

**Medium Term Financial Strategy 2020/21-2024/25 –
Initial Scoping and Assumptions**

Final Decision-Maker	Council
Lead Head of Service	Director of Finance and Business Improvement
Lead Officer and Report Author	Director of Finance and Business Improvement
Classification	Public
Wards affected	All

Executive Summary

This report sets out the background to be considered in updating the Medium Term Financial Strategy (MTFS) and rolling it forward to cover the five-year period 2020/21 to 2024/25. It describes the issues and risks involved, starting with the Council's current financial position. It sets out key assumptions to be made in preparing the MTFS.

The report concludes by setting out the subsequent steps involved in developing an updated MTFS and includes a timetable for consideration by Members.

This report makes the following recommendations to this Committee:

That:

1. The issues and risks associated with updating the Medium Term Financial Strategy be noted.
2. The assumptions described in this report for planning purposes and to establish the remit for detailed budget development be noted.
3. The approach outlined to development of an updated Medium Term Financial Strategy for 2020/21 – 2024/25 and a budget for 2020/21 be agreed.

Timetable

Meeting	Date
Policy and Resources Committee	23 July 2019
Policy and Resources Committee	20 November 2019
Council	11 December 2019
All Services Committees	January 2020
Policy and Resources Committee	12 February 2020
Council	26 February 2020

Medium Term Financial Strategy 2020/21-2024/25 – Initial Scoping and Assumptions

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The Medium Term Financial Strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. They reflect the Council's decisions on the allocation of resources to all objectives of the strategic plan.	Section 151 Officer & Finance Team
Cross Cutting Objectives	The MTFS supports the cross-cutting objectives in the same way that it supports the Council's other strategic priorities.	Section 151 Officer & Finance Team
Risk Management	This has been addressed in section 5 of the report.	Section 151 Officer & Finance Team
Financial	The budget strategy and the MTFS impact upon all activities of the Council. The future availability of resources to address specific issues is planned through this process. It is important that the committee gives consideration to the strategic financial consequences of the recommendations in this report.	Section 151 Officer & Finance Team
Staffing	The process of developing the budget strategy will identify the level of resources available for staffing over the medium term.	Section 151 Officer & Finance Team
Legal	The Council has a statutory obligation to set a balanced budget and development of the MTFS and the strategic revenue projection in the ways set out in this report supports achievement of a balanced budget.	Legal Services
Privacy and Data Protection	<ul style="list-style-type: none"> Privacy and Data Protection is considered as part of the development of new budget proposals. There are no specific implications arising from this report. 	Section 151 Officer & Finance Team
Equalities	The MFTS report scopes the possible impact of the Council's future financial position on service delivery. When a policy, service or	Equalities and

	function is developed, changed or reviewed, an evidence based equalities impact assessment will be undertaken. Should an impact be identified appropriate mitigations will be identified.	Corporate Policy Officer
Public Health	<ul style="list-style-type: none"> The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy. 	Public Health Officer
Crime and Disorder	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team
Procurement	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team

2. INTRODUCTION AND BACKGROUND

- 2.1 The Medium Term Financial Strategy (MTFS) sets out in financial terms how the Council will deliver its Strategic Plan over the next five years. The Council adopted a new Strategic Plan for the period 2019 – 2045 in December 2018, and the existing MTFS for the period 2019/20 to 2023/24 reflects the new Strategic Plan. The new MTFS will continue to reflect the Strategic Plan priorities.
- 2.2 A key outcome of the process of updating the MTFS is to set a balanced budget and agree a level of council tax for 2020/21 at the Council meeting on 26 February 2020. This report is the first step towards achieving that objective.

Local authority funding

- 2.3 Over the past four years, local authority funding has been subject to a national settlement originally announced in 2016. 2019/20 is the final year of this four year settlement. The four year settlement provided a degree of certainty about the Council's funding position, even though the amount of central government support for local government has fallen steadily. The effect in Maidstone has been that the percentage of revenue raised locally has increased from 82.3% in 2014/15 to 93.7% in 2018/19.
- 2.4 The MTFS recognises the increasing dependence of the Council on locally-generated resources, and supports the Council's need to become 100% self-sufficient.

