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Tendring
District Council

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AGENDA

RESOURCES AND SERVICES OVERVIEW AND SCRUTINY COMMITTEE

DATE:	**Wednesday, 12 January 2022**
TIME:	**9.30 am**
VENUE:	**Committee Room - Town Hall, Station Road, Clacton-on-Sea, CO15 1SE**

MEMBERSHIP:

Councillor M Stephenson(Chairman)
Councillor Scott(Vice-Chairman)
Councillor Allen
Councillor Barry
Councillor Amos
Councillor Codling
Councillor Griffiths
Councillor Harris
Councillor Morrison

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DATE OF PUBLICATION: Thursday, 23 December 2021

AGENDA

1 Apologies for Absence and Substitutions

The Committee is asked to note any apologies for absence and substitutions received from Members.

2 Minutes of the Last Meeting (Pages 1 - 6)

To confirm and sign as a correct record, the minutes of the last meeting of the Committee, held on Monday 13 December 2021.

3 Declarations of Interest

Councillors are invited to declare any Disclosable Pecuniary Interests or Personal Interest, and the nature of it, in relation to any item on the agenda.

4 Questions on Notice pursuant to Council Procedure Rule 38

Subject to providing two working days' notice, a Member of the Committee may ask the Chairman of the Committee a question on any matter in relation to which the Council has powers or duties which affect the District of Tendring and which falls within the terms of reference of the Committee.

5 BUDGET PROPOSALS FOR 2022/23 (Pages 7 - 104)

To enquire into the proposed budget for the Council for 2022/23 within the framework of the Council's Medium Term Financial Strategy, its Treasury Strategy and the most recent quarterly update report on the Council's Budget for 2021/22. The Committee will be assisted by the Leader and individual Cabinet Members in its enquiry and will examine the Cabinet's initial highlight priority actions for 2022/23 and the synergy with the proposed Budget for 2022/23. The enquiry will address both the General Fund and Housing Revenue Account.

Date of the Next Scheduled Meeting

The next scheduled meeting of the Resources and Services Overview and Scrutiny Committee is to be held in the Council Chamber, Town Hall at 7.30 pm on Monday, 7 February 2022.

Information for Visitors

FIRE EVACUATION PROCEDURE

There is no alarm test scheduled for this meeting. In the event of an alarm sounding, please calmly make your way out of any of the fire exits in the hall and follow the exit signs out of the building.

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**MINUTES OF THE MEETING OF THE RESOURCES AND SERVICES OVERVIEW AND SCRUTINY COMMITTEE,
HELD ON MONDAY, 13TH DECEMBER, 2021 AT 7.30 PM
IN THE COUNCIL CHAMBER, COUNCIL OFFICES, THORPE ROAD, WEELEY, CO16 9AJ**

Present:	Councillors M Stephenson (Chairman), Scott (Vice-Chairman), Allen, Barry, Codling, Fowler, Griffiths and Harris
Also Present:	Councillors G Guglielmi (Deputy Leader), Porter (Portfolio Holder for Leisure and Tourism) and Steady
In Attendance:	Lisa Hastings (Deputy Chief Executive & Monitoring Officer), Lee Heley (Interim Corporate Director (Projects Delivery)), Michael Carran (Assistant Director (Economic Growth & Leisure)), Keith Simmons (Head of Democratic Services and Elections) and Keith Durran (Committee Services Officer) and Matt Cattermole (Communications Officer)

37. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies for absence were received on behalf of Councillor Land (no substitution) and Councillor Morrison (with Councillor Fowler substituting).

38. MINUTES OF THE LAST MEETING

It was **RESOLVED** that the Minutes of the meeting of the Committee held on Monday 1 November 2021 be approved as a correct record.

39. DECLARATIONS OF INTEREST

There were no declarations of interest by Councillors in relation to any on the agenda for this meeting.

40. QUESTIONS ON NOTICE PURSUANT TO COUNCIL PROCEDURE RULE 38

On this occasion no Councillor had submitted notice of a question.

41. SCRUTINY OF PROPOSED DECISIONS

Pursuant to the provisions of Overview and Scrutiny Procedure Rule 13, the Committee reviewed any new and/or amended published forthcoming decisions relevant to its terms of reference with a view to deciding whether it wished to look into any such decision before it was taken. The relevant forthcoming decisions were before the Committee.

The Committee **NOTED** the contents of the report including the reference to forthcoming decisions of Cabinet on the Housing Revenue Account Estimates 2022/23, the updated General Fund Financial Forecast and Initial Budget Proposals 2022/23 that would form part of this Committee's enquiry into the budget to take place on 12 January 2022.

42. RECOMMENDATIONS MONITORING REPORT

The Committee before it the current Recommendations Monitoring Report which set out those items which had previously made recommendations to the Cabinet/ Portfolio Holder and the approved response to the recommendations and any subsequent action for the Committee to consider.

The Committee **NOTED** the contents of the report including the follow-up actions as proposed by the Chairman of the Committee and on which there had been no contrary proposals submitted by Members of the Committee during prior consultation with them.

43. REVIEW OF THE WORK PROGRAMME

The work programme of the Committee was submitted to it in order to enable the Committee to review that programme.

The Committee **NOTED** the contents of the report including the intention to hold an informal meeting on 5 January 2022 (commencing at 9.30am) followed by a formal meeting of the Committee on 12 January 2022 (again commencing at 9.30am) in order to undertake an enquiry into the General Fund and Housing Revenue Account for the Council for 2022/23.

[Note: The enquiry referred to in this Minute shall also include consideration of the Council's Treasury Strategy and the Quarter Two financial forecasts for 2021/22.]

44. REPORT OF THE LEADER OF THE COUNCIL. - A.4 - KEY PRIORITY ACTIONS 2021/22 TOWARDS CORPORATE PLAN THEMES - MONITORING REPORT AT THE HALF YEAR POINT

The Committee had before it the report submitted to Cabinet on 8 October 2021 (Minute 57 refers) concerning progress with the highlight priority actions for 2021/22 adopted by Cabinet on 19 March 2021. The report set out the six month position for each of those highlight priority actions and the specified milestones for each of the actions.

The Deputy Leader addressed the Committee on the progress with the highlight priority actions for 2021/22 and emphasised the linkages of those actions back to the Council's Corporate Plan 2020-24.

The Chairman conveyed the thanks of the Committee for adopting the milestones approach for the highlight priority actions and for reporting on these in the way set out in the report. He stated that this level of openness in reporting was very much welcomed and had been something requested by the Committee in the past. It provided a balanced score card on the work of the Council.

After a brief discussion, the Committee **NOTED** the report and thanked the Deputy Leader for attending and presenting it.

45. JOINT USE FACILITIES OPTIONS REPORT

Prior to the day of the meeting a site visit to the Brightlingsea and Harwich joint use sports facilities for Members of the Committee had been arranged. The site visits had taken place on 6 December 2020 and the Assistant Director (Leisure and Sport) had

escorted Members and support officers around the two facilities. A note of the site visits was circulated at the meeting.

The Committee received advice from the Monitoring Officer in relation to the Overview and Scrutiny Procedure Rule 18 – that set out the exceptions to Call-in. The rules were set out in the Constitution, Part 5.31 (Cream) Rule 18 (ii)(d) which stated that "*Unless the decision has taken into account new material considerations arising since the original consultation with the Council or an Overview and Scrutiny Committee a decision by the Cabinet in response to such consultation shall not be subject to call-in."*

In view of the fact that the Committee was considering the report that was also on the Cabinet's agenda for its meeting on Friday, 17 December 2021 (in respect of the future of joint use sports facilities) any resultant decision of Cabinet at that meeting would be unlikely to be subject to 'call-in' as other decisions were. The Committee was urged to make the most of the debate on the joint use sports facilities and to consider the options within the Report to Cabinet. If the Committee did not agree with the proposed approach, as recommended within the report to Cabinet, it was it's opportunity to give recommendations to Cabinet for it to consider.

The report submitted to the Committee outlined the Community use agreements with the Sigma Trust for the Joint Use Sports Facilities at Brightlingsea and Harwich Sports Centres. The term of the agreements was until 31 December 2021. This paper set out options for consideration by Cabinet and a recommendation on how to proceed.

The Committee heard that over a period of 30 years and 15 years respectively, the Council had managed community use arrangements at Brightlingsea and Harwich Sports Centres on the basis of the allocated element of the relevant school buildings. Agreements with the respective schools had enabled the Council to open facilities to the public on those non-Council owned sites after curriculum hours and, in some cases, for daytime use also. The schools were Colne Community School & College in Brightlingsea and the Harwich & Dovercourt High School in Harwich.

Members also heard that in August 2021, the Council in conjunction with the Sigma Trust decided to extend the agreements for five months, from their original expiry date of 31 July 2021, until 31 December 2021. That was to ensure all appropriate residents and stakeholders were consulted and an evaluation could be undertaken for a considered decision by Cabinet on the Council's future involvement.

It was reported to the Committee that the combined subsidy for managing community use facilities on the school sites was £146,969 and, prior to the Covid-19 pandemic, combined attendances decreased year on year from 68,832 to 61,864 (between 2017 and 2019). In order to address that decline, a significant investment programme was considered necessary.

The report outlined that the Council's own facilities at Dovercourt and Walton had been subject to investment over recent years and a refurbishment was close to completion at Clacton Leisure Centre. The Joint Use Facilities also required investment and Cabinet would need to consider the viability of investing in facilities which the Council did not own. That should also be considered in the context of longer term investment requirements for the three facilities under the Council's ownership at Clacton Leisure Centre, Dovercourt Bay Lifestyles and Walton on the Naze Lifestyles.

The Committee heard that in order to establish local views on current and future community use of those facilities prior to a Cabinet decision, a six week consultation exercise had been carried out. The consultation focussed on those facilities incorporated into the Joint Use Agreements. During the consultation Brightlingsea and Harwich Town Councils had been approached to establish opinions and whether they would consider future involvement in the operation of Brightlingsea and Harwich Sports Centres respectively. Officers could facilitate further discussions with the respective Town Councils and the Sigma Trust, to establish if there was appetite for involvement in opening the facilities for community use. That would also apply to any health partners, who may have considered opening up a dialogue.

The Schools which host the Joint Use Sports Facilities at Brightlingsea and Harwich Town Councils were operated by the Sigma Trust, who also retained responsibility for Clacton County High School. BSC had been under the Trust's management since 1 January 2019 and Harwich Sports Centres from 1 June 2017. Discussions with the Sigma Trust had also taken place during the consultation period.

The Committee heard how a Sports Facilities Strategy was due to be brought forward for consideration by Cabinet in 2020, but it had been postponed due to the Covid-19 pandemic. As there was significant turbulence in the leisure sector and wider economy, largely instigated by two national lockdowns, it was not considered appropriate to adopt a strategy at that time. Proposals are in place to develop the sports facilities strategy by March 2022. The aim in taking decisions on the future of the joint-use agreement was to sustain the greatest use of facilities for sport and leisure, while reducing significant pressure on the council's overall financial position. In addition, it would look at meeting the Council's strategic ambitions for sport and leisure in improving local activity levels and opportunities for improving health outcomes.

The Committee was advised that the current Joint Use Facilities Agreements would end on 31 December 2021, the Council was not seeking to extend the Agreements and any community use of the facilities at the two schools concerned would be determined by the Sigma Trust. The Portfolio Holder indicated that this did not mean the two centres would close and that the ending of the agreements was entirely amicable between the Council and the Sigma Trust. He also pointed to the separate agreement between the Council and the Sigma Trust in respect of artificial pitch use at the Vista Road Recreation Ground in Clacton (adjacent to Clacton Leisure Centre).

In response to a question, the Committee was advised by the Assistant Director (Economic Growth & Leisure) that an invitation to a representative of the Sigma Trust had not been made to attend the meeting in response to the request for such an invitation to be made by a Member of the Committee.

With premission from the Chairman, Councillor Steady read a statement in relation to the item.

After an in-depth discussion it was **RECOMMENDED** to Cabinet that:

a) the proposal to cabinet in the report to it on the joint use sports facilities at Brightlingsea and Harwich is placed on hold (and appropriate steps taken to facilitate this status quo continuing), to allow the proposal to be considered:

(i) within the context of the councils emerging Sports Facility Strategy (due to be published in March 2022); and
(ii) in conjunction with the future intentions of the Sigma Trust (which are, as yet, unknown).

b) It adopts the above as it will allow an all encompassing scrutiny of the future provision of Council sports facility provision and, as the Joint Use Facilities Budget is not to be immediately reallocated, there is no immediate need for this decision to be implemented.

[Note: In respect of appropriate steps in the above recommendation it was agreed that this shall include approaching the Sigma Trust on the issue, discussing the proposal and agreeing the extension of the agreement should the Sigma Trust agree to this.]

The Committee also **RESOLVED** to:

(a) authorise the Chairman to discuss with the Portfolio Holder for Leosure and Tourism the possibility of establishing a group of Members to consider the emerging Sports Facilities Strategy (including the provision for sports in Brightlingsea and Harwich).
(b) note that the following were adopted statements by this Council in respect of sports and leisure provision:

Page 108 of Section 2 of Tendring District Local Plan 2013-2023 and beyond –in respect of provision for Healthy Places.

"Indoor sports facilities including sports halls, health and fitness facilities and swimming pools are classed as 'Community Facilities' and are protected through Policy HP2. The Council will work with partners to improve the provision of indoor sports facilities in the District and will support proposals for new facilities subject to meeting the requirements of other policies in this Local Plan and may consider the use of all delivery mechanisms including Community Infrastructure Levy to help deliver new and improved existing Indoor sports facilities to meet the needs of a growing population".

Page 30 of the Playing Pitch Strategy and Action Plan for Tendring District Council and its partners (June 2017)

"Recommendation c – Maximise community use of education sites where there is a need to do so given the mix of provider in Tendring, there is a need for the Council and NGBs to work with other partners, for example, town and parish councils to help maximise use of outdoor sports facilities and in particular grass pitches and AGPs".

The meeting was declared closed at 10.01 pm

Chairman

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RESOURCES AND SERVICES OVERVIEW AND SCRUTINY COMMITTEE

12 JANUARY 2022

REPORT OF THE ASSISTANT DIRECTOR FINANCE & IT

A.1 KEY FINANCIAL REPORTS INCLUDING BUDGET PROPOSALS FOR 2022/23
(Report prepared by Richard Barrett)

PURPOSE OF THE REPORT
To set out a number of key financial reports for consideration by the Committee, including the budget proposals for 2022/23 in respect of both the General Fund (GF) and Housing Revenue Account (HRA).

BACKGROUND / CURRENT POSITION

A number of key financial reports were considered by Cabinet earlier in the year, with the comments of the Committee now requested.

The various reports form part of the Committee's work programme and the timely opportunity has been taken to bring these together within this report as part of the Committee's wider budget consultation activities for 2022/23.

The following sets out each report in turn:

1) Treasury Outturn 2022

On 17 September 2021, Cabinet considered the ***Treasury Outturn 2020/21***, with the report attached as **Appendix A**.

At the above meeting, Cabinet resolved that the Treasury Management performance position for 2020/21 be noted and that the Prudential and Treasury Indicators for 2020/21 be approved.

2) Financial Performance Report at the end of Quarter 2 (2021/22)

On 12 November 2021 Cabinet considered the ***Financial Performance Report – In-Year Performance against the Budget at the end of the Second Quarter 2021/22 and Long Term Financial Forecast Update***, with the report attached as **Appendix B**.

At the above meeting, Cabinet resolved:

That, in respect of the financial performance against the budget at the end of September 2021:-

(a) the current position be noted;

(b) the proposed in-year adjustments to the budget, as set out in Appendix H to item A.8 of the Report of the Portfolio Holder for Corporate Finance & Governance, be approved;

(c) in respect of the Council's Treasury Management Practices, the aggregate amount of money that can be placed overnight with the Council's bankers be increased temporarily from £1.000m to £1.500m for each day the offices are closed over the

Christmas 2021 break;

(d) the Council continues to be a member of the Essex Business Rates Pool in 2022/23 if it remains financially advantageous to do so; and

(e) the closing date for Members to submit claims under the Members' COVID-19 small grant scheme be set as 31 March 2022.

2. That, in respect of the Updated Long Term Forecast:-

the updated forecast be approved and that the Resources and Service Overview and Scrutiny Committee be consulted on the latest position.

3) <u>Updated Financial Forecast and Budget Proposals 2022/23 (GENERAL FUND)</u>

On 17 December 2021, Cabinet considered the ***Updated Financial Forecast and Initial Budget Proposals 2022/23***, with the report attached as **Appendix C**.

At the above meeting it was resolved that Cabinet:

(a) approves the updated Financial Forecast and proposed position for 2022/23 as set out in the Corporate Finance & Governance Portfolio Holder's report and the appendices thereto; and

(b) requests the Resources and Services Overview and Scrutiny Committee's comments on this latest financial forecast and proposed position for 2022/23.

4) <u>Housing Revenue Estimates 2022/23</u>

On 17 December 2021, Cabinet considered the ***Housing Revenue Account Estimates 2022/23***, with the report attached as **Appendix D**.

At the above meeting it was resolved that Cabinet:

(a) approves the updated Housing Revenue Account (HRA) 30 year Business Plan and proposed position for 2022/23, as set out in the Portfolio Holders' joint report and Appendix thereto; and

b) requests the Resources and Services Overview and Scrutiny Committee's comments on this latest HRA financial forecast and proposed position for 2022/23.

RECOMMENDATION
That the Committee considers the four reports attached and determines whether it has any comments or recommendations it wishes to make or put forward to the relevant Portfolio Holder or Cabinet.

APPENDIX A

CABINET

17 SEPTEMBER 2021

REPORT OF FINANCE AND CORPORATE RESOURCES PORTFOLIO HOLDER

A.# TREASURY MANAGEMENT PERFORMANCE 2020/21
(Report prepared by Richard Barrett and Wendy Borgartz)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT
To report on the Council's treasury management activities and Prudential Indicators for 2020/21.

EXECUTIVE SUMMARY

- Borrowing and investments have been undertaken in accordance with the 2020/21 Annual Treasury Strategy that was approved by the Leader on 24 April 2020.

- ***Summary of the Council's Borrowing Position:***

Amount Outstanding at the end of March 2021	Average Interest Rate Paid in 2020/21	Total Interest paid in 2020/21
£0.151m (General Fund)	7.354%	£0.013m
£38.441m (HRA)	3.472%	£1.362m

No external borrowing was undertaken in 2020/21 for either the General Fund (GF) or Housing Revenue Account (HRA).

- ***Summary of the Council's Investment Position:***

Value of Investments held at the end of March 2021	Average Interest rate on Investments 2020/21	Interest Earned on Investments 2020/21
£76.959m	0.287%	£0.300m

The amount of interest earned from investments decreased during the year due to the bank base rate remaining at 0.10% all year. Compared to historic interest figures, the 2020/21 return remained low because of the continuing unprecedented low interest rates. Estimated income was reduced during the year from the original estimate of **£0.386 million** to **£0.290 million,** with the outturn figure being **£0.300 million** as set out in the table above.

