

Budget Projection and Strategy 2023/2024

For Finance and Governance Cabinet Advisory Board on 6 September 2022

Summary

Lead Member: Councillor Christopher Hall, Finance and Performance Portfolio Holder

Lead Director: Lee Colyer, Director of Finance, Policy and Development

Head of Service: Jane Fineman, Head of Finance and Procurement

Report Author: Lee Colyer, Director of Finance, Policy and Development

Classification: Public document (non-exempt)

Wards Affected: All

Approval Timetable	Date
Management Board	22 August 2022
Portfolio Holder	23 August 2022
Finance & Governance Cabinet Advisory Board	6 September 2022
Cabinet	22 September 2022

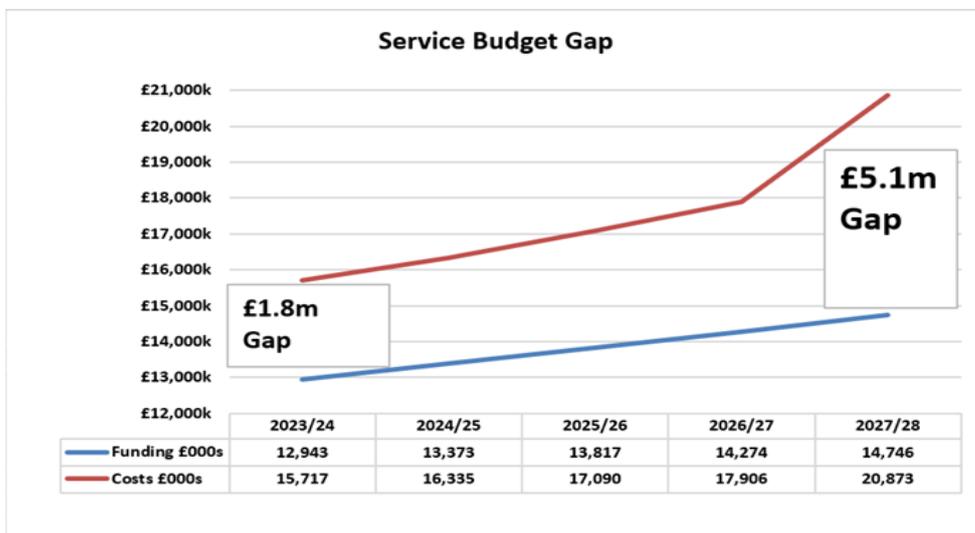
Recommendations

Officer / Committee recommendations as supported by the Portfolio Holder:

1. That officers continue to work towards reducing the projected budget deficit in line with the Budget Strategy and report back in October with proposals prior to public consultation on the draft budget in December.

1. Purpose of Report and Executive Summary

- 1.1 This report provides an update to the budget projections for the 2023/24 budget and subsequent years, building on the approved budget for 2022/23, including both the unaudited outturn for 2021/22 and the In-Year Budget Review 2022/23.
- 1.2 The report is concerned with the Borough Partnership’s first priority of ‘Safeguarding the Councils Finances’.
- 1.3 The budget forecasts have been updated and the graphic below shows the growing budget gap between the rising cost of delivering services and the level of income. The large increase in 2027/28 is the extra market cost the council is likely to face on the expiry of the waste contract:



- 1.4 The report also provides an update on the financial impact of high inflation and the progress of the local economic recovery.
- 1.5 Information from the Government on their plans is still awaited, this includes;
 - Multi-year (two years) Local Government Finance Settlement
 - Replacement for the New Homes Bonus
 - Fair Funding Review
 - Council Tax ‘capping’ thresholds
- 1.6 A budget deficit of £1.8 million is currently forecast for 2023/24 which is based on current inflationary pressures and the financial performance for quarter 1 2022/23. This also assumes that the items listed in the savings plan are delivered. If left unmanaged the

deficit would increase to an annual deficit of £5.1 million by 2027/28, which would need to be funded from new income, further cost reductions or from Government.

- 1.7 For 2023/24 Revenue Support Grant for this Council is expected to remain at zero and at the time of writing there are no firm details of government financial support. The Council will again, need to be financially self-sufficient and deploy its own financial resources to ensure the continued delivery of essential local services.
- 1.8 This report will enable Directors/Heads of Services to begin the service planning process and to develop proposals with their respective cabinet member(s) for savings and changes to service delivery through the production of Cabinet Member Plans.

2. Introduction and Background

2.1 This is the first report of the budget setting cycle leading to the setting of the 2023/24 budget at Full Council on 1 March 2023 and will include the main reports set out below which will also be considered by the Finance and Governance Cabinet Advisory Board. The detailed timetable is set out in Appendix A:

- Budget Projection and Strategy
- Budget Update including benchmarking
- Draft Budget for consultation
- Final Budget for approval

Government Funding Settlement

2.2 The Government's four-year funding settlement ended in 2019/20 and has been followed by single year 'roll overs' which required the council to be financially self-sufficient. Since 2010 when cuts to funding of Local Government commenced, the ability to fund local services continues to be dependent on growing the local economy and sharing in the proceeds of business rates growth.

Local Government Funding

- 2.3 The political uncertainty in Westminster has delayed the consultation on the two-year settlement (2023/24 to 2024/25) announced by the previous Secretary of State, that had been expected before the Parliamentary Summer Recess. It now looks likely that the technical papers (also delayed) and the consultation will not be received until the Autumn and that full reform has now effectively been pushed back to 2025/26.
- 2.4 Despite this uncertainty, local authorities still have to produce their budget plans over the Summer. The principles applied to the previous roll-over settlements look to be out of place following the rapid rise in inflation and gloomy economic forecasts from the Bank of England.
- 2.5 The Departmental Expenditure Limit (DEL) allocated to the Department for Levelling Up Housing and Communities (DLUHC) will determine how much if any funding is to be allocated to Local Government. Individual councils' allocations are usually set out within

the Provisional Local Government Finance Settlement which should be published in early December.