- 2.5 It was originally anticipated that a new local government funding regime would be introduced in 2020. However, other central government priorities have meant that this is now very unlikely to happen. It is currently expected that the existing arrangements will be rolled forward for at least one further year. However, what this will mean in practice remains unclear, given a number of key variables in the local government funding regime, including:
- the Council Tax referendum limit
 - the Business Rates baseline (which dictates the amount of business rates that local authorities may retain locally)
 - future of specific grants, eg New Homes Bonus.
- 2.6 It should be noted that the four year funding settlement has given no Revenue Support Grant (RSG) to Maidstone Borough Council since 2017/18. It was originally envisaged that the funding settlement would incorporate a clawback of £1.6 million from the Council in the form of negative RSG in 2019/20. Under pressure from local authorities like Maidstone and our parliamentary representatives, the government withdrew the proposal to levy negative RSG. However, this concession only applied to 2019/20, so without an overall increase in funding available to local government, it is not clear how the local government financial settlement will be balanced in future years without the 'lost' negative RSG being recouped in some form. At this stage it is appropriate in the interests of prudence to assume that we will have to pay back an equivalent amount to central government in 2020/21 and subsequent years, whether this is presented as 'negative RSG' or adopts some other guise.
- 2.7 At this stage it is not known when we will have clarity about the Council Tax referendum limit, the Business Rates baseline, future specific grants or negative RSG for 2020/21. It would be helpful if the government were to make an announcement soon after parliament returns from recess in the Autumn, but the competing priority of Brexit, and the usual pattern whereby the local government finance settlement is announced just before Christmas, suggest that we may not have any definitive figures until late December.
- 2.8 Whilst it is likely that the existing funding regime will be rolled forward in broadly its current form into 2020/21, there will probably be more significant changes in 2021/22. These are likely to include:
- Implementation of a 'Fair Funding Review'
 - 75% business rates retention by local authorities (versus 50% now)
 - Resetting business rates baselines.

It should be noted that 75% business rates retention will not mean an increase in resources for individual local authorities. The government originally intended the increased business rates income to be accompanied by an increase in responsibilities, eg for public health; it remains to be seen what new responsibilities will actually be devolved to local authorities.

Scenario Planning

- 2.9 Local government funding cannot be considered in isolation from wider economic factors. UK growth is lagging behind that of other major economies. The impact of Brexit on the wider economy remains uncertain. Whilst there are suggestions that the government may expand public expenditure in order to offset any adverse effects from lower economic growth, there is no guarantee that District Councils like Maidstone will benefit, particularly given other public sector spending priorities.
- 2.10 General economic conditions will affect the level of revenue collected directly by the Council. Many businesses in the retail and leisure sectors, which are major contributors to business rates income, are already experiencing difficult trading conditions. A slowdown in housebuilding would lead to lower increases in the Council Tax base.
- 2.11 Given overall economic uncertainty, coupled with the lack of clarity about local government funding, it is proposed that, as in previous years, we model a number of different scenarios when developing the Medium Term Financial Strategy, as follows:

Favourable

Brexit is accompanied by a government-induced stimulus to the economy, which provides more funding for local government. In the medium term, this generates higher economic growth which more than offsets any potential negative Brexit impacts.

Neutral

Current trends are maintained. The Council is able to maintain existing service levels and to fund inflationary increases in expenditure thanks to a steadily growing Council Tax base and regular annual increases in Council Tax. However, without any overall increase in local government spending, new spending pressures have to be funded from within existing resources.

Adverse

An adverse outcome from Brexit reduces Council income but increases service pressures in areas like homelessness, requiring spending cuts in order to ensure that statutory services are maintained. Alternatively standards for these services may need to be reviewed to achieve a balanced budget.

- 2.12 Specific assumptions underlying each of the scenarios will be set out in the Medium Term Financial Strategy.

