East Lothian Council

REPORT TO:	East Lothian Council
MEETING DATE:	30 October 2018
BY:	Depute Chief Executive (Resources and People Services)
SUBJECT:	Financial Prospects – 2019/20 and Beyond

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1 PURPOSE

1.1 To provide the Council with an update on the financial outlook for 2019/20 to 2023/24, building upon the previous 5-year financial prospects report covering the financial planning period (2018 to 2023) and updating the financial forecasts of the Council's anticipated cost pressures and changes to funding over the medium term. This report also sets out the budget development framework for 2019 to 2022.

2 RECOMMENDATIONS

2.1 Members are recommended to:

- Note the content of the report including the updated financial prospects covering the financial period 2019/20 to 2023/24;
- Agree that advance work on budget development for 2019/20 onwards commences in accordance with the potential scenarios outlined within this report; and
- Approve the budget development process set out in paragraph 3.35 of this report.

3 BACKGROUND

3.1 The financial prospects covering the financial planning period from 2018/19 to 2022/23 was considered and approved by Council in October 2018. This set out some of the wider forecasts and assumptions which the Council may face within the 5 year period.

3.2 This report updates these forecasts and extends the financial planning period for a further year to cover the 5 financial years from 2019/20 to 2023/24, and sets the context which guides the financial planning framework for the Council over the next 5 years as set out within the Financial Strategy.

3.3 The most recent Annual Audit Report for 2017/18 provides a summary of their key findings in relation to financial management and sustainability for the Council and amongst other messages, states the following:

- Financial Management is effective with a budget process focussed on the Council's priorities.
- The Council and its group financial position is sustainable in the foreseeable future although rising demand, increasing costs of services and reductions to central funding will continue to place a strain on the Council's capacity to deliver services at the current levels.
- There is a five-year financial strategy that is aligned to the Council's priorities and demonstrates how it will address future budget challenges. The Council has made savings over the past few years however the scale of the savings required to address future funding gaps will mean that more will need to be identified.

3.4 The continuing economic uncertainty around future public sector funding, against a backdrop of increasing demand, means that that it remains inevitable that the Council will need to find more ways of ensuring that it can continue to deliver sustainable services to the public within available limited resources. The Financial Strategy for the Council and associated budget decisions is essential to drive forward the future financial planning to ensure key services can be aligned to the Council plan and priorities.

2018-19 Budget

3.5 At its meeting on 13 February 2018 the Council approved a budget for 2018-19 for both General Services and Housing Revenue Account (HRA) revenue and capital, and outline budgets for subsequent financial years. The General Fund revenue budget was approved across a 3 year financial planning period (2018/19 to 2020/21) with the HRA (revenue and capital) and General Fund capital programme covering a 5 year period until 2022/23.

3.6 The approved revenue budget included a number of key assumptions as to income and expenditure commitments in future years, as well as the delivery of a range of efficiencies amounting to £12.5m across the 3 year period. The ability for the Council to deliver its commitments and associated outcomes within available resources is predicated on ensuring that these assumptions remain accurate and should any of these assumptions change then appropriate remedial action is put in place. A summary of key variables that were reflected within the approved budget over the next 3 years is set out below;

- **Revenue Support Grant**

    - Assumed ‘flat cash’ across the 3 year horizon with the exception of one further adjustment relating to the impact of a reduction in historic Loan Charge Support in 2019/20. This includes the assumption that the additional £160 million funding which was reflected within the overall 2018/19 Local Government Settlement to secure the Parliamentary Budget process is baselined, something the Scottish Government have not yet committed to. At the moment, we currently have a one year confirmed LG Finance Settlement for 2018/19, with the assumed level of Scottish Government general Revenue Support Grant (RSG) £169.053 million.

    - The general RSG funding provided from the Scottish Government currently makes up over 71% of the Council’s overall funding. The current Council plans and financial strategy places a greater emphasis for the Council to become more commercial and entrepreneurial, including the need to generate increased levels of income. Whilst this continues to be reflected within current budget plans, given the significance of the grant funding, any variance to the current assumptions can have a significant financial implication to overall resources and forward plans.

- **Other Scottish Government Funding**

    - The Council also receives Scottish Government funding for a growing number of specific and new policy objectives including: Social Care Fund, Pupil Equity Fund, Criminal Justice Funding as well as additional funding provided to support the delivery of Early Learning and Childcare – 1140 hours expansion.

