


Cabinet 19 th December 2018	 TOWER HAMLETS
Report of: Neville Murton (Acting Corporate Director of Resources)	Classification: Unrestricted
MTFS Budget Update 2019-22	

Lead Member	Councillor Candida Ronald, Cabinet Member for Resources and the Voluntary Sector
Originating Officer(s)	[Damon Lawrenson (Interim Divisional Director, Finance Procurement and Audit)]
Wards affected	All wards
Key Decision?	Yes
Forward Plan Notice Published	20 th November 2018
Reason for Key Decision	To set the budget for 2019-20 and agree the 3 year MTFS to 2022
Strategic Plan Priority / Outcome	<p>1. People are aspirational, independent and have equal access to opportunities;</p> <p>2. A borough that our residents are proud of and love to live in;</p> <p>3. A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough.</p>

Reasons for Urgency

The Council's Budget Consultation ended 10th December 2018 and responses were still being analysed at the Cabinet publication deadline of 11 December. This report must be presented to the Cabinet on 19 December to allow sufficient time for the implications of the budget consultation to be considered by the Mayor in Cabinet prior to a draft budget and MTFS being prepared for the next scheduled Cabinet meeting on 9 January 2019.

Executive Summary

This report aims to update Cabinet on the Budget for 2019-2020 and Medium Term Financial strategy (MTFS) for the period 2019 - 2022. This report highlights any new developments that have an impact on the general fund budget position reported to Cabinet in October 2018 and options being considered to close any gaps that arise. The report also outlines the impact of the Chancellor's recent budget announcement and the Local Government Settlement for 2019-2020; updates on the 2019-2020

London Business Rates Retention Scheme; progress made on the new governance arrangements for the capital programme and the outcomes from the recent budget consultation. The report also explores options for setting the level of Council Tax and reviews the adequacy of reserve balances over the period 2019-2022.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Note the changes to the draft budget position for 2019-2020 and over the MTFFS period 2019-2022.
2. Note the illustrative modelling for the 2019-20 London Business Rates Retention Scheme.
3. Note the decisions of London Councils to participate in the 2019-20 London Business Rates Retention Scheme.
4. Note the options for Council Tax levels over the MTFFS period 2019-2022.
5. Note the analysis and outcomes from the Your Borough Your Future budget consultation in Appendix A and have due regard to the issues raised in finalising its detailed budget proposals.
6. Note the additional resources required over the MTFFS to cover estimated risks and uncertainties.
7. Note proposed increase to tenanted service charges by 3.4% from the first week in April 2019.
8. Note the Equalities Impact Assessment / specific equalities considerations as set out in section 4 of the report.

1. REASONS FOR THE DECISIONS

- 1.1 The Council is under a duty to set a balanced and sustainable budget and maintain adequate reserves such that it can deliver its statutory responsibilities and priorities.
- 1.2 A Medium Term Financial Strategy (MTFS) covering the entirety of the resources available to the Council is considered to be the best way that resource prioritisation and allocation decisions can be addressed and agreed in a way that provides a stable and considered approach to service delivery and takes into account relevant risks and uncertainty.
- 1.3 Statutory budget consultation is required with business ratepayers, however, a broader consultation with all residents and other relevant stakeholders is considered to represent best practice.

2. ALTERNATIVE OPTIONS

- 2.1 Whilst the Council will adopt a number of approaches to the identification of measures aimed at delivering its MTFS there is no alternative other than to set a legal and balanced budget and agree its Council tax before the statutory deadline.

3. DETAILS OF THE REPORT

- 3.1 The medium term financial planning process is an essential part of the Council's resource allocation and strategic service planning framework. The Medium Term Financial Strategy (MTFS) integrates strategic and financial planning over a three year period. It translates the Strategic Plan priorities into a financial framework that enables the Mayor and officers to ensure policy initiatives can be delivered within available resources, and can be aligned to priority outcomes.
- 3.2 The drivers for the Council's financial strategy are:
- To set a balanced budget over the life of the MTFS whilst protecting residents from excessive Council Tax increases, as defined by the government, through the legislative framework covering Council tax referenda.
 - To fund priorities agreed within the Strategic Plan, ensuring that service and financial planning delivers these priorities.
 - To deliver a programme of planned reviews and savings initiatives designed to keep reductions to service outcomes for residents to a minimum.
 - To maintain and strengthen the Council's financial position so that it has sufficient contingency sums, reserves and balances to address any future risks and unforeseen events without jeopardising key services and delivery of service outcomes for residents.
 - Ensuring the Council maximises the impact of its spend to deliver priority outcomes in the context of reducing resources.
- 3.3 The Council continues to implement an Outcomes Based approach to deliver its MTFS. At the heart of its financial planning and decision making process, the Council aims to link its financial resources to Members' Strategic Priority Outcomes.
- 3.4 The MTFS update report in October 2018 identified savings of £44m required over the MTFS period 2019-2022. This included previously approved savings of £14.7m (2019-20) and £9m (2020-21). Officers estimated additional new growth and inflation totalling £20m will be required over the period.
- 3.5 A series of budget meetings between officers, the Mayor and Cabinet have taken place during October and November to address a number of key issues including:

- A review of savings and growth proposals including high level business cases.
- The extended MTFS for the period 2019-2022; identifying the gap arising from recent funding announcements and the Council's options for managing these strategic issues;
- A review of the current Capital Strategy including the governance arrangements for capital projects and programmes, resource prioritisation, funding sources and strategies and consideration of any new projects and programme.
- Consideration of any proposals for the continuation of the London Business Rates retention scheme in 2019-2020 and the potential benefits from business rates income.

3.6 Table 1 below shows the revised MTFS Position for the Period 2019-2022.

<u>High Level MTFP</u>			
	2019-20	2020-21	2021-22
As Reported October 2018	£'000	£'000	£'000
Revised Budget Requirement	337,117	332,317	345,688
Total Funding	(331,895)	(327,388)	(325,664)
Budget Gap Reported October 2018	5,222	4,929	20,024
Additional Investment in Services	2,500	3,500	3,500
Prior Year Savings Written Off	610	610	610
Revised Budget Requirement December 2018	8,332	9,039	24,134

Budget Gap 2019-2022 as reported - October 2018

- 3.7 Within the approved MTFS, officers had made a number of assumptions concerning the impact of demographic pressures and inflation required over the MTFS period. This assumption was revised in light of extending the MTFS to include an additional year 2021-2022.
- 3.8 Following an initial review of the MTFS for the period 2019-2022, additional growth of £13.5m arising from demographic pressures, new requirements or responsibilities had been identified and reported to Cabinet in October 2018.
- 3.9 Also reported to Cabinet in October 2018 were additional inflationary requirements in respect of pay and other non-pay costs estimated to amount to £6.5m for the period to 2021-2022.
- 3.10 In total additional growth and inflation requirements over the MTFS period were estimated at £20.0m in October 2018.

- 3.11 The following issues have impacted finalising the MTFs subsequent to that presented to Cabinet in October 2018;
- Chancellor's Budget Announcement – 29th October 2018
 - Local Government Settlement 2019-2020 – Delayed
 - Budget Investment in service areas
 - Prior year savings written off

Chancellors Budget Announcement 2018 – 29th October

Social Care

- 3.12 **Adult Social Care Funding** – Tower Hamlets received £1.46m of the 2018-2019 winter funding pressures money which was based on the Adults Resource Needs Formulae. This funding will be used to alleviate winter pressures on the NHS, getting patients home quicker and freeing up hospital beds across England. In 2019-2020, this will continue at the same level and be pooled into the Better Care Fund via the Improved Better Care Fund.
- 3.13 **Funding for Adults and Children's Social care** – It is estimated Tower Hamlets will receive an additional £2.5m in 2019-2020 to ensure that adult and children social care pressures do not create additional demand on the NHS. Local Councils can also use this funding to improve their social care offer or older people, people with disabilities and children. Funding will be allocated according to the existing Adult Social Care Relative Needs Formula.
- 3.14 **Funding to help children stay at home safely** - £84m over 4 years starting in 2019-2020 with £45m to help children stay at home safely with their families. There is very little detail available against this proposal; up to 20 Local Authorities are referenced but no clarity as to which, or whether this is subject to a bid process.

Schools

- 3.15 **Schools have been allocated £400m in 2018-19 to spend on equipment and facilities** - The distribution methodology for this is currently unclear but has been estimated in the media at £10,000 for primary schools and £50,000 for secondary schools. This is assumed to be for capital purposes.

