Report to Cabinet

22 November 2018

By Brian Donnelly (Cabinet Member for Finance and Assets)

DECISION REQUIRED

Not Exempt

Medium Term Financial Strategy 2019/20 to 2022/23

Executive Summary

The review of the Financial Strategy, as part of the budget setting process, enables a balanced budget target to be established with a focus on an affordable level of Council Tax, delivery of the corporate priorities and policies of the Council and the continued enhancement of value for money and satisfaction with services for the residents of the District.

The 2018/19 Budget was approved in February 2018 and small budget surpluses were projected for 2018/19 and 2019/20, with projected deficits in 2020/21 and 2021/22. Since then, the Council has been working further on income generation, continuing the business transformation journey to the next stage and other efficiency measures to mitigate against the cost pressures that continue to rise. This report sets out the proposed strategy for the period 2019/20 to 2022/23 to establish the context for the Council's budget and medium term financial planning scenarios and assumptions. This is done in the context of high levels of uncertainty from the future of business rates and the Fair Funding Review.

Recommendations

The Cabinet is asked to recommend to Council:

i) the approval of the Medium Term Financial Strategy 2019/20 to 2022/23, and:

ii) note the projected balanced budgets and budget gap as detailed in paragraph 3.6 of the report

Background papers

2018/19 budget setting papers to Council on 21 February 2018.

Wards affected: all

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Background Information

1 Introduction and background

1.1 The Medium Term Financial Strategy was last fully reviewed by Council on 21 February 2018 as part of the annual budget setting cycle. At that meeting a balanced budget for 2018/19 was approved. Cabinet and Members have been kept informed via quarterly budget monitoring and presentations since then to keep them informed of progress with the development of the new strategy.

1.2 The local government finance system is complex and the medium term future is more uncertain than ever. Predicting what interest rates and energy costs will be in two to five years' time is difficult and further complicated by uncertainty regarding the financial impact of the future income from retained Business Rates and the Fair Funding Review. Councils are affectively in the dark as to how the sector will be financed beyond 2019/20. It is however certain that the direction of travel will remain towards greater fiscal self-sufficiency, and that the amount of money available to district councils will continue to reduce over the next five years. The emergence of a Section 114 notice at a County Council indicates imminent danger in the upper tier sector, unless significant funding changes are made. Funding is therefore highly likely to be 'diverted' from Districts towards County / upper tier authorities that are suffering the most, led by the demands of social care.

1.3 Each year as the budget is set, unavoidable growth becomes apparent in the services. This is because of increased responsibilities from legislation, contractual obligations and inflationary pressures. However, the balanced budgets in 2018/19 and 2019/20 remain predicted through a combination of a range of measures including income generation, continuing the business transformation journey to meet the demands and expectations of our customers, and other efficiency measures.

1.4 This review ensures that the 2019/20 Budget and resultant Council Tax level will be set within the context of the Council's Corporate Plan priorities and the financial strategy in order to deliver a balanced budget, updated for the latest information and knowledge available to the Council.

2 Relevant Council policy

2.1 To deliver a balanced budget over the medium term.

3 Details

Strategic political, economic and regulatory outlook

3.1 The offer of a four-year settlement through to 2019/20, which was made by Government in 2016 was accepted and remains in place. This provides a relative degree of certainty in that the Revenue Support Grant and the baseline Business Rates funding level will not get any worse during this period although it does result in a £0.8m reduction in our government funding in 2019/20.

3.2 The Local Government Association (LGA) has calculated that the total Core Spending Power of all Local Authorities (defined as baseline funding from government in paragraph 3.1 and income from Council Tax and Business Rates retention) will reduce by £6.75bn over the review period (2015/16-2019/20). The Council's detailed financial settlement for 2019/20 which we expect to broadly confirm the four-year settlement will probably be communicated to us on 6 December 2018.

3.3 UK economists remain divided over whether the UK economic outlook has been affected by the apprehensiveness and uncertainty surrounding the negotiations from Britain's exit from the European Union which is on course to happen at the end of March 2019. In the meantime, EU legislation remains in force.