    - The current budget assumes that the current levels of specific grant funding will continue across the 3 year budget.

- **Council Tax Income / Yield**

    - The Council Tax income within the 3 year approved budget includes: anticipated levels of increased yield from additional properties anticipated to be built in the next 3 years, and an assumed annual Council Tax increase of 3%. The Council annually approves the level of Council Tax which is charged as part of the annual budget process.

    - Council Tax currently equates to around 24% of the overall funding provided to the Council, and will rise to 26% by Year 3 based on current budget plans. Current projected increases in Council Tax yield is driven by realistic forecasts around planned and completed housebuilding within the Council area and overall collection rates, much of which can be variable and dependent upon economic conditions.

- Given the LDP requirements and projected associated growth across the Council area, it is likely that this trend will continue in future years. However the cost of supporting wider services to support the associated growth in population and continue to deliver services at current levels is more than any associated increase received from Council Tax yield.

- **Use of Reserves**

  - The current 3 year budget plans to make use of general reserves of up to £2.140 million in 2018/19 with no further general reserves applied in the subsequent 2 financial years (2019/20 and 2020/21) – this is in line with one of the key requirements of the Financial Strategy to deliver a sustainable budget. During the budget period there is however a planned draw down from a number of the specific earmarked reserves such as DSM balances and approved commitments on the Cost Reduction Fund.

  - The 2017/18 audited accounts show a total General Fund Reserves balance (including the Council's Insurance Fund) balance of just over £19.0 million. Most of these reserves have already been earmarked to support a wide range of future commitments, and as a consequence, there is minimal flexibility to manage financial pressures through reliance on reserves. The current approved Financial Strategy includes the requirement to maintain a minimum level of uncommitted reserves which equate to 2% of the Council's annual running costs. In the event that the Reserves are projected to fall below this level then Members must have a clear route for bringing Reserves back up to the level over the subsequent three financial years. The level of uncommitted reserves are now sitting at around the 2% and this relatively low level of balances must be taken into consideration for a future budget framework. Effectively there are no spare council reserves.

  - The importance of a clear financial strategy to steer an appropriate course of actions that delivers a recurring and stable cost base has never been higher.

- **Pay / Pensions**

  - The approved 3 year budget has included the following in relation to pay:

    - For 2018/19 an assumed a pay award for all staff groups in line with the Scottish Government public sector pay policy which reflects an increase of 3% up to £36,500, a 2% for those earning above £36,500 and below £80,000 and a flat increase of £1,600 for those earning above £80,000.

        - For 2019/20 and 2020/21 a budgeted increase of 2% for all staff groups

    - At the time of writing this report, this is still no formal pay award agreed for any of the Local Government staff groups for 2018/19. Should this be agreed at a level over the current budget levels, this would place an immediate and recurring pressure. By way of illustration, an additional 1% equates to around £1.4 million across the East Lothian Council workforce. National pay negotiations remain on-going with the latest pay offer for all staff groups already in excess of the budgeted levels at 3% for all pay groups.

    - Any increase in pay will also generate additional employee oncosts in terms of both employer's pension & NI contributions. In addition, we currently have in place a stability mechanism agreement with Lothian Pension Fund which provides a degree of certainty around current employer's pension contribution rates. As part of this stability mechanism, a further increase in employer's pension contributions of 0.5% increase has been budgeted for 2019/20, and a further 0.5% for 2020/21.

    - As forecast in last year's Financial Prospects report, there is a likelihood that there will be an increase to employers contributions rates related to the Teachers' Pension Scheme from the current contribution rate of 17.2% to 22.4%, resulting from the outcome of recent actuarial valuations. This amounts to a percentage increase of just over 30% with an estimated annual value of around £2M. It is likely that any new rates would be effective from April 2019 but no increase to teachers' pension contribution rates are currently reflected within the existing budget.

- **Non-pay Inflation**

    - Following an extended period of unprecedented low inflation, with some contractual exceptions, no inflationary adjustment has been made to individual service budgets. The inflationary uplift to the 2018/19 National Care Home rate has been reflected within the current budget, but no further uplift has been assumed going forward and any change to this projection is likely to place further recurring pressure on the current budget.

