

NOT FOR PUBLICATION

Appendix I to this report is considered exempt under paragraph 3 of schedule 12A of the Local Government Act 1972 in that it concerns the financial or business affairs of the Council.

Report to: **Joint Development Management Committee and Overview and Scrutiny Panel**

Date: **24 January 2019**

Title: **Budget Proposals for 2019/20 Onwards Update**

Portfolio Area: **Cllr R Tucker – Annual Budget Setting**

Wards Affected: **All**

Relevant Scrutiny Committee: **Joint Development Management Committee and Overview and Scrutiny Panel**

Urgent Decision: **N** Approval and clearance obtained: **Y**

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Recommendations:

The views of the Joint Development Management Committee and Overview and Scrutiny Panel are sought on the content of the Revenue Budget Proposals report for 2019/20.

Views are sought in particular on:-

- (i) The increase in Council Tax for 2019/20 of £5 as per paragraph 3.4 of the report;**
- (ii) The financial pressures shown in Appendix A of £1,354,700;**
- (iii) The net contributions to/from Earmarked Reserves of £782,300 as per Appendix E;**

(iv) The proposed savings of £1,060,226 for 2019/20 as shown in Appendix A.

(v) The proposed use of £500,000 of New Homes Bonus funding to balance the 2019/20 Revenue Budget as shown in Appendix E.

(vi) Further measures to close the predicted 2019/20 budget gap of £46,007.

1. Executive summary

- 1.1 The Council approved its Medium Term Financial Strategy (MTFS) for 2019/20 to 2023/24 at Council on 27th September 2018. This is based on a financial forecast over a rolling five year timeframe to 2023/24. The Council, along with other local authorities, has faced unprecedented reductions in Government funding since the Comprehensive Spending Review 2010. Between 2009/10 and 2019/20, the Council's Core Government funding has reduced by £4 million.
- 1.2 South Hams has continued to work in partnership with West Devon Borough Council which has allowed South Hams District Council to achieve annual savings of £3.9 million and more importantly protect all statutory front line services.
- 1.3 Between both Councils the annual shared services savings being achieved are over £6 million. However, the Councils continue to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending.
- 1.4 ***South Hams District Council is currently forecasting a £46,007 budget gap in 2019/20 and a further £470,089 budget gap by 2020/21.***
- 1.5 It is important to note that the MTFS set out the budget strategy for the Council for the next five years, with annual reviews and updates when items are further known or are announced by the Government. The MTFS approved at Council in September 2018 was the starting point for developing a meaningful five year strategy that has set out the strategic intention for all of the different strands of funding available to the Council. The Council is now able to rely on this to inform future decisions.

2 CHANGES TO THE 2019/20 BUDGET REPORT SINCE THE EXECUTIVE MEETING OF 13th DECEMBER 2018

Draft Local Government Finance Settlement for 2019/20

- 2.1 On 13th December 2018, the Government announced the draft Finance Settlement for 2019/20 for consultation. Appendix C sets out an analysis of the finance settlement over the four years from 2016/17. **Overall over the four year funding settlement from 2016/17 to 2019/20, it can be seen that South Hams District Council has had a 39.5% reduction in Government funding.** This compares against 38.8% for the average for Shire District Councils. The key points from the Finance Settlement are below.
- 2.2 The Council Tax Referendum limits for District Councils will remain the same (the higher of £5 or 2.99%). For Police and Crime Commissioners the potential annual increase to their council tax will be increased to £24 per annum.
- 2.3 Negative Revenue Support Grant (RSG) for 2019/20 will be eliminated by the Government. There has been no news on what will happen to negative RSG from 2020/21 onwards and therefore the modelling in this report has assumed negative RSG will remain for 2020/21 onwards in some form (e.g. as part of the business rates baseline reset). It is currently estimated to be £400,000 per annum which would be deducted off the Council's business rates funding and represents negative Government grant (it is effectively the Council's further predicted funding cuts).
- 2.4 For 2019/20 there are no changes to the New Homes Bonus baseline of 0.4% (the previous concern was that this could be increased to 0.6%). The baseline is the proportion of housing growth which is deducted as 'natural growth as such' before New Homes Bonus is paid to a Council. The Council's New Homes Bonus allocation for 2019/20 has been announced at £1,226,862. (see 4.6 for detail)
- 2.5 Rural Service Delivery Grant (RSDG) in 2019/20 will increase to £81m; an increase of £16m on the previously planned £65m allocation. This has increased South Hams' allocation from £327,451 for 19/20 to £408,055 – an increase of £80,604. This additional funding has only been confirmed for 2019/20 (so only confirmed for one year). It is not known how much RSDG the Council will receive for 2020/21 onwards and the same level of £408,055 has been assumed in the modelling.
- 2.6 Proposals for new 75% Business Rates Pilots in 2019/20 have been approved for 15 areas and these are in Berkshire, Buckinghamshire, East Sussex, Hertfordshire, Lancashire, Leicestershire, Norfolk, Northamptonshire, North and West Yorkshire, North of the Tyne, Solent, Somerset, Staffordshire and Stoke, West Sussex and Worcestershire; Unfortunately Devon wasn't successful in being a