Business Rates

- 3.16 **Small business rate relief announced for 2 years** - Businesses with Rateable Value (RV) of less than £51,000 will receive 1/3rd reduction in their rates bill; the government has said that Council's will be fully compensated for this measure through a S31 grant.
- 3.17 For Tower Hamlets we have identified relevant businesses that qualify for this relief; which equates to £6,603,301 in the first year and £6,748,573 in year 2 (based on CPI uplift). This is based on 2,967 properties and assumes that the rules are largely the same as the previously awarded retail relief, i.e. excludes banks, estate agents and betting shops etc. also large chains as the term "independent" was used in the Chancellor's speech.

Housing

- 3.18 **Removal of the HRA borrowing cap** - The government announced the HRA debt cap would be removed with immediate effect. Removing the HRA debt cap means that instead of having a limit HRA borrowing will in future – along with General Fund borrowing - be subject to the Prudential Code, meaning that borrowing must be affordable, prudent and sustainable.
- 3.19 Under current rules, although interest charges on outstanding debt must be paid, the HRA has not made any provision for debt repayment in recent years. As non-repayment of debt is not sustainable over the long-term, (it would result in increasing levels of interest charges being incurred on a scheme), the Chief Financial Officer considers that the charging of Minimum Revenue Provision (MRP) should be introduced to ensure the repayment of any borrowing takes place over the usable lifespan of the assets, similar to the Minimum Revenue Provision arrangements that operate for the Council's General Fund. If MRP is not charged, future administrations will inherit ongoing debt costs that will be very difficult to reduce within budget constraints.

Local Government Settlement 2019-2020

- 3.20 In 2016, the Government offered a multi-year finance settlement, which was accepted by 97 per cent of councils, designed to provide funding certainty over the medium term. The 2019-20 provisional settlement will constitute the final year of this four year deal, and is also expected to confirm additional resources provided at Autumn Budget 2018, including £650 million for Social Care.
- 3.21 Due to the recent Brexit debates, the announcement of the provisional settlement for 2019-2020 has been delayed further by 1 week. It is expected that the provisional settlement will be announced sometime week commencing the 10th December. The delayed announcement will not affect the usual period for making representations on the provisional Local Government Finance Settlement.
- 3.22 Cabinet will be provided with an update of the impact of the announcement in the Budget Report to Cabinet on 9 January 2019.

Budget Investment in Services (Additional Growth) - £3.5m

- 3.23 In addition to the new growth requirement of £20m reported to Cabinet in October 2018; officers have identified the need for a further £3.5m over the MTFS to support costs arising from the following;
- implementing the new pay spine changes by 1st April 2019 (£2m) - As Tower Hamlets uses the national pay spine as agreed at a London level without any local variations the move across to the new spinal column points is mandatory, and will form part of our contractual terms and conditions.
 - financing costs (£1.5m) – to support the assumed borrowing requirements of the pending 10 year capital programme

Savings to be written off - £0.6m

- 3.24 The following previously agreed savings are no longer deliverable
- Regional Adoption Agency (£250k) – In December 2016, Cabinet agreed for the authority to join a London Regional Adoption Agency and hoped the new arrangement will lead to efficiencies and better support for adoption services. It has now been confirmed that the savings expected to be generated through the arrangement is unlikely therefore the savings will need to be written off.
 - CCTV (£200k) – This was a speculative saving agreed by Council in February 2016 based on income potential earning opportunities from fibre optics. The latest consultant's report identified that potential income of £200k could be achieved in the future, however the current market shows that generating a constant income stream is unlikely.
 - Animal Warden Service (£160k) - A saving was agreed by Council in February 2016 for an alternative service delivery model for animal warden service. To date this has not been delivered and there is a need to continue the service.

Revised Budget Requirement 2019-2022

- 3.25 Table 1 shows the updated MTFs position for the changes proposed above and a revised estimated budget gap of £24m over the period. Officers have been working closely with their lead members and the Mayor to identify potential options for closing the gap.