- The Council continues to hold one property within its Commercial Investment Portfolio, which had a balance sheet value at 1 April 2020 of **£2.155 million**. This 'book value' was reduced by the Council's appointed valuers to **£1.985 million** at

the end of 2020/21. However this is an 'accounting' valuation and not a direct value that could be achieved on the market if it was sold. In-line with the budget, rental income of **£0.179 million** was earned on the property in 2020/21. (this figure was lower than in previous years due to the schedule of payments moving from a quarterly to monthly with no effect on the overall annualised position)

- During 2020/21 there were no Treasury Management Practice limits that were exceeded.

- Treasury performance figures for the year are set out in **Appendix A1** with Prudential Indicators attached as **Appendix A2.**

- The COVID 19 pandemic will continue to have an impact in 2021/22 with no expectations of a rise in interest rates given that the economy will need to continue to recover and stabilise over the short to medium term.

RECOMMENDATION(S)

That Cabinet notes the Treasury Management performance position for 2020/21 and approves the Prudential and Treasury Indicators for 2020/21.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Good and effective Treasury Management supports the Council in delivery against its corporate goals and objectives.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

Key treasury management performance data is set out in **Appendix A1**.

Risk

Risk is inherent in all treasury management activities. Such risks are considered within the Capital and Treasury Strategy with management actions necessary to mitigate the risks set out in the Council's Treasury Management Practices.

LEGAL

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

The Local Authorities (Capital Financing and Accounting) (England) Regulations 2003 include the requirement for local authorities to have regard to CIPFA guidance which this Council has adopted.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.
Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected /

Consultation/Public Engagement.

There are no direct implications in respect of the above areas.

PART 3 – SUPPORTING INFORMATION

BACKGROUND AND CURRENT POSITION

The Council has adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management in the Public Services. The main reporting elements to comply with this code include:

- An Annual Capital and Treasury Strategy approved by Cabinet after consultation with the relevant overview and scrutiny committee for recommending to the Full Council.
- Regular monitoring reports that form part of the Council's Corporate Financial Performance Monitoring arrangements during the year. (For 2020/21, no issues were brought to the attention of members as part of this reporting process.)
- An annual treasury performance or outturn report for the preceding year that is presented to Cabinet.

This report sets out the necessary information in response to the third bullet point above and provides a summary of the treasury activities undertaken in 2020/21 **(Appendix A1)** and final Prudential and Treasury Indicators at the end of 2020/21 **(Appendix A2),** with revised figures for 2021/22 where relevant.

During 2020/21, the Council complied with its legislative and regulatory requirements and associated treasury management activity remained in accordance with the Treasury Strategy and Treasury Management Practices with further details in respect of specific borrowing and investment considerations set out in the next section of the report.

BORROWING AND INVESTMENTS 2020/21

Borrowing

The Base Rate set by the Bank of England remained at 0.10% through all of 2020/21. The latest forecast from the Council's treasury advisors indicates that this historically low rate of 0.10% is unlikely to change until after March 2023. Public Works Loan Board (PWLB) rates remain at low levels historically. During 2020/21 further requirements were introduced for PWLB borrowing, such that if an authority is planning any purchase of commercial property during a financial year or the following three years it will not be able to borrow any money from the PWLB for any purpose. This change was introduced to deter authorities from borrowing to purchase commercial property investments. Currently a further review is being made of the Treasury Management Code and the Prudential Code by CIPFA with the aim of also tightening further the requirements around commercial property investments. The Council's current investment property was not financed by loan.

No external borrowing was undertaken during the year. In respect of the General Fund, the Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with external loans, as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy remains prudent, as investment returns are low and counterparty risk remains relatively high. As set out in the Treasury Strategy, the current internal borrowing position is running close to the £5m agreed.

However given the continuing low return on investments and no significant increases in PWLB interest rates in the immediate future, it is felt prudent to maintain this position in the short term although this will be kept under review in consultation with the Council's external advisors and set against the background of potential increases in borrowing rates in the future.

No new borrowing or restructuring of existing debt was undertaken for GF or HRA purposes in 2020/21. Principal on HRA debt continues to be repaid each year in line with the 30 year business plan.

Debt rescheduling opportunities are limited in the current economic climate with no debt rescheduling taking place in 2020/21.

No temporary borrowing from the markets was required during the year.

One of the key prudential indicators relates to the Council's Authorised Borrowing Limit. It is therefore worth highlighting that borrowing has been maintained within the Council's Authorised limit as set out below:

Key Indicator	Limit 2020/21	Amount Borrowed (Internal and External)
Authorised Limit – borrowing	£76.156m	£43.672m

Looking ahead to 2021/22 it is likely that additional borrowing will be required to support the redevelopment of the Honeycroft Site in Lawford, which was set out in the Cabinet report agreed by the Leader in July. Depending upon the final development design and density, build costs are estimated to be in the region of £4 million. Although subject to a further report once the associated tender exercise is undertaken £280,000 has been set aside in the HRA budget for 2021/22 that will be available to support the cost of borrowing for this scheme. The final borrowing decision will be made by Full Council following a recommendation by Cabinet. It is also worth highlighting that it is anticipated that borrowing / capital investment costs can be reduced by seeking grant funding from Homes England through the Affordable Homes Programme 2021 - 2026. The Council is eligible to bid through the continuous market engagement strand of the programme and officers will be commencing discussions with Homes England to establish the level of grant subsidy that might be achievable

Investments

The year saw the continuation of the challenging investment environment of low investment returns with relatively high level of counterparty risk continuing. The tight monetary conditions remain and short-term deposit rates remain at extremely low levels. Additional liquidity in the market as a result of government grants to local authorities in response to COVID 19 and reduced investment activity in the wider economy due to COVID 19 resulted in banks not looking for any additional funding, which has driven rates down even further and has made it increasingly difficult to find suitable counterparties.

The Council manages its investments in-house and invests in accordance with the approved strategy. The Council invests for periods of time dependent on the Council's cash flows, the view as to future interest rate movements and the interest rates offered by counterparties whilst balancing various risks such as interest rate risk and counterparty risk.

As a result of the shortage of counterparties, plus the additional requirement for liquidity

due to additional uncertainty over cash flows due to COVID 19, during 2020/21 the Council opened two Money Market Funds, one with Aviva and one with Federated Hermes. Both funds are AAA rated and are permitted investments as set out in Treasury Management Practices. At 31 March 2021 £7.800 million was held in total in Money Market Funds

The Council's investments continued across the following investment types:

- Deposits at fixed rates and for fixed terms with other local authorities and the Government's Debt Management Office (DMO)
- Deposits at fixed rates and for fixed terms with UK-based banks and building societies meeting the counterparty risk criteria
- Treasury bills, which are tradeable but if held to maturity are at fixed rates, although none were purchased during 2020/21 as the rates were much lower than could be achieved elsewhere
- Certificates of deposit, which are tradeable but if held to maturity are at fixed rates
- Use of deposit accounts with UK banks and the two new Money Market Funds for liquidity

Further details on how the investment types changed over the year is set out below.

With poor investment returns available along with limited 'low' risk counterparties, a significant proportion of the Council's investments were still made with other local authorities. The significant amount of money received on 1 April 2020 for Business rates grants from BEIS of £80.270 million meant that the only counterparty meeting the requirements of the Council's Treasury Management Practices (TMPs) where this money could be placed was the Bank of England's Debt Management Facility (DMO). This practice continued throughout the year, even in periods when the DMO was paying negative interest rates, meaning that the Council received back less money than was placed with the DMO. Total negative interest paid by the Council was limited to £382.10 across the whole year. The potential returns on Treasury Bills were so low that none were bought during the year, neither were any Certificates of deposit with banks, although there were some fixed deposits with Building Societies. Both government and local authority investments fit well with the Council's low appetite for risk with the security and liquidity of the investment the prime concern.

The total invested in local authorities at 31 March 2021 was **£58.000 million** out of a total investment of **£76.959 million**, with a further **£7.600 million** invested short term with the Debt Management Office and **£7.800 million** invested in two Money Market Funds. Other investments were held with UK banks with no amounts held with Building Societies, non-UK institutions or in Treasury Bills.

Given the money received from the Government to support business rate grants etc. and the short term and repeating nature of placing money with the DMO highlighted above, 2020/21 was an unusual year with aggregated investments reaching over **£5.000 billion** for the year as set out in **Appendix A1**.

The Council receives regular credit rating updates during the year following which the appropriate action is taken as soon as practical where the credit rating falls below the minimum ratings which form part of the Council's Treasury Management Practices.

The UK holds an AA rating with one rating agency, AA- with a second and Aa3 with the third, with the lower grades not having a specific adverse impact on the Council's treasury activities at the present time.

In accordance with the Council's Commercial Property Investment Policy, an annual

update on the portfolio is set out below.

In August 2017 the Council purchased an investment property in the District. The purchase was financed partly from capital receipts and partly from revenue resources, so there was no increase in indebtedness arising from the purchase. The purchase price, including stamp duty, was **£3.244 million**. At 31 March 2018 the property had been revalued t**o £3.100 million** (the purchase price less stamp duty tax). In each subsequent year the Council's appointed valuer has revalued the property for the purposes of the Council's Statement of Accounts and the fair value was reduced as set out in the table below;

Date	**Comment**	**Value £ million**	**Impairment £ million**
August 2017	Purchase	3.244	0.000
March 2018	Revalued – exclude stamp duty	3.100	0.144
March 2019	Revalued	2.300	0.800
March 2020	Revalued	2.155	0.145
March 2021	Revalued	1.985	0.170

An impairment of **£0.170 million** was therefore recognised in the Council's 2020/21 statement of accounts, which is charged to revenue within the Comprehensive Income and Expenditure Statement and then reversed out through the Movement in Reserves Statement so that it does not fall as a direct cost that needs to be financed. It is worth highlighting that the above adjustments reflect the necessary end of year accounting adjustments and therefore do not necessarily reflect the value of the property on the open market. This remains as the only property in the portfolio.

In terms of the performance of the property, during the year the rental income was **£0.179 million**. (this is lower than in previous years as the payment of rent has moved from a quarterly basis to a monthly basis but this has had no impact on the overall annualised amount). The annualised amount represents an annual rate of return of 6.5% compared to the purchase price including stamp duty. The property is therefore performing satisfactorily against the financial target with the budgeted investment income achieved for the year.

The current leasehold occupier of the property ceased trading from the property in November 2018. Discussions remain open with the current leasehold occupier to continue to explore options going forward, which could include them subletting the property for the unexpired period of the lease (approximately 5 years). It is worth highlighting that the Council's Commercial Property Investment Policy is underpinned by robust risk management actions which will respond to any changes to the situation.

Given the above, there are no current risks to the Council's long-term forecast or significant changes to the risk of holding commercial property, but this will be reviewed on an on-going basis with any changes required to be made to the forecast set out as part of the financial strategy process over the reminder of the year.

Compliance with Treasury and Prudential Limits

During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's annual Treasury Strategy. The outturn for the Prudential Indicators is shown in **Appendix A2.**

BACKGROUND PAPERS FOR THE DECISION
None

APPENDICES
Appendix A1 Treasury Performance figures 2020/21 **Appendix A2** Prudential and Treasury Indicators 2020/21

1 Borrowing

1a Long Term Debt

Principal	Opening Balance 1 April 2020	New Borrowing	Principal Repaid	Balance at 31 March 2021	Average Debt for Year
	£'000	£'000	£'000	£'000	£'000
Long Term Borrowing					
PWLB - General Fund	207	0	56	151	179
PWLB - Housing Revenue Account	40,106	0	1,665	38,441	39,214
Total Long Term Borrowing	**40,313**	**0**	**1,721**	**38,592**	**39,393**

Average Interest Rates	Average Interest Rate 1 April	New Borrowing	Principal Repaid	Average Interest Rate 31 March	Average Interest Rate for Year
	%	%	%	%	%
Long Term Borrowing					
PWLB - General Fund	7.515	0.000	8.531	7.138	7.354
PWLB - Housing Revenue Account	3.451	0.000	2.371	3.497	3.472
Overall Long Term Borrowing	**3.472**	**0.000**	**2.572**	**3.511**	**3.490**

Interest paid relating to 2020-21	
General Fund	13
Housing Revenue Account	1,362
	1,375

Long term debt is defined in legislation as loans repayable over more than one year.

1b *Total debt*

Average debt over the year	£39,393
Interest paid relating to 2020-21	£1,375
Average interest rate for year	3.490%

This includes interest paid on temporary debt

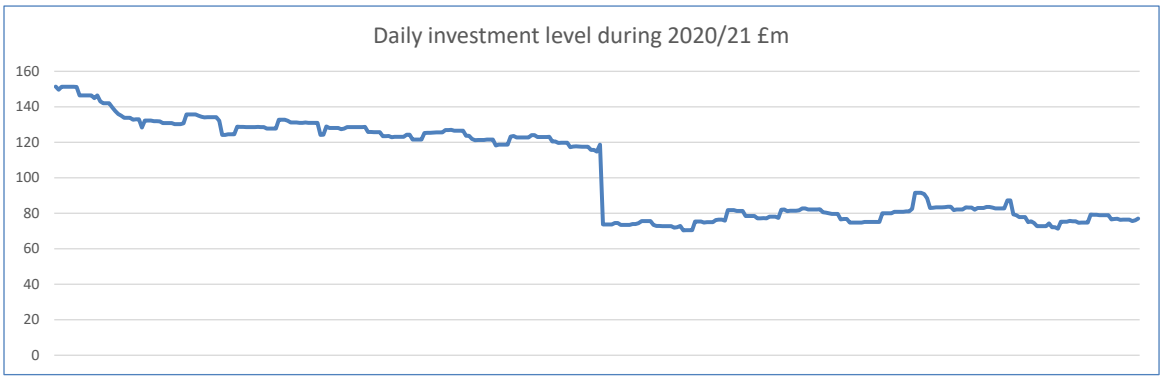
1c Budget for Total Interest Paid

	Original Estimate	Out-turn	Variation from Budget
	£'000	£'000	£'000
General Fund	13	13	0
Housing Revenue Account	1,358	1,362	4
Total Interest Paid	**1,371**	**1,375**	**4**

2 Investments

2a *Temporary Investments*

Principal	Opening Balance 1 April 2020 £'000	New Investments £'000	Investments Repaid £'000	Balance at 31 March 2021 £'000	Average Investments for Year £'000
Investments less than a year					
Investments with UK Government via Treasury Bills, DMO, Local Authorities and other public bodies	54,900	5,070,900	5,060,200	65,600	
Investments with UK Financial Institutions (including Money Market Funds)	11,560	28,790	28,991	11,359	
Investments with non-UK Financial Institutions	0	0	0	0	
Total Temporary Investments	**66,460**	**5,099,690**	**5,089,191**	**76,959**	**103,680**



Average Interest Rates	Average Interest Rate 1 April %	Average Interest Rate 31 March %	Average Interest Rate for Year %
Temporary Investments	0.393	0.065	0.287

2b Budget for Total Interest Earned

	Original Estimate £'000	Revised Q2 CBM £'000	Out-turn £'000	Variation from Revised Budget £'000
Total Interest Earned	**(386)**	**(290)**	**(300)**	**(10)**

3 Base rates

	%
At 1 April 2020	0.100
At 31 March 2021	0.100

The rate remained unchanged at 0.10% all year

PRUDENTIAL INDICATORS

CAPITAL EXPENDITURE

This is an estimate of the amount of investment planned over the period. As can be seen, not all investment necessarily has an impact on the Council Tax, schemes funded by grants, capital receipts or external contributions mean that the effect on the Council Tax is greatly reduced.

Capital Expenditure - General Fund £000s	2019/20 Actual	2020/21 Approved budget	2020/21 Actual	Notes	2021/22 as agreed by full Council 13 July 2021	Amended 2021/22 for carry forwards
Total Capital Expenditure	**5,202**	**10,783**	**1,920**		**816**	**9,786**
Financing - General Fund						
External contributions	(23)	(43)	-		-	(43)
Section 106	(7)	(109)	(103)		-	(6)
Coast protection grant	(1,670)	(439)	(78)		-	(360)
Other Government grants	(40)	(282)	(130)		-	(152)
Disabled Facilities Grant	(1,507)	(5,265)	(786)		(757)	(5,237)
Capital receipts	(28)	(825)	(10)		-	(815)
Direct revenue contributions	(341)	(57)	(24)		(55)	(366)
Earmarked reserves	(1,586)	(3,763)	(789)		(4)	(2,807)
Total Capital Financing	**(5,202)**	**(10,783)**	**(1,920)**	**-**	**(816)**	**(9,786)**
Net Financing need (External Borrowing)	**0**	**0**	**0**		**0**	**0**

Housing Revenue Account Capital Schemes £000	2019/20 Actual	2020/21 Approved budget	2020/21 Actual	Notes	2021/22 as agreed by full Council 13 July 2021	Amended 2021/22 for carry forwards
Total Capital Expenditure	**5,370**	**3,457**	**4,160**		**3,457**	**5,809**
Financing - Housing Revenue Account						
Major repairs reserve	(3,652)	(3,176)	(2,063)		(3,176)	(3,957)
Direct revenue contributions	(1,197)	(281)	(1,111)		(281)	(1,143)
Section 106	(86)	-	(261)		-	(596)
Capital receipts	(368)	-	(725)		-	(113)
External contributions	(67)	-	-		-	
Government grant	-	-	-		-	
Total Capital Financing	**(5,370)**	**(3,457)**	**(4,160)**		**(3,457)**	**(5,809)**
Net Financing need (External Borrowing)	**0**	**0**	**0**		**0**	**0**

CAPITAL FINANCING REQUIREMENT

Each year, the Council finances the capital programme by a number of means, one of which could be borrowing. The Capital Financing Requirement (CFR) represents the cumulative amount of borrowing that has been incurred to pay for the Council's capital assets, less amounts that have been set aside for the repayment of debt over the years. The Council is only allowed to borrow long term to support its capital programme. It is not allowed to borrow long term to support its revenue budget.

CAPITAL FINANCING REQUIREMENT	2019/20 Actual	2020/21 Estimate	2020/21 Actual	Notes	2021/22 as agreed by full Council 13 July 2021
	£000	£000	£000		£000
General Fund	5,448	5,230	5,230		5,021
Housing Revenue Account	40,106	38,442	38,442		36,778
Total	**45,554**	**43,672**	**43,672**		**41,799**

GROSS DEBT AND THE CAPITAL FINANCING REQUIREMENT

This indicator compares the Capital Financing Requirement to the level of external debt and shows how much of the capital programme is financed from internal resources. The capital programme is partially funded in the short to medium term by internal resources when investment interest rates are significantly lower than long term borrowing rates. Net interest payments are, therefore, optimised.

