of this approach meant that for some authorities, the required reduction to core funding exceeded their available RSG. The Government chose to reflect this reduction through a charge to top up or tariff amounts, although those changes had nothing to do with the business rates retention system, thereby causing confusion around implications for the levy and safety net amounts. The deduction eventually became known as negative RSG. For Elmbridge, the planned negative RSG was £1.5 million (equivalent to a 12% increase in Council Tax) in 2019/20.

In late 2018 the Government announced that it would find funding to remove the negative RSG for 2019/20. No commitment was given for future years and the negative RSG figures were still published as part of the final settlement for 2019/20.

1.4 New Homes Bonus (NHB)

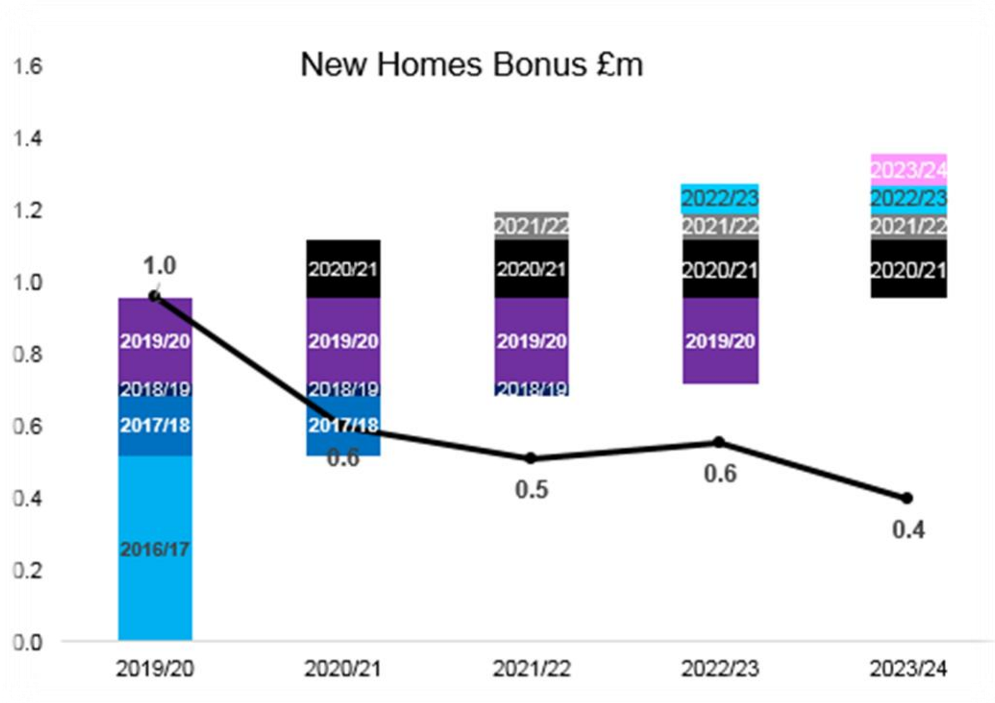
In December 2016, the Government announced that it was changing how NHB amounts would be determined and how long they would be paid for. This saw a phased reduction in the number of years payments were made, with payments now made for four years (six originally).

It also saw the introduction of a deadweight growth, where only the growth above the deadweight is rewarded with a bonus (paid on the Council Tax band of the house and the national average Council Tax amount). This was introduced to ensure the total amount due to local authorities stayed within the revised (lower) overall funding allocations of the scheme.

For the 2017/18, 2018/19 and 2019/20 in year allocations the deadweight has been set at 0.4%, meaning only authorities with growth above 0.4% received an in-year allocation and only for growth above the deadweight (legacy payments from previous years were not affected by the in-year calculation).

A consultation document suggests that for 2020/21 onwards the Government intends to explore how to incentivise housing growth most effectively, mentioning the Housing Delivery Test results. The document states that the Government will consult widely on any changes prior to implementation.