    - UK inflation rate as at August 2018 is currently at a 6 month high of 2.7% (up from 2.5% in July), with the next published statistics available mid October. An inflationary target of 2% remains in line with current Government policy, with the continued drive to reduce this further and driven by the wider Monetary Policy to maintain a low and sustainable inflation rate. We are however starting to see an inflationary impact through increased costs across a number of budget areas which will continue to place wider pressure on Council budgets, and a continued high level of inflation can impact both directly and indirectly on the overall cost of services which the Council provides.

- Furthermore, the prolonged period of austerity measures continues to place significant and increasing demand on certain Council services as more individuals are relying on the support from Council based services.

- **Capital commitments including future LDP / City Deal**
  - The Council already has a much increased General Services Capital Programme which has been developed to support the infrastructure requirements across the county as required by the draft LDP.
  - Following receipt of ministerial approval, the LDP has now been formally adopted. Separately, a formal agreement has recently been signed in relation to the South East of Scotland City Deal. The related investments will create significant economic long term benefits for the East Lothian economy, but will place a significant financial burden upon council finances. Some of these commitments have been built into current budgets, but the formal adoption of the LDP and progress towards delivering infrastructure projects identified within the City Deal will require current budget plans to be refreshed and updated.
  - The most immediate impact of this requires significant investment in the school estate to align planning for LDP commitments, and Scottish Government policies to deliver enhanced nursery provision. A significant proportion of the current approved capital plans relates to increased investment in our wider school infrastructure, and this will continue throughout the longer term capital plans. This additional investment is significant and is funded through a combination of the proposed new Developers Contributions Framework, Government grants and wider council borrowing. The related on-going servicing and running costs will need to be met by the Council.

- **Demand Growth**
  - There are relatively few areas where demand growth has been built into service budgets although the current budget includes an anticipated increased in pupil school roll over the next 3 years in line with significant planning projections.
  - The Council's population profile is rapidly expanding with the wider growth associated with development across the area. This will impact on the wider demography within the area, with significant growth in particular in the number of school-age children and the number of pensioners. This will create both opportunities for the Council but also will provide significant

financial challenges in terms of the provision of services to meet these growing demographic changes such as; the number of school children, care packages, waste collection etc. and ensure that the Council has the appropriate infrastructure to support these growing demands.

- The impact of the wider growth associated with the development across the County will continue to have a significant impact in future years.

- **Transformational Change / Efficiency Programme**

  - A key requirement to of the current budget is the delivery of the planned programme of efficiencies, with £12.5m of recurring efficiencies already identified within the current 3 year budget.

  - The current 3-year budget assumes the delivery of the following efficiencies.

    - £9.0 million service efficiencies;

    - £1.7 million enhanced programme of transformational change / commercialisation;

    - £1.75 million staffing / review of senior management.

  - Whilst substantial progress has been made, the delivery of an additional £12.5 million of new savings over the next few years does not come without significant challenges. Any delays regarding the implementation of these recurring savings will create further problems in future years, with some pressures emerging through some of the planned budget savings identified within 2018/19 budget.

- **2018/19 Budgetary Pressures**

  - The 2018/19 Quarter 1 Financial report which was presented to Council at end of August 2018, continued to highlight a number of significant service pressures, with particular focus on those service areas within the Health & Social Care Partnership (covering both Children’s, and Adults & Older People). These services are classified as High Risk and are now operating within a formal Cost Recovery Plan. The report highlighted that forecast projections indicated that the Council was at risk of overspending during the year, and current forecasts suggest that this remains likely. The current approved 3 year budget is set on the assumption that the Council will deliver a break even position in the current year. Any change to this position will have a recurring impact on future budget plans.

General Services Budget – Prospects/Potential Implications

3.7 Whilst many of these assumptions still remain appropriate, the potential consequence of any movement in any of these key variables poses a very significant risk to balancing our future budgets and therefore to maintaining service provision at existing levels.

Economic / Fiscal Outlook

3.8 The overall economic position across the UK continues to remain uncertain. Discussions are still on-going to agree the final terms of the departure for the UK leaving the European Union at end of March 2019. With this creates significant uncertainty around the wider impact on the UK and indeed Scottish economy.