PRUDENTIAL INDICATOR	2019/20 Actual	2020/21 Estimate	2020/21 Actual	Notes	2021/22 as agreed by full Council 13 July 2021
	£000	£000	£000		£000
Capital Financing Requirement	45,554	43,672	43,672		41,799
External debt	40,313	38,592	38,889		36,921
Internal borrowing	5,241	5,080	4,783		4,878

OPERATIONAL BOUNDARY AND AUTHORISED LIMIT

The Council must set an operational boundary and authorised limit for external debt. The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It reflects the decision on the amount of debt needed for the Capital Programme for the relevant year. It also takes account of other long term liabilities, which comprise finance leases, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt. The Council has none of these at present.

The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

PRUDENTIAL INDICATOR	2019/20 Actual	2020/21 Estimate	2020/21 Actual	Notes	2021/22 as agreed by full Council 13 July 2021
	£000	£000	£000		£000
Operational boundary - borrowing	67,704	67,525	67,525		67,342
Authorised limit - borrowing	76,455	76,156	76,156		75,355

RATIO OF FINANCING COSTS TO NET REVENUE STREAM

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

ESTIMATE OF THE RATIO OF FINANCING COSTS TO NET REVENUE	2019/20 Actual	2020/21 Estimate	2020/21 Actual	Notes	2021/22 as agreed by full Council 13 July 2021
	£000	£000	£000		£000
General Fund	-2.49	-0.40	-0.45		0.94
Housing Revenue Account	57.54	47.09	54.38		47.29

INTEREST RATE EXPOSURE

Tendring District Council currently has all its borrowings at fixed rate and usually has a mixture of fixed and variable rate investments. This indicator is set to control the Council's exposure to interest rate risk.

PRUDENTIAL INDICATOR	2019/20 Actual	2020/21 Estimate	2020/21 Actual	Notes	2021/22 as agreed by full Council 13 July 2021
	£000	£000	£000		£000
Upper limit for Fixed Interest Rates on debt	45,554	43,672	43,672		41,799
Upper limit for Variable Interest Rates on debt (based on 30% of the fixed rate limit)	13,666	13,102	13,102		12,540

TOTAL PRINCIPAL SUMS INVESTED FOR PERIODS LONGER THAN 364 DAYS (excluding property)

Interest rate risk is also affected by the proportion of the investments invested at fixed rates for longer periods, especially in a period when rates are expected to rise.

PRUDENTIAL INDICATOR	2019/20 Actual	2020/21 Estimate	2020/21 Actual	Notes	2021/22 as agreed by full Council 13 July 2021
	£000	£000	£000		£000
Limits on the total principal sum invested to final maturities longer than 364 days	3,500	3,500	3,500		3,500

MATURITY STRUCTURE OF FIXED RATE BORROWING

This indicator is set to control the Council's exposure to refinancing risk. The limits are set for each age range to ensure that the Council avoids too many fixed rate loans being matured at one time and spreads the maturity across several periods. The percentages for the upper and lower limits do not add up to 100% as they do not represent an actual allocation.

PRUDENTIAL INDICATOR	Upper limit	Lower limit	Actual outstanding debt maturity % at		2021/22 as agreed by full Council 13 July 2021
	%	%	31/03/2021		31/03/2022
Under 12 months	25	0	4.33%		6.02%
12 months and within 24 months	30	0	5.76%		3.85%
24 months and within 5 years	60	0	16.76%		20.22%
5 years and within 10 years	75	0	17.57%		14.76%
10 years and above	95	25			
10-20 years			15.76%		14.52%
20-30 years			0.95%		18.96%
>30 years			38.87%		21.67%

TREASURY INDICATOR - EXPOSURE TO CREDIT RISK

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) using the rating applicable when it is taken out and taking the arithmetic average, weighted by the size of each investment. Investments in government instruments such as DMO, treasury bills and in local authorities are scored as 1.

TREASURY INDICATOR	2019/20 Actual	2020/21 Actual	2021/22 Upper limit
Average credit score for investments	1.26	1.01	2.00

APPENDIX B

CABINET

12 NOVEMBER 2021

REPORT OF CORPORATE FINANCE AND GOVERNANCE PORTFOLIO HOLDER

A.8 FINANCIAL PERFORMANCE REPORT – IN-YEAR PERFORMANCE AGAINST THE BUDGET AT END OF THE SECOND QUARTER 2021/22 AND LONG TERM FINANCIAL FORECAST UPDATE

(Report prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT
To provide an overview of the Council's financial position against the budget as at the end of September 2021 and to present an updated long term forecast.

EXECUTIVE SUMMARY

- These regular finance reports present the overall financial position of the Council by bringing together in-year budget monitoring information and timely updates on the development of the long term forecast.

- Therefore the report is split over two distinct sections as follows:

  1) ***The Council's in-year financial position against the budget at the end of September 2021***

  2) ***An updated long term financial forecast***

In respect of the in-year financial position at the end of September 2021:

- The position to the end of September 2021, as set out in more detail within the appendices, shows that overall the General Fund Revenue Account is underspent against the profiled budget by **£8.483m** (after excluding variances against COVID 19 grant supported activities, such as business grants, this position is revised to a net overspend of **£4.372m**). It is acknowledged that other expenditure or income trends may still be emerging with the position also largely reflecting the timing of other general expenditure and/or income budgets. However any significant issues arising to date have been highlighted and comments provided as necessary.

- In respect of other areas of the budget such as the Housing Revenue Account, capital programme, collection performance and treasury activity, apart from additional details set out later on in this report, there are other no major issues that have been identified to date.

- Any emerging issues will be monitored and updates provided in future reports, which will include their consideration as part of updating the long term financial forecast.

- Some necessary changes to the 2021/22 budget have been identified which are set out in **Appendix B8,** with an associated recommendation also included within this

report. The same appendix also sets out a number of further changes to the budget that reflect the on-going impact of COVID 19, the costs of which will be met by using the general financial support provided by the Government.

- The net impact of the budget adjustments will be moved to or from the Forecast Risk Fund. At the end of the second quarter, it has been possible to make a small contribution to the fund of **£40k,** which supports the requirement set out in the long term forecast of identifying in-year savings of **£500k** each year.

- A half year treasury management review has been carried out with a summary set out later on in this report along with an associated recommendation to temporarily increase the aggregate limit of funds that can be placed overnight with the Council's bankers for the period that the offices will be closed over the Christmas break.

- It is proposed to continue to be a member of the Essex Business Rates Pool if it remains advantageous to do so in 2022/23.

- It is also proposed to bring the Member's Small Covid grant scheme to a close by the end of 31 March 2022.

In respect of the updated long term financial forecast:

- The forecast has been reviewed and updated at the end of September 2021 and continues to reflect the ongoing impact of COVID 19 as necessary. The updated forecast is set out in **Appendix B9.**

- Work remains on-going in consultation with the various Services across the Council to identify savings within a zero based approach along with unavoidable cost pressures, that remain subject to review for inclusion or otherwise in the detailed budget report that will be presented to Cabinet in December.

- Overall, the long term forecast can still provide an effective method of managing financial risks but the annual deficit or surplus position for each year of the forecast has been revised. The on-going impact from the COVID 19 pandemic is still evolving and it is therefore important to highlight that the money set aside in the Forecast Risk fund should not be seen as overly cautious as sensitivity testing indicates that the fund could be depleted within as little as 3 years if a number of factors arose during the same period.

- A detailed review of risks associated with the long term forecast is subject to on-going review and is separately reported within **Appendix B10.**

- As mentioned during the development of the longer term approach to the budget over recent years, it is important to continue to deliver against this plan as it continues to provide a credible alternative to the more traditional short term approach, which would require significant savings to be identified in 2022/23.

- In terms of delivering against the forecast for 2022/23 and beyond, work remains on-going across the various strands set out in **Appendix B9.**

RECOMMENDATION(S)
That in respect of the financial performance against the budget at the end of September 2021, it is recommended that: **(a)** ***The position be noted;*** **(b)** ***the proposed in-year adjustments to the budget as set out in Appendix B8 be agreed;*** **(c)** ***in respect of the Council's Treasury Management Practices, the aggregate amount of money that can be placed overnight with the Council's bankers be increased temporarily from £1.000m to £1.500m for each day the offices are closed over the Christmas break;*** **(d)** ***the Council continues to be a member of the Essex Business Rates Pool in 2022/23 if it remains financially advantageous to do so; and*** **(e)** ***the closing date for Members to submit claims under the Members' Small COVID grant scheme be agreed as 31 March 2022.*** **That in respect of the Updated Long Term Forecast it is recommended that:** ***(a) The updated forecast be agreed and the Resources and Service Overview and Scrutiny Committee be consulted on the latest position.***

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES
Effective budgetary control is an important tool in ensuring the financial stability of the authority by drawing attention to issues of concern at an early stage so that appropriate action can be taken. Financial stability and awareness plays a key role in delivering the Council's corporate and community aims and priorities. The forecasting and budget setting process will have direct implications for the Council's ability to deliver on its objectives and priorities. At its heart, the long term approach being taken seeks to establish a sound and sustainable budget year on year through maximising income whilst limiting reductions in services provided to residents, business and visitors.
FINANCE, OTHER RESOURCES AND RISK
Finance and other resources The financial implications are considered in the body of the report. **Risk** In respect of the position at the end of September 2021, a number of variances will be subject to change as the year progresses although at this stage it is expected that any adverse position can be accommodated within the overall budget with direct management action. The budget position will be monitored and reviewed as part of both the future budget monitoring arrangements and Financial Strategy Processes. In respect of the long term forecast, there are significant risks associated with forecasting such as cost pressures, inflation and changes to other assumptions that form part of the financial planning process. There are a number of areas that could lead to additional expenditure being incurred, such as: -

- Economic environment / instability;
- Emergence of cost pressures;
- Changes to the local authority funding mechanisms such as the Government's fairer funding review;
- New legislation placing unfunded duties on the Council or reducing the level of the Council's funding;
- Local or national emergency;
- Income is less than that budgeted for, including business rate income retained locally.

COVID 19 continues to have an on-going impact on the Council's financial position, which cuts across many of the specific issues highlighted above. The underlying forecast remains based on relatively conservative estimates with no optimistic bias included. **Appendix B10** discusses the various risks to the forecast with a Red / Amber / Green risk assessment approach taken.

The Council's ability to financially underwrite the forecast therefore remains as important as ever. As with any forecast, some elements of income and expenditure will be different to that forecasted. It is fair to say that many may offset each other over the longer term. However, there are two important aspects to how this will be managed.

1) **£3.753m** has already been set aside within the Forecast Risk Fund to support the budget in future years. This money is available to be drawn down if the timings within the forecast differ in reality and the net position is unfavourable compared to the forecast in any one year. As set out later on in this report, given the increased risks introduced by the COVID 19 crisis, this current reserve level should not be seen as too pessimistic as the sensitivity testing undertaken indicates that this reserve could be depleted in as little as 3 years if some of the risks are borne out in reality.

2) The forecast will remain 'live' and be responsive to changing circumstances and it will continue to be revised on an on-going basis. If unfavourable issues arise that cannot be mitigated via other changes within the forecast then the forecast will be adjusted and mitigating actions taken. Actions to respond will therefore need to be considered but can be taken over a longer time period where possible. In such circumstance the Council may need to consider 'topping' up the funding mentioned in 1) above over the life of the forecast if required. This may impact on the ability to invest money elsewhere but will need to demonstrate that its use is sustainable in the context of the ten year forecast.

The long term approach to the forecast does provide flexibility to respond to risks such as those presented by COVID 19. For instance, the savings target was 'relaxed' for 2021/22. However it must be highlighted that the savings targets set out in the forecast will still need to be delivered in the longer term but they need to remain flexible and react as a counterbalance to other emerging issues and it is therefore accepted that this figure may need to be revised up or down over the life of the forecast.

It is important to continue to deliver against the forecast to retain confidence in the longer term approach. This will, therefore, continue to need robust input from members and officers where decisions may be required in the short term or on a cash flow basis.

Another aspect to this approach is the ability to 'flex' the delivery of services rather than cut services. As would be the case with our own personal finances, if we cannot afford something this year because of a change in our income, we can potentially put it off until

next year. There is a practical sense behind this approach as we could flex the delivery of a service one year but increase it again when the forecast allows.

In addition to the above it is important to note that the Council has already prudently set aside money for significant risks in the forecast such as **£1.758m** (NDR Resilience Reserve) and **£1.000m** (Benefits Reserve), which can be taken into account during the period of the forecast if necessary. The Council also holds **£4.000m** in uncommitted reserves which supports its core financial position.

LEGAL

The Local Government Act 2003 makes it a statutory duty that Local Authorities monitor income and expenditure against budget and take appropriate action if variances emerge.

The arrangements for setting and agreeing a budget and for the setting and collection of council tax are defined in the Local Government Finance Act 1992. The previous legislation defining the arrangements for charging, collecting and pooling of Business Rates was contained within the Local Government Finance Act 1988. These have both been amended as appropriate to reflect the introduction of the Local Government Finance Act 2012.

The Local Government Finance Act 2012 provided the legislative framework for the introduction of the Rates Retention Scheme and the Localisation of Council Tax Support.

The Calculation of Council Tax Base Regulations 2012 set out arrangements for calculation of the council tax base following implementation of the Local Council Tax Support Scheme. These arrangements mean that there are lower tax bases for the district council, major preceptors and town and parish councils.

The Localism Act 2012 introduced legislation providing the right of veto for residents on excessive council tax increases.

Under Section 25 of the Local Government Act 2003, the Chief Finance Officer (S151 Officer) must report to Council as part of the budget process on the robustness of estimates and adequacy of reserves. The proposed approach can deliver this requirement if actively managed and will be an issue that remains 'live' over the course of the forecast period and will be revisited in future reports to members as the budget develops.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.
Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

There are no other implications that significantly impact on the financial forecast. However, the ability of the Council to appropriately address these issues will be strongly linked to its ability to fund relevant schemes and projects and determination of the breadth and standard of service delivery to enable a balanced budget to be agreed.

An impact assessment will be undertaken as part of any separate budget decisions such as those that will be required to deliver the necessary savings.

PART 3 – SUPPORTING INFORMATION

SECTION 1 – IN YEAR FINANCIAL PERFORMANCE AGAINST THE BUDGET AT THE END OF THE SECOND QUARTER OF 2021/22

The Council's financial position against the approved budget has been prepared for the period ending 30 September 2021. This builds on the report presented to Cabinet back in September where a more general update was provided at the end of the first quarter of 2021/22.

Although some expenditure or income trends may still be emerging, comments are provided below where necessary, against the following key areas:

- General Fund Revenue and Proposed Changes to the in-year budget
- Collection Performance
- HRA Revenue
- Capital Programme – General Fund
- Capital Programme - HRA
- Treasury Activity

GENERAL FUND REVENUE

The position to the end of September 2021, as set out in more detail in the Executive Summary attached, shows that there is an overall net underspend of **£8.483m** (after excluding variances against COVID 19 grant supported activities, such as business grants, this position is revised to a net overspend of **£4.372m**).

As set out in the appendices, elements of this variance are due to the timing of expenditure and income or where commitments / decisions have yet to be made, the most significant of which relates to the administration of the various COVID 19 Business Support grants where a final reconciliation process has yet to be finalised.

Appendix B2 provides a more detailed narrative against significant variances with some key highlights as follows:

Expenditure Budgets

- **Increase in Insurance Premiums** – An adjustment is included in **Appendix B8** to reflect the outcome of a recent retender exercise. Although the overall cost has increased in 2021/22 by **£0.076m,** this was significantly less than the expected outcome given the very challenging insurance market at the present time.

- **Potential Increase in Homelessness Costs** – At the end of September, net expenditure was ahead of the profile by **£0.066m** due to the continuing demand for temporary accommodation. No budget adjustment has been included within **Appendix B8** at the present time but the issue will be kept under review during Q3 to identify if there remains a need to increase this budget, which could be supported from the general COVID 19 grant received from the Government. Additional comments are set out below relating to the use of the COVID 19 funding.

- **Planning Agency Staff** – The necessary use of agency staff continues within Planning with an associated adjustment set out within **Appendix B8**. A restructuring process is now underway within the service, which aims to limit the use of agency staff going forwards.

Income Budgets

- **Crematorium Income** – Operational issues continue at the Crematorium with net income behind profile by nearly **£0.300m** at the end of September. Although the associated procurement process to purchase and install new cremators is underway, this adverse position is likely to worsen over the second half of the year which could result in an overall reduction in income in excess of **£0.600m.** Given the scale of the impact on the budget, the Portfolio Holder for Corporate Finance and Governance along with Management Team have requested that Departments review their existing budgets to identify if there are any opportunities to cease / reduce spending elsewhere in the Council's overall operational budgets to partially or fully offset this loss of income. It is recognised that this will need to be done on a proportionate basis given the potential consequences of this approach, but it does provide an alternative to the other option of refocusing existing budgets set aside to deliver specific projects or initiatives. A further update will be presented to members later in the year.

- **Parking Income** – Income is currently ahead of the budget by **£0.141m** at the end of September. This will be kept under review during the second half of the year before consideration is given to including a favourable budget adjustment or not, especially in light of the position set out above in respect of crematorium income.

- **Leisure Facilities Income –** Based on current estimates, it is expected that leisure income will be behind profile by **£1.000m** by the end of the financial year due to the on-going impact from COVID 19, which includes the reduction in memberships fees by 25% given the reopening restrictions in place during the year. However, it is estimated that this will be offset by **£0.250m**, following the Government's commitment to extend the sales, fees and charges compensation scheme into the first quarter of 2021/22. It is proposed to meet the balance of **£0.750m** by applying the general COVID 19 grant received from the Government with some additional commentary set out further on in this report relating to wider use of this COVID 19 funding. The proposed adjustment is included within **Appendix B8**.

OTHER EMERGING ISSUES / USE OF COVID FUNDING

Appendix B8 sets out a number of proposed budget adjustments that respond to the items highlighted above where necessary, along with other emerging issues as at the end of September 2021.

The overall position set out in **Appendix B8** results in a net contribution to the Forecast Risk Fund of **£40k,** which represents the first contribution to the fund as part of the commitment to contribute **£500k** over the course of the whole year that is built into the long term plan. Although subject to the on-going impact from issues such as those highlighted above, opportunities to contribute further money to the fund will be explored over the second half of the year.

In addition to the above, there are a number of COVID 19 grants received from the Government / ECC, which are ring-fenced in-line with the associated funding agreements e.g. track and trace support payments and community ambassadors, which will continue to be progressed as necessary in the second half of the year.

There are however the following two unringenced COVID funding 'pots:

1) General New Burdens COVID 19 Grant – this was payable to the Council to help respond to on-going COVID 19 issues.