Business Rates Pilot for 2019/20 but the majority of the Pilots announced are new Pilot areas for 2019/20. Devon is already a Pilot for 2018/19. This will mean that South Hams District Council will continue to be part of a Devonwide Business Rates Pool for 2019/20.

- 2.7 In addition to the local government finance settlement, two consultation papers have been published on the Fair Funding Review and Business Rates Retention. Officers will attend local seminars on this during January and February and circulate a consultation response to all Members and our local MPs.
- 2.8 During 2016/17 the Government offered Local Authorities the opportunity to apply for a four year agreed funding settlement, subject to the production of an efficiency plan. The Council applied and was accepted for the four year agreement. From 2018/19 onwards, the Council has received no Government funding (Revenue Support Grant, RSG) and the Council will need to be self-sufficient. Although the four year settlement offered no Revenue Support Grant, it did guarantee the Council its allocations of Rural Services Delivery Grant over the four year period. The Finance Settlement for 2019/20 only covered the last year of the four year settlement. The point is being made by the Local Government Association (LGA) that Councils need more certainty of their funding longer term post 2020.
- 2.9 There is a one-off amount of £29,000 being paid to the Council from the surplus national business rates funding held in the Government Levy Account (SHDC's share) and this money is for 2018-19.

Other updates to the Budget report since the Executive meeting of 13th December 2018

- 2.10 On 6th December 2018, Council approved the recommendation of the Frontline Services Project Board to award a contract (Lot 3) for the waste collection, recycling and cleansing services (Council Minute 41/18). This has generated a saving from a Lot 3 award of £286,000 per annum (the annum saving increases to £424,000 on commencement of the Devon aligned service). It was also approved to increase the contribution into the Vehicle Replacement Earmarked Reserve from £490,000 to £550,000 per annum (Appendix E).
- 2.11 The TaxBase for 2019/20 was approved by the Senior Leadership Team on 17th December and has been confirmed at 38,179.72 – This is an increase of 327.79 Band D Equivalent properties from the 2018/19 TaxBase. (The increase of just under 328 Band D Equivalent properties is less than the previously modelled assumption that the number of properties would increase by 450 per annum).

2.12 The table below shows the summary of changes:-

	Total (£)
Budget Gap for 2019/20 reported to the Executive meeting on 13th December 2018	391,473
<i>Additional Income/Savings</i>	
Increase in the allocation of Rural Services Delivery Grant from £327,451 for 19/20 to £408,055 – an increase of £80,604	(80,604)
Savings from the re-procurement of the waste collection, recycling and cleansing services contract (Council Minute 41/18)	(286,151)
Boat Storage Charges (as per the Fees and Charges report on this agenda)	(3,000)
Increase the Business Rates baseline for 2019/20 to £1,897,000 (previously £1,896,073)	(927)
<i>Reduction in savings or income modelled</i>	
TaxBase confirmed at 38,179.72 for 2019/20 (There are less additional properties and therefore this difference set out in 2.11 adds to the budget gap)	20,216
Legal savings (from providing services to Town and Parish Councils) previously put forward as part of the Budget Workshop are now thought to not be achievable with the current resource level	5,000
Revised Budget Gap for 2019/20 reported in this report	46,007