Corporate Objectives and Key Priorities

- 2.13 The Council's new Strategic Plan sets four key priorities, as follows:
- Embracing Growth and Enabling Infrastructure
 - Homes and Communities

- A Thriving Place
- Safe, Clean and Green.

'Embracing growth and enabling infrastructure recognises' the Council's role in leading and shaping the borough as it grows. This means taking an active role in policy and master planning for key sites in the borough, and where appropriate, investing directly ourselves.

'Homes and communities' expresses the objective of making Maidstone a place where people love to live and can afford to live. This means providing a range of different types of housing, including affordable housing, and meeting our statutory obligations to address homelessness and rough sleeping.

'A thriving place' is a borough that is open for business, attractive for visitors and an enjoyable and prosperous place to live for our residents. We will work to regenerate the County town and rural service centres and will continue to grow our leisure and cultural offer.

A 'safe, clean and green' place is one where the environment is protected and enhanced, where parks, green spaces, streets and public areas are looked after, well-managed and respected, and where people are and feel safe.

The Medium Term Financial Strategy must reflect the overall corporate priorities set out in the new Strategic Plan and ensure so far as possible that resources are available to meet the objectives. Given finite resources, this may mean transferring budgets away from services that do not directly support corporate priorities to those that do.

Revenue Expenditure – Current Position

- 2.14 A key element in developing the Medium Term Financial Strategy is a consideration of Maidstone's current financial position. An overall summary of the financial position is set out in the Narrative Report that accompanies the 2018/19 Statement of Accounts and is included as Appendix A.
- 2.15 This section sets out the current revenue spending position, given the final outturn for the 2018/19 financial year and our plans to deliver budget savings in 2019/20. The position is set out in summary below. Note that the final outturn for 2018/19 remains subject to audit.

Table 1: 2018/19 Outturn and 2019/20 Savings and Growth

Committee	Service	2018/19			2019/20	
		Final adjusted budget	Actual outturn for the year	Variance (-Adverse/ Favourable)	Budget savings	Budget growth
		£000	£000	£000	£000	£000
CHE	Communities & Housing	4,444	4,089	355	119	0
	Environment & Public Realm	4,244	4,539	-295	116	-30
ERL	Heritage, Culture & Leisure	1,852	1,951	-99	167	0
	Economic Development	614	576	38	7	0
S P I	Planning Services	1,291	1,507	-216	60	-24
	Parking & Transportation	-1,939	-1,978	39	271	0
P & R	Property & Investment	-79	-300	221	291	0
	Corporate and Shared Services	9,022	8,911	111	151	-27
	Total	19,449	19,294	154	1,182	-81

Details by service area are set out below.

Communities and Housing

- 2.16 This service area supports the corporate priority 'Housing and Communities'. The Housing Service has been successful in managing an increasing workload over the past couple of years, thanks in part to one-off government grant funding, and to local initiatives such as the purchase of property to provide temporary accommodation. The service remains demand-driven, so whilst the number of families in temporary accommodation appears currently to have stabilised at around 100, this could change. Current budgets however assume that the status quo is maintained.
- 2.17 Our project with EY Xantura, funded via the Business Rates Retention pilot one-off resources, seeks to target homelessness prevention interventions and reduce the risks and incidence of homelessness in the medium term.
- 2.18 The capital budget for 2019/20 includes provision for phase 3 of the temporary accommodation investment programme and ongoing expenditure on the Brunswick Street and Union Street developments, both of which are currently in progress.
- 2.19 In the longer term, the Housing Development and Redevelopment Investment Plan and our Housing Partnership are designed to contribute towards meeting housing need across a range of different tenures.

Environment & Public Realm

- 2.20 These services support the 'clean and green' agenda, as they include street cleaning, grounds maintenance in parks and open spaces, and household waste collection. Waste collection is outsourced and the cost of the service is directly linked to inflation indices. The adverse variance in 2018/19 was owing to a one-off change in accounting treatment of Garden Waste income and has no ongoing implications.
- 2.21 Budgets assume that current service levels are maintained. However, a provision has been included in the MTFS for a potential annual increase in costs of £500,000 when the existing contract with Biffa comes to an end.