Including money brought forward from last year, the total budget in 2021/22 totals **£2.276m.**

Allocations from this budget so far to date include:

- **£0.277m** allocated as part of the 2021/22 Outturn Report, which included the summertime plan and additional bins, bin emptying and grounds maintenance activities.
- **£0.083m** agreed by Cabinet on 8 October to 'extend' the waiving of rents as part of the CAROS scheme until the end of March 2022.
- **£0.046m** agreed by the Portfolio Holder for Corporate Finance and Governance to support the repairs to the treadwheel crane in Harwich, which 'levered' in a significant contribution from Historic England**.**
- **£0.765m** as set out in **Appendix B8,** which primarily reflects reduction in income from leisure centres this year as highlighted earlier in this report.

After taking the above into consideration, **£1.105m** would remain available for further consideration. With the above in mind, there are a number of emerging issues related to the on-going impact from the COVID 19 pandemic that may need to be supported by this remaining funding and include the following:

- Reduction in income of potentially **£0.300m** to **£0.400m** from the Council Tax Sharing Agreement with the major preceptors given the recovery of amounts due are likely to extend into 2022 and beyond.
- The reduction in court cost income associated with the recovery of council tax highlighted above, especially as we are now only seeing the court system slowly returning to business as usual following the pandemic. The reduction in income could be as high as **£0.300m** by the end of the year**.**
- Additional homeless costs as highlighted above, which could be in excess of **£0.100m**

Based on the risks identified above, it would be prudent to retain the unspent COVID 19 'pot' of **£1.105m** to support such unavoidable and on-going impacts from pandemic over the second half of the year. The positon will be kept under review with the intention to reflect any necessary adjustments in the Q3 report.

2) As the Council had spent its full allocation of grant funding relating to the Additional Restrictions Business Grants Scheme by the deadline of July 2021, a 'top up' amount of **£0.804m** was paid by the Government.

   To date, **£0.293m** has been allocated from this 'pot' via separate decisions, with **£0.511m** therefore remaining to be allocated. Options to allocate this funding as part of the Council's Back to Business Plan are currently being explored.

As part of the Council's response to the COVID 19 pandemic, the Leader made £2,000 available to each Member to support local groups / causes. To date, **£0.060m** has been spent from the overall 'pot' of **£0.096m.** A recommendation is included above to bring this scheme to a close by the end of March 2022. Members are therefore urged to allocate any remaining funds from their £2,000 'allowance' by this deadline.

In response to recent freedom of information requests, details on how individual members have allocated their funding will start to be published on the Council's website on a monthly basis from November 2021 until the end of scheme in March 2022.

COLLECTION PERFORMANCE

A detailed analysis of the current position is shown in **Appendix B5**.

There is undoubtedly an on-going impact from COVID 19 on collection performance. However, throughout the first half of 2021/22 there is on-going improvement compared to last year. Any necessary recovery action will continue over the second half of the year, with the aim of maximising the level of collection performance wherever possible.

HRA REVENUE

An overall position is set out in the Executive Summary with further details included in **Appendix B3**. At the end of September 2021, the HRA is showing an net overspend of **£0.081m,** which primarily reflects a void rate of 6% compared with the budgeted rate of 4% with rental income currently behind profile by **£0.100m.**

However as previously mentioned, a number of activities have been on-going with the aim of reducing the overall void rate closer to the historic level of 2%.

With the above in mind, a more detailed analysis of the overall void position as at the end of September 2021 is set out below:

	Weeks Void	Void Rate	Comments
Sheltered Accommodation	1,248	18%	
Long Term Voids (more than 180 days)	2,157	4% (of total stock rather than an absolute void rate)	118 properties were void as at the 1 April 2021, which has reduced to 57 at the end of September 2021.
All other properties	1,195	2%	In-line with the historic rate of 2%
Totals	**4,600**	**6%**	

As an on-going response to the overall void rate of 6%, there is now an emphasis on reducing the void rate within sheltered blocks along with bringing more long term empty properties back into use. With the latter point in mind, an additional **£0.100m** is proposed to be added to the general repairs and maintenance budget within **Appendix B8**, to continue to support the reduction in void rates.

In addition to the actual reduction in income due to voids, the cost of paying council tax whilst the properties are empty has also increased. Expenditure is currently ahead of the profile by **£0.074m**. This will be kept under review during Q3, with the aim of looking to accommodate the increase within the overall HRA budget for the year.

CAPITAL PROGRAMME – GENERAL FUND

The overall position is set out in **Appendix B4.**

As at the end of September 2021, the programme is broadly on target against the profiled position. Detailed comments are provided within the appendix against a number of schemes.

CAPITAL PROGRAMME – HOUSING REVENUE ACCOUNT

The overall position is set out in **Appendix B4.**

As at the end of September 2021 the programme is behind profile by **£0.220m.**

This budget relates primarily to the on-going major repairs and improvements to the Council's own dwellings. There are no specific issues to highlight at this stage and the expectation is that expenditure / commitments will be broadly in line with the budget over the course of the year as work is progressed and procurement processes completed.

TREASURY ACTIVITY

A detailed analysis of the current position is shown in **Appendix B6.**

The Annual Capital and Treasury Strategy for 2021/22 (including the Prudential and Treasury Indicators) was approved full Council on 13 July 2021. In accordance with Financial Procedure Rules this strategy and associated activity have been subject to a half yearly review with the outcomes set out below:

The Economy and the outlook for next 6 months
A more detailed analysis has been provided by the Council's treasury advisors with highlights set out as follows:

The Bank of England continues to maintain the base rate at 0.10%, although there were some indications in September 2021 that the bank may tighten monetary policy and increase rates given the faster and higher inflation expectations, especially with the increases in energy prices in October 2021 and further increases expected in April 2022. As a result, the Council's treasury advisors have brought forward their expectation of an increase in the base rate to 0.25% to the first quarter of the 2022-23 financial year.

World growth was in recession in 2020 but recovered during 2021, until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these are expected to subside during 2022. The pandemic and extreme weather events have been highly disruptive of worldwide supply chains. There are major queues of ships waiting to unload their goods at ports worldwide, which has resulted in shipping containers being in the wrong place, which has contributed to a huge increase in the cost of shipping. Combined with a worldwide shortage of semi-conductors this has had a disruptive impact on production in many countries. Many western countries are also finding it difficult to fill job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods on shelves globally.

Investments
Investment returns are behind the revised forecast, despite a considerable reduction in the budget, at the end of September 2021. Many local authorities are not looking to borrow money at present, which has led to ultra low interest rates and a reduction in investments with local authorities, with the investments switching to banks instead.

The on-going impact will be considered as part of developing the 2022/23 budget and long term forecast.

Similarly, to previous years, the closure of Council Offices between Christmas and New Year 2021 means that daily treasury management actions will not be able to be undertaken for a

short period. Despite planning to maintain adequate headroom across the Council's current accounts, significant council tax and non-domestic rates payments are expected during the Christmas closedown period and along with other income, the current **£1.000m** limit that can be placed overnight with the Council's current account bankers is likely to be exceeded. Accordingly, it is requested that the limit be temporarily increased to **£1.500m** for this period. Officers will monitor the wider market conditions / intelligence and will only place money up to this revised limit if there are no adverse indicators around Lloyds bank that would increase risks. During the year, Lloyds Bank has not seen a decline in terms of their overall ratings from the main rating agencies, therefore the proposed approach set out above continues to be considered as a reasonable action to take.

Borrowing
The borrowing rates that the Council can access remain relatively low. However, due to the low yield on investments, the Council has maintained the position of not replacing the **£1.000m** external loan, which matured in March 2014, and no additional borrowing is currently planned in 2021/22.

SECTION 2 – UPDATED LONG TERM FORECAST

As highlighted in previous reports, 2021/22 is seen as a transitional year as the wider economy recovers / stabilises following the COVID 19 pandemic. This sets the task of forecasting against an evolving economic position very challenging, with uncertainty therefore still remaining when considering the forecast for 2022/23 and beyond.

The previous forecast was considered by Full Council back in February 2021, which set out the high level position for each year of the remaining forecast period. The development of the forecast has continued during 2021/22, with the latest position set out in **Appendix B9**, with an accompanying risk assessment in **Appendix B10.** A high level summary of the updated / current forecast compared with the position reported back in February 2021 is set out below:

Annual Forecast Surplus or Deficit

YEAR	Forecast in February 2021 Deficit / (Surplus)	Current Forecast Deficit / (Surplus)
2022/23	£1.098m (Deficit)	£1.642m (Deficit)
2023/24	£0.866m (Deficit)	£1.123m (Deficit)
2024/25	£0.630m (Deficit)	£1.006m (Deficit)
2025/26	£0.388m (Deficit)	£0.894m (Deficit)
2026/27	£0.142m (Deficit)	£0.785m (Deficit)

Associated Forecast Balance on the Forecast Risk Fund

YEAR	Forecast in February 2021 Surplus Balance	Current Forecast Surplus Balance
2022/23	£2.607m	£2.062m
2023/24	£2.241m	£1.439m
2024/25	£2.111m	£0.933m
2025/26	£2.223m	£0.539m
2026/27	£2.581m	£0.254m

As discussed previously, the figures above are greatly influenced by the 'telescopic' effect of changes made to the forecast over time. Further comments on this are included later on in the report.

Additional details relating to the changes to the forecast since it was presented to Members in February is set out in the table below along with its associated RAG rating:

Line of the Forecast	RAG	Figure Included in February for 2022/23	Current Position for 2022/23	Comments where there has been a significant change
Underlying Funding Growth in the Budget				
Council Tax Increase 1.99%		(£0.168m)	(£0.168m)	No change
Council Tax Increased by £5 (over and above 1.99% increase above)		(£0.074m)	(£0.074m)	No change
Growth In Business Rates – Inflation		(£0.137m)	(£0.139m)	Although CPI was 2.9% in September the forecast retains a 2% assumption. This is on the basis that the Government may 'cap' the increase without any reimbursement to Local Authorities for the 'lost' income.
Growth in Business Rates / Council Tax – General Property Growth		(£0.198m)	(£0.100m)	A slightly more cautionary approach has been taken that reflects the continuing uncertainty around the economic recovery from COVID 19, which includes the 'cost' of the LCTS scheme.
Collection Fund Surpluses b/fwd		(£0.100m)	£0.323m	This reflects the £0.423m adjustment required to the treatment of the collection fund deficit from 2020/21, which in turn relates to the timing of the associated grant income from the government in respect of COVID 19 business rate reliefs. This deficit will be met by calling money down from the associated reserve – see reserves adjustment below. The underlying assumption of achieving a surplus of £0.100m against council tax income remains in place and therefore reduces the figure to £0.323m as shown within the column on the left.

Net Cost of Services and Other Adjustments				
Reduction in RSG		£0.431m	£0.431m	No change, as the earlier one-off RSG amount received in 2021/22 has been removed from the forecast. No RSG amount has been included in 2022/23 as it is unclear whether the Government will continue such support.
Remove one-off items from prior year		£0.000m	£0.000m	No Change
Remove one-off items from prior year – collection fund surplus		(£6.018m)	(£6.018m)	No Change - this relates to removal of the business rates collection fund deficit in 2021/22 funded from reserves – see reserves adjustment below.
Inflation – Employee Costs		£0.386m	£0.598m	A 1.5% pay award in 2021/22 was reflected in the earlier forecast. This has been rejected as part of the associated national negotiations. The forecast has been revised to include a cautionary 2% increase for 2021/22, which would result in an increased / rebased position for 2022/23 onwards. For all other later years of the forecast, a 1.5% pay award has been factored in. The 2022/23 figures also reflect the 1.25% increase (£0.116m) in NI contributions recently announced by the Government.
Inflation – Other		£0.163m	£0.221m	This reflects revised inflationary assumptions – see further on in this report for a more detailed commentary on inflation assumptions.
Impact of PFH WP Savings		(£0.045m)	(£0.045m)	No change
LCTS Grant to Parish Councils		(£0.037m)	(£0.037m)	No change
Revenue Contrib. to the Capital Programme		£0.000m	£0.008m	This small change reflects the timing of two schemes within the capital programme.

Specific Change in Use of Reserves		£6.045m	£5.794m	This primarily relates to the business rates collection fund issue mentioned above where Government grant was carried forward via reserves to meet the timing of when the collection fund deficit is recognised in the accounts. This also includes the removal of the use of reserves to fund the reduction in treasury income that emerged as a cost pressure last year (£0.270m) along with the use of COVID 19 Government funding to back-fill the delay in delivering the savings from the closure of Weeley.
On-going Savings Required		(£0.450m)	(£0.450m)	No change – see comment further on in this report.
Unmitigated Cost Pressures		£0.250m	£0.250m	No change – see comment further on in this report.
Other Adjustments		£0.000m	£0.000m	No Change

In terms of the inflation assumption used within the forecast, these are based on the following CPI projections:

2022/23 - 3%
2023/24 – 2.4%
2024/25 onwards – 2%

For RPI based assumptions, 1% has been added to the CPI figures above.

The forward projection of inflation remains very challenging given the volatility in the economy as it starts to stabilise from the COVID 19 pandemic. However, the above rates are based on the Treasury's own economic forecasts, which indicate that it will take at least two years for the effect of COVID 19 to 'unwind' before falling back to the Bank of England long term forecast of 2%.

In terms of the savings target required, as reported earlier in the year, it is proposed to introduce a 'zero based' framework against which savings will be identified. Although such an approach will generate outcomes over more than one year, work is underway to identify savings that can be included within the 2022/23 budget when it is updated and presented to Cabinet in December.

In terms of cost pressures, the **£0.250m** 'allowance' within the forecast remains modest with work underway to identify unmitigated items for inclusion in the next iteration of the forecast in December. There are a range of potential issues that are being discussed with Services and include:

- On-going reductions in income in respect of the Council Tax sharing agreement with the major preceptors
- Loss of rental income from Carnarvon House, which has now been vacated and the decision made to demolish it.
- General increases in energy and gas costs, which could be even greater if based on renewables
- On-going impact of insurance premium increases
- Increases in External Audit Fees following current and proposed changes to the regulatory framework etc.
- Potential continuation of low investment returns

All of the assumptions set out above will remain 'live' and will be updated in December. It is important to highlight that there is likely to more favourable outcomes against items such as property growth in council tax / business rates and collection fund surpluses, which will help to offset cost pressures within the budget. If not fully offset, there will likely be a need to increase the savings target in later years of the forecast.

It is also important to highlight that the more detailed outcome from the Government's comprehensive spending review will become clearer over the coming weeks, which will need to be reflected in the forecast from 2022/23 and beyond where necessary.

A review of reserves is also planned to be undertaken before December, to support the on-going position where a proportionate level of reserves are maintained that match the financial risks faced by the Council and can demonstrate a favourable outcome in terms of the use of resources.

In-line with previous years, the benefit from remaining a member of the Essex Business Rates Pool has not been reflected in the forecast at this stage. However, in consultation with other Essex Authorities, it is proposed to continue with the pool in 2022/23. A recommendation is therefore included above to reflect this position.

The benefit and risks associated with being a pool member are being kept under review by the pool members, as a decision to withdraw from the pool can be made between now and for a limited period after the Local Government Financial Settlement is announced in January 2022. If risks increase, such as those associated with any reduction in business rate reliefs that are currently funded by the Government, then a collective decision across Essex will be made and included within future financial performance / budget reports.

Risk Assessment
Given the inherent risks to the forecast, a risk assessment of each line of the forecast is maintained as set out in **Appendix B10**.

Further details are provided in respect of each line of the forecast above where the current RAG rating has been highlighted.

As discussed previously, it is proposed to review the long term forecast in 2023, which would see 3 to 4 years to go until the end of the original 10 year plan. This will provide an opportune time to review the Council's financial position going forward and reflect on any longer term impact from the current COVID 19 crisis.

Delivering a positive outturn positon each year
The long term forecast is based on achieving in-year savings of **£500k.** A contribution of **£0.040m** can be made to Forecast Risk Fund at the end of the second quarter. As previously

mentioned, opportunities to identify further in-year savings will be considered over the second half of the year with the aim of achieving the **£500k** target by the end of March 2022.

To date the Council has also refrained from using one-off money such as the New Homes Bonus and general reserves to support the on-going budget. The forecast is based on this prudent principle continuing which supports the robust approach developed and aims to address any potential issues that may be raised by the External Auditor, where the use of reserves does not underpin on-going financial sustainability in the long term.

Sensitivity Testing
There are numerous risks inherent in forecasting and **Appendix B9** includes the potential impact if assumptions within the forecast change such as inflation, reduction in income, the level of costs pressures or underperformance in securing the required on-going savings.

'Table 2' within **Appendix B9** highlights that if some of the scenarios become reality, then the fund could be depleted in as little as 3 years. This would therefore require the Council's overall financial position to be reviewed, which will undoubtedly require the savings targets to be increased to be able to sustainably deliver a balanced budget.

In repeating a point from earlier reports, against the limited number of scenarios tested, the level of the Forecast Risk Fund should not be seen as too cautious as it only provides a modest level of financial 'protection' over the life of the forecast. This is especially true given the 'telescopic' effect of potential changes to the forecast over time.

The forecast will therefore need to continue to remain alert and reflect the most up to date position in terms of the on-going impact from COVID 19. If the Council's financial position looks to be moving to a position where the long term approach to the forecast starts to become unsustainable, then this will be brought to the attention of Management Team and Members at the earliest opportunity.

If a number of issues came together at the same time then it is possible that the forecast becomes unsustainable in the longer term. This will be monitored as the forecast continues to be developed as it has always been recognised that the Council can revert back to the historic short term approach to setting the budget which would require significant savings early in that process.

Forecast Risk Fund
Appendix B10 sets out the annual change in the Forecast Risk Fund with a broadly increasing balance over the life of the forecast.

As previously mentioned, it is recognised that the use of reserves to balance the budget is not sustainable in the long term. However, the use of the Forecast Risk Fund is on a controlled basis with underlying income expected to offset the net increases in expenditure in the long term, which provides for a more resilient approach to resisting potential reductions in the provision of services compared with the more traditional short term approach taken in the past.

Housing Revenue Account
As indicated in Q1, it is proposed to review the HRA Business Plan during the second half of the year.

This review will reflect the on-going issues regarding repairs and void periods along with other emerging pressures such as the costs related to potential changes to 'decent homes' standards that are expected to emerge from the Government, especially in light of the

Grenfell Tower tragedy. This will also need to be set against the context of delivering against the Council's key priority of continuing to build / develop new homes in the district.

Pressures such as inflation and other costs will also need to be reflected within the business plan review, which will need to balance the priorities and aspirations of being a landlord for 3,000 plus homes, whilst responding to the challenging financial position going forwards.