3.9 The Scotland Act (2016) adds another layer of complexity and uncertainty to future public sector funding projections, where a number of taxes including Income Tax have been devolved to Scotland. The devolution of these taxes will impact on the Barnett Formula and Block Grant which Scotland receives from the UK Government, and it is anticipated that by 2019/20, 50% of Scottish Government expenditure will be funded from tax revenues raised in Scotland. As a consequence, the future sustainability of public sector funding and Scottish Government expenditure will be increasingly dependent upon the actual performance of the Scottish economy.

3.10 In May 2018, Scotland's Fiscal Outlook: the Scottish Government's Five Year Financial Strategy was published which set out the Fiscal Framework and funding arrangements that the Scottish Government now operates within. The report outlines the Scottish Government's approach to financial management and fiscal rules and sets out a range of possible funding scenarios for the Scottish Budget over the next five years based on modelling using the Scottish Fiscal Commission's economic and fiscal forecasts as the central scenario. The Strategy also details the Scottish Government's key policy priorities and approach to supporting Scotland's economy.

3.11 The Five Year Strategy identifies six key commitments 'that support the Government's social contract and require significant investment'. These are:

- Health: to increase NHS resource spending by £2bn over the parliament.
- Police: to protect the resource budget of the Scottish Police Authority in real terms over the parliament.
- Early learning and childcare: to increase resource funding to local authorities to £567m annually by the end of the parliament to support 1,140 hours per year of childcare.
- Attainment: to allocate £750m to the Attainment Scotland Fund over the parliamentary term.

- Higher Education: to continue to allocate £1bn each year to the sector.
- Social Security: to deliver a more generous Carer's Allowance Supplement from 2018 and a new Best Start Grant (replacing Sure Start Maternity Grant) from 2019.

3.12 At face value the resource budget going forward is over £3bn higher, at £30.5bn, than it was in 2016/17. However, when the resources being transferred to pay for the new social security benefits are removed to consider the Scottish budget on a like-for-like basis, the resource budget – based on the Scottish Government's latest scenarios – is expected to be around half a percent lower in real terms by the end of this parliament compared to the end of the preceding parliament.

3.13 The balance of Council expenditure continues to shift with Councils being given enhanced responsibilities in areas such as early year's education and childcare services and the new Children and Young Peoples Act. Local government's core settlement, on a like-for-like basis, has declined by more than headline reductions suggest.

3.14 There has been some evidence of a change in the distribution of spending across broad service areas – with spending on education and social care being protected in real terms at the expense of other service areas (source: Audit Scotland: Local Government in Scotland – Challenges and Performance 2018) – reflecting demographic pressures and also policy preferences.

3.15 If the government's overall resource budget is falling in real terms there may be a greater than proportionate impact on 'other' areas of spend (those that are not mentioned as a specific priority), including the wider Local Government budget.

3.16 The UK budget day has recently been confirmed for 29 October 2018, however it remains unclear whether any agreed terms relating to EU withdrawal will have been agreed by this date, and what this will mean for any future spending projections. Following on from the announcement, the Scottish Government will now publish its draft budget on 12 December 2018 to allow a full 10 week period for the Parliamentary Subject Committees to complete their pre-Budget scrutiny. In recent years the Scottish Government has set a one year Budget, and indications suggest that this is likely to be the same for 2019/20.

3.17 Given the challenging economic situation, there remains significant uncertainty within the UK and also Scottish economy. Given this, my assessment suggests that it remains highly likely that the Council will receive further reductions in grant funding over the next few years, and there will be a requirement to deliver significant, additional budget reductions going forward to ensure that services can be delivered within available resources. It is therefore essential that the Council's Financial Strategy provides a practical framework within which policy choices can be identified, debated and approved. This will require some difficult choices to be made around how resources are prioritised to best deliver local services.

Medium Term Outlook – East Lothian Council

3.18 Despite the many uncertainties facing Scottish local authorities, in particular those arising from reduction in Government funding, the need for medium to longer term financial planning is becoming increasingly important. Councils must ensure that they have robust financial plans in place to mitigate any potential impact arising from a wide range of variables highlighted earlier in this report. This need for medium to longer term financial planning is promoted by Audit Scotland both nationally and locally to help ensure longer term financial sustainability in the delivery of public services.