Whilst a different form of reward may have similar allocations, this reference to changing the means of assessment suggests NHB in its current form may not survive post 2020 and raises the additional question whether or not the Government will honour legacy payments. For example, 2019/20 in-year allocations would be due to be paid up to 2022/23. The Chancellor's announcement in August, and the one-year Spending Round has increased the uncertainty around the future of NHB.



1.5 Council Tax Referendum Principles

As yet there is no indication of the Government's Council Tax principles for 2020/21. For 2019/20 they were as follows:

- A 3% limit for county councils, unitary authorities, London boroughs, the GLA and fire and rescue authorities;

- A continuation of the Adult Social Care Precept, with the additional 2% flexibility for 2019/20, subject to total increases not exceeding 6% between 2017/18 and 2019/20;

- A 3% or £5 limited (whichever is higher) for district councils;

- A £12 limit for Police and Crime Commissioners; and

- No referendum limit for Mayoral combined authorities.

For town and parish councils, the Government deferred setting referendum principles for 2019/20.

The referendum principles set out above for 2019/20 were for the three-year period ending in 2019/20 and were an increase above the previous principles which had set the referendum limit for district councils at 2% (or £5). It is unlikely that the principles will be released until September and may not be known until the provisional settlement is announced.

The Council Tax referendum limits, the potential of negative RSG in 2020/21 and the risks around 2020/21 and future years could be significant to authorities and give little time to make sustainable changes to their budget.

2. Reasons for Recommendations

The Council has a legal duty to prepare a balanced and sustainable budget and to deliver statutory services to residents.

The current Medium-Term Financial Strategy (MTFS) reflects assumptions about the local and national financial, economic and political environment. Setting a three-year budget is a key element of the Council's multi-year approach for financial strategy and its aim of achieving a sustainable financial position, reporting and monitoring throughout the year will enable corrective action to be taken if required.

The now 75% Business Rates Retention Scheme will introduce many significant changes to local authorities spending responsibilities and funding sources that are as yet, unknown. The Government has only provided funding totals to Councils for the period up to 2019/20. Given the continued uncertainty for 2020/21 and beyond and the Fair Funding Review, the MTFS is currently limited for the period up to 3 years. The Council needs to continue to identify and implement further measures to reduce its spending to be contained within known resources. The continued theme is the need to make new savings or identify additional income annually, to meet the challenge of rising costs and reduced external funding. In addition, fees charged for services should be continually reviewed, benchmarked and revised as appropriate.

This report is part of the Council's budget setting and service planning process. This report seeks to agree the approach for 2020/21 so that detailed proposals can be worked upon by officers for Member consideration and approval later in the year.

3. Balancing the Budget in the Medium Term

3.1 While the Council has set a balanced budget for 2019/20 and is working from a sound financial base, a very challenging period continues for all of the public sector, including local authorities. It is still estimated that the Council will face a funding gap of up to £5 million over the period of the medium-term mainly due to the uncertainty over the Fair Funding Review and the impact it will have on Elmbridge's share of funding. Officers will also look to see what scope there is to use modest amounts of reserves to support the budget on a sustainable basis, without compromising the Council's financial standing.

The Council will seek to optimise the use of its reserve balances in delivering priorities, making decisions on a corporate basis and maximising opportunities to maintain an appropriate balance between short-term expenditure and long-term investment. Reserves will be used wisely for investments that will contribute towards financial independence and resilience for the Council.

The Council currently generates a modest net rental income to support the revenue base budget. The Financial Strategy for the medium-term is focused on reducing the reliance on Government grants by continuing to invest in Property Assets to secure regular rental income and retaining more Business Rates.

The Strategy is based upon the assumption that the Council will set a balanced budget as it is legally required to do. The extent that reserves are drawn upon in the short-term, mean they will need replenishment in the medium term. This will mean ensuring that the basic costs of services are affordable and sustainable within a defined level of Council Tax.