BACKGROUND PAPERS FOR THE DECISION
None

APPENDICES
RELATING TO SECTION 1 OF THE REPORT Front Cover and Executive Summary Appendix B1 – Summary by Portfolio / Committee Appendix B2 – General Fund Budget Position by Department Appendix B3 – Housing Revenue Account Budget Position Appendix B4 – Capital Programme Appendix B5 – Collection Performance – Council Tax, Business Rates, Housing Rent and General Debts Appendix B6 – Treasury Activity Appendix B7 – Income from S106 Agreements Appendix B8 – Proposed Adjustments to the In-Year Budget **RELATING TO SECTION 2 OF THE REPORT** Appendix B9 – Updated Long Term Financial Forecast Appendix B10 – Risk Analysis of Each Line of the Forecast

Tendring District Council

Appendices Included:

Executive Summary	A summary of the overall position.
Appendix B1	A summary of the overall position by Portfolio/Committee split by GF and HRA
Appendix B2	An analysis by Department of all General Fund Revenue budgets.
Appendix B3	An analysis of Housing Revenue Account Revenue budgets.
Appendix B4	The position to date for General Fund and HRA capital projects.
Appendix B5	Collection Performance
Appendix B6	Treasury activity.
Appendix B7	Income from S106 Agreements.
Appendix B8	Proposed Adjustments to the Budget

Financial Performance Report In-Year Performance as at end of:

September 2021

(The variance figures set out in these appendices that are presented in brackets represent either a net underspend to date position or additional income received to date)

Financial Performance Report - Executive Summary as at the end of September 2021

The tables below show the summary position for the General Fund, Housing Revenue Account, Capital, Collection Performance and Treasury Activity.

General Fund - Summary by Department Excluding Housing Revenue Account

	Full Year Budget £	Profiled Budget to Date £	Actual to Date £	Variance to Profile £
Office of the Chief Executive	(26,538,790)	(4,141,433)	(13,550,855)	(9,409,422)
Operations and Delivery	12,311,950	4,099,898	4,115,755	15,857
Place and Economy	14,226,840	1,201,106	2,111,625	910,519
Total General Fund	**0**	**1,159,571**	**(7,323,476)**	**(8,483,046)**

Housing Revenue Account

	Full Year Budget £	Profiled Budget to Date £	Actual to Date £	Variance to Profile £
Total HRA	**0**	**(4,180,898)**	**(4,100,174)**	**80,723**

Capital

	Full Year Budget £	Profiled Budget to Date £	Actual to Date £	Variance to Profile £
General Fund	15,536,810	1,699,020	1,755,654	56,634
Housing Revenue Account	8,136,820	1,540,600	1,321,002	(219,598)
Total Capital	**23,673,630**	**3,239,620**	**3,076,656**	**(162,964)**

Collection Performance

	Collected to Date *Against Collectable Amount*
Council Tax	53.45%
Business Rates	63.82%
Housing Rents	97.25%
General Debt	87.38%

Treasury

	£'000
Total External Borrowing	37,757
Total Investments	83,798

Revenue Budget Position at the end of September 2021

General Fund Portfolio / Committee Summary

	2021/22 Current Full Year Budget £	2021/22 Profiled Budget to date £	2021/22 Actual to date £	2021/22 Variance to Profile £
Leader	4,506,020	461,035	667,624	206,589
Corporate Finance and Governance	2,139,500	(1,427,937)	(14,160,142)	(12,732,205)
Environment and Public Space	7,682,990	2,472,549	2,528,224	55,675
Housing	3,908,140	2,341,289	5,270,979	2,929,690
Partnerships	1,729,470	204,580	226,680	22,100
Business and Economic Growth	6,392,240	192,920	57,678	(135,242)
Leisure and Tourism	6,269,080	916,120	1,749,733	833,613
Budgets Relating to Non Executive Functions	759,140	126,945	463,233	336,288
	33,386,580	**5,287,501**	**(3,195,992)**	**(8,483,492)**
Revenue Support for Capital Investment	6,339,610	0	0	0
Financing Items	(4,304,150)	(11,910)	(11,458)	452
Budget Before use of Reserves	**35,422,040**	**5,275,591**	**(3,207,449)**	**(8,483,040)**
Contribution to / (from) earmarked reserves	(27,805,510)	0	0	0
Total Net Budget	**7,616,530**	**5,275,591**	**(3,207,449)**	**(8,483,040)**
Funding:				
Business Rates Income	(4,598,900)	(2,633,077)	(2,633,087)	(10)
Revenue Support Grant	(431,170)	(189,713)	(189,713)	0
Collection Fund Surplus	6,017,640	3,008,820	3,008,820	0
Income from Council Tax Payers	(8,604,100)	(4,302,050)	(4,302,047)	4
Total	**0**	**1,159,571**	**(7,323,476)**	**(8,483,046)**

Revenue Budget Position at the end of September 2021

HRA Portfolio Summary

	2021/22 Current Full Year Budget £	2021/22 Profiled Budget to date £	2021/22 Actual to date £	2021/22 Variance to Profile £
Housing	(2,009,950)	(4,180,898)	(4,100,174)	80,723
	(2,009,950)	**(4,180,898)**	**(4,100,174)**	**80,723**
Revenue Support for Capital Investment	280,820	0	0	0
Financing Items	1,751,530	0	0	0
Budget Before use of Reserves	**22,400**	**(4,180,898)**	**(4,100,174)**	**80,723**
Contribution to / (from) earmarked reserves	(22,400)	0	0	0
Total	**0**	**(4,180,898)**	**(4,100,174)**	**80,723**

Corporate Budget Monitoring - General Fund Budget Position at the end of September 2021

Department - Chief Executive,Finance,IT and Governance

	2021/22 Current Full Year Budget £	2021/22 Profiled Budget to date £	2021/22 Actual to date £	2021/22 Variance to Profile £	Comments
Analysis by Type of Spend					
Direct Expenditure					
Employee Expenses	10,310,650	3,666,573	3,645,297	(21,276)	
Premises Related Expenditure	361,210	133,420	140,081	6,661	
Transport Related Expenditure	106,040	57,390	51,994	(5,396)	
Supplies & Services	35,234,540	26,043,067	13,375,212	(12,667,855)	
Third Party Payments	67,790	0	0	0	
Transfer Payments	46,640,120	19,961,535	17,720,581	(2,240,954)	
Interest Payments	17,800	8,361	3,658	(4,703)	
Total Direct Expenditure	**92,738,150**	**49,870,346**	**34,936,824**	**(14,933,523)**	
Direct Income					
Government Grants	(76,086,640)	(47,219,100)	(42,127,070)	5,092,030	
Other Grants, Reimbursements and Contributions	(2,465,590)	(1,908,356)	(1,524,391)	383,965	
Sales, Fees and Charges	(1,318,460)	(594,745)	(512,398)	82,347	
Rents Receivable	(650)	(424)	(44,614)	(44,190)	
Interest Receivable	(327,720)	(173,134)	(161,690)	11,444	
RSG, Business Rates and Council Tax	(7,616,530)	(4,116,020)	(4,116,027)	(7)	
Total Direct Income	**(87,815,590)**	**(54,011,779)**	**(48,486,190)**	**5,525,589**	
Net Direct Costs	**4,922,560**	**(4,141,433)**	**(13,549,366)**	**(9,407,933)**	
Net Indirect Costs	**(3,655,840)**	**0**	**(1,489)**	**(1,489)**	
Net Contribution to/(from) Reserves	**(27,805,510)**	**0**	**0**	**0**	
Total for Chief Executive,Finance,IT and Governance	**(26,538,790)**	**(4,141,433)**	**(13,550,855)**	**(9,409,422)**	

Department - Chief Executive,Finance,IT and Governance

	2021/22 Current Full Year Budget £	2021/22 Profiled Budget to date £	2021/22 Actual to date £	2021/22 Variance to Profile £	Comments
Analysis by Service/Function					
Total for Chief Executive and Administration	8,840	112,455	129,037	16,582	
Total for Finance and IT Management and Administration	0	45,645	49,329	3,684	
Total for Finance	240,370	572,760	584,313	11,553	
Total for Finance - Other Corporate Costs	1,398,960	(4,261,864)	(16,538,884)	(12,277,020)	The position at the end of September primarily reflects the various COVID business grant schemes where a full reconciliation process remains in progress after the schemes closed at the end of July. Following the reconciliation process, money relating to the mandatory schemes will be repayable to the Government during the second half of 2021/22. In addition to the above, the position against the Council Tax Sharing Agreement is falling behind the profiled budget - please see the main body of the report for further information. Also the cost of insurance premiums increased this year following a retender process with an adjustment included within Appendix B8.
Total for Finance - Financing Items	(26,341,790)	150,033	142,574	(7,459)	

Appendix B2

	2021/22 Current Full Year Budget £	2021/22 Profiled Budget to date £	2021/22 Actual to date £	2021/22 Variance to Profile £	Comments
Total for Finance - RSG, Business Rates and Council Tax	**(7,616,530)**	**(4,116,020)**	**(4,116,027)**	**(7)**	
Total for Revenues and Benefits	**2,009,050**	**603,771**	**3,107,272**	**2,503,501**	As in previous quarters, the position primarily reflects the timing difference between the payment of housing benefits and the associated reimbursement via the Government subsidy process.
Total for IT, Emergency Planning and Business Continuity	**195,970**	**920,365**	**844,337**	**(76,028)**	
Total for Governance Management and Administration	**3,750**	**51,125**	**52,186**	**1,061**	
Total for Legal	**14,160**	**141,685**	**143,043**	**1,358**	
Total for Democratic Services	**1,405,360**	**545,925**	**874,182**	**328,257**	The reflects the cost of the ECC and PFCC elections back in May where the reimbursement of the costs incurred is due to be received in the second half of 2021/22.
Total for Partnerships Management and Administration	**26,000**	**40,090**	**47,982**	**7,892**	
Total for HR and OD	**224,840**	**232,965**	**262,030**	**29,065**	
Total for Community Partnerships	**1,215,900**	**152,100**	**162,565**	**10,465**	

	2021/22 Current Full Year Budget £	2021/22 Profiled Budget to date £	2021/22 Actual to date £	2021/22 Variance to Profile £	Comments
Total for Communications	**210**	**37,870**	**36,310**	**(1,560)**	
Total for Customer and Commercial	**676,120**	**629,662**	**668,894**	**39,232**	
Total for Chief Executive,Finance,IT and Governance	**(26,538,790)**	**(4,141,433)**	**(13,550,855)**	**(9,409,422)**	

Corporate Budget Monitoring - General Fund Budget Position at the end of September 2021

Department - Operations and Delivery

	2021/22 Current Full Year Budget £	2021/22 Profiled Budget to date £	2021/22 Actual to date £	2021/22 Variance to Profile £	Comments
Analysis by Type of Spend					
Direct Expenditure					
Employee Expenses	6,518,320	3,170,067	3,228,143	58,076	
Premises Related Expenditure	2,419,070	1,145,980	1,115,920	(30,061)	
Transport Related Expenditure	541,380	224,641	250,874	26,233	
Supplies & Services	2,479,765	1,117,361	1,295,331	177,970	
Third Party Payments	5,182,350	1,967,559	2,107,393	139,834	
Transfer Payments	191,340	95,670	195,859	100,189	
Total Direct Expenditure	**17,332,225**	**7,721,278**	**8,193,519**	**472,242**	
Direct Income					
Government Grants	(918,030)	(810,440)	(810,446)	(6)	
Other Grants, Reimbursements and Contributions	(1,465,845)	(398,729)	(445,584)	(46,855)	
Sales, Fees and Charges	(3,442,540)	(1,876,332)	(2,041,256)	(164,924)	
Rents Receivable	(157,560)	(80,239)	(110,441)	(30,202)	
Direct Internal Income	(1,075,090)	(444,520)	(670,038)	(225,518)	
Total Direct Income	**(7,059,065)**	**(3,610,260)**	**(4,077,765)**	**(467,505)**	
Net Direct Costs	**10,273,160**	**4,111,018**	**4,115,755**	**4,737**	
Net Indirect Costs	**2,038,790**	**(11,120)**	**0**	**11,120**	
Total for Operations and Delivery	**12,311,950**	**4,099,898**	**4,115,755**	**15,857**	

Department - Operations and Delivery

	2021/22 Current Full Year Budget £	2021/22 Profiled Budget to date £	2021/22 Actual to date £	2021/22 Variance to Profile £	Comments
Analysis by Service/Function					
Total for CD Operations and Delivery Management and Administration	**10,000**	**147,500**	**148,406**	**906**	
Total for Building and Public Realm Management and Administration	**0**	**33,955**	**40,256**	**6,301**	
Total for Building and Surveyors	**13,900**	**719,885**	**715,528**	**(4,357)**	
Total for Engineering	**2,902,580**	**413,232**	**415,170**	**1,939**	
Total for Public Realm	**2,227,720**	**474,040**	**559,498**	**85,458**	There are three main issues behind the current variance as follows: 1) Crematorium net income is £292k behind the profile following the on-going operational issues at the facility - please see the main body of the report for further details. 2) Parking income is ahead of the profile by £141k at the end of Q2. 3) A credit of £72k has been received following the backdating of the exemption on business rate payable on public conveniences - an adjustment has been included within App B8.

	2021/22 Current Full Year Budget £	2021/22 Profiled Budget to date £	2021/22 Actual to date £	2021/22 Variance to Profile £	Comments
Total for Waste Management	**4,506,290**	**1,636,829**	**1,615,240**	**(21,588)**	
Total for Assets	**201,250**	**205,113**	**149,967**	**(55,146)**	
Total for Housing and Environment Management and Administration	**3,750**	**71,470**	**71,142**	**(328)**	
Total for Housing and Homelessness	**1,261,030**	**24,249**	**65,898**	**41,649**	Please see the main body of the report for additional comments in respect of the potential pressures on this budget over 2021/22.
Total for Environment Health Services	**1,185,430**	**373,625**	**334,648**	**(38,977)**	
Total for Operations and Delivery	**12,311,950**	**4,099,898**	**4,115,755**	**15,857**	

Corporate Budget Monitoring - General Fund Budget Position at the end of September 2021

Department - Place and Economy

	2021/22 Current Full Year Budget £	2021/22 Profiled Budget to date £	2021/22 Actual to date £	2021/22 Variance to Profile £	Comments
Analysis by Type of Spend					
Direct Expenditure					
Employee Expenses	5,213,180	2,526,474	2,570,990	44,516	
Premises Related Expenditure	1,254,310	722,457	795,931	73,474	
Transport Related Expenditure	45,210	22,532	12,200	(10,332)	
Supplies & Services	10,598,950	1,645,468	1,282,962	(362,506)	
Third Party Payments	45,870	45,000	49,804	4,804	
Total Direct Expenditure	**17,157,520**	**4,961,931**	**4,711,888**	**(250,043)**	
Direct Income					
Government Grants	(142,500)	(125,000)	194,664	319,664	
Other Grants, Reimbursements and Contributions	(345,950)	(232,722)	(267,181)	(34,459)	
Sales, Fees and Charges	(5,272,120)	(3,256,953)	(2,349,673)	907,280	
Rents Receivable	(242,480)	(146,150)	(178,072)	(31,922)	
Total Direct Income	**(6,003,050)**	**(3,760,825)**	**(2,600,263)**	**1,160,562**	
Net Direct Costs	**11,154,470**	**1,201,106**	**2,111,625**	**910,519**	
Net Indirect Costs	**3,072,370**	**0**	**0**	**0**	
Total for Place and Economy	**14,226,840**	**1,201,106**	**2,111,625**	**910,519**	

Department - Place and Economy

	2021/22 Current Full Year Budget £	2021/22 Profiled Budget to date £	2021/22 Actual to date £	2021/22 Variance to Profile £	Comments
Analysis by Service/Function					
Total for Place and Economy Management and Administration	628,910	84,920	44,335	(40,585)	
Total for Planning Management and Administration	0	40,090	44,547	4,457	
Total for Development	1,326,490	238,110	437,847	199,737	Please see App B8 for a proposed adjustment relating to the cost of agency staff that is planned to be met from salary savings and the use of the 20% increase in planning fee budget. In addition to the issue above, planning fee income is currently £66k behind the profiled budget. This may recover of the course of the year and will be kept under review going into Q3.
Total for Enforcement	459,290	7,885	17,112	9,227	
Total for Building Control	230,770	9,745	10,991	1,246	
Total for Economic Growth and Leisure Management and Administration	0	40,090	44,177	4,087	

	2021/22 Current Full Year Budget £	2021/22 Profiled Budget to date £	2021/22 Actual to date £	2021/22 Variance to Profile £	Comments
Total for Economic Growth	**4,806,950**	**475,970**	**337,545**	**(138,425)**	The position at the end of Q2, primarily reflects the position against the Business Adaptions Grant Scheme budget, which has recently been 'refreshed / relaunched' and an increase in demand and take-up is expected over Q3.
Total for Sport, Leisure, Tourism, Heritage and Culture	**3,349,380**	**360,691**	**1,231,006**	**870,315**	This primarily reflects the on-going impact from COVID 19 and the resulting reduction in income being experienced across the various leisure facilities. Please see the main body of the report for further details along with App B8 for an associated adjustment to the budgets.
Total for Local Plan and Place Shaping Management and Administration	**0**	**39,225**	**48,533**	**9,308**	
Total for Strategic Planning	**1,055,590**	**19,875**	**13,215**	**(6,660)**	
Total for Place	**2,369,460**	**(115,495)**	**(117,685)**	**(2,190)**	
Total for Place and Economy	**14,226,840**	**1,201,106**	**2,111,625**	**910,519**	

Corporate Budget Monitoring - Housing Revenue Account Budget Position at the end of September 2021

Housing Revenue Account

	2021/22 Current Full Year Budget £	2021/22 Profiled Budget to date £	2021/22 Actual to date £	2021/22 Variance to Profile £	Comments
Analysis by Type of Spend					
Direct Expenditure					
Employee Expenses	1,208,340	377,215	351,338	(25,877)	
Premises Related Expenditure	3,511,410	1,590,396	1,648,020	57,624	
Transport Related Expenditure	23,870	11,935	6,888	(5,047)	
Supplies & Services	487,910	237,915	202,287	(35,628)	
Third Party Payments	1,030	515	500	(15)	
Transfer Payments	17,000	8,500	12,391	3,891	
Interest Payments	1,322,220	374,300	377,160	2,860	
Total Direct Expenditure	**6,571,780**	**2,600,776**	**2,598,584**	**(2,193)**	
Direct Income					
Other Grants, Reimbursements and Contributions	(8,440)	(220)	(2,486)	(2,266)	
Sales, Fees and Charges	(566,040)	(215,956)	(219,205)	(3,249)	
Rents Receivable	(13,101,800)	(6,565,498)	(6,477,068)	88,430	
Interest Receivable	(13,350)	0	0	0	
Total Direct Income	**(13,689,630)**	**(6,781,674)**	**(6,698,758)**	**82,916**	
Net Direct Costs	**(7,117,850)**	**(4,180,898)**	**(4,100,174)**	**80,723**	
Net Indirect Costs	**7,140,250**	**0**	**0**	**0**	
Net Contribution to/(from) Reserves	**(22,400)**	**0**	**0**	**0**	
Total for HRA	**0**	**(4,180,898)**	**(4,100,174)**	**80,723**	