3.19 Scenario based financial modelling was presented to Council in October 2017 which set out projections a 5-year planning horizon. These assumptions were based on the approved 3 year budget, and have now been updated to reflect latest assumptions and extended to cover a new financial year 2023/24. The scenario based modelling has continued to focus on a range of scenarios using a relatively limited set of key variables (RSG, Pay and Non-pay Inflation) which can have the greatest impact on the on the spending projections for the Council. In addition we have introduced two further variables relating to current budget pressures, as well as potential growth in Council Tax yield. These variables have been set out to cover scenarios based on three separate options.

3.20 The scenario based modelling is in reality different from the approved budget model which includes a wide range of different variables all of which may ultimately impact on any future funding gap. The modelling across these scenarios are set out in more detail within **Appendix 1** of this report.

3.21 These scenarios have currently been modelled on top of the existing approved 3-year approved budget, and therefore any assessed funding requirement is over and above existing planned efficiencies as illustrated in the summary table set out in paragraph 3.34.

Employee Pay & Employers Pension Contributions

3.22 There remain a wide range of scenarios that could emerge in relation to employee pay and associated pension costs. Public sector pay in recent years have been restrained to around 1% which was broadly in line with public sector pay policy at that time. The change to Scottish Government public sector pay policy for 2018/19 is outlined in paragraph 3.6 and effectively removes the previous cap and pay restraint in recent years. This, alongside already agreed pay awards for this financial year across most other areas of public sector at or above this level, places further pressure on wider pay negotiations, and indeed future budget projections.

3.23 Pay projections of 2% have already been reflected within the budget for 2019/20 and 2021/21. Multi-year settlements have been agreed for a number of public sector staff including Police and NHS, at a higher level and therefore this is taken into consideration within the financial model. Furthermore, any impact on pay results in a further increase in employers National Insurance and Pension contribution rates and therefore these costs must be taken into consideration.

3.24 Alongside this, we are already aware that the employers cost of the LGPS is projected to further increase by 0.5% in 2019/20 and a further 0.5% increase in 2020/21. Given the Council is currently operating within a stability mechanism framework until the next triennial valuation which will be carried out as at March 2020 – these assumptions are unlikely to change until then, however beyond that period there is a further risk of future increases.

3.25 The Teachers' Pension Scheme is administered by the Scottish Public Pensions Agency (SPPA) with the employer's contribution rate set by the UK Treasury. As highlighted earlier in Section 3.6, indications suggest that proposed changes to discount rate and recent triennial valuation will require an increase in employers Teachers Pension contribution rates from April 2019.

3.26 In summary the following scenarios for pay and pensions are outlined below:

- Pay
    - Scenario 1 – anticipated 3% in 2018/19, and a 2% increase from 2019/20 to 2023/24
    - Scenario 2 – anticipated 3% in 2018/19 and 2019/20, and a 2% increase from 2020/21 to 2023/24
    - Scenario 3 – anticipated 3% in 2018/19 to 2020/21 and a 2% increase from 2021/22 to 2023/24
- Pensions
    - Scenario 1 – no further increase above budgeted levels until 2023/24, and an increase in Teachers pension contribution rates of 5.2% in 2019/20 which is fully funded and no further increases.
    - Scenario 2 – a further increase of 0.5% in LGPS in 2021/21 and no further increases until 2023/24, and an increase in Teachers pension contribution rates of 2.6% in 2019/20 (half of proposed rate) and no further increases until 2023/24.
    - Scenario 3 – a further increase of 0.5% in LGPS per annum from 2021/22 to 2023/24, an increase in Teachers pension contribution rates of 5.2% in 2019/20 and no further increases until 2023/24.

Revenue Support Grant (RSG)

3.27 Much of the context for central government grant funding is dependent on the UK and Scottish economic projections, however given the significance of the funding provided by Scottish Government to budget levels the implications of any changes can be substantive.

3.28 Whilst there may be some early signs that the current period of prolonged austerity may be nearing an end, there continues to remain significant uncertainty within the UK and also Scottish economy, largely driven by the UK's withdrawal from the EU. This uncertainty alongside the likelihood of a further one year financial settlement makes it very difficult to predict future grant levels. Given this, the scenario models are based on the following assumptions:

- Scenario 1 – RSG remains in line with current 3-year approved budget, and remains static in cash terms from 2019/20 onwards
- Scenario 2 – a reduction of 1% in 2019/20 and 2020/21 and remains static in cash terms from 2021/22 onwards
- Scenario 3 – a reduction of 3% in 2019/20 and 2020/21 and remains static in cash terms from 2021/22 onwards.