3 ASSUMPTIONS FOR FINANCIAL MODELLING PURPOSES

- 3.1 The National Employers made a final pay offer covering 1 April 2018 to 31 March 2020. The majority of employees (those on salaries starting at £19,430 p.a.) have received an uplift of 2% on 1/4/18 and a further 2% on 1/4/19, with those on lower salaries receiving higher increases. The cost of this was £255,000 in 2018/19 and a further £280,000 in 2019/20. This has been reflected in Appendix A. The Medium Term Financial Strategy is not an expression of Council Policy on pay awards, but a means of ensuring an appropriate provision is made as part of the overall financial planning of the Council.
- 3.2 The report assumes inflation will run at 2.5% over the five year period. The Consumer Prices Index (CPI) was 2.4% in October 2018.
- 3.3 The predicted interest rate forecast from our treasury management advisors, Link Services, is that interest rates will remain at 0.75% up to June 2019. By December 2020 the bank base rate is predicted to increase to 1.5%.
- 3.4 An increase in council tax of the higher of £5 or 2.99% for the next five years has been modelled for council tax purposes. This would equate

to a Band D council tax for South Hams of £165.42 in 2019/20 as shown in Appendix B and equates to a council tax increase of 3.12% (an increase of £5). A 1% increase in council tax generates £61,000.

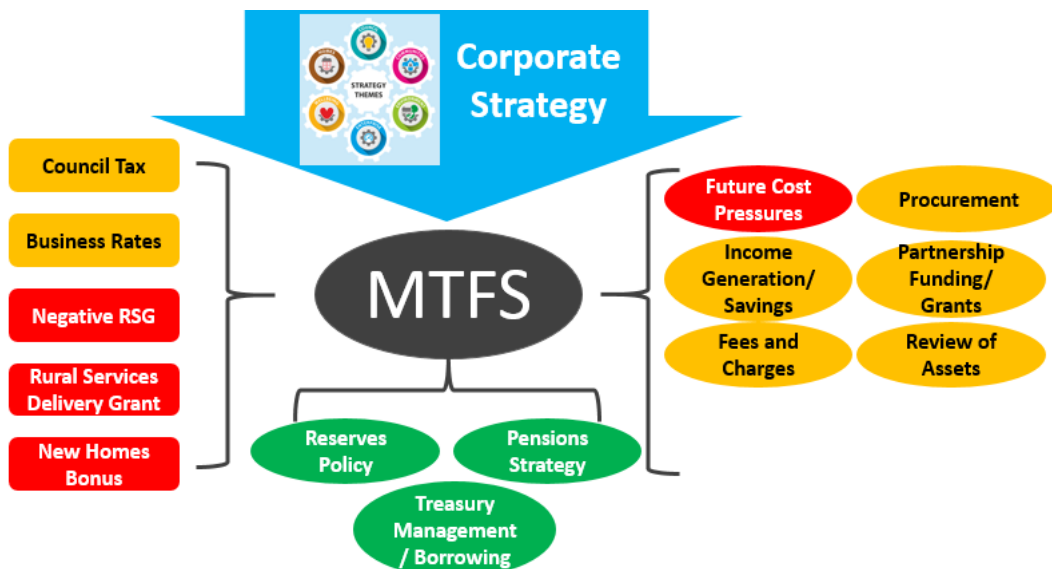
3.5 It has been assumed that the number of properties within the District will increase by 450 per annum from 2019/20 to 2023/24 – this is an increase of approximately 1.2%. (see note 2.11 for the 2019/20 increase of just under 328 Band D Equivalent properties and Members may wish to review this estimate in the future).

4. THE COMPONENTS MAKING UP A MEDIUM TERM FINANCIAL STRATEGY (MTFS)

4.1 The Diagram below in 4.1 sets out all of the component parts which constitute the make-up of a Medium Term Financial Strategy. Appendix C of the Medium Term Financial Strategy report to Council on 27th September went through each of these components in detail and made recommendations where appropriate.

Items in Green denote those elements where the Council has a large degree of control over the setting of policies and strategies. Items in Amber denote those components of the MTFS where the Council has a degree of control. Red items signal components where the Council has hardly any control over funding allocations which are decided by the Government and future cost pressures which can largely be outside of the Council’s control or influence.

Net Budget £8.9 million 2018/2019



Council Tax

4.2 Council on 27th September 2018 (Council Minute 31) has set the strategic intention to raise council tax by the maximum allowed in any given year, without triggering a council tax referendum, to enable continued delivery of services. The actual council tax for any given year will be decided by Council in the preceding February. This would

equate to a Band D council tax for South Hams of £165.42 in 2019/20 as shown in Appendix B and equates to a council tax increase of 3.12% (an increase of £5). The council tax for 2019/20 will be set at the Council meeting on 21st February 2019.