Heritage, Culture & Leisure

- 2.22 This service area helps to make Maidstone a 'thriving place'. It includes the museum, leisure services and bereavement services. Leisure services are seeing significant capital investment at Mote Park with the Adventure Zone and the forthcoming Visitor Centre. This forms part of a long term strategy for Mote Park whereby self-sufficiency is achieved by investment in income generating activities, so the Adventure Zone is projected to deliver £114,000 additional income annually which will contribute towards the running costs of the park. However, it is clear that new visitors also create additional spending pressures in Mote Park generally, highlighting the need for careful forecasting when planning future investment.
- 2.23 The Bereavement service continues to be successful in exceeding its income targets. The business case for further investment in the service is therefore strong.

Economic Development

- 2.24 Economic Development likewise supports the priority of making Maidstone a thriving place. The Council has a small ongoing revenue budget for economic development, supplemented by funding from the Business Rates Pool. The service also plays a key role in major capital-funded projects including the Kent Medical Campus Innovation Centre and Maidstone East.

Planning Services

- 2.25 Planning Services provide the essential framework for 'embracing growth and enabling infrastructure'. These services include spatial planning, and specifically the Local Plan review, infrastructure planning, liaison with developers on major applications, and day-to-day development management and processing of planning applications. The Planning Service is subject to some volatility in income, particularly with major applications, which led to a budget shortfall in 2019/20. This will require careful management. The current MTFS allows for £800,000 to be spent over the next four years on the Local Plan refresh.

- 2.26 There remains a risk of costs in relation to planning appeals, but known likely costs have been provided for in the accounts as at the end of 2018/19.

Parking & Transportation

- 2.27 Parking and Transportation likewise support growth and infrastructure, as well as serving the priority of making Maidstone a thriving place. The Parking Service traditionally out-performed its income budgets, and budgets were increased accordingly. 2018/19 saw a budget surplus, but the margin was smaller than in previous years, reflecting the fact that more income has been built into the base budget. Future years' income will be heavily dependent on performance of the wider economy and specifically on Maidstone Town Centre's success in attracting visitors.
- 2.28 A saving has been achieved by re-commissioning the Park and Ride service.

Property & Investment

- 2.29 This service is responsible for the Council's own property and investments. The Council's commercial property investment strategy both generates a financial return and supports the regeneration agenda by investing in the local economy. In recent years the Council has been able successfully to generate additional income from commercial investments. Further capital investment is planned in the future, as described in the Capital Strategy elsewhere on this agenda.

Corporate & Shared Services

- 2.30 Corporate services provide the essential support structure to enable all the corporate priorities to be realised. They include central staffing budgets and office accommodation. The Council's future office accommodation needs are under review, with its lease on Maidstone House expiring in 2023. In the meantime, we will seek to maximise value from the space occupied.
- 2.31 Shared Services continue to provide resilience and offer the potential for additional income, eg from lending Internal Audit staff to other authorities and from our debt collection service.

Overall Position

- 2.32 The overall outturn for 2018/19 was an underspend of £154,000 against the budget. This will be utilised under the delegation agreed by Policy and Resources Committee at its meeting on 26 June 2019 to support projects put forward for Business Rates Retention Pilot funding.

Funding

Council Tax

- 2.33 Council Tax is a product of the tax base and the level of tax set by Council. The tax base is a value derived from the number of chargeable residential properties within the borough and their band, which is based on valuation ranges, adjusted by all discounts and exemptions.
- 2.34 The tax base has increased steadily in recent years, reflecting the number of new housing developments in the borough. See table below:

Table 2: Number of Dwellings in Maidstone

	2014	2015	2016	2017	2018
Number of dwellings	67,178	67,721	68,519	69,633	70,843
% increase compared with previous year	0.38%	0.81%	1.18%	1.63%	1.74%

Note: Number of dwellings is reported each year based on the position shown on the valuation list in September.