3.4 Whilst the long term future impact remains uncertain it should be noted that interest rate forecasts have been updated based upon outcomes to date, the Bank of England base rate continues to be relatively low, a £445m quantitative easing programme and some reduction in the credit rating of UK banks by investment firms. Whilst the Bank of England raised interest rates to 0.75% in August 2018, they remain at low levels with significant increases not predicted within the period of this MTFS. The value of the pound has decreased since the June 2016 referendum; and remains around 10% lower against the U.S. Dollar and the Euro. Conversely, the FTSE 100 share index has risen significantly from 6,000 at the time of the referendum, and, although it has reduced in recent months, is still around 7,000.

3.5 Inflation has fluctuated recently, but fallen slightly overall when compared to 12 months ago, putting slightly less pressure on expenditure. In September 2018 it measured 3.3% under the Retail Price Index (RPI) compared to 4% a year ago, and 2.4% under the Consumer Price Index (CPI) compared to 3% a year ago. The impact from the cost of fuel though is still slowly rising. Both the demand for the Council's services and its income streams are affected by the general economic health of the District, and the prevailing interest rate has a direct impact on interest receipts. Figures from the first half of 2018/19 show Horsham town centre parking behind budget, although this is mostly due to the closure of Piries Place car park as well as the effect of good weather and the world cup. These could though be early signs of a downturn in the local economy. Therefore the uncertainty of the economic and regulatory outlook adds risk to the setting of a precise financial strategy. With this in mind, the assumptions within the MTFS have been revisited in the sections below.

Budget assumptions

3.6 Future budget projections are based on a number of assumptions. Table 1 sets out the budget assumptions at November 2018 and Table 2 the forecast revenue budgets in 2018/19 through to 2022/23. Details of the budget assumptions and the reasons for the change in assumptions are explained in the following paragraphs.

Table 1: Budget assumptions each year

	November 2018			
Budget Assumptions	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Pay award annual average 2%	£325k	£325k	£325k	£325k
CPI inflationary pressures approx. 2.5% falling back towards 2%	£225k	£225k	£225k	£200k
Pensions revaluation approx. 0%	£0	£0	£0	£0
(Decrease) / Increase in borrowing costs	(£135k)	£75k	£75k	£75k
Increase in dwellings	1,000	1,000	1,000	1,000
Increase in Council Tax at 3.3% in 2019/20 and 2.5% thereafter	£310k	£245k	£260k	£275k
Reduction in government grant funding	£700k*	**£1,000k	**£400	**£0

Minimum level of reserves	£6m	£6m	£6m	£6m

* Dealing with 'negative' RSG in 2019/20 is under government consultation which may result in this funding being retained in 2019/20. However, it is highly likely that in this scenario, it would be removed in 2020/21 instead, meaning the Council would be no better off, other than in the timing of this being delayed by a year.
** From 2020, 75% localisation of Business Rates growth is expected to end other forms of grant funding, such as RSG, but also result in a significant re-baselining of NDR income at a much lower level as well. By 2021/22, the Council would not have any non-specific government funding.

Table 2: Revenue budget assuming around £600k of previously identified income and efficiency actions for 2019/20 are implemented

November 2018	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
Net expenditure	10,714	11,120	11,675	12,265	12,825
Funded by:					
Council Tax	(9,144)	(9,585)	(9,965)	(10,365)	(10,775)
Government grant – RSG negative	0	695	0	0	0
Government grant - Business Rates	(1,899)	(1,980)	(410)	0	0
Additional Business Rates retained	(200)	(100)	0	(50)	(50)
Collection Fund (surplus) / deficit	(82)	-	-	-	-
Total funding	(11,333)	(10,970)	(10,375)	(10,415)	(10,825)
Net (surplus) / deficit	**(611)**	**150**	**1,300**	**1,850**	**2,000**
Forecast at M6*	(515)				

* Due to impact of M6 forecast of £96k overspend against net expenditure

Inflation cost pressures and interest rates

3.7 Local Government pay is negotiated nationally and the Council has no direct influence on the settlement. The local government pay award of 2% in 2018/19 indicated the uplifting of the 1% public sector pay cap, so a 2% pay increase each year through to 2022/23 has been budgeted in the MTFS above. In expenditure terms this equates to approximately £325k of additional expenditure per annum.