Savings

- 3.26 Full council have approved previously savings of £14.7m (2019-2020) and £9.0m (2020-2021). Additional growth means that there is a need to identify further savings of £24m over the MTFs period to 2021-2022. The total savings required over the MTFs period to 2019-2022 are therefore £48m.
- 3.27 The budget consultation ended on the 10th December 2018. The outcome of the budget consultation will inform discussions and help with decisions on new savings proposals for the 2019-2020 budget and MTFs. Final savings proposals will be published as part of the Budget Report to Cabinet on 9 January 2019.
- ### **Adequacy of Reserves**
- 3.28 It is important to set out the expected position on earmarked reserves and the General Fund to show the full financial picture.
- 3.29 Earmarked reserves
The Council has a number of earmarked reserves that have been set aside for specific reasons. These reserves can be split into two categories:

- Those required to be kept by statute or accounting guidance. For example School balances and revenue grants reserves.
 - Those set aside for a future event that has a high probability of occurring. For example the Risk and Transformation reserves.
- 3.30 In light of increasing levels of risk and uncertainty, service demands and increased probability of resources being required to support service delivery, a full review of useable reserves and provisions will be undertaken to ensure appropriate levels of reserves are held to mitigate risks.
- 3.31 General Fund reserves
 In the February 2018 Budget report, the estimated level of the General Fund reserve at the 31st March 2018 was £32.3m. The MTFs assumed a requirement of £5.6m from general fund balances in 2018-19. The expected level of general fund reserve at the 31st March 2019 was therefore £26.7m. Currently, an in-year overspend of £0.5m is estimated, as per the Quarter 2 budget monitoring report. Therefore, the revised estimated general fund balance at 31st March 2019 is £26.2m. With the council facing significant cuts in funding, increasing demand and high risk levels, it is important to review the minimum level for the MTFs update in February 2019, taking into consideration both risk and affordability.

Risks and Opportunities

- 3.32 When setting the draft MTFs, officers have provided their best estimate of service costs and income based on the information currently available. However there will always be factors outside the Council's direct control which will affect the key planning assumptions underpinning those estimates.
- 3.33 There are a number of significant risks that could affect either the level of service demand (and therefore service delivery costs) or its main sources of funding. In addition there are general economic factors, such as the level of inflation and interest rates that can impact on the net cost of services.
- 3.34 Similarly there are opportunities to reduce costs or increase income which will not, as yet, have been fully factored into the planning assumptions.

The main risks and opportunities are summarised below:

- 3.35 **Impact of Brexit** - London Boroughs are still determining the impact of leaving the EU under a range of scenarios. Some of the key points to consider whether financial provision is required are:
- Workforce impact arising from direct or indirect employment of EU nationals.
 - Supply chains could be affected by any changes in procurement legislation, and there are potential cost implications associated with currency fluctuations that must be considered.
 - The implications for pension funds are mixed as global investment vehicles have already priced in much of the uncertainty, but valuations on balance sheets and the cost of borrowing may lead to greater vulnerability.

- Commercial strategies may need to take into account the potential for any downturn in demand for properties in their investment portfolios which impact rental income and profitability.

The council is currently exploring risks and opportunities around three possible scenarios for Brexit. These include No Deal, an EU – UK Free Trade Agreement and staying in the single market.

- 3.36 **Fair Funding Review** - The government has committed to reforming the way local authorities are funded. Its Fair Funding Review aims to introduce a new funding formula from April 2020.
- 3.37 The government has said that the Fair Funding Review will:
- Set new baseline funding allocations for local authorities;
 - deliver an up-to-date assessment of the relative needs of local authorities;
 - examine the relative resources available to local authorities;
 - focus initially on the services currently funded through the local government finance settlement;
 - be developed through close collaboration with local government to seek views on the right approach.
- 3.38 It is considered likely that London authorities will be adversely affected by the changes and it is therefore sensible to plan for a variation in funding levels even after allowing for transitional arrangements.
- 3.39 **Non Delivery of Savings** remains a key risk to the Council and will be monitored during the year.

Closing the gap

London Business Rates Retention Scheme

- 3.40 London Council's executives agreed the continuation of the London Business rates retention pilot in 2019-20 based on:
- 75% retention of Growth above baseline; and
 - The removal of the 'no detriment' clause

Based on the latest 2018-2019 estimates of growth, an additional one-off sum of £4m has been included for 2019-2020 only.

Council Tax

- 3.41 Council Tax also continues to be an important source of revenue for the Council with £98m estimated from that source in 2019-2020. At the time of the provisional settlement in 2017, the government announced changes to the Adult Social Care (ASC) precept. Local authorities could increase the ASC precept by up to 3% per annum. However, authorities are only permitted to go ahead with a maximum of 3% increase each year provided that the total increase over the three-year period 2017-2020 does not exceed 6%.

- 3.42 In order to assist with the financial sustainability, options are being explored which illustrate additional income that could be generated through increases in Council Tax.
- 3.43 Table 2 below illustrates additional annual income that could be generated through an increase in Band D rate Council tax.