2.6 Information from government is necessary to ensure that strategic financial planning can be modelled to ensure the smooth delivery of essential local services. However, there are many unanswered questions that should have been addressed in the delayed Summer technical consultation, including;

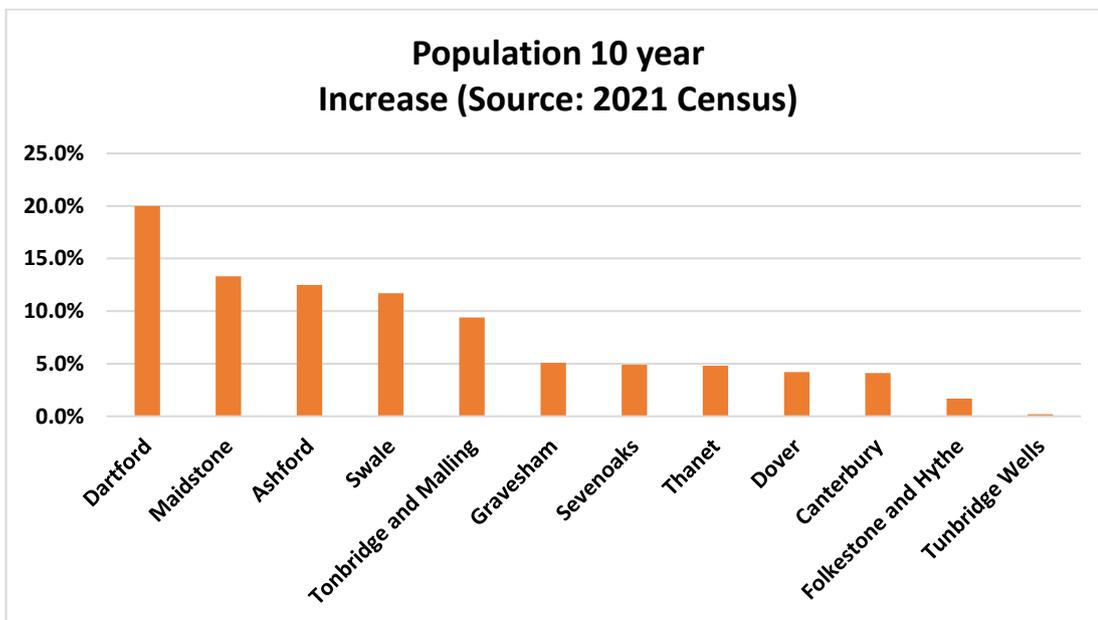
- **Confirmation of two-year settlement.** This was announced verbally by the then Secretary of State at the LGA conference, but it has no further standing than this.
- **New Homes Bonus.** The final legacy payment was made in 2022/23. The consultation closed in February 2021, and it is unclear what the government's intentions are on a replacement scheme or whether the scheme keeps rolling over.
- **Lower Tier Services Grant.** This grant was to help fund core district council functions such as Planning and Housing Services but was based on existing 'needs' formula, which has its origins back in 2013.
- **Business Rate Multiplier Freeze.** Compensation for councils was pegged to the Retail Prices Index (RPI) but there are grounds for this to change and continuation could be very significant for the Treasury at a cost of more than £1.5 billion.
- **Band D Council Tax Threshold.** With inflation so high, allowing the threshold to be capped at 2% represents significant real terms cut in the yield from council tax.
- **2011 Census.** The changes to population are significant but there has been no confirmation from ministers of when the information will be used in the calculation of public funding allocations.

Census 2021

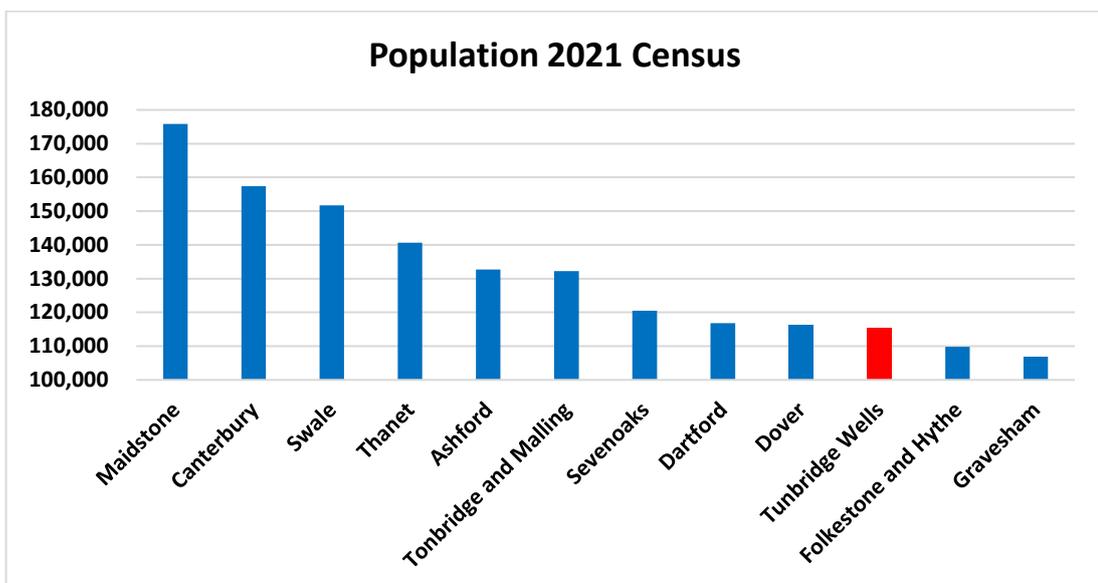
2.7 Once every decade, the Census provides an opportunity to build the most detailed and comprehensive picture of the population. The information the census collects underpins decisions on planning and provision of public services, including transport, education, and health care. Importantly for the Council the Census is a key component the Government will use when undertaking the 'Fair Funding Review of Local Government' which will be reflected in a new Settlement Funding Assessment (SFA).