Housing Revenue Account

	2021/22 Current Full Year Budget £	2021/22 Profiled Budget to date £	2021/22 Actual to date £	2021/22 Variance to Profile £	Comments
Analysis by Service/Function					
Total for Finance - Financing Items	2,032,350	0	0	0	
Total for Housing and Homelessness	(1,969,840)	(4,180,898)	(4,106,610)	74,287	This variance broadly reflects the most up to date position against the rental income budget due to voids (£93k) - please see the main body of the report for further information. This area of the budget also reflects additional council tax costs (£74k) as a secondary impact from voids.
Total for Customer and Commercial	(62,510)	0	6,436	6,436	
Total for HRA	0	(4,180,898)	(4,100,174)	80,723	

Corporate Budget Monitoring - General Fund Capital Programme Position at the end of September 2021

	2021/22 Current Full Year Budget £	2021/22 Profiled Budget to date £	2021/22 Actual to date £	2021/22 Variance to Profile £	Comments
Expenditure					
Business and Economic Growth Portfolio					
SME Growth Fund Capital Grants	43,250	0	0	0	
Starlings and Milton Road Redevelopment	985,130	50,130	50,131	1	
Total for Business and Economic Growth Portfolio	**1,028,380**	**50,130**	**50,131**	**1**	
Corporate Finance and Governance Portfolio					
Information and Communications Technology Core Infrastructure	129,140	37,070	45,411	8,341	Office Transformation works are ongoing, with this budget supporting associated IT infrastructure costs.
Agresso e-procurement	84,000	0	0	0	The Service is currently reviewing how to take this project forward and the associated resourcing requirement.
Enhanced Equipment replacement - Printing and Scanning	6,210	0	0	0	

	2021/22 Current Full Year Budget £	2021/22 Profiled Budget to date £	2021/22 Actual to date £	2021/22 Variance to Profile £	Comments
Office Rationalisation	119,060	119,060	174,481	55,421	Physical work on the project nears completion, with works to the Committee Room and the redecoration of main corridors remaining outstanding within the Town Hall. Progress of works at the Town hall were affected by the discovery of a number of roofing issues and the need to rewire the building instead of the alteration works budgeted for. A review of the budget to reflect / accommodate the additional work is in progress for further consideration in Q3.
Total for Corporate Finance and Governance Portfolio	**338,410**	**156,130**	**219,891**	**63,761**	
Environment and Public Space Portfolio					
Cranleigh Close, Clacton, landscaping works	640	0	0	0	
Environmental Health Database Migration	5,250	0	0	0	
Laying Out Cemetery	150,250	3,405	3,400	(5)	Initial site surveys have been completed, with planning permissions now being considered.
Bath House Meadow Security Measures	5,570	(5)	0	5	
Clacton Multi-Storey car park repairs	180,000	136,840	136,839	(1)	
Public Convenience Works	40,000	0	0	0	Plans are currently being considered in line with the Public Convenience Strategy.
Works at Halstead Road Play Area, Kirby	5,150	0	0	0	
Weeley Crematorium Works	1,539,000	0	0	0	The associated procurement work is now underway.
Purchase of Hot Wash Street Cleaner	35,000	35,000	35,000	0	
Total for Environment and Public Space Portfolio	**1,960,860**	**175,240**	**175,239**	**(1)**	

	2021/22 Current Full Year Budget £	2021/22 Profiled Budget to date £	2021/22 Actual to date £	2021/22 Variance to Profile £	Comments
Housing Portfolio					
Replacement of High Volume Printers	29,000	0	0	0	
Careline - Replacement Telephone System	14,240	7,120	(0)	(7,120)	
Replacement Scan Stations	12,000	0	0	0	
Private Sector Renewal Grants/Financial Assistance Loans	287,170	(0)	0	0	
Disabled Facilities Grants	7,930,740	201,025	201,020	(5)	
Financial Assistance Grants	68,330	68,330	68,328	(2)	
Private Sector Leasing	75,660	0	0	0	
Empty Homes funding	152,220	0	0	0	
Total for Housing Portfolio	**8,569,360**	**276,475**	**269,349**	**(7,126)**	

	2021/22 Current Full Year Budget £	2021/22 Profiled Budget to date £	2021/22 Actual to date £	2021/22 Variance to Profile £	Comments
Leisure and Tourism Portfolio					
Town Centre Fountain	159,080	0	0	0	
CLC - Spa and Wetside Re-development	592,230	258,145	258,145	(0)	
Walton Leisure Centre - Replacement Boilers	44,180	44,180	44,176	(4)	
CLC - Replacement of All Weather Pitch	668,750	0	0	0	
New Beach Huts	64,600	0	0	0	Project 1: Holland/Clacton - this is awaiting completion of Cliff Stabilisation works. Project 2: Dovercourt - awaiting review of impact on open space.
Clacton/Holland Cliff Stabilisation	2,110,960	738,720	738,723	3	Project is currently in the construction phase and is set to be completed within the outlined programme. A number of factors have resulted in additional costs, but the scheme is on course to remain within the overall budget as at end September 2021.
Total for Leisure and Tourism Portfolio	**3,639,800**	**1,041,045**	**1,041,044**	**(1)**	
Total Approved General Fund Capital Programme	**15,536,810**	**1,699,020**	**1,755,654**	**56,634**	

Corporate Budget Monitoring - Housing Revenue Account Capital Programme Budget Position at the end of September 2021

	2021/22 Current Full Year Budget £	2021/22 Profiled Budget to date £	2021/22 Actual to date £	2021/22 Variance to Profile £	Comments
Improvements, enhancement & adaptation of the Council's housing stock	3,477,200	975,000	819,047	(155,953)	This budget covers a range of individual schemes which will be delivered as the year progresses and are subject to the appropriate procurement processes, which are planned, being progressed or are underway.
IT Upgrade & Replacement	20,000	0	0	0	
Disabled Adaptations	400,000	200,000	136,353	(63,647)	
Cash Incentive Scheme	60,000	0	0	0	
Jaywick Sands - Flexible Workspace Project	2,327,540	180,140	180,139	(1)	
HRA - New Build & Acquisitions - To Be Allocated	1,143,680	0	0	0	
HRA - Acquisitions - Council Dwellings	708,400	185,400	185,401	1	
HRA - Acquisitions - Non-Dwellings	0	60	63	3	
Total Housing Revenue Account Capital Programme	**8,136,820**	**1,540,600**	**1,321,002**	**(219,598)**	

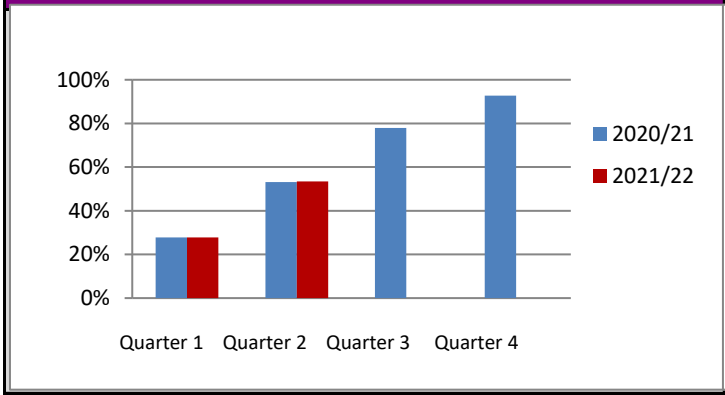
New-Build and Acquisitions - Subject to 1-4-1 Pooling Retained Receipts Regulations

	Required Expenditure to meet MHCLG Target within:				
	1 Year £	2 Years £	3 Years £	4 Years £	5+ Years £
30% Capital Receipts	0	0	59,234	207,930	92,834
70% TDC Funded	0	0	138,212	485,171	216,614
Cumulative Expenditure	**0**	**0**	**197,446**	**693,101**	**309,448**

Collection Performance : Position at the end of September 2021

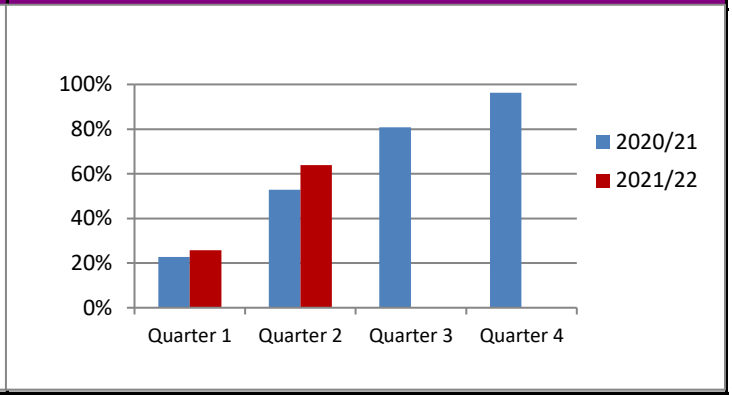
The collection performance against Council tax, Business Rates, Housing Rents and General Debt collection are set out below.

Council Tax



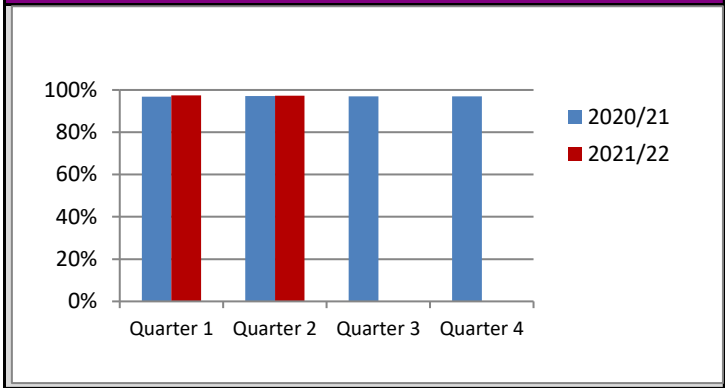
	2020/21	2021/22
Quarter 1	27.79%	27.82%
Quarter 2	53.20%	53.45%
Quarter 3	77.96%	
Quarter 4	92.66%	

Business Rates



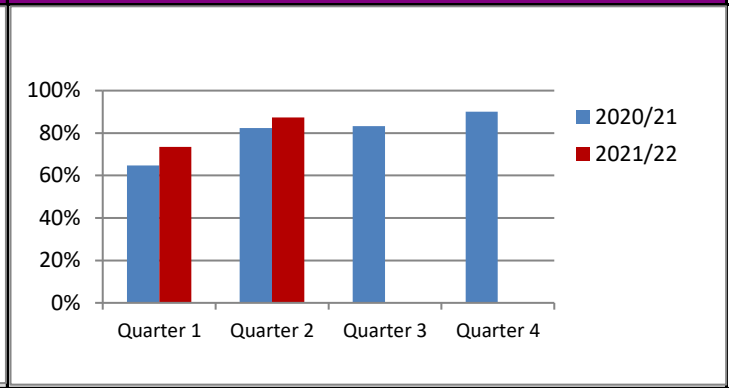
	2020/21	2021/22
Quarter 1	22.75%	25.74%
Quarter 2	52.87%	63.82%
Quarter 3	80.82%	
Quarter 4	96.20%	

Housing Rents



	2020/21	2021/22
Quarter 1	96.78%	97.50%
Quarter 2	97.17%	97.25%
Quarter 3	96.95%	
Quarter 4	97.00%	

General Debt



	2020/21	2021/22
Quarter 1	64.75%	73.40%
Quarter 2	82.35%	87.38%
Quarter 3	83.30%	
Quarter 4	90.00%	

Treasury Activity : Position at the end of September 2021

Key Treasury Management Performance Data and Prudential Indicators are set out below.

TREASURY ACTIVITY

Borrowing	**Opening Balance 1 April £'000**	**Borrowing to date £'000**	**Borrowing Repaid to date £'000**	**Balance to Date £'000**	**Comments**
Long Term PWLB Borrowing - GF	151	0	3	148	
Long Term PWLB Borrowing - HRA	38,441	0	832	37,609	
TOTAL BORROWING	**38,592**	**0**	**835**	**37,757**	

Investments	**Opening Balance 1 April £'000**	**Investments to date £'000**	**Investments Repaid to date £'000**	**Balance to Date £'000**	**Comments**
Investments less than a year					
Investments with UK Government via Treasury Bills/Investments with DMO, and Local Authorities and other public bodies	65,600	531,300	539,700	57,200	Net investments have increased over the reporting period due to the timing of the Council's cash flow such as expenditure budgets behind profile or income being received ahead of expenditure. Within this there has been a switch away from investments with other local authorities to investments with UK Financial Institutions as fewer local authorities have been borrowing.
Investments with UK financial Institutions (including Money Market Funds)	11,359	25,639	10,400	26,598	In respect of investments with UK financial institutions, at the end of the period, investments were held with 9 counterparties, including 2 Money Market Funds.
Investments with non-UK Financial institutions	0	0	0	0	
Total Investments for less than a year	**76,959**	**556,939**	**550,100**	**83,798**	
Investments for longer than a year	0	0	0	0	
TOTAL INVESTMENTS	**76,959**	**556,939**	**550,100**	**83,798**	

Interest Paid / Received	**Full Year Budget £'000**	**Profiled Budget to Date £'000**	**Actual to Date £'000**	**Variance to date £'000**	**Comments**
Interest Paid on Borrowing - GF	11	5	4	(1)	The weighted average rate of interest on the Council's GF borrowing is currently 7.13%. (on an accrued basis).
Interest Paid on Borrowing - HRA	1,322	374	377	3	The weighted average rate of interest on the Council's HRA borrowing is currently 3.51%. (on an accrued basis)
Interest Received on Investments	(67)	(37)	(22)	15	The weighted average rate of interest being received on the Council's investments is currently 0.05%. (on an accrued basis)

PRUDENTIAL INDICATORS

	Approved Indicator £'000	**Highest amount reached in the period £'000**	**Comments**
Authorised limit for external borrowing	75,355	38,592	Borrowing has remained within approved limits.
Operational boundary for external borrowing	67,342		

Income from S106 Agreements

Information in respect of S106 income has been split across two areas below - Where money has been formally allocated / being spent and where money remains unallocated / uncommitted.

Where related to capital schemes - see Appendix B4 for overall scheme progress.

ALLOCATED / BEING SPENT

Scheme Type	Amount Committed / Planned to be Spent in 2020/21 (including accrued interest as appropriate) £'000
GF Revenue Schemes	139
GF Capital Schemes	6
HRA Capital Schemes	591
TOTAL	**736**

UNALLOCATED / UNCOMMITTED TO DATE

Permitted Use as per S106 Agreement	Amount Held / 'Spend by' Date			
	Less than 1 Year £'000	1 to 2 Years £'000	2 to 4 Years £'000	4 years + £'000
Regeneration Programme and Other Initiatives	0	0	0	2
Affordable Housing	0	0	0	1,167
Town Centre Improvements	0	0	22	22
Cycle Facilities	0	0	0	22
Habitat Protection	0	0	0	3
Open Space*	29	2	104	1,626
TOTAL	**29**	**2**	**126**	**2,842**

* For schemes with a 'spend by' date of less than one year, this money must be spent as follows
£2,000 by October 2021
£25,000 by June 2022
£2,000 by August 2022

Proposed Adjustments to the Budget September 2021

Description	Expenditure Budget £	Income Budget £	Reason for Adjustment
GENERAL FUND REVENUE			
The following items have no net impact on the overall budget			
Planning Services - Employee Expenses	(166,150)		Use of vacancies and projects budget funded by 20% Planning Fee income to support short term temporary staff costs.
Planning Services - Agency Staff	280,660		
Planning Projects Budget	(114,510)		
Total General Fund Revenue with no net impact on the overall budget	**0**		

The following items will be adjusted against the Forecast Risk Fund			
Employee Costs	(150,000)		To reflect current vacancy savings accrued to date.
LCTS Administration Subsidy		6,770	Following the approval of the budget in February 2021, the Government confirmed the subsidy payable which was less than initially forecast.
Business Rates on Public Conveniences	(72,200)		A credit has been received following the Government's decision to backdate the business rates exemption on public conveniences to the start of 2020/21.
Recycling and Waste Contract - increase in properties	67,000		This reflects the property growth in the district - it may be possible to offset some of this cost from recycling credit income which will be kept under review going into Q3.
Additional Insurance Cost	76,410		To meet the increase insurance premium costs following a retender exercise undertaken during the first half of 2021/22.
Temporary Posts	31,850		To extend a number of temporary posts pending a formal restructuring process that will be concluded during the second half of 2021/22
Contribution to the Forecast Risk Fund	**40,170**		

Description	Expenditure Budget £	Income Budget £	Reason for Adjustment
GENERAL FUND CAPITAL			
Schemes Reprofiled None			
Other Changes to General Fund Capital Programme None			
Total General Fund Capital Adjustment - no net impact on the overall budget	**0**	**0**	
HRA REVENUE			
The following items will be adjusted against the HRA General Balance			
Increase in general maintenance budget	100,000		This budget adjustment is proposed to support the response to the voids issue, especially the long term empty properties with further comments set out in the main body of the report.
HRA CAPITAL			
None			
COVID 19 FUNDING ADJUSTMENTS - MET FROM GENERAL GOVERNMENT GRANT			
Expenditure			
Leisure Income	750,000		As 2021/22 is a transitional year in terms of recovery from COVID 19, there remains a significant impact on leisure facilities income, which includes the temporary reduction in membership fees by 25%. The Government have committed to continuing the Sales, Fees and Charges Scheme for the first quarter of 2021/22 which is estimated to provide financial assistance totalling £250k. The figure of £750k included is the estimated net position after taking account of this Government Support.
Building Security	5,000		As part of reopening reception areas, additional security arrangements have been implemented on a temporary basis.
Business Adaptations Grant Scheme advertising	10,000		To maximise the publicity around this grant scheme additional advertising activities have been undertaken.
Total Use of General COVID 19 Funding	**765,000**	**0**	