Table 2: Council Tax

Council Tax	2019-2020	2020-2021	2021-2022
Each 1.0% Increase	£1.0m	£2.0m	£3.0m
Weekly cost per household	0.19p/wk	0.19p/wk	0.19p/wk
2.99% Increase (maximum permitted)	£3.0m	£6.0m	£9.0m
Weekly cost per household	0.57p/wk	0.57p/wk	0.57p/wk

- 3.44 In February 2017, the Council agreed, in respect of the ASC precept, to implement increases of 3%, 2%, and 1% respectively for the years 2017-18 to 2019-20.
- 3.45 The MTFs therefore currently assumes a 1% increase in Council Tax in respect of the ASC precept. This would yield £1m in each year of the MTFs and go towards supporting the increased budget pressures within Adult Social Care. The demographic growth budget required to support on-going increased pressures in that area is £2.9m for 2019-2020.
- 3.46 Referendum levels are currently set at 'no more than 3%' (excluding ASC Precept) and any proposals to increases Council Tax levels beyond this would require a referendum.
- 3.47 **Fees & Charges** – The current MTFs assumed additional income of £419k in 2019-2020. Officers are currently working to finalise any additional income that could be generated due to proposals for the introduction of new fees. The Fees and Charges report 2019-2020 is due to be presented at a Cabinet meeting in January 2019 and will include details of proposed new fees and estimated additional income for 2019-20.

Capital Strategy and Programme 2019-2020 onwards - Update

- 3.48 The new capital governance arrangements are underway with 2 working group meetings held in October. New bids have been developed and presented to the Asset Management and Capital Delivery Board for review and challenge. Subsequently the Capital Strategy Board has been provided with high level details of the proposed new schemes and the overall required investment over the next 10 years.
- 3.49 Further meetings are scheduled for all groups in December to discuss; agree and finalise a revised Capital programme over the period. Cabinet will be

presented with a proposed capital programme for approval; an initial provision for the cost of additional borrowing of up to £48m has also been provided in the MTFs.

Housing Revenue Account

Rent Reduction

- 3.50 On 31st October 2018, the Mayor in Cabinet noted that the 1% annual rent reduction which came into effect in 2016-17 continues for four years until 2019-20. The effect of this reduction has been incorporated into the 2019-20 HRA budget.

New Service Charges

- 3.51 It is proposed that tenanted service charges be increased by 3.4%. This is consistent with the previously adopted Government rent policy which increased rents in accordance with the previous year's September Consumer Price Index +1%. In this case, the September 2018 CPI was 2.4%, which will lead to an average weekly increase in tenanted service charges of approximately £0.28. It should be noted that energy charges are billed separately based on actual costs incurred.
- 3.52 The current year's budget for tenanted service charges is £4,818,000. As a result of the proposed increase in charges and the movements in stock arising from property acquisitions and disposals (including right to buy sales), the 2019-20 budget is estimated at £4,887,000. This is reflected in the 2019-2020 budget.
- 3.53 Details of the HRA budget will be included within the main budget report to Cabinet on 9th January 2019.

The Dedicated Schools Budget Strategy

- 3.54 The Dedicated Schools Grant (DSG) is a ring-fenced grant used to fund pupil-led education spending. The initial notification of the value of the grant is received in the December preceding the financial year in question and updated at various stages as new data becomes available. This is ring-fenced grant and any under or overspends are carried forward into future years. The DSG announcement has also been delayed.

DSG 2019-2020

- 3.55 The indicative DSG allocation based on October 2017 pupil numbers and the guaranteed Primary and Secondary Units of funding (PUF and SUF) for 2019-2020 was issued in July. This will be updated in mid-December when the October 2018 census data becomes available. Both the High Needs Block and the PUF and SUF have been uplifted to include the 0.5% per-pupil increase agreed by the Government in the case of the SUF the increase is 0.7%. Table 3 sets out the indicative allocation.

Table 3: Schools Budget

Block	2019-2020	2018-2019	Change
	£m	£m	£m
Schools Block	260.193	259.176	1.017
CSSB	4.798	4.851	(0.053)
High Needs Block	49.574	49.058	0.516
Early Years Block	29.528	29.528	0.0
Total	344.093	342.613	1.480

Note: The EYB will not be updated from 2018-19 until the January 2019 census is available.