3.8 Economic forecasters are also predicting a diverse range on inflation over the next three years, reflecting the uncertainty of exit from the European Union. The MTFS currently budgets for a 2.5% increase in inflation on the expectation that inflation will remain at or near current levels. The Bank of England suggested in its August 2018 inflationary forecast CPI has peaked and will end 2018 at 2.5% and slowly fall back towards its own target of 2% by 2021. RPI tends to be around 0.8% higher. Whilst income is also affected by inflation, inflation also increases our expenditure that offsets the increases in Council Tax and charges. The impact of inflation on the MTFS will be revisited on a regular basis as the monthly statistics are released by the Office of National Statistics.

3.9 An increase in pension contributions is not currently anticipated in 2019/20 on the basis of the 2016 triennial revaluation of the Council's Pension Fund and an interim valuation of the pension fund at a £10m asset as at 31 March 2018. In a change to the MTFS, the Council does not now anticipate an increase in the employer contribution levels from 2020/21 onwards. Equally though, it would not be prudent to significantly cut the employer contribution level, as historically, the pension fund has spent more years in deficit than in surplus and the positon can quickly decline, due to changes in actuary assumptions increasing the liabilities, as well volatility of asset values and the value of assets falling. The positon will be revisited when the 2019 full triennial revaluation of the Council's Pension Fund funding statement is finalised by the actuary.

3.10 The Bank of England base rate increased to 0.75% in August 2018, the highest level since March 2009, but remains at a relatively low level, affecting the Council's income streams from investments. The Council has taken action over the past eighteen months to diversify the investment strategy into non-high street bank style deposit holdings which should help to mitigate the effect by generating more income, but nevertheless, low interest rates impact on the Council's ability to generate income from investments during the period.

3.11 The amount of money the Council has on deposit generating interest income is also likely to decrease as the proposed strategy to spend commuted sums on affordable housing will lower the amount of funds held by the Council. Significant capital expenditure is also rapidly reducing other funds held by the Council to the extent that the Council had to borrow short term in 2017/18, which is expected to happen again and eventually transition to long term borrowing by the end of the MTFS. The positive side of the low Bank of England base rate is that the cost of borrowing is also relatively low.

3.12 Economic forecasters are again divided on when an upturn in interest rates may occur. At the moment, the MTFS includes only a small increase over the three year period to 1.5%, which is in line with our treasury management advisors' opinion.

Council Tax

3.13 The government's 2015 Settlement funding assumptions assumed that all district councils would increase their Council Tax by the larger of 3% or £5 each year over the 4 year settlement period. The Council increased Council Tax by £5 in 2018/19 which equated to an increase of 3.56% compared to 4% RPI in January 2018 at the time the budget was set. It remains the lowest Council Tax in West Sussex and in the bottom quartile of all district councils. RPI is currently 3.3% at September 2018 and this increase has been built into 2019/20. Further ahead, increases at 2.5% have been built into the MTFS projections from 2020/21 through to 2022/23. Every 1% increase in Council tax increases income by approximately £95k.

Localisation of Business Rates

3.14 The Council currently retains around 5% or £2m of the £44m Business Rates collected in the district, which is based on a complex calculation involving target rates of collection set by government. Local authorities can increase their business rate income by growing the business rate take in their area; conversely, if collections fall then local authorities bear an element of risk. Local authorities currently share this risk and reward with central government 50:50.

3.15 Historical data suggests a fairly 'flat' picture with limited material Business Rates growth envisaged over the period of the MTFS. This area is a 'momentum indicator' where growth is more likely to continue where it is already taking place. At the moment, on average, every successful new business opening is more or less offset by a conversion of a business premise to residential flats (under the permitted development regime introduced by the Government) or a closure. In 2017/18, the

2017 Rateable Value (RV) list fell by over £1.1m. In the first seven months of 2018/19, the RV list has recovered by around £0.42m. Redevelopments in the former Council buildings on North Street, and Piries Place and Swan Walk shopping centre are affecting the RV. In the longer term, these initiatives and those such as the development of North Horsham and the redevelopment of the former Novartis site may offer some upside but at the moment our economic growth as an area is a long way below the desirable level for affluence of its population.