UPDATED LONG TERM FINANCIAL FORECAST **APPENDIX B9**

Line		Budget 2021/22 £	Estimate* 2022/23 £	Estimate 2023/24 £	Estimate 2024/25 £	Estimate 2025/26 £	Estimate 2026/27 £
	Underlying Funding Growth in the Budget						
1	Council Tax Increase 1.99%	(0.166)	(0.168)	(0.171)	(0.175)	(0.178)	(0.182)
2	Ctax increase by £5 (amounts set out are over and above 1.99% above)	(0.076)	(0.074)	(0.071)	(0.067)	(0.064)	(0.060)
3	Growth in Business rates - Inflation	0.000	(0.139)	(0.142)	(0.145)	(0.148)	(0.151)
4	Growth in Business rates / council tax - general property / tax base growth	(0.183)	(0.100)	(0.103)	(0.106)	(0.109)	(0.111)
5	Collection Fund Surpluses b/fwd	6.018	0.323	(0.100)	(0.100)	(0.100)	(0.100)
		5.593	**(0.159)**	**(0.587)**	**(0.593)**	**(0.599)**	**(0.604)**
	Net Cost of Services and Other Adjustments						
6	Reduction in RSG	(0.002)	0.431	0.000	0.000	0.000	0.000
7	Remove one-off items from prior year	(0.412)	0.000	0.000	0.000	0.000	0.000
8	Remove one-off items from prior year - Collection Fund Surplus	1.360	(6.018)	(0.323)	0.100	0.100	0.100
9	Inflation - Employee Costs (including annual review adjustments)	0.478	0.598	0.397	0.401	0.405	0.409
10	Inflation - Other	0.124	0.221	0.194	0.176	0.181	0.186
11	First / Second / Third year impact of PFH WP Savings	(0.045)	(0.045)	0.000	0.000	0.000	0.000
12	LCTS Grant To Parish Council's	0.000	(0.037)	0.000	0.000	0.000	0.000
13	Revenue Contrib. to Capital Programme	(0.209)	0.008	0.000	0.000	0.000	0.000
14	Specific change in Use of Reserves	(4.050)	5.794	0.000	0.000	0.000	0.000
15	On-going savings required	(0.239)	(0.450)	(0.450)	(0.450)	(0.450)	(0.450)
16	Unmitigated Cost Pressures	0.516	0.250	0.250	0.250	0.250	0.250
17	Other Adjustments	(2.065)	0.000	0.000	0.000	0.000	0.000
		(4.544)	**0.753**	**0.068**	**0.477**	**0.486**	**0.495**
	Net Total	**1.048**	**0.594**	**(0.520)**	**(0.116)**	**(0.113)**	**(0.109)**
	Add back Use of Reserves / Forecast Risk Fund in Prior Year	0.000	1.048	1.642	1.123	1.006	0.894
	Net Budget Position	**1.048**	**1.642**	**1.123**	**1.006**	**0.894**	**0.785**
	Use of Forecast Risk Fund to support the Net Budget Position	(1.048)	(1.642)	(1.123)	(1.006)	(0.894)	(0.785)

** See separate RAG risk assessment for further consideration of forecast risks for each line of the forecast*

APPENDIX B9

FORECAST SENSITIVITIES - TABLE 1	2022/23	2023/24	2024/25	2025/26	2026/27
	£	£	£	£	£
Forecast Budget Gap / (Surplus) from table above (BASE Position)	**1.642**	**1.123**	**1.006**	**0.894**	**0.785**
Revised Forecast Budget GAP / (SURPLUS) in the event of the following possibilities					
Council Tax Increase are lower by 1% per annum compared to the base	1.813	1.386	1.364	1.351	1.345
Property Growth does not grow over the life of the forecast	1.743	1.226	1.112	1.003	0.897
Property Growth is lower than the forecast by 10% compared to the base	1.662	1.151	1.042	0.939	0.838
Inflation increases at a rate of +1% faster than the base	1.879	1.372	1.269	1.168	1.070
Inflation decreases at a rate of 1% slower than the base	1.405	0.874	0.743	0.620	0.500
Savings achieved are lower by 10% per annum compared to the base	1.687	1.213	1.141	1.074	1.010
Savings achieved are lower by 20% per annum compared to the base	1.732	1.303	1.276	1.254	1.235
Unmitigated Cost Pressures are greater by 10% per annum compared to the base	1.667	1.173	1.081	0.994	0.910
Unmitigated Cost Pressures are greater by 20% per annum compared to the base	1.692	1.223	1.156	1.094	1.035

FORECAST SENSITIVITIES - TABLE 2 Impact on Forecast Risk Fund - Year End Balance	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
Forecast Year End Balance from table above (BASE Position)	**(2.062)**	**(1.439)**	**(0.933)**	**(0.539)**	**(0.254)**
Council Tax Increase are lower by 1% per annum compared to the base	(1.891)	(1.005)	(0.141)	0.710	1.555
Property Growth does not grow over the life of the forecast	(1.961)	(1.236)	(0.623)	(0.121)	0.276
Property Growth is lower than the forecast by 10% compared to the base	(2.042)	(1.392)	(0.849)	(0.411)	(0.073)
Inflation increases at a rate of +1% faster than the base	(1.825)	(0.953)	(0.184)	0.484	1.054
Inflation decreases at a rate of 1% slower than the base	(2.299)	(1.925)	(1.682)	(1.562)	(1.562)
Savings achieved are lower by 10% per annum compared to the base	(2.017)	(1.304)	(0.663)	(0.089)	0.421
Savings achieved are lower by 20% per annum compared to the base	(1.972)	(1.169)	(0.393)	0.361	1.096
Unmitigated Cost Pressures are greater by 10% per annum compared to the base	(2.037)	(1.364)	(0.783)	(0.289)	0.121
Unmitigated Cost Pressures are greater by 20% per annum compared to the base	(2.012)	(1.289)	(0.633)	(0.039)	0.496

Risk Assessment of Each Line of the Forecast **APPENDIX B10**

Relevant line of the Forecast	RAG Assessment of Risk	Comments
Underlying Funding Growth in the Budget		
Council Tax Increase 1.99%		Although this always remains subject to future Government policy, it is expected that an allowable inflationary uplift will always be a feature in the Local Government finance settlement and associated Council Tax referendum principles.
Ctax increase by £5 (amounts set out are over and above the 1.99% above)		Although similar to the above, there is less certainty around the level of increase that the Government may allow over and above a 'base' inflationary uplift. However it is expected that such increases will be allowable in the short to medium term without invoking the need to hold a referendum. This will remain subject to on-going review.
Growth in Business rates - Inflation		Similar to Council Tax above, based on the historic trend of inflationary uplifts in the poundage applied to rateable values, modest inflationary increases are relatively certain over the life of the forecast. Although there may be one-off 'freezes' such as the one implemented by the Government in 2021/22 in response to the impact of COVID 19, it is likely that the Government would respond via changes to the NDR S31 grants or spending power calculations to support Council's in such circumstances.
Growth in Business rates / council tax - general property growth		Underlying growth in business rates and Council Tax are expected to remain relatively stable and robust in the long term. However the medium term impact of COVID 19 remains unclear at the present time. The other two main risks relate to major economic changes and future Government Policy, especially in relation to business rates where the Government remains active in developing a 75% retention model or reviewing alternative mechanisms based on a fair funding assessment. Potential changes could see the Government introduce business rate 'resets' which could see income from economic growth being reduced on a cyclical basis as part of a redistribution method nationally.

Risk Assessment of Each Line of the Forecast **APPENDIX B10**

Relevant line of the Forecast	RAG Assessment of Risk	Comments
Collection Fund Surpluses b/fwd		Although only relatively modest amounts have been included in the forecast, the short to medium term impact of COVID 19 remains unclear. (The forecast excludes any benefit from being a member of the Essex Business Rates Pool as it is accounted for on an actual basis rather than building it into the base budget given its one-off nature and complexities in the overall business rate calculations)
Net Cost of Services and Other Adjustments		
Reduction in RSG		Given the delays to the Government's fair funding review, RSG was again receivable in 2021/22. However no RSG has been assumed within the forecast for later years at the present time. The impact from this years comprehensive spending review is also unknown at the present time which may not directly impact on this line of the forecast but it may have implications elsewhere.
Remove one-off items from prior year		These are known adjustments
Remove one-off items from prior year - Collection Fund Surplus		These are known adjustments based on the assumptions set out above concerning the year on year change in the collection fund position
Inflation - Employee Costs (including annual review adjustments)		Given current inflationary pressures this line of the forecast is increasing in terms of risk. The position remains under on-going review with additional information likely to emerge over the current budget cycle to better inform the forecast.

Risk Assessment of Each Line of the Forecast **APPENDIX B10**

Relevant line of the Forecast	RAG Assessment of Risk	Comments
Inflation - Other		Although the Government's long term CPI inflation target remains at 2%, the short to medium term impact from COVID 19 remains unclear at the present time. However based on current Government forecasts, CPI has been included in the forecast at 3% in 2022/23, 2.4% in 2023/24 before returning to the target rate of 2% from 2024/25. (Where relevant, RPI rates are included at 1% above these CPI amounts)
First / Second / Third year impact of PFH WP Savings		These are known adjustments which will be delivered in total but is recognised that the timing may differ to that originally anticipated which will be reflected in the forecast. The item included in 2021/22 and 2022/23 relate to the annual revenue savings expected from the disposal of Weeley Council Offices.
LCTS Grant To Parish Council's		This will be subject to the level of RSG receivable from the Government, as to date the change in the level of grant funding provided to Town and Parish Councils has mirrored the changes in RSG.
Specific change in Use of Reserves		Changes in the use of reserves primarily reflect other changes elsewhere in the budget/ forecast so are not a significant risk in isolation.
On-going savings required		This line of the budget fundamentally acts as the 'safety valve' for other changes elsewhere in the forecast and would need to be increased if adverse issues were experienced or estimates were not in line with predictions. Although the long term forecast provides flexibility in the timing of the delivery of such savings, it is important that on-going savings continue to be secured to meet the amounts set out in the forecast. From 2022/23, a zero based approach to the budget is proposed to provide the framework against which savings can be delivered.

Risk Assessment of Each Line of the Forecast

APPENDIX B10

Relevant line of the Forecast	RAG Assessment of Risk	Comments
Unmitigated Cost Pressures		It is recognised that this line of the forecast presents one of the highest risks, especially given the amount of unavoidable cost pressures included to date and with a fair degree of uncertainty remaining going into 2022/23 as the economy continues its recovery from the impact of COVID 19. On-going revenue items remain the most difficult items to respond to. Although one-off items, such as those associated with repairing / refurbishing assets could also have a significant impact on the forecast, one-off funding has been made available elsewhere in the budget to support these costs which therefore contributes to the mitigation of this risk. One of the most significant risks within this line of the budget relates to external income, especially from elsewhere in the public sector where similar financial pressures are being experienced. Such items include the funding from the major preceptors in respect of the Council Tax Sharing Agreement, which totals over £0.600m each year. This has been reflected in the forecast based on ECC's current commitment, but it may need to be increased based on potential changes in the future. To support the management of risks, the Council continues to resist using one-off money, such as the New Homes Bonus, to support the on-going base budget. The cost pressure allowance remains at £0.250m per year, given the level of cost pressures identified in prior years and to respond to potential future items.

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APPENDIX C

CABINET

17 DECEMBER 2021

REPORT OF CORPORATE FINANCE AND GOVERNANCE PORTFOLIO HOLDER

A.4 UPDATED GENERAL FUND FINANCIAL FORECAST / BUDGET 2022/23
(Report prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT
To enable Cabinet to consider the updated financial forecast and proposed budget position for 2022/23 for consultation with the Resources and Services Overview and Scrutiny Committee.

EXECUTIVE SUMMARY

- A 'live' 10-year forecast is maintained and reported to Members throughout the year. The most up to date position in December each year is translated into the detailed budget for the following year for consultation with the Resources and Services Overview and Scrutiny Committee.

- As part of maintaining a 'live' forecast, this report 'builds' on the last position that was presented to Cabinet on 12 November 2021.

- Despite the challenging financial and economic environment, confidence in the long term approach to the forecast remains, which is supported by the forecast risk fund.

- The Council has maintained a prudent and sustainable approach to its long term plan and has continued to 'live within its means', which has to date enabled it to respond to exceptional issues such as the COVID 19 pandemic without the need to make short term / adverse decisions that could have affected the provision of front-line services.

- There are a number of emerging cost pressures that are currently reflected in the forecast, and this report also highlights a number of items that are planned to be mitigated via one-off funding or via the use of existing reserves / budgets to underwrite their overall risk to the forecast.

- Cost pressures to date largely reflect unavoidable items. Given the pressures on the 'base' budget, it is proposed to consider 'optional' cost pressures via a separate process that will include the development of a Corporate Investment Plan that will seek to prioritise further investment from available funding such as the reprioritisation of existing budgets or from additional funding that may become available from the Government.

- On-going savings of just over **£0.200m** have been identified as part of the early phase of developing a zero based approach to budget setting. This is behind the target of **£0.450m**, which highlights the importance of quickly developing this framework during 2022 to identify the required level of savings over the remaining life of the forecast.

- At this stage of the budget process, there is a net deficit of **£1.488m** forecast in 2022/23**,**

an improvement of **£0.154m** compared with the **£1.642m** deficit reported to Cabinet on 12 November 2021. Therefore, the forecast remains within the financial boundaries set out in the long-term plan.

- Although subject to potential changes over the remaining budget-setting period, the current forecasted deficit of **£1.488m** will be met by drawing money down from the Forecast Risk Fund.

- A review of reserves has also been undertaken, which highlights the need to hold a number of reserves to support key actions / activities as part of the Council's overall prudent and sustainable approach to managing its finances. However, a number of reserves will remain under review as part of the development of the budget and the Corporate Investment Plan highlighted above.

- At the time of finalising this report, the Local Government Finance Settlement for 2022/23 had yet to be announced. If announced in time, any changes emerging from the settlement will be reported directly at the meeting, otherwise they will be included in the figures that will be presented to Cabinet in January 2022 when it considers its final budget proposals for recommending to Full Council in February 2022. The budget includes a council tax levy increase of £5, with this level of increase expected to be confirmed as allowable as part of the finance settlement announcements. No revenue support grant has been included in the budget for 2022/23, but similarly to the late announcement last year, the Government may provide some funding again next year, especially when reflecting on the on-going financial impact of COVID 19 on Local Authorities.

- With the above in mind, the final position for 2022/23 is likely to be more positive than the **£1.488m** currently reported, especially as the final expected income position for business rates has also yet to be finalised.

- Once the final position for 2022/23 is determined, the remaining years of the 10-year forecast will be revised, set against the budget position for 2022/23 and will be reported to members later in the budget setting process.

RECOMMENDATION(S)

That Cabinet:

a) Approves the updated Financial Forecast and proposed position for 2022/23 as set out in this report and Appendices; and

b) requests the Resources and Services Overview and Scrutiny Committee's comments on this latest financial forecast and proposed position for 2022/23.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The forecasting and budget setting process will have direct implications for the Council's ability to deliver on its objectives and priorities. At its heart, the 10-year approach to the forecast seeks to establish a sound and sustainable budget year on year through maximising income whilst limiting reductions in services provided to residents, business and visitors.

2022/23 sees the start of the development of a zero based approach to budget setting, which is one of the Council's key priorities as it forms one of the most important elements of delivering a sustainable budget year on year.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The financial implications are set out in the body of the report.

Although the availability of financial resources is a key component in the delivery of services there will also need to be appropriate input of other resources such as staffing, assets and IT.

Risk

There are significant risks associated with forecasting such as cost pressures, inflation and changes to other assumptions that form part of the financial planning process. There are a number of areas that could lead to additional expenditure being incurred, such as: -

- Economic environment / instability;
- Emergence of additional cost pressures;
- Changes to the local authority funding mechanisms such as the Government's fairer funding review that is still expected;
- New legislation placing unfunded duties on the Council or reducing the level of the Council's core funding;
- Local or national emergency;
- Income is less than that budgeted for, including business rate income retained locally.
- On-going impact from the COVID 19 pandemic

One of the primary risks introduced by the COVID 19 crisis is the potential medium to longer-term impact to key income streams for the Council such as from council tax, business rates and general fees and charges.

Although income from council tax and business rates is seeing the continuing trend of recovering back to pre-COVID 19 levels, there remains a secondary impact in areas of the budget such as court costs (existing annual income budget of **£0.323m**) and money receivable under the terms of the council tax sharing agreement with the major preceptors (existing annual income budget of **£0.631m**). Also the timing and trajectory of the recovery in fees and charges within leisure centres remains a key financial risk. Although it is expected that the above are expected to continue to recover over the course of the year, they will remain under review as part of the on-going development of the budget and as part of future quarterly financial performance reports.

In addition to the above, there are a number of unmitigated cost pressures set out within **Appendix C3.** However it is proposed to review these during the year where managed interventions may be necessary and as part of developing the long term forecast in later years. As part of the on-going development of the budget, there may also be opportunities to fund them on a one-off basis from elsewhere within the budget or via additional funding that may become available via the Local Government Financial Settlement, which may include further COVID financial support.

However given the significant risk that the above presents, it is proposed to underwrite this risk via re-focusing the existing Building for the Future Reserve. As highlighted later on in this report, this reserve has been used to fund the Council's pension deficit payments upfront, which in turn has generated significant annual revenue savings. This upfront payment is repaid

over three years, which is built into the underlying budget. The estimated balance in this reserve at the end of March 2022 is **£1.654m,** which is therefore available to underwrite the identified risks during 2022/23.

The specific risk to income budgets should be seen as separate from the underlying risk to the forecast, which are underwritten via the Forecast Risk Fund. As previously discussed, the Council's ability to financially underwrite the wider forecast is an important element of the 10-year plan. As with any forecast, some elements of income and expenditure will be different to that forecasted. It is fair to say that many may offset each other over the longer term. However, an update against the two important aspects to how this is being managed are as follows:

1) **£2.704m** remains within the Forecast Risk Fund (excluding 2021/22 contributions) to support the budget in future years. This money is available to be drawn down if the timings within the forecast differ in reality and the net position is unfavourable compared to the forecast in any one year. Based on the current position, it is proposed to draw down **£1.488m** from this reserve in 2022/23, a slightly reduced position from the **£1.642m** presented to Cabinet on 12 November 2021. Annual surplus balances are still expected to remain within this reserve over the remaining life of the forecast as set out in **Appendix C1.**

2) The forecast will remain 'live' and be responsive to changing circumstances and it will be revised on an on-going basis. If unfavourable issues arise, that cannot be mitigated via other changes within the forecast then the forecast will be adjusted and mitigating actions taken. Actions to respond will, therefore, need to be considered but can be taken over a longer time period where possible. In such circumstance, the Council may need to consider 'topping' up the funding mentioned in 1) above if required. This may impact on the ability to invest money elsewhere but will need to demonstrate that its use is sustainable in the context of the ten-year forecast.

The long-term approach to the forecast therefore still provides flexibility to respond to risks such as those presented by the potential on-going impact from the COVID 19 pandemic. However, it must be highlighted that the savings targets set out in the forecast will still need to be delivered in the longer term but they need to remain flexible and react as a counterbalance to other emerging issues and it is therefore accepted that this figure may need to be revised up or down over the life of the forecast.

It is important to continue to deliver against the forecast to build confidence in the longer-term approach. This will therefore continue to need robust input from members and officers where decisions may be required in the short term or on a cash flow basis.