- 3.56 The report to Schools Forum in December 2018 sets out the proposed use of the Schools Block of the Dedicated Schools Grant for 2019-2020 and covers:
- The outcome of the consultation with schools on the proposed schools funding formula for 2019-2020.
 - The proposed transfer of £0.9m from the Schools Block to the High Needs Block.
 - Changes to the Growth Fund for 2019-2020.
 - The proposals for de-delegation of:
 - Delegated funding.
 - Former Education Services Grant (ESG) general duties elements.

- 3.57 The details of the final schools budget for 2019-2020 will be presented to Cabinet at its meeting 9th January 2019 and will form part of the draft MTFS budget report.

Budget Consultation and Scrutiny process 2019-2022

- 3.58 The Council must undertake statutory budget consultation with Business Rate payers in the borough and it is also good practice to consult with Council Tax payers and a broad range of other stakeholders. In addition, meaningful consultation must take place with service users before any changes to service provision are implemented. Furthermore, the council's budget framework sets out the need for the Overview and Scrutiny Committee to be fully involved in the setting of the council's budget.
- 3.59 The Council launched the six week Your Borough Your Future budget consultation campaign on Monday, 29 October 2018. Your Borough Your Future provides the Council with an overarching brand identity for public consultations around budget setting. In the first instance, and for the purposes of this report, Your Borough Your Future relates to the general consultation run between 29 October and 10 December 2018, which sought to provide residents with details of the financial challenges the council currently faces and requested feedback on priorities for Council services. It also asked how the Council should consider its approach in light of the budgetary pressures it faces.

- 3.60 A campaign narrative was agreed with the Mayor and Cabinet which identified and articulated the key drivers for the council's approach via Your Borough Your Future. The key messages in this narrative are:
- Significant real terms government core funding cuts since 2010 (64%, which is £148m) and growing pressure on services mean the Council has to find an estimated additional £44m of savings by 2022.
 - Tough choices will have to be made to maintain good quality services, and to support our most vulnerable residents.
 - The Council has made significant savings (£176m since 2010) while continuing to find ways to deliver cost effective services and generate income from additional sources.
 - Residents can get involved by giving their views on what matters most to them, and suggesting ways in which Tower Hamlets can do things differently to help make savings.
- 3.61 The campaign aimed to engage as many residents as possible during a six week consultation period. A wide range of high visibility communication methods were employed, including press releases, dedicated budget content and consultation on the council website, major social media channel promotion, on-street advertising, plasma screens in public buildings, as well as direct mail of a dedicated budget consultation booklet to every household in the borough. A budget consultation roadshow took the campaign on the road to four busy locations in the borough including evenings and weekend periods; Idea Store Whitechapel and market, Idea Store Bow/Roman Road market, Idea Store Chrisp Street/market and Victoria Park. The campaign also ensured representative views were sought (i.e. there was opportunity for people from all parts of the borough and from different age groups and ethnicities, to take part). To that end, the council employed a dual approach of self-selection (opting-in to the online consultation) and targeted outreach (via a telephone survey, face-to-face interviews and a focus group with partners) to ensure a representative set of responses.
- 3.62 The consultation on Your Borough Your Future closed on 10 December 2018. A total of 2,024 responses were received; whilst most people identified with the demographic and geographic breakdown, not all responses were fully completed and no assumptions have been made where these have been left blank. Appendix A of the report provides an overarching summary as well as detailed analysis of the feedback received as part of this consultation. The fuller report includes more detail on how different parts of the community responded to each question, as well as information on the research methodology.
- 3.63 Key findings of the Your Borough Your Future consultation include:
- Overall, children's services and education, public health and community safety were the most valued services in Tower Hamlets. Furthermore, community safety is seen as the most important service the council should prioritise.
 - Nearly two-thirds felt the Council should reduce spending on temporary agency staff.

- The majority felt that efficiency, availability and quality will decline as a result of further savings.
- Over half said it was most important for the Council to make services more efficient.
 - Around half of respondents support a 3% increase in council tax. Residents were significantly more likely to support the proposal (58%) compared to businesses (23%)
 - Overall, 68% respondents support the additional 1% increase in council tax to support adult social care services. Residents were significantly more likely to support an increase (76%) compared to business respondents (44%)
- More than 8 in every 10 support the council expanding its approach to income generation.

3.64 A detailed report of the budget consultation has been included in Appendix A of this report.

Next Steps

3.65 A further report will be brought to Cabinet in January providing a detailed update of the financial planning assumptions underpinning the current MTFS.