3.2 Fees & Charges

Fees & Charges are agreed in advance for providing services that are either set by statute or through the Council's delegated authority and include fees, fines, licenses and penalties. The Fees & Charges are usually paid by individual members of the public in return for a service provided.

Every year services must review and update their fees and charges to ensure discretionary services for which a fee or a charge is applicable are not provided at a subsidy without a specific policy decision. Some factors that are taken into account making charging decisions should include:

- Whether the service is statutory and any legal restrictions on charging;
- Cost of operating the service;
- The level of subsidy/underwriting by the Council;
- The objectives of the service;
- Existing levels of demand and competition;
- Benchmarking;
- Stakeholder and user information; and
- Any financial analysis of the impact of changing decisions.

Over the medium term, the Strategy will require that, as a general rule, fees and charges should, as a minimum, increase in line with inflation and should cover the cost of the service.

Additional income should be considered as part of reviewing our fees and charges to ensure that the cost of providing that service is recovered.

3.3 The updated MTFS is set out below with the funding gap ranging between £1.3 million and £2.6 million depending on the local government finance settlement (and in particular the negative RSG).

FINANCIAL PLAN 2020/21 TO 2022/23

MEDIUM TERM FINANCIAL STRATEGY (MTFS) - Updated August 2019	2019/20 Budget £'000	2020/21 Projection £'000	2021/22 Projection £'000	2022/23 Projection £'000
Net Budget Requirement to fund Services	**17,088**	**18,105**	**19,570**	**20,610**
Cost Pressures:				
Pay award including increments	450	350	360	370
Contract price increases	362	350	360	370
Approved Budget Growth	858			
Reduction in External Funding (SCC - Waste Recycling)		150	150	100
Budget Growth anticipated			200	200
Joint Waste		270		
Car Parking Income (Extension of Saturday free Parking)		55		
Fallout of EHT Pension Contribution		200		
Other		150		
Pensions Contribution -Triennial valuation		240	120	120
Increase in Interest on Balances	(100)	(100)	(50)	(50)
Investment Property related costs	170			
Savings/ Income:				
Approved Income + Savings	(265)			
Approved Fees & Charges Increases (Car Parking)	*(395)*	*(200)*	*(100)*	
Other	(63)			
Estimated Budget Requirement	**18,105**	**19,570**	**20,610**	**21,720**
Section 31 Government Grants				
New Homes Bonus	**(958)**	**(600)**	**(510)**	**(550)**
	-	-	-	
Contributions To/(From) Reserves				
New Homes Bonus Contribution to Reserves	**844**	**600**	**510**	**550**
Contribution from Grant Equalisation Reserve	**(157)**	**(150)**	**(150)**	**(150)**
To/(From) Earmarked Reserves	**(166)**			
Net Budget after the use of Reserves	**17,668**	**19,420**	**20,460**	**21,570**
Cumulative Funding Gap	**0**	**2,601**	**3,884**	**5,076**
Funded By:				
Business Rates retained	2,291	2,290	2,290	2,290
Negative Revenue Support Grant *		(1,290)	(1,790)	(2,290)
Business Rates - Share of Growth	500	*500*	*350*	350
Estimated Council Tax Collection Fund Surplus	54	100	100	100
Use of Business Rates Retention Reserve	500	500	500	500
Council Tax Income	14,323	14,719	15,126	15,544
Total Funding available	**17,668**	**16,819**	**16,576**	**16,494**
Council Tax Base (assumes 0.75% growth)	**64,720**	**65,205**	**65,694**	**66,187**
Band D Council Tax (indicative)	**221.30**	**225.73**	**230.24**	**234.85**
Increase (indicative) ^	**2.93%**	**2.00%**	**2.00%**	**2.00%**
Cumulative Funding Gap	**0**	**2,601**	**3,884**	**5,076**
Annual Funding Gap	**0**	**2,601**	**1,283**	**1,192**
Annual Funding Gap - Assuming Negative RSG is Delayed by 1 Year	**0**	**1,311**	**2,073**	**1,192**