2.8 The first phase of results of the Census 2021 were released in June 2022 and show the number of people by gender and age at a local authority level. At a national level the population of England grew by 6.6% to 56,489,800 (2011, 53,012,456).

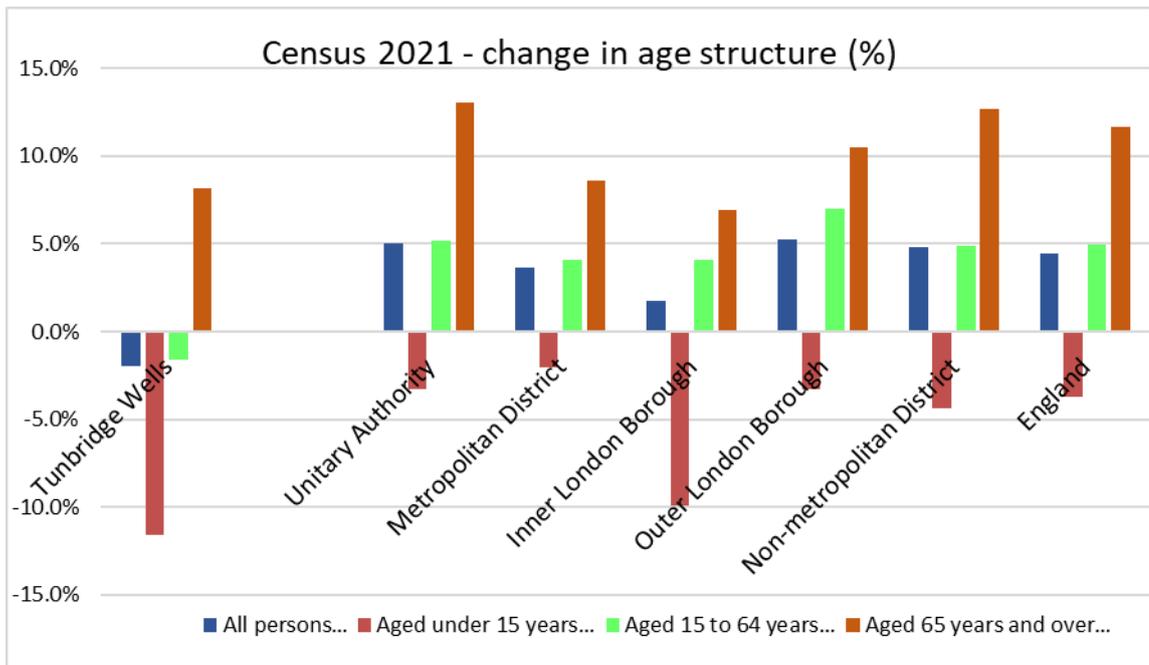
2.9 At a local level the population of Tunbridge Wells only increased by 0.2% to 115,300 (2011, 115,049), this is significantly below the ONS estimates which had assumed a population of 118,939. Tunbridge Wells had the lowest population growth in Kent which is shown below:



2.10 The stagnation in population of Tunbridge Wells is in contrast to other Kent authorities which experienced healthy increases which is shown below with Tunbridge Wells now being one of the smallest district councils in Kent:



2.11 A further analysis by age shows that in common with other types of local authorities Tunbridge Wells had a reduction in those aged under 15, but Tunbridge Wells was unusual in also experiencing a reduction in the working age population (15-64):



2.12 Further release phases from the Census 2021 may provide a better understanding as to why the population in Tunbridge Wells has stagnated with only the age group of those over 65 increasing.

2.13 Information held by the Council may provide some explanation for the stagnation in population. The table below shows that the borough did have an increase in the number of residential dwellings of 6% but also had a similar increase in properties occupied by only a single adult (according to Council Tax records). This data would indicate that the stagnation in population is not due to a lack of new house building:

Council Area	Taxbase 2021/22	Taxbase 2011/12	10yr Increase
Number of Residential Properties	50,235	47,387	6.0%
Number of SPD Claimants	16,593	15,724	5.5%

2.14 The lower population growth in comparison with other areas will adversely impact on funding and investment from the Government. If the Fair Funding Review was to be undertaken using the Census 2021 results, then the redistribution of current funding would see the current SFA for Tunbridge Wells of £2.4m reduced by £600,000.

New Homes Bonus (NHB)

2.15 NHB scheme was introduced by the Government in 2011 as a “powerful, predictable, permanent incentive to reward the delivery of housing growth”, funded by a £900 million top-slice of Revenue Support Grant.

2.16 Since 2011 various amendments have been made to dilute the financial incentive and in advance of consulting on changes the Government announced that in effect the current scheme will be phased out and consultation paper was published in February 2021.

- 2.17 It was expected that any replacement scheme would be implemented from 2023/24 as part of a wider reform package for local government finance. To date no information has been received from DLUHC.
- 2.18 The Council is not set to receive any guaranteed legacy payments. The MTFs has assumed that either NHB carries on for another year or the replacement scheme will see the Council continue to receive the £1,146,00 that was received in 2022/23.