Non-Pay / Inflation

3.29 Whilst overall the current budgets do not reflect a general inflationary increase, the impact of continued high levels of inflation can have a significant impact on the cost of delivering and procuring Council services. The impact of any inflationary impact on service delivery must therefore be considered with a range of scenarios and assumptions set out below:

- Scenario 1 – Inflationary uplift of 2% in 2019/20, with a reduction of 0.1% per annum until 2023/2
- Scenario 2 – Inflationary uplift of 2.3% in 2019/20, with a reduction of 0.1% per annum until 2023/24
- Scenario 3 – Inflationary uplift of 2.7% in 2019/20 in line with current levels with a 0.1% reduction per annum until 2023/24.

Current Pressures

3.30 Paragraph 3.6 sets out the current service level pressures facing the Council during 2018/19. All efforts are being made by management to contain and minimise these cost pressures, but current forecasts suggest that it remains highly unlikely that these pressures will be contained within current budget levels, and a risk that the Council will overspend this financial year. Much of these pressures are demand driven and relate to care being received by children, adults and older people, and given this, it remains likely that these pressures will recur beyond the current year. The impact of current budgetary pressures are therefore reflected within the scenarios and assumptions set out below:

- Scenario 1 – no recurring budgetary pressure and services will continue to deliver within approved budget levels
- Scenario 2 – recurring budgetary pressure of up to £1m from 2018/19 and no further budgetary pressure
- Scenario 3 – recurring budgetary pressure of up to £3m from 2018/19 and no further budgetary pressure.

<u>Council Tax Growth</u>

3.31 Current budget plans to 2020/21 assume an estimated increase in current yield and levels of up to 3% per annum. Current forecasts for growth suggest a continued increase in council tax yield in future years, albeit that there remain risks associated with the timing and delivery of any associated future developments.

3.32 Further Council Tax increases of up to 3% per annum have been reflected within current budget plans, in line with the Scottish Government limit to increase Council Tax levels by no more than 3% per annum with the annual Council Tax rate established annually as part of updated budget plans. The impact of current budgetary pressures are therefore reflected within the scenarios and assumptions set out below:

- Scenario 1 – an annual increase of 3% per annum in Council Tax levels from 2021/22 and a further increase of 800 additional new homes per annum from 2021/22 to 2023/24.
- Scenario 2 – an annual increase of 2% per annum in Council Tax levels from 2021/22 and a further 600 additional new homes per annum from 2021/22 to 2023/24
- Scenario 3 – an annual increase of 1% per annum in Council Tax levels from 2021/22 and a further 400 additional new homes per annum from 2021/22 to 2023/24

3.33 The estimated total level of savings which will be required to be delivered over the next 5 years are summarised in the following table and set out in more detail in **Appendix 1** of this report.

Scenario	18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000	23/34	TOTAL
Existing Planned Efficiencies	5,017	5,612	1,894	-	-	-	**12,543**
1	320	1,266	1,203	1,228	1,165	1,102	**6,283**
2	1,320	5,539	3,392	2,589	2,215	2,152	**17,207**
3	3,320	10,100	8,475	3,703	3,640	3,576	**32,814**

3.34 All of the scenarios indicate a clear requirement that the Council will require to make large cost savings unless there is a significant improvement in the level of funding provided to Local Government through the next financial settlement and beyond. While the level of savings identified will undoubtedly change as work progresses on developing the Revenue Budget, this provides an indication of the scale of financial challenge potentially facing the Council over the next five years. Reductions on this scale would have a potentially significant adverse impact upon service delivery and it is imperative that early consideration is given to how best this might be minimised. What remains clear however is that if these reductions materialise, the Council will be required to make some difficult choices in order to balance the budget.

Budget Development Process

3.35 Officers have been reviewing the current budget development process and are recommending that the following arrangements should apply to the 2019-2022 budget. This will set the framework for the budget discussions and set out the financial platform for the development of an updated set of financial plans.