Business Rates

- 4.3 The income from Business Rates which South Hams District Council retained in 2017/18 was the funding baseline of £1,800,829. The Council was not part of the Devon Pool in 2017-18 due to the risk of business rates appeals, but South Hams is part of the Business Rates Pilot in 2018-19. Estimates have been made of the Baseline funding Level for 2019/20 onwards as set out in Appendix B. This is £1.89m for 2019/20 and £1.94m for 2020/21. Negative RSG of £400,000 per annum from 2020/21 has been assumed to be deducted from the business rates funding as set out in 2.3.

New Homes Bonus (NHB)

- 4.4 The Government has stated that 2019/20 represents the final year of NHB funding and from 2020 onwards they will explore how to incentivise housing growth most effectively and will consult on this issue. The financial modelling has included using £500,000 of New Homes Bonus funding for 2019/20 to fund the revenue base budget and this has then been reduced to £400,000 in 2020/21 and £250,000 in 2021/22 for modelling purposes.
- 4.5 For 2019/20 there are no changes to the New Homes Bonus baseline of 0.4% (the previous concern was that this could be increased to 0.6%). The baseline is the proportion of housing growth which is deducted as 'natural growth as such' before New Homes Bonus is paid to a Council. The Council's New Homes Bonus allocation for 2019/20 has been confirmed at £1,226,862.
- 4.6 The table below sets out the suggested use of New Homes Bonus funding for 2019/20:-

NHB	Amount (£)
New Homes Bonus 2019-20 allocation	1,226,862
Suggested allocation:-	
To fund the Revenue Base Budget	(500,000)
To fund the Capital Programme for 2019/20*	(690,000)
Transfer of land to Dartmouth Town Council	(17,000)
Community Grants (CAB Outreach Worker)	(10,000)
Dartmoor National Park allocation**	TBA
Amount remaining unallocated	9,862

*The Capital Programme Bids for 2019/20 are a separate report on the agenda of the Joint Development Management Committee and Overview and Scrutiny Panel

**Dartmoor National Park (DNP) – On an annual basis Dartmoor National Park request a share of the New Homes Bonus to reflect new homes delivered within the Park. The money is used to support a local community fund and, for example, joint work through the rural housing enabler. Members consider this on an annual basis as part of the Budget process.

- 4.7 District Councils such as South Hams have also suffered a large reduction in their New Homes Bonus funding (£0.5 million in 17/18) due to the number of years' payments being reduced from six years to five years in 17/18 and four years from 18/19 onwards. The New Homes Bonus funding being released is to contribute towards adult social care costs, a function carried out by Unitary and County Councils.

Pensions Strategy (Actuarial Valuation)

- 4.8 The Council has taken specialist pension advice on the options for the Council's Pension position (informing the actuarial valuation), with the aim of reducing the current deficit contributions, increasing affordability, whilst best managing the pension deficit. Options are being presented to the Council's Audit Committee on 31st January to consider.

Treasury Management and Borrowing Strategy

- 4.9 The Council has taken external treasury management advice on the Council's overall borrowing levels and debt levels. The Council set an Upper Limit on External Borrowing (for all Council services) as part of the Medium Term Financial Strategy of £75 million. In February 2019, the Council will consider its Capital Strategy and Treasury Management Strategy which will contain the new requirements issued by MHCLG in February 2018 of the new guidance. Members received training on the new requirements in November 2018.

Partnership Funding/Grants

- 4.10 The Community Task & Finish Group has proposed funding reductions of £32,300 to Partnerships (South Devon CVS – £22,600 and the South Devon AONB - £9,700 Projects funding). This was considered by the Overview and Scrutiny Panel on 6th September 2018 and the Executive on 13th September. This was also included within the Members' Budget Workshop and the Members' Budget Survey.
- 4.11 South Devon CVS – A proposal was put forward at the Budget Workshop to reduce the CVS Partnership funding from £22,600 currently to £10,000 in 2019/20 and £5,000 in 2020/21 onwards and to remain at the £5,000 level for subsequent years. The results of the Members' Survey were close between Members supporting this proposal and Members supporting the original recommendation of the Community Task and Finish Group. There was also support for a

different funding structure for the CVS, so on balance the option proposed at the Budget Workshop (to reduce the CVS Partnership funding from £22,600 currently to £10,000 in 2019/20 and £5,000 in 2020/21 onwards) has been modelled in this Budget update report.