3.66 In the January Cabinet report, Members will be presented with updated information relating to assumptions for Council Tax and Business Rates and any impact those changes have on the MTFS.

3.67 The report will also include considerations from the Council's budget consultation processes and seek to finalise draft savings and investment proposals, covering in full the medium term planning period to 2022 alongside a strategy that fully meets the identified funding gap.

3.68 The draft timetable for the budget setting process is as follows:

Activity	Date
Review of the Existing MTFS in light of the settlement. Capital Strategy & programme. Options to close the budget gap	9 th and 30 th January Cabinet
Overview and Scrutiny	14 th January 2019 and 4 th February 2019
Agree Final budget and setting of the Council Tax	By 1 st March 2019 Full Council

4. EQUALITIES IMPLICATIONS

- 4.1 Strategic budget implications in respect of the Council's available funding and budget risks will tend to apply equally across all groups with protected characteristics or otherwise. This is because with few exceptions funding resources are un-hypothecated.
- 4.2 The Adult Social Care precept must be allocated to expenditure on ASC services, the HRA and DSG are ring-fenced funding allocations with prescriptions governing their use. In addition a number of grants received by the Council can only be used in accordance with specified conditions.
- 4.3 The Council must maintain a Local Council Tax Reduction Scheme which will prescribe those individuals that can gain relief from the full cost of their Council tax bill. Government legislation also preserves some historic protections for other groups such as those not of working age.
- 4.4 Individual budget proposals will also be subject to consultation which will consider specifically the impact on groups with protected characteristics and where appropriate put in place mitigation measures.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 The Council is required to consider the value for money implications of its decisions and to secure best value in the provision of all its services. It is important that, in considering the budget, Members satisfy themselves that resources are allocated in accordance with priorities and that best value is achieved.
- 5.2 The sustainable action for a greener environment implications of individual proposals in the budget will be set out in the papers relating to those proposals.
- 5.3 Managing financial risk is of critical importance to the Council and maintaining financial health is essential for sustaining and improving service performance. Setting a balanced and realistic budget is a key element in this process. Specific budget risks will be reported to Cabinet as the budget process develops.
- 5.4 In addition the Council will maintain a range of budget provision (contingency) earmarked reserves for specific risks and general reserves for unforeseen events and risks.
- 5.5 The crime and disorder implications of individual proposals in the budget will be set out in the papers relating to those proposals.
- 5.6 The safeguarding implications of individual proposals in the budget will be set out in the papers relating to those proposals.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 This report is primarily financial in nature and reflects the advice of the Council's Chief Financial Officer. No additional comments are required.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The report proposes consideration of a revised medium term financial plan. This is a matter that informs the budget process and may be viewed as a related function. It is, in any event, consistent with sound financial management and the Council's obligation under section 151 of the Local Government Act 1972 for the Council to adopt and monitor a medium term financial plan.
- 7.2 The report provides information about risks associated with the medium term financial plan and the budget. This is, again, consistent with the Council's obligation under section 151 of the Local Government Act 1972 to make proper arrangements for the management of its financial affairs. It is also consistent with the Council's obligation under the Accounts and Audit Regulations 2015 to have a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. The maintenance and consideration of information about risk, such as is provided in the report, is part of the way in which the Council fulfils this duty.
- 7.3 The Council is a best value authority within the meaning of section 1 of the Local Government Act 1999. As such the Council is required under section 3 of the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness (the best value duty). The setting of a medium term financial plan is one of the ways in which the Council can achieve best value.
- 7.4 When considering the medium term financial plan, any savings proposals and the strategic plan, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector equality duty). A proportionate level of equality analysis is required to inform the consideration required by the public sector equality duty. To the extent that savings proposals involve service changes which impact on individuals, consultation may be required to understand the impacts on those people.
- 7.5 Any consultation carried out for the purposes of either the best value duty or the public sector equality duty will need to comply with the following requirements: (1) it should be at a time when proposals are still at a formative stage; (2) the Council must give sufficient reasons for any proposal to permit

intelligent consideration and response; (3) adequate time must be given for consideration and response; and (4) the product of consultation must be conscientiously taken into account. The duty to act fairly applies and this may require a greater deal of specificity when consulting people who are economically disadvantaged. It may require inviting and considering views about possible alternatives.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE.

Appendices

Appendix A –**Budget Consultation Document**

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- NONE.

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