* - The negative RSG assumption above assumes that the negative RSG will apply for 2020/21, this will be subject to confirmation in September, or the provisional settlement in late 2019.
^ - A 0.5% increase in Council Tax will raise approximately £70,000

3.4 The MTFS includes known spending pressures for 2019/20, Joint Waste, Car Parking and Pension related growth as well as appropriate allowances for inflationary increases. The savings identified to date include the increases in car parking charges (effective January 2020) and a potential to increase the interest earned from investments in the money market. There remains a number of potential growth items to be costed/approved before the 2020/21 budget is finalised including the running costs for Hersham Village Hall (subject to whether it is re-opened as a Public Hall) at this stage a further allowance of £150,000 has been included to cover all the unapproved growth items. This is in addition to the known spending pressures referred to earlier in the report.

Growth / Reductions in Income	**£'000**
Planned external funding reduction from SCC in relation to Waste Recycling.	150
When the sale of the Councils housing stock was completed the agreement included contributions from EHT to fund the Councils pension deficit, this fixed period is due to end in 2019/20.	200
On the joint waste the budget issue indented in relation to waste bin distribution cost (£170,000), Business Rates (£50,000) and a potential TUPE related claim (£50,000).	270
The extension to free Car Parking approved by Cabinet in July 2019, would reduce the potential income compared to the budget.	55
The triennial valuation at the 31 March 2019 will impact the 2020/21 budget, initial indications are that this will	240
The other is a provisional sum to cover additional growth or income reductions before the budget is approved in February 2020. Examples of other factors may include further reductions in SCC funding, pay review for lower pay etc.	150
Total Growth / Reduced Income	**1,065**

4. Council Tax

The amount of Council Tax which the Council receives is affected by the Council Tax level and the change in the Council Tax Base, a measure of the number of "Band D equivalent dwellings", which is adjusted to reflect discounts and Council Tax Support.

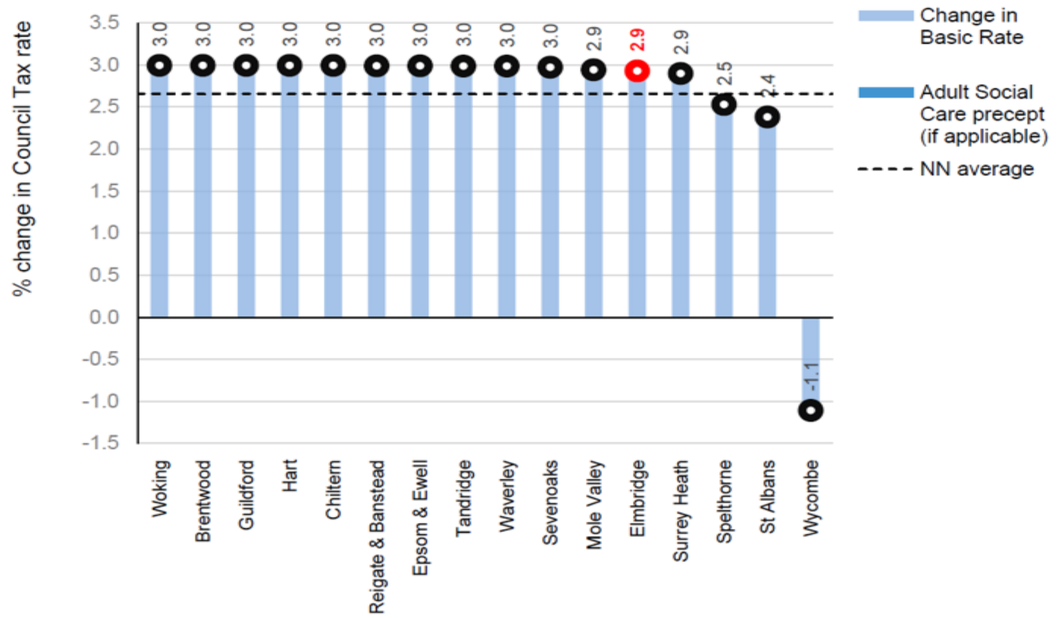
<u>Change in the tax rate in 2019/20</u>

In 2019/20, local authorities were able to increase their basic Council Tax by up to 3% without triggering a local referendum. In the case of shire districts, the permitted increase was up to 3% or £5 per Band D equivalent property, whichever was greater.