Business Rates

- 2.19 The Council acts as an agent on behalf of HM Treasury to collect business rates based on the rateable set by the Valuation Office Agency (VOA) and the multiplier set by the Government. Business rates are a national tax and the council derives no financial benefit from annual increases to existing bills or increases to bills from national revaluations.
- 2.20 The most recent valuation came into effect in 2017, based on rateable values from 1 April 2015. The government is required by law to introduce at each revaluation, transitional arrangements to support businesses to adjust to their new bills.
- 2.21 The next revaluation will come into effect on 1 April 2023, based on rateable values from 1 April 2021.
- 2.22 Since April 2013, the Business Rates Retention Scheme has provided an incentive for the council to grow the business rate taxbase (after netting off appeals) by encouraging investment into the borough.
- 2.23 The continuation of business rate pooling using the exiting baseline will enable this council to continue to retain a share in the proceeds of business rates growth for a further year, the current distribution method is show below:

Type of Authority	Local Business Rate Growth Share
Districts	40%
Kent County Council	9%
Kent Fire & Rescue Service	1%
Total	50%
Government	50%

- 2.24 The Council has prudently not included the proceeds of business rates growth within the base budget. The volatility and uncertainty with appeals makes the reconciliation of the Collection Fund at the end of the financial year rather a judgement call as to the level of provisions that should be provided for, which influences the amount of growth available at year-end for distribution.

Financial Position

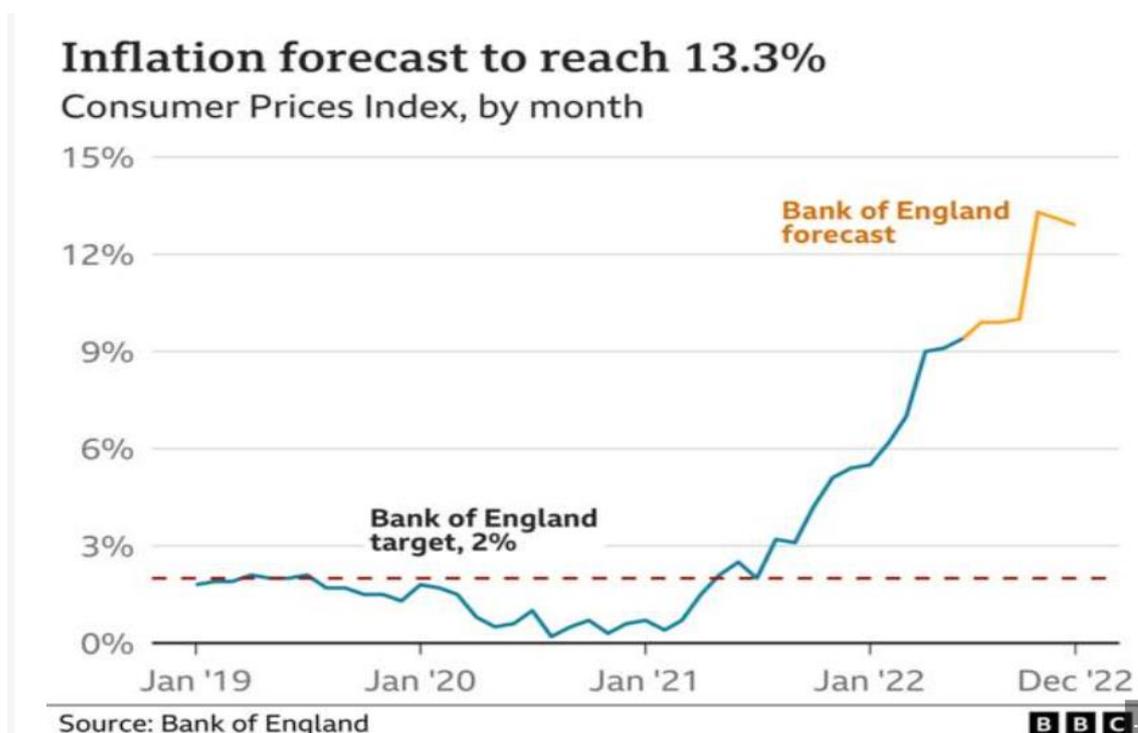
- 2.25 The unaudited outturn for 2022/23 shows that the council managed to deliver the 2022/23 provision of services within budget. From the outset of the pandemic the council formulated a strategy to continue the funding of services, co-ordinated requests for

financial support and to lobby government for national support for the leisure, charity, and business sectors.

- 2.26 The External Auditors commented in their Annual Report on TWBC for 2020/21 that;
- “Despite the uncertainty, and the challenges posed by COVID-19, the Council has maintained a good financial position. The Council has proposed a balanced budget for 2021/22 although this does rely on the use of some reserves, although far below the current reserves held.
- This places the Council in a strong financial position. However, like other Authorities, it is under pressure to identify savings in the years ahead.
- Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Council.”
- 2.27 The External Auditors commented in their Annual Report on TWBC for 2021/22 that:
- “The Council’s financial position in 2021/22 continued to be challenging amidst the outbreak of new variants of Covid-19 which had a major impact on the Council’s finances and services. The Council had a healthy opening reserves position of £39.5m as at 1 April 2021. Based on the February Council meeting, it now anticipates a budget gap of only £944,000 to be funded from reserves. Therefore, we are not anticipating that the Council will struggle with any significant financial difficulties for 2021/22 financial year.
- We understand that the savings potential has been affected by the impacts of the pandemic, our prior year experience suggests that the Council has a history of successful delivery on savings, and we have no reason to suggest that this will not be the case going forward.
- As per the Council’s medium-term budget projections, the latest iteration thereof assumes a cumulative deficit over the course of 5 years amounting to £20.7 million will need to be funded from reserves if left unmanaged. Based on this, the council is taking necessary steps to reduce usage of its reserves despite the amount being less than the usable reserves available for funding.”
- 2.28 The Auditors did recommend that the Council produce a savings plan and the first part of that was approved by Cabinet on 20 July 2022 and took the form of an In-Year Budget Review.
- 2.29 The next phase will be the production of Cabinet Member Plans which will enable the new Cabinet Members to set out the priorities for which they are accountable, along with savings and growth for 2022/23 to 2023/24.
- 2.30 The Quarter 1 2022/23 Budget Management Reports show that the Project Outturn is still within the approved budget and that the planned use of £944,000 of reserves is still required.