3.16 In comparison with other authorities though, the Council is comparatively less at risk as it has relatively few single significant sites in respect of business rate valuations. For example, it is not the site of a power station, airport, major retail park or regional distribution centre. Some risk does exist however, principally around outstanding rates appeals for which the Council would have to bear its share of lost revenue should those appeals prove successful. The Council had a provision of £1.84m for business rate appeals at 31 March 2018. The slow rate at which the Valuation Office is tackling the backlog of appeals makes the Council sceptical that the provision for appeals will fall in the near future.

3.17 Earlier this year, Government announced its revised intention of allowing local government to retain 75 percent of growth of locally collected rates from 2020, rather than 100 percent. How this will happen and what impact it will have on local government remains uncertain. No formal legislation has been put forward by Government. The Council is part of a 75% Business Rates pilot bid for 2019/20 with all the local government authorities in West Sussex, but as this is just a pilot and is only for one year, it is unclear how this might transition into a long term model for the 2020s.

3.18 Business rate income will continue to be distributed around the country as before. The 75% localisation refers to the level of growth (or fall) from the baseline that is likely to be significantly reset. The Council will also continue to share this growth (or fall) with West Sussex County Council, although the current share of District 80:20 County is likely to change.

3.19 In addition, based on the criteria for the pilot schemes, the Council expects that any 75% localisation of Business Rates will involve the replacement of other funding streams and is also likely to come with additional responsibilities that would give rise to additional costs. It is possible that the New Homes Bonus could be made part of this too.

3.20 Furthermore, the increase in the Business Rates multiplier has been switched from RPI to CPI. The multiplier is the annual increase in Business Rates determined by the government. CPI tends to go up more slowly than RPI so this change is likely to reduce the buoyancy in the Business Rates yield. Over time this will have a significant impact on the resources that are available to local government as a sector.

Fair Funding Review

3.21 The Government has consulted on the Fair Funding Review of relative needs and resources and cost drivers and updating the current needs assessment formulae. This attempts to weigh up a range of cost drivers such as population, rurality, deprivation, demand for social care, transport, waste disposal and fire and rescue service. The output from this will feed into the overall settlement offer for 2020 onwards.

3.22 All the signs and indications so far is that districts and especially those which have low need and a higher proportion of wealth will lose the most. Some extrapolations, if all worst case scenarios happen, could see this Council lose up to £7m funding per annum. If previous changes are a guide, there will be some transitional arrangements, which will dampen the effect, but government has already indicated that any period will be short in order to redistribute funding as quickly as possible.

3.23 At this point it is difficult to calculate the effect of both the Fair Funding Review and the effect of business rates localisation. Not enough detail is known about the potential changes but the Council can conclude that there is a high degree of uncertainty, especially beyond 2020. The Council has made the assumption that a significant re-baselining of business rates will occur. Including the £700k 'negative' RSG, the Council estimates a Business Rate income of about £400k in 2020 rather than the current £2m, with this falling to zero in 2021/22 once the damping effect from the Fair Funding Review wears off. The Council will revisit the impact of this as it learns more of how the scheme will work and will feed this into a future MTFS.

New Homes Bonus (NHB)

3.24 The New Homes Bonus provides an incentive payment for local authorities to stimulate housing growth in their area. The calculation is based on Council Tax statistics submitted each October. In two-tier local government areas this payment is currently split in the ratio 20% to county councils, 80% to district councils. NHB is currently not ring-fenced and can be spent at the Council's discretion.

3.25 The incentive has been sharpened since its introduction reducing the payment from six years to four years, and introducing a 0.4% baseline which needs to be exceeded before any NHB payments are made. For this Council, this means that approximately 240 band D equivalent dwellings need to be built before any grant is received.