Partnership Funding/Grants (continued)

- 4.12 South Devon AONB – Again the results of the Members’ Survey were close between Members supporting a different projects funding structure and Members supporting the original recommendation of the Community Task and Finish Group. The majority of respondents in the Budget Survey supported reducing the project funding in its entirety (£9,700). (Note - The Council will continue to provide core funding of £20,700 in 2019/20).
- 4.13 Drug and Alcohol Task and Finish Group – An additional cost pressure for this was not supported by Members in the Budget Survey and therefore this has not been included as a cost pressure.
- 4.14 **Investment in the CCLA** - The Members’ Survey showed support for investing in the CCLA Property Fund. Members have asked for further information e.g. on the Diversified Income Fund also. An options paper has been provided in Appendix F (Appendices G and H also refer).

Commercial Property and Review of Assets

- 4.15 On 14th June 2018, the Executive considered a report on Council Owned Asset Investment and Development opportunities. The Council has prepared business cases on the Commercial Development opportunities and a summary report was presented to the Executive on 13th December (Minute E.62/18).
- 4.16 The Council’s Asset Base is £75 million at 31 March 2018. The Council will continually review and challenge its asset base in order to deliver the optimum value for money from the Council’s Assets.
- 4.17 **Development Management**
There is also a report on this agenda on a performance update on Development Management (Minute 47/18 (c) refers). If there are any recommendations from resource requirements from this report (or which arise out of this Joint Budget meeting) which also need building into the 2019/20 Budget Setting process, this can be factored into the Final Budget Proposals by the Executive on 7th February 2019 to Council in February.
- 4.18 **Income Generation/Savings**
The Council’s Extended Leadership Team have been directed by the Executive to present further budget options to Members for income generation/savings/reduced expenditure, taking into consideration the Council’s corporate strategy and the latest budget position.

5 BUDGET PRESSURES, SAVINGS AND INCOME GENERATION

5.1 Financial modelling has been undertaken for the next five years to predict the Council's financial situation for the short and medium term.

5.2 **Appendix A** to the Medium Term Financial Position sets out the Budget Pressures forecast for the next five years and the additional savings and income forecast. **These figures in Appendix A show the changes to the existing base budget.**

(As set out in Appendix A)	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £
Cost Pressures	1,354,700	920,762	445,761	335,000	335,000
(Reduction)/ Increase in contribution to Earmarked Reserves	(398,916)	40,000	150,000	100,000	100,000
Savings and additional income	(1,060,226)	(532,085)	(353,412)	(139,196)	(12,100)

6. OVERALL POSITION – BUDGET GAP

6.1 Appendices A and B illustrates the overall financial forecast for the forthcoming five years. The Council's Net Budget is £8.9 million in 2018/19. A Summary forecast is shown below of the potential budget situation if all of the budget pressures and the savings and income generation in Appendix A were approved. It also shows the situation if Council Tax is increased by the higher of 2.99% or £5 (Appendix B).

6.2 The following table illustrates the predicted budget gap from 2019/20 onwards for the Council as shown in Appendices A and B:

Cumulative Budget Gap	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £	Total Aggregated Budget Gap £
Modelling in Appendix B	46,007	516,097	428,841	386,529	462,201	1,839,675

6.3 In the modelling in Appendix B, the total budget gap is £46,007 in 2019/20 and this is predicted to rise to £516,097 in 2020/21 (the £516,097 assumes the budget gap in 19/20 of £46,007 has not been closed). The aggregated Budget Gap is £1.8 million over the five years.

7 FINANCIAL SUSTAINABILITY AND TIMESCALES

7.1 The Council is progressing various options for closing the budget gap in 2019/20 and future years, to achieve long term financial sustainability. The table below sets out a timescale for those options and the various strands that the Council is exploring.

Option	Possible Budget Impact	Timescale
<p>Pensions Strategy The Council is obtaining specialist pensions advice on its Pensions position and progress on this will be reported to the Audit Committee. The Council will look at options to reduce its revenue contribution for pensions, to aid affordability.</p>	Up to £200,000	Report to the Audit Committee in January 2019.
<p>Waste Procurement The savings from the waste procurement are now included within the modelling within this budget report.</p>	Already included	Already included
<p>Council Tax Reduction Scheme The grant to Town and Parish Councils has been reduced by 9.85% over the four year period of the finance settlement. Members have an option over whether to withdraw funding in 2020/21.</p>	£74,000 for 2020/21 Onwards	To be considered as part of the 2020/21 Budget process Early consideration by Summer 2019
<p>Investment in the CCLA The Members' Survey showed support for investing in the CCLA Property Fund. Members have asked for further information e.g. on the Diversified Income Fund also. An options paper has been provided in Appendix F.</p>	Saving of £60,000 included within the modelling	Further information has been provided in Appendix F (Appendices G and H also refer)
<p>Asset Review/ Corporate Property Strategy There was a separate report on the Executive agenda in December 2018 for</p>	Initial income projections have been	Regular updates will be provided to Members.