- 2.35 The level of council tax increase for 2020/21 is a decision that will be made by Council based on a recommendation made by Policy and Resources Committee. In practice, the Council's ability to increase the level of council tax is limited by the need to hold a referendum for increases over a government set limit. In 2019/20, the limit was the greater of 3% or £5.00. The Council approved the maximum possible increase. The rationale for this approach was that:
- pressures on the Council's budget mean that even a marginal difference in Council Tax income is of value;
 - the referendum limit might revert to a lower level in later years;
 - because the starting point for calculating the referendum limit in any given year is the previous year's Council Tax, agreeing a lower increase reduces the Council's room for manoeuvre in later years.
- 2.36 The referendum limit of 3% was intended broadly to reflect the rate of inflation. With a government target for inflation of 2%, it is likely that the limit will fall to 2% or even lower. Accordingly, the current MTFS projections assume that Council Tax increases will be at the referendum limit, and that this limit will be 2%. It is proposed to retain the assumption that Council Tax will be increased in line with the referendum limit, for the reasons set out in the preceding paragraph.

Retained business rates

- 2.37 Under the current business rates regime, local government in aggregate retains 50% of business rates income. However, most of the 50% share collected locally is lost to Maidstone, because it is redistributed to other authorities through a system of tariffs and top-ups.

Table 3: Baseline Business Rates Income 2019/20

	£000	%
Baseline Business Rates income	55,590	100
Government share	-27,795	-50
Kent County Council / Kent Fire & Rescue Authority	-5,559	-10
Government tariff	-19,028	-34
Baseline Business Rates income retained by MBC	3,208	-6

- 2.38 To the extent that business rates income exceeds the baseline, this growth element is retained locally, subject to a levy payable to central government by tariff authorities like Maidstone. The Council has been able to minimise the levy payable on business rates growth through its membership of the Kent Business Rates Pool. This is because the levy payable by some pool members (district councils) is offset against the top-up received by the major preceptors (Kent County Council and Kent Fire and Rescue).
- 2.39 The Council includes the non-pool element of business rates growth as part of its base budget. Maidstone Council's 30% share of the growth arising from membership of the pool is allocated to a reserve which is used for specific projects that form part of the Council's economic development strategy. A further 30% represents a Growth Fund, spent in consultation with Kent County Council. This has been used to support the Maidstone East development. Another 30% goes directly to Kent County Council; the residual 10% is held back to compensate pool members whose business rates income falls below the baseline and would otherwise have benefited from the government's safety net.
- 2.40 A further element of growth was retained locally for one year only in 2018/19 as a result of Maidstone's participation in the Kent & Medway 100% Business Rates Retention pilot. Kent & Medway local authorities were successful in bidding for pilot status, which meant that 100% of business rates growth, rather than 50%, was retained locally. Unfortunately, a bid for pilot status in 2019/20 was unsuccessful. It is not clear whether there will be further pilots in 2020/21.
- 2.41 Total projected business rates income for 2019/20 and the uses to which it will be put are summarised in the table below.

Table 4: Projected Business Rates Income 2019/20

	£000	
Business Rates baseline income	3,208	Included in base budget
Growth in excess of the baseline	1,129	Included in base budget
Projected income before pooling	4,337	
Pooling gain (MBC share)	315	Earmarked for Economic Development projects
Pooling gain (Growth Fund)	315	Spent in consultation with KCC, eg on Maidstone East
Total	4,967	

- 2.42 Current projections for 2020/21 assume that we will lose the benefit of business rates growth, because of a potential baseline reset, and baseline income itself will be reduced by an amount broadly equivalent to the negative RSG that we had originally expected to suffer in 2019/20. As explained in paragraph 2.5 above, negative RSG was only removed for one year, and the government will have to make good the funding gap that negative RSG was designed to fill, even if this is not badged as such.
- 2.43 Projections of business rates income for the years after 2020/21 must, of necessity, take a cautious position on how much business rates income is likely to be retained locally, given that this is the element in our total resources that is most at risk from the vagaries of government policy.