3.26 Appendix A (figure i) models the estimated income based on the number of dwellings in the Council Tax Base form at October 2018 based on the current format. This is not however thought to be a likely scenario. The growth of additional dwellings has fallen from an average of 1,100 per year over the last three years to 845 added between October 2017 and October 2018. This results in a lower payment.

3.27 Government has previously indicated further sharpening is likely; the most probable being an increase in the baseline, meaning a reduction in the future amounts the Council will receive. Appendix A (figure ii) models three years of payments, and (figure iii) models a 0.7% baseline scenario in 2019/20 which is more akin to the national average increases in growth in the council tax-base. Even more pointed sharpening might combine this with payments for only 3 years, as modelled in Appendix A (figure iv).

3.29 Over the summer though, there were suggestions the Government believes the grant has been unsuccessful in delivering housing. This could lead to it being altered or withdrawn in 2020 and there is a suggestion the £900m funding may be used as a counterweight in any 75% localisation of Business Rates scheme that may happen in 2020. This is modelled in Appendix A (figure v). Due to this overhanging threat, during 2017/18 and 2018/19, the Council removed its revenue reliance on NHB to zero in contrast to the £1.17m that was included in the 2016/17 revenue budget.

3.30 The principle of using any NHB reserve to strengthen the Council's ability to generate income from appropriate investments in order to receive income to support future service delivery and secure the delivery of infrastructure to serve the needs of the district's resident is unchanged.

3.31 The NHB reserve stood at £4m at 31 March 2018. Depending on the severity of the sharpening of the scheme, the reserve is forecast to be between £nil and £5.2m by 31 March 2023, after allowing for additional allocations to fully fund the new Broadbridge Heath leisure centre and then annual investment of £3m in property if funds allow. This is also subject to continued house building continuing at a similar rate.

External financial pressures

3.32 The introduction of the Homelessness Reduction Act in April 2018 led to a significant increase in the cost of homeless services during 2018/19, which is being felt by districts all across the County, largely due to longer stays in bed and breakfast accommodation required by the Act. The overall increase for homeless accommodation provision in the first half of the year is in the region of 40 households when compared to the last four years. The forecast for 2018/19 is a £300k overspend in housing and the MTFS has built this additional spend into the budget.

3.33 West Sussex County Council (WSCC) has found around £146m of efficiencies over the last eight years. However, WSCC has recently identified the need to save a further £145m over the next four years to balance their budgets over the medium term financial strategy. WSCC are considering some tough options as part of the 2019/20 budget setting process. WSCC are targeting some discretionary service areas, which could impact on the Council if these reductions go ahead.

3.34 One proposed discretionary reduction is funding housing related support, which is currently commissioned by County through contracts with voluntary sector organisations. Closure of services such as at the Y Centre building in Horsham could lead to an increase in the numbers unintentionally homeless people that Horsham District Council would have a statutory duty to house. Consequently this could lead to more demand for housing services provided by the Council, therefore increasing costs.

3.35 The Council's income may also be affected by some of WSCC's decisions. For example, WSCC currently pay funding for recycling credits above the statutory minimum level to encourage levels of recycling and reduce the amount of residual waste. WSCC are proposing paying only the statutory minimum, which would result in a reduction of income to the Council for the recycling credits.

Capital programme

3.36 The 2018/19 capital programme includes the completion of the Broadbridge Heath Leisure centre, Piries Place car park, building temporary accommodation and commercial investment property, with the programme totalling £27.2m. At month 6, having spent £6.8m (25%), capital budget holders are optimistically anticipating that £18.6m (68%) will be spent by 31 March 2019. This compares to the 2017/18 outturn of £28m (61%) of the £46.1m capital budget which included the one-off purchase of the £15m Forum investment property. Excluding the Forum though, the Council spent £13m of £31.1m, or only 42% of the programme.

3.37 Of the currently identified £8.6m slippage in 2018/19, a number of schemes are behind schedule; £2.5m on other commercial investment property, £1.5m on temporary and affordable housing; relating to both housing enabling grants and delay to an in-house temporary housing development, and £1m for the Council's share of the capital works being undertaken in the Swan Walk shopping centre.