Option	Possible Budget Impact	Timescale
'Commercial Development Opportunities'.	included within this budget report.	
Funding Options		
<p>Negative Revenue Support Grant</p> <p>The draft Finance Settlement published in December 2018 confirmed the Government's intention that negative RSG will be withdrawn in 2019/20.</p> <p>This budget report has already factored in that there will be no negative RSG for 2019/20. It is assumed that negative RSG of £400,000 per annum will continue to happen for 2020/21 onwards.</p> <p>See Section 2.3 for more explanation</p>	<p>Negative RSG of £400,000 for 2020/21 onwards has been built into this budget report.</p>	<p>The draft Finance Settlement for 2019/20 has only confirmed that negative RSG will be withdrawn for 2019/20 only.</p> <p>The position for 2020/21 onwards is not known and it is assumed that negative RSG of £400,000 per annum will be in place.</p>
<p>New Homes Bonus allocations for 2019/20</p> <p>The Government has stated that 2019/20 represents the final year of NHB funding and from 2020 onwards they will explore how to incentivise housing growth most effectively and will consult on this issue. The financial modelling has included using £500,000 of New Homes Bonus funding for 2019/20 to fund the revenue base budget and this has then been reduced to £400,000 by 2020/21 and £250,000 by 2021/22 for modelling purposes.</p> <p>It is not known what NHB allocations (or a similar scheme) will be in future years when the NHB scheme is replaced. This remains a risk for the Council.</p>	<p>To be Assessed</p>	<p>Awaiting further announcements from the Government</p>
<p>Contributions to Earmarked Reserves</p> <p>The Council could vary the amount of</p>	<p>To be</p>	<p>To be decided as</p>

Option	Possible Budget Impact	Timescale
<p>contribution into some of the Earmarked Reserves. This will be considered in more detail as part of the budget process.</p> <p>Contributions to Earmarked Reserves are shown in Appendix E.</p>	Assessed	part of the Budget Process
<p>Use of Reserves as a temporary measure</p> <p>The Council has £1.85 million in Unearmarked Reserves. The Council could temporarily utilise Reserves to balance an element of the 2019/20 budget, whilst longer term solutions are being implemented. This would be a very short term solution though.</p>	To be Assessed	To be decided as part of the Budget Process

7.2 The diagram below shows the Government timetable of key dates. The key dates will be in May 2019 when more details will be known about the Funding Reform and Spending Review 2019. In November 2019, the baseline funding for business rates and the impact of transitional arrangements will be known.



8. CAPITAL PROGRAMME 2019/20 AND PRUDENTIAL BORROWING

8.1 The Capital Programme is set by the Council annually and may be funded by sale proceeds from the disposal of assets (capital receipts), external grants and contributions, directly from revenue or from borrowing. Capital Bids have been requested from Project Managers and a proposed Capital Programme for 2019/20 is a separate report on this agenda.

8.2 **Commercial Property Acquisition Strategy** – The Council has agreed a commercial property acquisition strategy of up to £60 million (capped at £30 million before 30 April 2019). No purchases have yet been made but there was a report on the December Executive agenda regarding proposed projects. Purchases made within the strategy will be capital expenditure. The funding for the initial years of the development projects was part of the report to the Executive in December 2018.

8.3 **Prudential Borrowing** - The Council will consider the use of prudential borrowing to support capital investment to deliver services and will ensure that the full costs of borrowing are taken into account when investment decisions are made.

8.4 An overall Borrowing Limit (£75 million) has been approved as part of the Medium Term Financial Strategy, with £60 million being for the Commercial Property Strategy and £15 million for other borrowing requirements.