Revenue support grant

- 2.44 As has already been mentioned, the four year funding settlement announced by the Department for Communities and Local Government in 2016 means that the Council receives zero RSG.

Local income from fees and charges

- 2.45 Fees and charges income is an increasingly important source of funding for the Council. We have a policy that guides officers and councillors to set the appropriate level of fees and charges based on demand, affordability and external factors. The policy is not influenced directly by the MTFS with the exception that charges should be maximised within the limits of the policy.

Revenue Projections

- 2.46 The strategic revenue projections underlying the current MTFS suggested that there would be a budget gap of £0.4 million in 2020/21, increasing to £2.1 million by the end of the five year period, as follows. The projections were based on a 'neutral' scenario.

Table 5: Current MTFS Revenue Projections 2019/20-2023/24

	19/20	20/21	21/22	22/23	23/24
	£m	£m	£m	£m	£m
Council Tax	16.2	16.8	17.5	18.2	18.9
Retained Business Rates	3.2	1.7	0.4	0.5	0.6
Business Rates Growth	1.1	0.0	0.2	0.4	0.7
Budget requirement	20.5	18.5	18.1	19.1	20.2
Fees and Charges	20.8	21.0	21.2	21.4	21.6
Total Funding Available	41.3	39.5	39.3	40.5	41.8
Predicted Expenditure	42.5	41.5	41.2	41.1	42.6
Budget Gap	1.2	2.0	1.9	0.6	0.8
Required Savings - Cumulative	1.2	3.2	5.1	5.7	6.5
Savings identified - Cumulative	1.2	2.8	3.7	4.3	4.3
Still to be identified	0.0	0.4	1.4	1.4	2.2

2.47 In light of the many uncertainties around future funding, it is important to note that projections like these can only represent a 'best estimate' of what will happen. In updating the projections, various potential scenarios will be modelled as described above. Projections will be prepared for each of the scenarios modelled, giving consideration to:

- Assessment of external opportunities and threats
- Evaluation of existing budget savings in the five year plan
- Latest emerging information about economic developments and government policy.

Capital Programme

2.48 The capital programme plays a vital part in delivering the Council's strategic plan, since it is only through long term investment that our ambitions for the borough can be realised. The capital programme is a rolling five year programme. The existing capital programme was approved by Council at its budget meeting on 27th February 2019. An updated capital strategy and capital programme is due to be considered by Council in September 2019, as described in a report elsewhere on the agenda.

2.49 Major schemes include the following:

- Brunswick Street redevelopment
- Union Street redevelopment
- Further mixed housing and regeneration schemes
- Temporary accommodation
- Commercial Property Investments
- Kent Medical Campus Innovation Centre
- Mall Bus Station Improvements
- Mote Park Improvements
- Flood Action Plan.

2.50 Schemes may be included in the capital programme if they fall within one of the four following categories:

- Required for statutory reasons, eg to ensure that Council property meets health and safety requirements;
- Self-funding schemes focused on strategic plan priority outcomes;
- Other schemes focused on strategic plan priority outcomes; and
- Other priority schemes which will attract significant external funding.

2.51 All schemes within the capital programme are subject to appropriate option appraisal. Any appraisal must comply with the requirements of the Prudential Code and the following locally set principles:

- a) Where schemes fit within a specific strategy and resources are available within the capital programme for that strategy, the schemes would also be subject to appraisal and prioritisation against the objectives of that strategy. These schemes must be individually considered and approved by the relevant service committee.
- b) Where schemes can be demonstrated to be commercial in nature and require the use of prudential borrowing, a business case must first be prepared.

2.52 Maidstone Borough Council has so far not borrowed to fund its capital programme, instead relying primarily on New Homes Bonus to fund the capital programme. Current funding projections indicate that borrowing will be required for the first time later in 2019/20. The cost of any borrowing will be factored into the updated MTFS financial projections.