National Economic Forecasts

- 2.31 The Bank of England's (BoE) Monetary Policy Committee sets monetary policy to meet the 2% inflation target. At its meeting ending on 3 August 2022 the MPC, voted to increase interest rates by 0.5 percentage points to 1.75%.
- 2.32 The MPC report also said that inflationary pressures have intensified in the United Kingdom since the MPC report in May 2022. This largely reflect the near doubling of wholesale gas prices since May, owing to Russia's restrictions on gas supplies to Europe and the risk of further curbs. This is likely to feed through to higher levels of inflation of over 13% in the last quarter of 2022 and remain at a very elevated position throughout much of 2024. This is a significant change from the BoE's forecast in May and further adrift from the 2% target, although the BoE is forecasting to meet this target in two years ahead:



- 2.33 The MPC report for August also explained that UK Gross Domestic Product (GDP) is slowing. The UK is now projected to enter recession from the fourth quarter of this year and keep shrinking until the end of 2023:

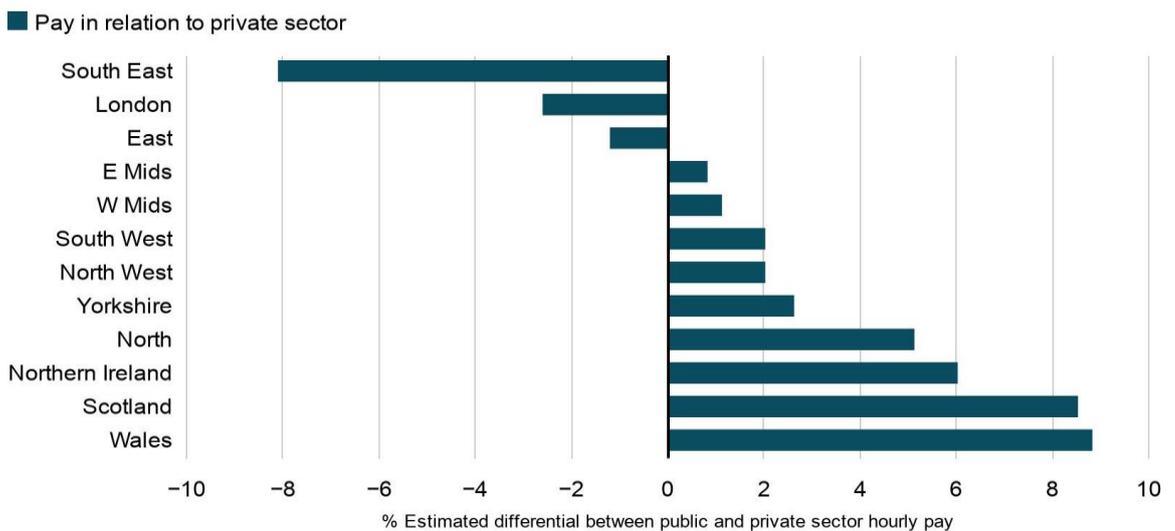


Employment Costs

- 2.34 The scarcity of skilled staff and low unemployment rates combined with high inflation are increasing salaries across the economy. The Council sets its own pay policy through Local Pay but needs to remain competitive both with the private sector and across the Local Government sector where employers have put forward a 5% pay award, backdated to April 2022.
- 2.35 The Council continues to face acute pressure in retaining and recruiting professional and other staff. The situation is exacerbated as private sector pay is significantly higher than the public sector in the South East, unlike the rest of the country. The regional disparity has been identified by the Institute of Fiscal Studies and is shown below:

Public sector workers earn less than average in the South East but more than average across the UK

Difference between public and private sector hourly pay in 2019-2021



Source: IFS

BBC

- 2.36 The Council has commissioned a market analysis of the current pay scale mid-points for each grade based on the Public Sector Not For Profit (excluding London) market data and will use the results to inform the 2023/24 pay mid-points.

Local Economic Forecasts

- 2.37 The challenging economic climate and the cost-of-living crisis varies depending on the type of business and location of operation. The borough has been very resilient during previous recessions with the impact being less severe and the rate of recovery quicker than the national situation. However, this forecast downturn is like no other and the borough remains exposed to the change in peoples working lives and the impact on the local economy.
- 2.38 The actual reduction to major income streams provides an indication of the local economic recovery. The town centre economy is particularly reliant on office workers during the week and at this time it is not known whether the town's major employers expect their staff to return to their office.
- 2.39 The major influence over the size of the budget deficit for 2023/24 will be determined by the high levels of inflation and the widening gap between relatively fixed costs and the inability to increase income anywhere near inflation. The situation remains fluid and projections will continue to be updated in accordance with the budget strategy.
- 2.40 A summary of local economic data is shown below:
- Unemployment Rate for June 2022 for the borough is 2.3% (1,615 claimants) and the 3rd lowest in Kent where the average is 3.3%.
 - Council Tax collection rates to July 2022 are down 0.90% compared to target.
 - Business Rates collection rates to July 2022 are up 2.78% compared to target.
 - There were 344 empty business properties in July 2022 compared to 314 properties pre-pandemic.
 - The value of residential property in the borough has increased by 8% over the past 12 months, increasing the average value to £441,000 an increase of £34,000 (Source: HM Land Registry).