8.5 There is a separate report on this agenda for the Capital Programme Proposals for 2019/20 which requests the views of the Joint Development Management Committee and Overview and Scrutiny Panel on:

- i) The content of the Capital Programme Proposals for 2019/20, which total £1,290,000 (Appendix A of the Capital report)
- ii) The content of the Capital Programme Proposals for 2019/20, which total £14,001,000 (Exempt Appendix B of the Capital report)
- iii) The proposed financing of the 2019/20 Capital Programme of £15,291,000 from the funding sources set out in Section 4 of the Capital Programme report.

9. Sensitivity Analysis and Risk Analysis

9.1 The Council carries out sensitivity analysis and risk analysis of its Budget Proposals and this was shown in Appendix F to the Medium Term Financial Strategy.

10. Earmarked and Unearmarked Reserves

10.1 The current levels of Reserves are £1.85 million Unearmarked Reserves and Earmarked Reserves are predicted to be around £10 million at the end of 2018/19. The Council's Net Budget is £8.98 million

for 2018/19. Therefore Unearmarked Reserves equate to 20.6% of the Council's Net Budget. A full list of Reserves is shown in Appendix D.

- 10.2 Appendix E shows the proposed contributions to Reserves for 2019/20. On 6th December 2018 (Council Minute 41/18), Council approved a contribution of £60,000 per annum into a Vehicle Replacement Earmarked Reserve for the waste collection, recycling and cleansing services contract.
- 10.3 **Budget Monitoring** - The latest Quarter 2 Budget Monitoring report shows the actual net revenue expenditure is forecast to be over budget by £66,000 when compared against the total budget set for 2018/19 (0.7% of the total Budget £8.983 million). A Quarter 3 (end of December 18) Budget Monitoring report will be presented to the Executive on 7th February 2019.

11 NEXT STEPS

- 11.1 This Medium Term Financial Strategy is the starting point for developing a meaningful five year strategy that sets out the strategic intention for all of the different strands of funding available to the Council. This was approved at Council in September 2018. The Council is now able to rely on this to inform future decisions.
- 11.2 Section 7 sets out the potential timescales against each of the areas identified.
- 11.3 This budget update report is being presented to the Joint Development Management Committee and Overview and Scrutiny Panel for their views. The future budget meetings are shown below:-

7 th February 2019	Executive – To recommend Final Budget Proposals to Council for 2019/20
21 st February 19	Full Council – To approve Final Budget Proposals for 2019/20 and set the SHDC share of the Council Tax
22 nd February 19	Council Tax Setting Panel – to agree the Council Tax Resolution for 2019/20 (This is SHDC share plus all other precepting Authorities' share).

12. IMPLICATIONS

Implications	Relevant to proposals Y/N	Details and proposed measures to address

Legal/Governance	Y	<p>The preparation of the Budget annually is evidence that the Council has considered and taken into account all relevant information and proper advice when determining its financial arrangements in accordance with statutory requirements, and in particular, that it will set a lawful budget.</p> <p>Appendix I to this report are considered exempt under paragraph 3 of schedule 12A of the Local Government Act 1972 in that it concerns the financial or business affairs of the Council. The public interest has been assessed and it is considered that, the public interest is better served by non-disclosure to the press and public.</p>
Financial	Y	<p>In the modelling in Appendix B, the total budget gap is £46,007 in 2019/20 and this is predicted to rise to £516,097 in 2020/21 (the £516,097 assumes the budget gap in 19/20 of £46,007 has not been closed). The aggregated Budget Gap is £1.8 million over the five years.</p>
Risk	Y	<p>Each of the budget options taken forward by Members will consider the risks of the option.</p>
Comprehensive Impact Assessment Implications		
Equality and Diversity		<p>Comprehensive Impact Assessments are completed for the budget proposals.</p>
Safeguarding		<p>None directly arising from this report.</p>
Community Safety, Crime and Disorder		<p>None directly arising from this report.</p>
Health, Safety and Wellbeing		<p>None directly arising from this report.</p>
Other implications		<p>None directly arising from this report.</p>

Supporting Information

Appendices:

- Appendix A – Budget pressures and savings
- Appendix B – Modelling of the Budget (MTFS) Position
- Appendix C – Analysis of the Finance Settlement
- Appendix D - Schedule of Reserves (Unearmarked and Earmarked)
- Appendix E – Contributions to Reserves
- Appendix F – CCLA Investment
- Appendix G – Local Authority Property Fund factsheet
- Appendix H – Diversified Income Fund factsheet
- Exempt Appendix I – Members’ Budget Survey Results