To enable a like-for-like comparison, in this section, Elmbridge is only compared against other shire districts, i.e. those without the option for the additional adult social care precept.

In 2019/20, Elmbridge increased its Council Tax rate by 2.9%. A 2.6% increase nationally.

Council Tax Changes 2019/20



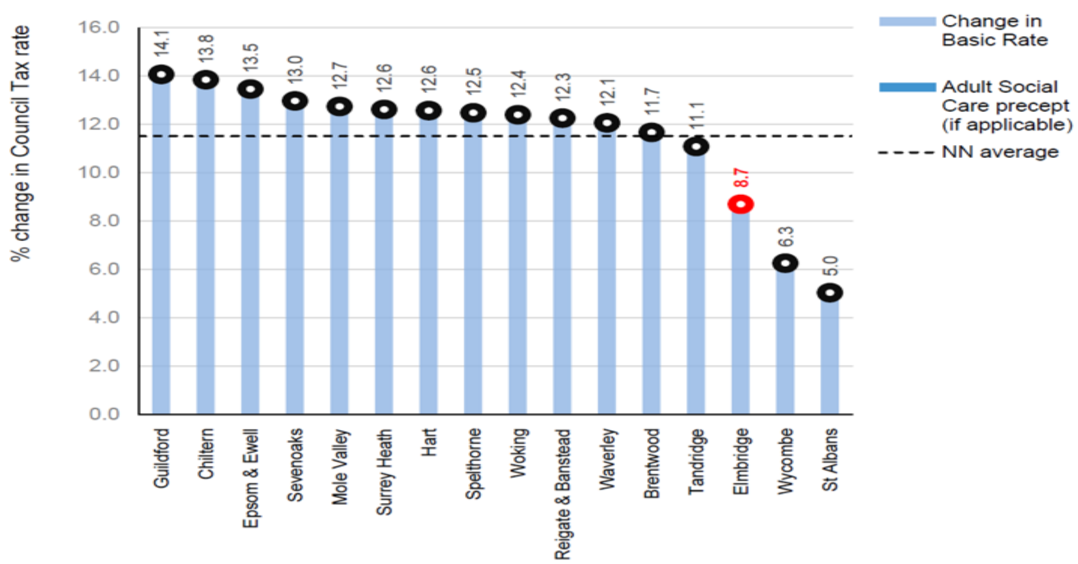
Change in the tax rate over 5/6 years

Over the past five years, Elmbridge has increased its Council Tax rate by 6.2%. This compared to a 6.2% average increase among its nearest neighbours, and an 9.7% increase nationally.

Over the last six years the Elmbridge Council Tax has increased by 8.7% compared to its nearest neighbour’s average of approximately 11.5%.

Elmbridge's change relative to its nearest neighbours since 2014/15 for the six years is illustrated below:

Council Tax Changes since 2014/15



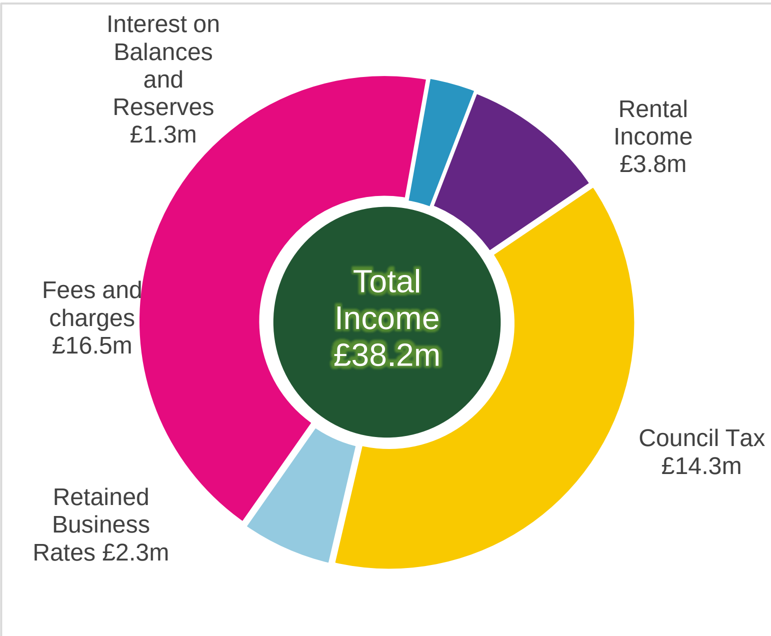
5. Outlook for Savings – 2020/21 to 2022/23

Based on this working assumption, the potential budget reductions required over the medium term are provisionally estimated at around £5 million. For the Council to be completely grant-free, the budget gap is likely to be much higher with the Surrey County Council (SCC) funding reductions and the potential clawback of the Business Rates beyond 2020/21, resulting in a potentially higher budget gap.

The approach to identifying savings in previous years is unlikely to yield any significant savings/income. Having taken £10 million of savings/ additional income over the last 8 years, any further savings will be difficult to identify.

Whilst we may be able to identify some budget reductions or savings for next year, careful consideration needs to be given to the financial position in the medium to longer term. This points towards increasing fees & charges wherever reasonable and practical to safeguard the Council's financial position and make it more resilient to external funding reductions, especially if we are entering a period of rising inflation. In addition, a modest annual increase of Council Tax will help the Council to become financially resilient.

Over 80% of the Council's revenue expenditure is funded by a combination of Council Tax (£14.3 million) and fees & charges (£16.5 million).



Savings and Spending Pressures identified 2017/18 – 2019/20

(£'000)	2017/18	2018/19	2019/20
Spending Pressures/Growth	1,302	1,575	1,670
Savings/Additional Income	(1,860)	(1,701)	(714)
Net (Saving)/Growth	(558)	(126)	956

6. Medium Term Financial Strategy - Approach

6.1 Prudent financial management over the last decade has realised significant savings for the Council and has resulted in the Council being able to continue to provide a wide range of services which residents value.

Lack of funding, due to reduction in grant funding and constraints imposed by central Government will result in significant adverse long-term consequences for the sustainability of ongoing services.

Despite the reduction in expenditure, going forward, the Council will still need to be in a position to provide services, and it needs to ensure that every pound is invested where it can have the most impact for the people of Elmbridge. It will need to develop a multi-year strategy with clear outcomes framework, underpinned by annual financial Strategies and spending targets.

6.2 Over the last six years we have used over £6 million of reserves to support the revenue budget. This is in addition to any Business Rates growth used in the budgets. It may get increasingly difficult to gain from any Business Rates growth once the Fair Funding reform is in place. Under the new scheme, we will only benefit from an increase in footprint or tax base of Businesses. The gains made over the last few years have been, as a result, of being a member of a pool or pilot and realising the maximum advantage of a complex system. CIPFA and others have been warning that things will only get worse under the new funding arrangements.

Revenue pressures are increasing whilst our ability to identify budget savings and additional income are quite limited. In addition, any new or additional political priorities and their financial implications have not yet been considered.

6.3 An overview of the Council's outturn for the 2018/19 financial year:

- The General fund revenue outturn for 18/19 was a net overspend of £0.4 million.
- There were a number of unexpected items of expenditure including Traveller encampment costs together with reductions in income levels.
- This was funded by using £0.4 million from the Business Rates.
- First time in many years that the Council has had an overspend.