Budget Projection 2023/24

- 2.41 The current year's budget forms the base budget upon which projections are made on how each type of expenditure or income will change and anticipation of emerging demand issues and government legislation.
- 2.42 The main areas of variance are summarised below and assume that the In-Year Budget Review and Savings Plan is fully delivered:

	2023/24
Subjective Variance	£000s
Employment Costs	973
Transport	0
Premises	499
Business Rates	46
Supplies and Services	0
Contracts	767
Income	(1,171)
Government Growth Incentive	0
Settlement Funding Assessment	0
No Collection Fund Balance	145
Council Tax Increase	(417)
Cease use of General Fund	944
Budget Gap	1,786

Medium-Term Financial Strategy Update

- 2.43 The current years' budget has been used as a basis to forecast the Net Budget Requirement for the next five years after allowing for inflation and changes to service demands. The Net Budget Requirement is funded from the baseline share of business rates, specific government grants and council tax. The table below shows that the level of income is insufficient to meet the cost of delivering services and that savings are required.
- 2.44 The Savings Plan is summarised below and shows that there are still savings or additional income that needs to be identified to balance the revenue budget. The large increase for 2027/28 is an estimate of the additional cost of the waste service when the current contract expires:

Updated August 2022	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£000s	£000s	£000s	£000s	£000s	£000s
Net Budget before savings		15,717	16,335	17,090	17,906	20,873
Business Rates and Grants		(3,520)	(3,520)	(3,520)	(3,520)	(3,520)
Council Tax		(9,423)	(9,853)	(10,296)	(10,754)	(11,226)
Total Funding		(12,943)	(13,373)	(13,817)	(14,274)	(14,746)
Savings required (cumulative)	944	2,774	2,962	3,274	3,632	6,127
Savings Plan						
In-Year Budget Review & SFC	(384)	(848)	(848)	(848)	(848)	(848)
Reduction to 39 councillors			(50)	(50)	(50)	(50)
Town Hall occupation costs		(140)	(140)	(140)	(140)	(140)
Growth		0	0	0	0	0
Savings still to find	560	1,786	1,924	2,236	2,594	5,089

- 2.45 A subjective breakdown of the current years' budget is available on the Council's website.

Budget Strategy

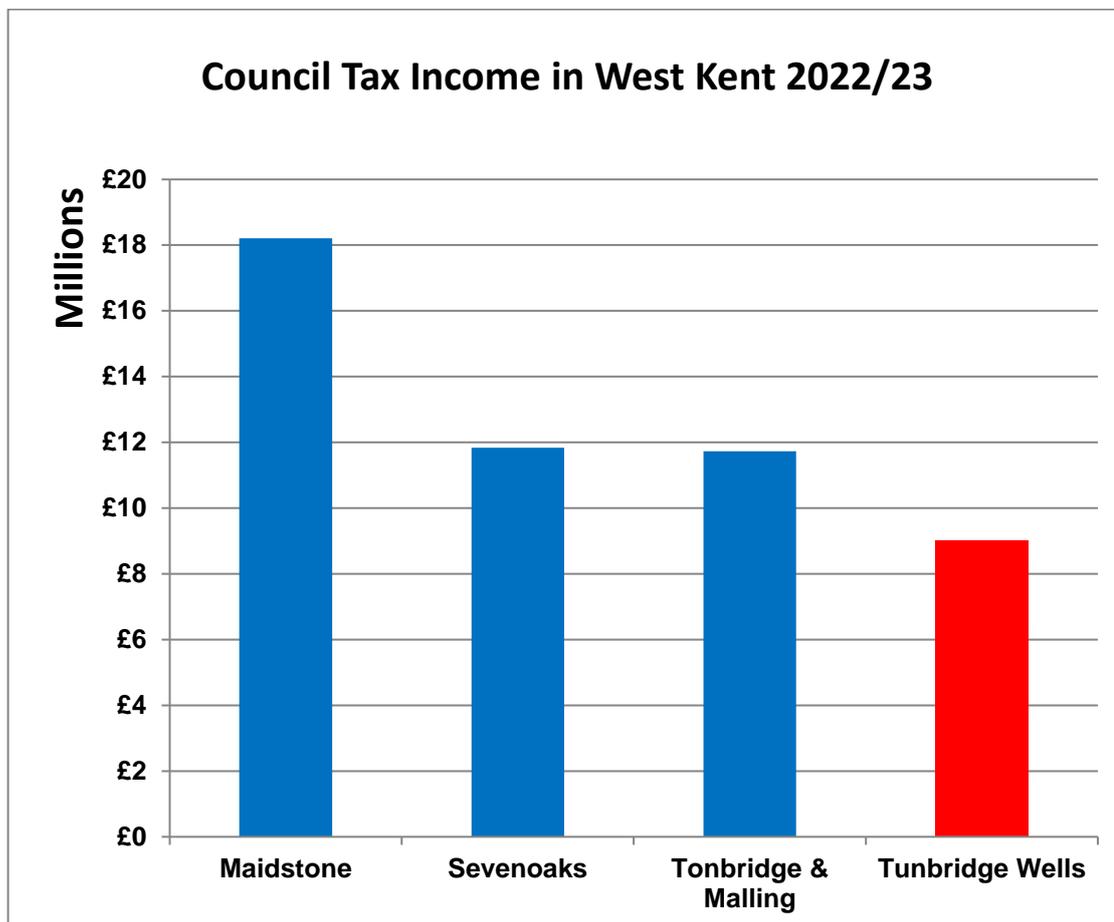
- 2.46 There remains a deficit forecast for 2023/24 of £1,786,000 which, if left unmanaged, would need to be funded from reserves. In normal times the use of general reserves is unsustainable over the longer-term which led Cabinet in 2012 to set a definition of a balanced budget as follows:

“Where ongoing expenditure is met from fees, charges, government grant and council tax with only the use of earmarked reserves being used to meet one-off priority expenditure.”