3.38 The provisional 2019/20 capital programme includes around 20 new capital programme bids totalling £2.4m that have been put forward for consideration and the business cases are currently being reviewed. Amongst the schemes are improvements to parks and countryside, parking and property. The two-stage challenge process will refine this list before the capital programme is finalised in January 2019.

3.39 When the unspent 2018/19 programme is re-profiled and added to the new programme, approximately £15m is expected in the programme in 2019/20. The programme includes £3m on investment property, £2.5m on re-providing a running track and £1m disabled facilities. A large capital programme impacts on the Council's minimum revenue provision (MRP is a prudent mechanism to pay back the capital), and any interest payments on any borrowing if needed. Estimated MRP expenditure of around £0.9m per annum is forecast each year from 2019/20 across the MTFS. The 2020/21 capital programme is already indicatively forecast to be around £8m before any new schemes are considered.

Reserves and reserve strategy

3.40 The Council holds two types of reserves, earmarked reserves and general revenue reserves. Earmarked reserves are funds received for a specific purpose. For example, grant funding that can only be expended on particular purposes. Details of the earmarked reserves held by the Council at 31st March 2018 are shown in table 3 below.

Table 3: Earmarked reserves

Earmarked Reserves at 31 March 2018	£'000
Neighbourhood Planning Grant	278
S106 reserves	752
NNDR reserve	1,435
Council Tax localisation	293
Health and Wellbeing	197
Transformation fund	94
BBH leisure centre (NHB)	1,382
Other	786
Total	**5,581**

3.41 General reserves are reserves held to ensure that the Council has sufficient funds to deal with any emergency or uncertainty. The Council also uses its general fund reserves to fund capital expenditure and redundancy payments. General reserves at 31st March 2018 were £11.6m. Of this, £0.5m of the 2017/18 revenue budget surplus has subsequently been added into the earmarked transformation reserve to fund one-off up-front costs of business transformation in 2018/19.

3.42 The Council agreed in October 2012 on a minimum level of general reserves of £6m. From 2020 onwards income from central government is uncertain due to the consultation around business rate localisation and the Fair Funding Review. The Council's current strategy on reserves gives sufficient flexibility and headroom to deal with any issues that arise. The Council will however need to implement efficiencies and planned income schemes, together with the potential actions set out later below, to be able to balance budgets through to the end of the MTFS. Any use of reserves in this period is not sustainable and must only be a temporary measure, and / or to fund transformation. The general fund balance is predicted to be around the £6m mark at the end of 2022/23.

Efficiencies and planned income

3.43 Over the 2015 to 2019 settlement period, the Council has already implemented many schemes to ensure that it can continue its business transformation journey to meet the demands and expectations of its customers in the face of financial and demographic pressures. The ongoing process of transformation will deliver a stronger Council which will be more productive and better equipped to serve customers. It will also help to protect front-line services whilst ensuring that the Council has a strong and responsive support services.

3.44 Efficiencies and income helped to close the £4.2m budget gap that was identified for the end of the MTFS period of 2019/20 back in February 2016. The Council has also undertaken productivity reviews of front-line services and incorporated the findings into the current budgets where savings or income have been identified. This has helped to mitigate against some of the unavoidable cost increases each year.

3.45 A number of new and revisited schemes for the medium term have been identified during 2018, reviewed for feasibility and will be further developed during 2019, for future budgets in the 2020s. These are being designed now to start to bring these additional savings and income ideas into practice during the next six to twelve months to avoid the need for any step-changes. This includes replacing our technology with cheaper, Cloud based options and increasing the amount of self-service using the internet. At this point, around £2m of reasonable ideas have been identified, although the challenging part is translating the ideas into actual savings and income.

Potential actions

3.46 Having implemented the rural car-parking strategy, changes to the waste collection service, increased garden waste charges and significantly increased the property investment portfolio, much of the 'big ticket' decision making has already been incorporated into the budgets. Whilst there is a predicted surplus in 2019/20 due to actions already taken, continuing action is needed to fund further transformation and help to prepare for the deficits that are currently predicted in the 2020s.