- A 3-year General Services revenue budget is prepared covering 2019/20 to 2021/22, based on a roll forward of existing budget plans.
- A longer term General Services capital budget is prepared covering the 5 year period 2019/20 to 2023/24.
- The base budget will be developed and issued to all political groups by the beginning of December. This will be updated for settlement details following the Local Government Finance settlement on 12 December.
- A budget briefing on the development of the baseline budget and key assumptions for members will be held early December.

- The Council's Financial Strategy setting out a clear direction on how the Council will manage its financial resources in the medium to long will now be considered by Council in December. This will be considered alongside a new Capital Strategy

- DRAFT budget proposals (covering both General Services and HRA) are developed by the Administration and considered by Cabinet in January 2019 covering both revenue and capital budgets.

- Other Political Groups will have the option to develop any amendments to the Administration budget, with formal proposals to be considered by Council on 12 February, where the Council budget for both General Services, HRA and Council Tax setting will be approved.

3.36 Given the high likelihood that further savings will be required to be delivered across the next few years, it is recommended that advance work on budget development for 2019/20 and beyond commences to consider the potential options outlined within this report.

3.37 It remains likely that the Council will undertake a formal public budget consultation within this time period, with discussions on-going to clarify the scope of this consultation.

4 POLICY IMPLICATIONS

4.1 There are no direct policy implications associated with this report although on-going monitoring and reporting of the Council's financial performance is a key part of the approved Financial Strategy.

5 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report has been considered and given there is no change in policy direction, there is no requirement to undertake any further impact assessment.

6 RESOURCE IMPLICATIONS

6.1 Financial – as described above

6.2 Personnel - none

6.3 Other – none

7 BACKGROUND PAPERS

7.1 Council 19 December 2017 – Item 4 – Financial Strategy 2018-23

7.2 Council 13 February 2018 – Item 2a – Administration Amendment General Services budget proposals

7.3 Council 13 February 2018 – Item 3 – Rent Proposals

7.4 Council 28 August 2018 – 2018/19 Q1 Financial Review

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Appendix 1 – Financial Modelling 2019/20 to 2023/24 and potential savings gap

	Current 2018/19	Year 1 2019/20	Year 2 2020/21	Year 3 2021/22	Year 4 2022/23	Year 5 2023/24	TOTAL
Current Planned Efficiencies	5,017	5,612	1,894				**12,523**

Scenario 1	Current 2018/19	Year 1 2019/20	Year 2 2020/21	Year 3 2021/22	Year 4 2022/23	Year 5 2023/24	
Pay / Pensions	320	0	0	2,907	2,907	2,907	
RSG	0	0	0	0	0	0	
Non Pay / Inflation	0	1,266	1,203	1,139	1,076	1,013	
Current Pressures	0	0	0	0	0	0	
Council Tax	0	0	0	-2,819	-2,819	-2,819	
TOTAL	**320**	**1,266**	**1,203**	**1,228**	**1,165**	**1,102**	**6,283**

Scenario 2	Current 2018/19	Year 1 2019/20	Year 2 2020/21	Year 3 2021/22	Year 4 2022/23	Year 5 2023/24	
Pay / Pensions	320	2,405	311	3,218	2,907	2,907	
RSG	0	1,678	1,688	0	0	0	
Non Pay / Inflation	0	1,456	1,393	1,329	1,266	1,203	
Current Pressures	1,000	0	0	0	0	0	
Council Tax	0	0	0	-1,958	-1,958	-1,958	
TOTAL	**1,320**	**5,539**	**3,392**	**2,589**	**2,215**	**2,152**	**17,207**

Scenario 3	Current 2018/19	Year 1 2019/20	Year 2 2020/21	Year 3 2021/22	Year 4 2022/23	Year 5 2023/24	
Pay / Pensions	320	3,356	1,764	3,218	3,218	3,218	
RSG	0	5,035	5,065	0	0	0	
Non Pay / Inflation	0	1,709	1,646	1,582	1,519	1,456	
Current Pressures	3,000	0	0	0	0	0	
Council Tax	0	0	0	-1,098	-1,098	-1,098	
TOTAL	**3,320**	**10,100**	**8,475**	**3,703**	**3,640**	**3,576**	**32,814**