- 2.47 These are not normal times, and the Council will need to set out a savings plan that will balance the revenue budget without the use of reserves over the medium-term and to remain on a sound financial footing.

Council Tax Strategy

- 2.48 One source of funding for the provision of local services is council tax. This Council has historically had a policy of very low council tax levels and the strategy is for council tax to increase up to the threshold for triggering a referendum.
- 2.49 In previous years, the most efficient authorities such as this Council will be able to increase council tax up to £5.00 a year rather than the cap of 2%. The Government assumes this Council will increase Council Tax by the maximum permitted in their assessment of this Council's available financial resources. It will be for Full Council in March 2023 to decide the level of Council Tax.
- 2.50 With inflation continuing to be into double figures, the national council tax cap of 2% appears unrealistic as councils like other organisations cannot continue to absorb such inflationary pressures. The district council tax 'cap' of £5.00 has remained frozen since 2013 and there is pressure from the Local Government Sector for this to finally be increased.
- 2.51 The combination of a low council tax rate and low house values (as set in 1991) for council tax banding purposes, results in TWBC receiving £2.8 million less each year from Council Tax than other West Kent Councils and half that of Maidstone Borough Council, as shown below:



Sales, Fees and Charges (SFCs)

2.52 For the fees and charges which are not imposed by central government a report will be considered by Cabinet in November.

Car Parking Charges

2.53 Any proposals to increase pay and display car parking charges will be included in the Sales, Fees and Charges report.

Staff Savings and Efficiencies

2.54 Directors/ Heads of Services and Portfolio Holders have been busy trying to identify further efficiency options to reduce the cost of their services and to increase income. These are still in the discussion stage and need refining before they can be submitted to the Cabinet Advisory Board or in the case of staffing changes through the process set out within the HR Policies.

Digital Transformation

2.55 It is not possible to keep working harder and faster with fewer resources and still provide safe, effective services. The Council will need to find new ways of working smarter and deliver services in a more digitally efficient form which meets with the way the public now interact with service providers. The Council has a Digital Services and

Transformation Team in place to improve operational delivery and transform the way that services are provided. Details of these projects are reported quarterly to Cabinet and the resulting efficiencies will be incorporated into the budget-setting process.

Capital and Revenue Reserves

2.56 The Medium-Term Financial Strategy maintains the following as an adequate level of reserves:

	Minimum
General Reserves (Revenue)	£3.0 million
Capital Receipts	£1.0 million

2.57 The reserves and balances are currently forecast to meet the above levels although maintaining this position relies on delivering not just a balanced budget in 2023/24 but a sustainable budget for the future.

2.58 The minimum level of reserves is a professional judgement of the s151 Officer based on the financial obligations and risks of each individual council. CIPFA's good practice guidance requires the General Fund reserves to be a minimum of 5% of the net budget requirement or more.

2.59 In addition to the revenue and capital budget, the Council has earmarked reserves which form part of the Budget and Policy Framework and are available to fund the specific purpose of the reserve in accordance with the virement procedure rules. The projected balances of these reserves are shown below and assume that the revenue budget is balanced from 2024/25 without further utilisation of reserves:

	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
	£000's	£000's	£000's	£000's	£000's	£000's
General Fund	4,336	4,336	4,336	4,212	3,481	2,981
Earmarked Reserves	15,766	5,930	944	944	944	944
2022/23 Budget Deficit	0	-944	-944	-944	-944	-944
2023/24 Budget Deficit without further savings			-1,736	-1,736	-1,736	-1,736
Grant Volatility (Collection Fund adj)	6,911	1,301	0	0	0	0
Capital Grants & Contributions	3,280	3,280	3,280	3,280	3,280	3,280
Capital Receipts Reserve	2,200	1,000	712	0	0	0
Total Reserves	32,493	14,903	6,592	5,756	5,025	4,525
Outstanding Financing						
33 Monson Road	900	855	810	765	720	675
Dowding House	1,870	1,781	1,692	1,603	1,514	1,425
The Lodge, Calverley Park	468	447	425	403	381	362
Royal Victoria Place	924	882	840	799	757	714
The Amelia Scott	2,000	2,000	1,920	1,840	1,760	1,680
Civic Site Essential Works	0	451	1,235	1,185	1,135	1,084
Total Outstanding Financing	6,162	6,416	6,922	6,595	6,267	5,940
Note: Schemes not funded from reserves need to be charged to revenue and this repayment is reflected in the reduction in financing over the life of the asset.						

2.60 The Council does not have any external debt but with borrowing costs still at relatively low levels the s151 Officer has the flexibility to take advantage of this situation and borrow as an alternative to utilising capital receipts.

Significant Areas of Risk and Uncertainty

2.61 High levels of inflation are placing pressure on staff, residents and businesses which is being referred to as a cost-of-living crisis. The following areas being susceptible to risk:

- Collection of Council Tax and Business Rates
- Recruitment and retention of professional staff across the Council.
- Energy usage is relatively fixed, but costs are rising at around 100%.
- The cost of owning and operating premises is increasing uneconomical due to high utility and maintenance costs.
- Labour shortages and high costs from operating in one of the most expensive parts of the country places additional costs and risks on the Council and its contractors.
- A reduction to the town centre workforce as major employers review their property assets and the work-from-home practice continues.
- A lack of confidence by the private sector to invest in the borough.