3.47 When the budget report is presented to Cabinet at the end of January 2019, it will include the anticipated savings from the business transformation programme, other service efficiencies and income. These proposals reduce the deficits in the latter years as shown in table 4:

Table 4: Possible budget in the future after further actions taken:

November 2018	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Net expenditure	10,714	11,120	11,675	12,265	12,825
Funded by:					
Council Tax	(9,144)	(9,585)	(9,965)	(10,365)	(10,775)
Government grant – RSG [negative]	0	695	0	0	0
Government grant - Business Rates	(1,899)	(1,980)	(410)	0	0
Additional Business Rates retained	(200)	(100)	0	(50)	(50)
Collection Fund (surplus) / deficit	(82)	-	-	-	-
Total funding	(11,333)	(10,970)	(10,375)	(10,415)	(10,825)
Net (surplus) / deficit	**(611)**	**150**	**1,300**	**1,850**	**2,000**
Total of anticipated savings and income		(800)	(1,650)	(1,850)	(1,900)
Revised (surplus) / deficit if all savings and income achieved.		**(650)**	**(350)**	**0**	**100**

3.48 Taking this action now would help to close the budget gap to a more manageable amount in the future. It is also expected that as the Council gets to these years, the budgets would be firmed up with actual efficiencies and income to balance the budget. Not introducing some of the savings and income now would risk a cliff edge in 2020/21. In addition, implementing the savings and income ideas for a full year effect requires the preparatory work being undertaken prior to the beginning of the financial year and brings with it the key risk of slippage, as well as unachievable targets.

4 Next steps

4.1 On 24 January 2019, the 2019/20 Budget will be taken to Cabinet to recommend approval at the 13 February 2019 full Council meeting where the Council Tax for 2019/20 will be set. The MTFS will also be updated at this time to take account of the Autumn Budget and our settlement plus the final details of the 2019/20 Budget.

5 Views of the Policy Development Advisory Group and outcome of consultations

5.1 The proposed MTFS, assumptions and some potential actions were considered by the Finance and Assets Policy Development and Advisory Group at its meeting on 5 November 2018. The Group were supportive of the proposals and assumptions used.

5.2 The Chief Executive, the Directors and the Head of Finance have been extensively involved in preparing the medium term financial strategy and fully supportive of its contents. The Monitoring Officer has also been consulted during the preparation of the document and is supportive of its contents.

6 Other courses of action considered but rejected

6.1 Not taking actions set out in this report would put at risk the ability of the Council to deliver the balanced budget in 2019/20 and reduce the budget deficits projected for 2020/21 through to 2022/23. Therefore, not taking any action has been rejected.

7 Resource consequences

7.1 The size of the Council's workforce has reduced overall since 2016 as set out in table 5, which also partly reflects the end of the Census ICT partnership which Horsham hosted where some staff TUPEd back to the two partnering local authorities. During 2018, headcount has increased due to the recruitment of apprentices, neighbourhood wardens, and permanent waste and recycling loaders and planners.

Table 65: Resources:

Date	Full Time Equivalents (FTE)
31 March 2016	422
31 March 2017	417
31 March 2018	398
31 September 2018	409

7.2 The precise figure of any future reductions over the MTFS, currently estimated at between 10 and 15 posts, will be firmed up as detailed plans for the individual elements are finalised. In accordance with the Organisational Change Policy the Council will take steps to avoid compulsory redundancies as far as possible through a combination of vacancy control, redeployment and, in appropriate cases, voluntary redundancy.

8 Legal consequences

8.1 There are no legal consequences as a result of this report.

9 Risk assessment

9.1 The Council's reliance on central government funding and balancing the medium term financial plan is captured on the corporate risk register at CRR01. This is regularly reviewed and updated and is monitored at Audit Committee on a quarterly basis.

10 Other Considerations

10.1 There are no consequences of any action proposed in respect of Crime & Disorder or Human Rights. Some of the new income proposals intended to help fill the gap may have positive or negative equalities or sustainability impacts. Individual impact assessments of these will be completed alongside the business case of each proposal.