7. Looking ahead to years 2020–2024

7.1 Strategic context

The Council is operating in an extremely uncertain environment. Arrangements for the Fair Funding Review, which will establish new baselines for local authorities in time for the start of the 75% business rates retention scheme, have been expected to come into force from April 2020, this has now been delayed for one year. The Fair Funding Review and 75% Business Rates retention will signify a fundamental change to the mechanism of local authority funding.

Between 2010 and 2020, councils have already lost almost 60p out of every £1 the Government had provided for services and these reviews may increase the reductions in central governing funding.

These two fundamental changes in local government funding could significantly affect Elmbridge Borough Council (EBC) and given the continued uncertainty over their timing, may not allow enough time for us to respond prior to their implementation. The advice from Local Government bodies and CIPFA to Councils is that Medium Term planning cannot be founded on any assumptions of significant government support and this is even more relevant to Districts and Boroughs, with funding shifting to Councils with Social care responsibilities and based on the new Prime Minister's announcement potentially to the Police.

7.2 Saving, Spending Pressures

The MTFS approved in February assumes the following use of reserves:

Planned Use of Reserves

Reserve	2019/20	2020/21	2021/22	2022/23	Total Reserves used
Grant equalisation	157	157	157	157	628
Earmarked and Specific reserves	315	110	110	110	645
NHB	114	tbc	tbc	tbc	114
Business Rates	1,000	850	850	850	3,550
	1,586	**1,117**	**1,117**	**1,117**	**4,937**

Using Reserves to balance the budget is not the same as identifying a regular saving or additional income which gets built into the base budget. Reserves can only be used once and once they are used they are no longer available.

In the past we have used reserves to meet one off expenditure for e.g. cost of the Lower Green community officer, additional posts in Housing, Leisure consultancy costs etc

7.3 Current Reserves Position

The Council's accounts for 2018/19 reported the total reserves as £72 million and is split between Capital and Revenue reserves.

The capital reserves are £38 million, of which £27 million has already been allocated for use.

The Council's revenue reserves are split into three elements, Essential, Specific Purposes and Statutory. Of the £34.2 million total revenue reserves held at the 31 March 2019, £22.7 million has already been allocated to either, fund expenditure already approved but not incurred at the year end, Community Infrastructure Levy (CIL) to meet future infrastructure requirements or has been included in the base budget within the Council's MTFS.

If, on the assumption that no savings or additional income are identified for the MTFS period, the £11.5 million of reserves still pending allocation at 31 March 2019 were used to balance the budget there would only be enough to do so for the next 4 years (until the 2023/24 budget) as shown below:

	£'000's
Analysis of Reserves pending available Allocation @ 31.3.19	**11,571**
Potential drawdown to finance Budget Pressures, Contractual & Pay Inflation	
(Assuming a £1 million increase/growth year on year)	
2020/21	(1,000)
2021/22	(2,000)
2022/23	(3,000)
2023/24	(4,000)
Estimated Balance of Reserves pending allocation at 31.3.2024	**1,571**
(£11.5 million - £10 million)	

The available reserves at 31 March 2019 includes the Revenue contingency and Risk reserve which are held to meet current and future contingency requirements including mitigating rental risks from investment properties.

Another example is the Local Authority Business Growth Incentive (LABGI) reserve of £0.7 million that is used to top up the Elmbridge Civic Improvement Fund (ECIF) which is an initiative that helps Elmbridge businesses.

If there is continued reliance on reserves, the reserves set aside for specific purposes (LABGI & Risk Contingency etc) will not be available to support the local businesses or mitigate fluctuations in rental levels.

7.4 Following the transfer of the Benefits Service to Finance and Customer Services and a review by the Heads of Service, there needs to be some additional work to make the service fit for purpose and manage the roll-out of Universal Credit (UC). These include updating the Council Tax Support

Scheme (to include UC), providing an on-demand service for peaks in workload and support with overpayment recovery. The Council have been in discussions with civica (a leading support and computer software provider to local government) to help support the Council.