2.53 Many of the external grants that were available to the council for funding capital projects in the past no longer exist. However, some recent projects have received support through grants and contributions, eg ERDF Funding for the Kent Medical Campus Innovation Centre. Opportunities to bid for funding are pursued energetically wherever possible.

2.54 Funding is also available through developer contributions (S 106) and, in future, through the Community Infrastructure Levy (CIL).

Reserves

2.55 The Council maintains reserves as a safety net to allow for unforeseen circumstances. There is no statutory definition of the minimum level of reserves: the amount required is a matter of judgement. However, the Council has agreed to set £2 million as the minimum General Fund balance.

2.56 In addition to uncommitted General Fund balances, the Council holds reserves that are earmarked for specific purposes. The most substantial of these in the past has been earmarked New Homes Bonus funding for capital expenditure. This stood at £1.4 million at the start of 2018/19

but has now been fully utilised, given that it has been deployed to fund the capital programme. Full details of reserves held are set out below:

Table 6: General Fund balances as at 31 March 2019

	31.3.18 £000	31.3.19 £000
Earmarked Reserves		
New Homes Bonus funding for capital projects	1,404	0
Local Plan Review	200	200
Neighbourhood Plans funding carried forward	70	64
Planning Appeals Contingency	0	300
Accumulated Surplus on Trading Accounts	51	31
Civil Parking Enforcement	481	419
Future Capital Expenditure	0	431
Housing Prevention & Temporary Accommodation	0	700
Unspent Business Rates Growth (Pool and Pilot)	692	3,682
Sub-total Earmarked Reserves	2,898	5,828
Unallocated Balances	9,022	8,620
Total General Fund balances	11,920	14,448

The unallocated balances exceed the £2 million minimum. They are equivalent to around 20% of the gross revenue budget, which is comfortably in excess of the 10% benchmark that is sometimes cited as a reasonable level. It can therefore be seen that the level of reserves is adequate without being excessive

3. AVAILABLE OPTIONS

- 3.1 A number of factors that influence the annual budget and the MTFS are not yet known. However, the disadvantage of this approach is that it could take some time for full information to emerge, and in the meantime the Council needs to take steps to set a budget for the coming year.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The preferred option is to proceed with development of an updated MTFS. Whilst there is a considerable amount of uncertainty about the future, this can be addressed through careful consideration of the risks and by building flexibility into our financial plans.

5. RISK

- 5.1 The preceding paragraphs have indicated at several points the risks and uncertainty surrounding the Council's financial position. In order to address these in a structured way and to ensure that appropriate mitigations are developed, the Council has developed a budget risk

register. This seeks to capture all known budget risks and to present them in a readily comprehensible way. The budget risk register is updated regularly and is reviewed by the Audit, Governance and Standards Committee at each meeting.

- 5.2 It should be recognised that risks are not usually discrete. There are interrelationships between the risks, such that (for example) inaccurate inflation projections could impact the overall risk of failing to deliver a balanced budget.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 Consultation with all relevant stakeholders is an important part of the process of developing the MTFS. A public budget consultation will take place this Autumn, then individual Service Committees will be consulted on the details of the MTFS proposals as they affect the respective Committee portfolios.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 An outline timetable for developing the Medium Term Financial Strategy and budget for 2020/21 is set out below.

<i>Date</i>	<i>Meeting</i>	<i>Action</i>
23 July 2019	Policy and Resources Committee	Agree approach to development of updated MTFS and key assumptions
August - September		Update and roll forward MTFS
20 November 2019	Policy and Resources Committee	Agree updated MTFS for submission to Council
11 December 2019	Council	Approve updated MTFS
October – December		Develop detailed budget proposals for 2020/21
January 2020	All Service Committees	Consider 20/21 budget proposals
12 February 2020	Policy and Resources Committee	Agree 20/21 budget proposals for recommendation to Council
26 February 2020	Council	Approve 20/21 budget

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix A: Narrative Report – Review of 2018/19 Financial Year
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9. BACKGROUND PAPERS

None.