Major External Contracts

2.62 The council currently has in place three major contracts which were all procured in a very different economic climate and with the contractors being responsible for risks which have now come to pass. They were procured in a healthy and competitive marketplace which may now not be the case following the legacy of the pandemic. This presents a significant risk to the council in financial terms and potentially being exposed to additional risk going forwards. The above budget does not reflect this risk as decisions have yet to be taken on the course of action for each contract, the current expiry dates are as follows:

- Leisure Centre Management 31 March 2022
- Grounds Maintenance 31 December 2022
- Waste and Street Sweeping 31 March 2027

2.63 Individual reports will come forward in due course setting out the issues and options to Cabinet and will be listed on the Forward Plan.

Benchmarking

2.64 As part of the development of the budget the council will make use of the updated service expenditure benchmarking data using the Chartered Institute of Public Finance and Accountancy (CIPFA) nearest statistical neighbours and the income and governance data from the Council's geographical neighbours. This will be prepared for the Budget Update report in October 2022.

Resilience

2.65 Council finances are under intense pressure from ten years of austerity, followed by the impact from the pandemic. Despite all this uncertainty out of 343 councils very few have got into financial difficulty. All tend to be upper tier; districts should never get into difficulty due to a diverse range of services and multiple income streams they can influence and are not exposed to providing Adult Social Care.

2.66 To help avoid councils from getting into financial difficulties and subsequently issuing a s114 notice or requesting a Capitalisation Direction, CIPFA developed a set of risk indicators. This uses publicly available data to compare similar authorities across a range of factors to improve understanding of a council's financial risk. The latest release of the Resilience Index will be used as part of the development of the budget setting process.

National Policy and Legislative Changes

2.67 The above forecasts are subject to changes from the following government activities:

- Levelling-Up and Regeneration Bill
- The Provisional Local Government Finance Settlement; and
- Fair Funding Review and reforming Local Government Finance.

3. Options Considered

- 3.1 The budget-setting process is well rehearsed and has largely been successful in delivering a balanced budget and engaging with the public. There may be other alternatives but ultimately the Council must produce a budget which meets its statutory responsibilities.

4. Preferred Option and Reason

- 4.1 This report is the start of the formal budget-setting process which will be informed through consultation and research. Decisions on priorities and services will be communicated on a regular basis.

5. Consultation on Options

- 5.1 The Council already has a wealth of information from previous budget consultation exercises and residents' surveys, the most recent being undertaken in 2015.
- 5.2 Early public engagement is essential to arrive at suitable feedback which can be developed in time to be incorporated within the budget. Information will be placed on the Council's website along with articles in Local which allows members of the public, staff and businesses to provide their ideas for how to reduce spending and optimise income while protecting the quality of public services.
- 5.3 The Cabinet Advisory Boards will continue to provide a good source of challenge in developing the budget and to the level of service provided.
- 5.4 The above will form an overall picture of prioritisation. Cabinet proposals for savings and growth can then be tested through consultation in December when the draft budget will be placed on the Council's consultation portal.

6. Implementation

- 6.1 This report sets out the mechanism by which Cabinet will deliver its service and budget strategy. The report and recommendations will be subject to comment by the Finance and Governance Cabinet Advisory Board and further reports to Cabinet in due course. The draft budget proposals will be considered by Cabinet in December and published onto the consultation portal. Final proposals for the budget will be agreed by Cabinet in February and proposed for approval by Full Council in March 2023.

7. Appendices and Background Documents

Appendices:

- Appendix A: Budget Timetable

Background Papers:

- None

8. Cross Cutting Issues

Issue	Implications	Sign-off
Legal including Human Rights Act	The Five-Year Plan and budget form part of the Council's Policy Framework.	Director of Finance, Policy and Development, 17 August 2022
Finance and other resources	This report forms part of the Council's Budget and Policy Framework.	Director of Finance, Policy and Development, 17 August 2022
Staffing establishment	<p>Where savings proposals impact on staff then this will be managed in accordance with Human Resources policies.</p> <p>The Council continues to face acute pressure in retaining and recruiting professional and other staff. The situation is exacerbated as private sector pay is significantly higher than the public sector in the Southeast, unlike the rest of the country. The regional disparity has been identified by the Institute of Fiscal Studies and is shown below:</p>	Director of Finance, Policy and Development, 17 August 2022
Risk management	An assessment of the risk factors underpinning the budget will accompany the final budget report. The Strategic Risk Register also includes a risk on funding streams which is being monitored by Cabinet and the Audit and Governance Committee.	Director of Finance, Policy and Development, 17 August 2022

Environment and sustainability	The budget has regard to the environmental sustainability priorities within the Five-Year Plan.	Director of Finance, Policy and Development, 17 August 2022
Community safety	The budget has regard to the community safety priorities within the Five-Year Plan.	Director of Finance, Policy and Development, 17 August 2022
Health and Safety	The budget has regard to the Health and Safety obligations and priorities within the Five-Year Plan.	Director of Finance, Policy and Development, 17 August 2022
Health and wellbeing	The budget has regard to the health and wellbeing priorities within the Five-Year Plan.	Director of Finance, Policy and Development, 17 August 2022
Equalities	Changes to service delivery may impact on equalities; however, heads of service will ensure that an equality assessment is in place where this has been identified.	Director of Finance, Policy and Development, 17 August 2022