The risk to be managed are:

- Improvement in processing times
- Managing potential subsidy loss
- Reduction in Local Authority error re-imbursement
- Policy/Processes out of date (not following best practice)
- Council Tax Support Scheme is not up to date and may be subject to challenge, and not up to date
- Improved overpayment debt recovery

The cost over three years is estimated to be in the region of £310,000 and will be funded from the welfare reform reserve.

7.5 When Northamptonshire County Council issued a S114 notice it recorded a 91% drop in reserves. The authority was then forced to stop non-essential spending during 2017/18.

In guidance to councils CIPFA said: "Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option. However, it is not normally prudent for reserves to be deployed to finance recurring expenditure."

It stressed that there may be "good reasons" for councils to have used reserves for planned spending but added that "continued depletion of reserves may be a sign of financial stress and being unable to deliver a balanced budget".

"Emergencies can happen and sudden increases in spending can be needed. Councils need to be resilient or they end up in the position Northamptonshire was in. However, they don't know their funding position from one year to the next."

In a report on the financial sustainability of councils in 2018 the National Audit Office said: "Reducing reserve levels means that local authorities have less scope to support 'invest to save' programmes, and any delays in delivering savings or unexpected cost pressures have a greater impact on their financial position."

7.6 <u>Financial Resilience and the adequacy of reserves and balances</u>

EBC has an ambitious corporate Strategy and continues to face many challenges over the medium term. Demand for some of our services relating to Housing, welfare and services to older people will continue to increase and the continued reduction in Government funding mean that there is a gap between the projected expenditure and funding available which will need to be eliminated through savings and additional income.

In order to maintain our strong financial position and financial stability into medium to long term the Council needs to ensure that savings and efficiencies are identified, and fees charged reflect the true cost incurred in providing that service. This combined with a modest Council tax increase will help to have a balanced budget and sufficient level of reserves.

Grant Thornton in the 2018/19 Audit Findings Report commented:

"Although adequate arrangements are in place to support your medium-term financial position, we will continue to review any reliance placed on the continued use of reserves for on-going expenditure. As part of this we will continue to review your approach to setting fees & charges and council tax increases. It is important you achieve a strong financial position for the medium-term given the funding uncertainties faced by the sector".

8. Timetable for Budget Activity

Date	**Activity**
September	• Budget Strategy Report to Cabinet and Council
November	• Spending Review update to Cabinet (if announced)
December	• Initial Revenue Budget Proposals and setting of Council Tax Base to Council
Jan/Feb	• Provisional Local Government Finance Settlement
February	• Revenue & Capital Budget proposals to Cabinet & Performance and Finance Panel • Cabinet recommends budget and Council Tax level to Council.
26 February 20	• Council approves Budget and Council Tax for 2019/20.

Environmental/Sustainability Implications:
None for the purposes of this report.

Legal implications:
There are no general legal issues arising from the report. Specific legal issues, if any will be addressed as part of the proposed budget preparations.

The Council has a legal obligation to set a balanced budget each year. The Council Tax, however, must be set by 10 March 2020.

Equality Implications:
In developing budget proposals regard must be had to the Council's duties under the Equality Act 2010 and appropriate steps taken to ensure that (i) the Council meets the requirements of the Public Sector Equality Duties; and (ii) due regard has/is been taken of the likely impact of decisions in terms of equality and discrimination.

Where required, detailed Equalities Impact assessments will be undertaken for individual budget savings proposals at each stage of the budget process and the information revealed by these assessments will be taken into account in the decision-making process.

Risk Implications:
The two biggest risks to the budget process are non-delivery of the approved budget reductions and income levels which is mitigated by the Contingency budget and close monitoring by finance officers and Council Management Board.

Community Safety Implications:
There are no direct Community Safety implications as part of this report.

Principal Consultees:
Council Management Board
Cabinet Members

Background papers:
None for the purposes of this report.

Enclosures/Appendices:
None for the purposes of this report.

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