Another aspect to this approach is the ability to 'flex' the delivery of services rather than cut services. As would be the case with our own personal finances, if we cannot afford something this year because of a change in our income, we can potentially put it off until next year. There is a practical sense behind this approach as we could flex the delivery of a service one year but increase it again when the forecast allows.

In addition to the above, it is important to note that the Council has already prudently set aside money for other significant risks in the forecast such as **£1.758m** (NDR Resilience Reserve) and **£1.000m** (Benefits Reserve), which can be taken into account during the period of the forecast if necessary. The Council also holds **£4.000m** in uncommitted reserves, which supports its core financial position.

As discussed later on in this report money has been set side to mitigate cost pressures associated with the repair and maintenance of Council assets. When they arise, they are

usually significant and the approach taken aims to 'protect' the underlying revenue budget from such items. An Asset Refurbishment Reserve of **£1.269m** has therefore been established for this purpose and the use of this fund can be considered outside of the annual budget setting cycle via a separate decision making process and/or as part of the emerging Corporate Investment Plan.

LEGAL

The arrangements for setting and agreeing a budget and for the setting and collection of council tax are defined in the Local Government Finance Act 1992. The previous legislation defining the arrangements for charging, collecting and pooling of Business Rates was contained within the Local Government Finance Act 1988. These have both been amended as appropriate to reflect the introduction of the Local Government Finance Act 2012.

The Local Government Finance Act 2012 provided the legislative framework for the introduction of the Rates Retention Scheme and the Localisation of Council Tax Support.

The Calculation of Council Tax Base Regulations 2012 set out arrangements for calculation of the council tax base following implementation of the Local Council Tax Support Scheme. These arrangements mean that there are lower tax bases for the district council, major preceptors and town and parish councils.

The Localism Act 2012 introduced legislation providing the right of veto for residents on excessive council tax increases.

Under Section 25 of the Local Government Act 2003, the Chief Finance Officer (S151 Officer) must report to Council, as part of the budget process, on the robustness of estimates and adequacy of reserves. The proposed approach can deliver this requirement if actively managed and will be an issue that remains 'live' over the course of the forecast period and will be revisited in future reports to members as the budget develops.

In respect of special expenses that form part of the budget setting process, expenditure is classed as a Special Expense it if satisfies the requirements of the Local Government Finance Act 1992, Section 35. The only category relevant to this Council is contained within Section 35(2)(d) relating to concurrent functions with Parish and Town Councils. Under the Local Government Finance Act 1992, the Council must identify as its Special Expense, proposed expenditure on those functions which the Council performs in part of the district but which Parish or Town Councils perform elsewhere in the District. If, in the Council's view, a special expense should properly be charged over the whole of the district's area, the Council may pass an express resolution to this effect (known as a ***contrary resolution***).

In order for expenditure to be a Special Expense, there are two conditions that must be fulfilled:

1. Expenditure is estimated to be incurred by the District Council in the whole or part of its area on the provision of a function;

2. Expenditure on the provision of the same function is to be incurred by at least one parish/town council elsewhere in the district.

The proposals set out in this report are in accordance with the Council's budget and policy framework.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and

any significant issues are set out below.
Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement / Carbon Neutrality

There are no other implications that significantly and directly impact the financial forecast. However, the ability of the Council to appropriately address these issues will be strongly linked to its ability to fund relevant schemes and projects and determination of the breadth and standard of service delivery within the Council's overall financial position.

An impact assessment will be undertaken as part of any separate budget decisions such as those that will be required to deliver the necessary savings.

Special expenses are based on the principle of ensuring there is equality across the district in levying Council Tax to residents based on services and facilities provided by Town and Parish Councils in specific areas that are also provided by the District Council.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The long term forecast is updated on an on-going basis, which is reported to Members quarterly, with the most recent position (at the end of September 2021) being reported to Cabinet at its 12 November 2021 meeting.

The Resources and Services Overview and Scrutiny Committee considered the report referred to above at its meeting on 13 December 2021, and their comments will be provided separately.

UPDATED FINANCIAL FORECAST 2022/23

Appendix C1 sets out an updated forecast for 2022/23 that reflects changes since Cabinet considered the earlier position at its 12 November 2021 meeting. The changes required reflect a slightly improved position – a reduction of **£0.154m** in the annual forecast deficit (from **£1.642m** to **£1.488m**).

Work remains on-going as part of the continuing development of the budget, which will need to react to a number of issues such as any announcements from the Government as part of the annual local government financial settlement process. Any changes will be reported to Members as they arise throughout the remainder of the budget setting process and will be included in the final budget proposals to be considered by Cabinet in January before recommendations are made to Full Council.

The following table provides a commentary on the changes to the initial forecast set out in **Appendix C1** (excludes items where there has been no significant change to the relevant line of the forecast considered by Cabinet on 12 November 2021):

Item in the Forecast	Change since forecast was considered on	Comments

	12 November 2021	
Underlying Funding Growth in the Budget		
Line 3 – Growth in Business Rates – Inflation	No change	Although there has been no change to the figure previously included, it is important to highlight that the Government have now confirmed that they will be 'freezing' the business rate multiplier for 2022/23. The figure of **£0.139m** currently included in the forecast would ordinarily be removed from the forecast as this additional income will no longer be receivable. However, it is understood that the Government will be 'making good' this loss of income via the wider business rate system and so this level of income is still expected, albeit via a different route.
Line 4 – Growth in Business Rates / Council Tax – general property growth	Income increased by **£0.159m**	As the economy starts to recover from the COVID 19 pandemic, there is a related / favourable trend reflected within the forecast. The revised figure reflects an expected increase in the council tax property base, driven primarily from a direct increase in property numbers rather than other more technical items included within the calculations. No increases in the business rate property base have been included at the present time as these remain subject to further work as part of the more detailed calculations undertaken in January.
Line 5 – Collection Fund Surpluses b/fwd	Income increased by **£0.224m**	Similarly to the comment above, as the economy starts to recover from the pandemic there is a positive knock on impact on income. The revised figure on the left reflects the estimated surplus on the collection fund relating to council tax that can now be included within the forecast. No adjustments have been made to business rates at the present time as these will not be finalised until January.
Net Cost of Services and Other Adjustments		
Line 10 - Inflation – Other	Expenditure reduced by	Following the Government 'freezing' the business rate multiplier for 2022/23, this has

	£0.023m	the knock on impact of reducing the rates paid by the Council on its own properties.
Line 15 - On-going savings / increases in income A detailed list of items is set out in **Appendix C2**	Savings achieved total **£0.213m.**	A number of items have been identified as part of the initial review involved in the development of the zero based approach to budget setting. This review will remain a 'live' process over the remaining budget cycle for 2022/23 but more importantly as the forecast looks ahead to 2023/24 and beyond as it will become increasingly important to identify on-going savings to support the delivery of a sustainable budget year on year.

The above position excludes changes to indirect costs such as internal recharges within the General Fund and technical accounting adjustments that do not have an overall net impact on the budget. However, the full detailed budget, reflecting the above changes, will be presented to Cabinet at its January 2022 meeting.

In terms of cost pressures included within the forecast, their mitigation continues to form an important element of the long-term financial plan. The cost pressures identified for inclusion in the budget largely reflect unavoidable items with further commentary on emerging / mitigated items set out within the risk section above.

As set out in **Appendix C1**, taking the above adjustments into account, there is now a forecast deficit for 2022/23 of **£1.488m,** compared with the forecasted deficit of **£1.642m** considered by Cabinet at its 12 November 2021 meeting – an overall reduction of **£0.154m**

The impact on the forecast from sensitivity testing and risk management reviews are reported as part of the quarterly financial performance reports throughout the year (the latest one being reported to Cabinet on 12 November 2021). It is important to highlight that there are no new / significant adverse issues that have arisen in terms of the annual forecast risk fund surpluses since the last position was reported. The sensitivity testing has therefore not been repeated as part of this report. However, it will continue to form part of the regular reporting of the financial forecast going forward.

Corporate Investment Plan

Given the pressures on the on-going 'base' revenue budget, it is very unlikely that the long term forecast can generate significant 'surpluses' that can be used to invest in 'optional' cost pressures such as those that support the Council's Corporate Priorities.

However, it is important that they are still considered but this will be done outside of the annual 'base' budget setting cycle. Therefore, as part of a key governance action identified within the Annual Governance Statement, a Corporate Investment Plan is currently being developed that will form part of the overall governance framework in terms of linking corporate priorities and strategies to investment priorities. It is proposed to strengthen the delivery of priorities set against the Council's financial plans within this framework that will take into account a number of key priority 'drivers' such as financial viability / sustainability, non-financial consequences such as reputation / health and safety, the outcome from external assessment / regulatory reviews along with being outcome driven. This approach would also consider the allocation of resources such as staff capacity, capital and IT.

In terms of identification of funding, this could come from external income, money receivable from the government as part of the financial settlement e.g. New Homes Bonus or other new burdens funding. It could also come from the reprioritisation of existing budgets.

This approach will also provide a solid platform to consider additional use of the 'accelerated delivery budget' to further build on the capacity already identified.

It is proposed to take the above approach forward via a separate report to Cabinet in January 2022. This will also provide the opportunity to review the delivery against the Back to Business Plan, which is currently proposed to be incorporated within this wider Corporate Investment Plan going forwards.

Reserves

As part of the audit of the Council's Statement of Accounts last year, the External Auditor recommended the following:

Assess, at least once every two years, the appropriateness of the levels of individual reserves and their continued validity based on factors such as historic utilisation rates, associated risk / sensitivity analysis and their underlying purpose and release any excess reserves.

Following the associated review, a summary of the reserves held and their purpose is set out in the following table:

Reserve	Purpose of the Reserve	Estimated Balance 2022/23	Available for Release
Revenue Commitments Reserve	This is earmarked for revenue items of committed expenditure for which financial provision was made in the previous or current year.	£0.221m	No
Capital Commitments Reserve	This is earmarked for capital items of committed expenditure for which financial provision was made in the previous or current year.	Nil	No
Forecast Risk Fund	This reserve has been established to support planned annual budget deficits as part of the Long Term Financial Sustainability Plan.	£3.205m	No (use of this reserve will continue to be considered as part of the development of the long term plan)
Asset Refurbishment/Replacement Reserve	To meet the cost of the maintenance of the Council's assets, including those associated with the Council's commitment to carbon neutrality. This reserve 'protects' the underlying revenue budget from significant one-	£1.269m	Subject to review as part of the Corporate Investment Plan

	off expenditure items with expenditure against this reserve planned to be considered as part of the emerging Corporate Investment Plan during 2022.		
Benefit Reserve	To meet any potential costs arising from the obligation to pay benefits and to support future changes to the Welfare Regime. The future remains uncertain given the on-going extension to the roll-out of universal credit.	£1.000m	No (but will remain under review as part of future welfare reforms)
Building for the Future Reserve	To support the delivery of a balanced budget in future years. To date this reserve has also been used to fund the upfront costs associated with the triannual pension process, which has enabled significant revenue savings to be achieved along with underwriting the risk of the longer term impact from the COVID 19 pandemic. It is expected that the reserve will continue to provide the Council with further opportunities to reduce revenue costs associated with the regular review of pension contributions or other spend to save initiatives along with supporting the long term forecast again in 2022/23.	£1.654m	Subject to review as part of the next pension revaluation during 2022, the quarterly financial performance reports and emerging Corporate Investment Plan
Business Rates Resilience Reserve	To support the Council in reacting to potential future changes in Business Rate appeals and income, especially in light of the potential for changes to the business rate reforms and associated 'resets'.	£1.758m	No (use of this reserve will continue to be considered as part of the development of the long term plan)
Commuted Sums Reserve	Established from commuted sums paid to the Council to cover such items as maintenance costs of Open Spaces and CCTV, in line with the associated agreements.	£0.386m	No
Crematorium Reserve	To finance future replacement and improvement works to the crematorium plant and equipment at Weeley. This reserve will support the current cremator replacement works / expected loss of operational income.	£0.154m	The use of this reserve will be reviewed as part of future financial performance

			reports.
Election Reserve	To finance future costs associated with holding District Elections on a four yearly cycle.	£0.090m	No
Haven Gateway Partnership Reserve	To support the costs associated with the Haven Gateway Partnership e.g. costs that may be incurred on termination / withdrawal from the current arrangements.	£0.075m	No
Leisure Capital Projects Reserve	This reserve has been established to fund ongoing investment in Leisure Facilities and will form an important element of supporting the delivery of the upcoming Leisure Strategy.	£0.138m	No
Planning Inquiries and Enforcement Reserve	To meet associated costs relating to planning services.	£0.039m	No
Section 106 Agreements Reserve	This reserve holds income received from developers under Section 106 of the Town and Country Planning Act 1990 to be spent on specific projects over a number of years in accordance with the terms of the agreements.	£1.524m	No (but it is released as part of separate decisions made during the year in consultation with the relevant Portfolio Holder)
Uncommitted Reserve	General Reserve held to respond to key financial risks such as inflation, income loss, additional burdens etc. which is subject to a risk based assessment on a regular basis.	£4.000m	No

As highlighted above, a number of reserves will be reviewed as part of the emerging Corporate Investment Plan highlighted earlier in this report.

Local Government Finance Settlement and Government's Spending Review

At the time of finalising this report, the Local Government Finance Settlement announcements were still awaited. However they are expected to only cover 2022/23 rather than a three year period. It could be argued that this provides the flexibility in responding to the economic recovery from the COVID 19 pandemic where issues remain uncertain, but it does not necessarily help financial planning.

No revenue support grant or further COVID 19 support grants have been included within the budget at the present time. It is hoped that an update can be provided by the time Cabinet consider the next budget report at its January 2022 meeting.

Although yet to be confirmed, it is expected that Council's will be able to increase council tax by the greater of 2% or £5. It is also expected that the New Homes Bonus will continue into 2022/23.

ADDITIONAL INFORMATION

Council Tax Levy 2022/23

Based on a proposed £5 increase, the Council Tax for a band D property would be **£182.64** in 2022/23**.** The updated property base is **49,892.2,** an increase of **1,456.6** over the 2021/22 figure of **48,435.6**

The ability to increase Council Tax by £5 remains subject to confirmation from the Government. This is expected to be confirmed within the Local Government Financial Settlement, which is expected shortly.

If such an increase is not permissible and it is necessary to revert back to an increase of 1.99%, on-going income would be reduced by **£0.073m**, which would require corresponding savings to be identified over the forecast period.

Locally Retained Business Rates

As part of recent Government announcements, the following changes have been confirmed for 2022/23:

- the Business Rates Multiplier is to remain unchanged for 2022/23;
- that revaluations will be increased from every five years to every three years; and
- a series of new reliefs will be introduced, including a 50% relief for eligible retail, hospitality, and leisure premises in 2022/23 (to a maximum of £110,000 per business)

The Government also confirmed that local government would be fully compensated for these changes. However, there were no further announcements on the subject of further business rates reform or any prospective business rate resets.

The Council has agreed to remain a member of the Essex Business Rates Pool in 2022/23. No income generated from being a pool member is currently included in the forecast but it is proposed to continue to treat this income on a one-off basis during the year. Given the likely medium term impact from COVID 19, the financial benefits of being in the pool may not be as advantageous as previous years, but it still provides the opportunity to generate additional funding to support the Council's overall financial position.

Fees and Charges

Fees and charges are agreed separately by the relevant Portfolio Holder and are reviewed within the framework of the financial forecast and therefore they will be considered against the following key principles:

- general inflationary increases where possible or lower where appropriate / justified
- amounts rounded for ease of application, which may result in a slightly above inflation increase.

- on a cost recovery basis as necessary
- reflect statutory requirements.
- increases where market conditions allow
- to meet specific priorities or service delivery aims / objectives

Any changes to income will be considered alongside the financial forecast. No changes to the budget are proposed at the present time.

Although agreed separately, a full schedule of fees and charges will be provided to members ahead of the Full Council budget meeting in February 2022.

GENERAL FUND CAPITAL PROGRAMME 2022/23

As has been the case in prior years, only 2 schemes are included automatically in the base budget on a recurring basis and these relate to the on-going cost of replacing the Council's core IT infrastructure along with disabled facilities grants. Estimates of **£0.055m** and **£0.757m** have therefore been included within the 2022/23 Capital Programme respectively, although the latter item is likely to change once confirmation of the actual level of grant support is received next year.

The investment in IT core infrastructure is funded by a direct revenue contribution, with disabled facilities grants funded by the Government via ECC.

Other items included in the Capital Programme for 2022/23 reflect the fact that existing schemes have been reprofiled across years as set out in previous financial performance reports considered by Cabinet.

Based on the above, a summary of the proposed Capital Programme for 2022/23 is as follows:

On-going Schemes	**Budget 2022/23 £**
Information and Communications Technology Core Infrastructure	55,000
Disabled Facilities Grants	757,000
Existing Schemes - Reprofiled	
Replacement of Beach Hut Supports	11,620
Total General Fund Capital Programme 2022/23	**823,620**

The full 5-year capital programme incorporating the above will be included within the final budget proposals that will be considered by Cabinet in January before being presented to Full Council in February.

SPECIAL EXPENSES 2022/23

Special expenses amounts cannot be finalised until the budget for the year has been completed and the associated technical adjustments reflected in the budget. Therefore, at this stage of the budget process it is more practical to review the principles against which the special expenses will be calculated rather than the specific amounts themselves, which are subject to change as the budget develops.

It is not proposed to make any changes to the principles behind the calculation of special

expenses with the key principles remaining the same as in 2021/22 as set out below:

- A deminimus amount of **£0.025m** is applied to determine which expenses are excluded from the special expenses calculations;
- Any allocation to specific areas less than **£0.001m** is excluded for the purposes of determining special expenses.

Although subject to the final budget calculations, expenses to be allocated as special expenses are likely to remain as in 2021/22 and apply to open space and recreation area costs.

For completeness, the underlying technical background to the calculation of special expenses is set out below:

Certain expenditure referred to as 'Special Expenses' is regarded as being chargeable to only certain parts of the district. The rest of the Council's expenditure is regarded as being chargeable over the whole district and is referred to as 'General Expenses'. Local authorities have the power to pass a resolution in respect of any particular Special Expense to the effect that the amount of that expense should be charged across the whole district. This is referred to as the contrary resolution.

In exercising this power, the Council also has to consider how the burden of Special Expenses will be charged to the taxpayers of the district.

Information from parish/town councils

Each year parish councils complete a return to identify changes to the services they undertake

Consideration of Determining the Contrary Resolution

In judging whether the contrary resolution should be passed in respect of any special expenses, the following matters are relevant:

i) Whether in respect of this Council's expenditure the function is to be provided generally for the whole district or is to be restricted to a part or parts of the district?

ii) To what extent, if any, are restrictions placed on any part of the district as to the accessibility of the function?

iii) The use of the facility/activity to which the Special Expense relates.

These matters must each be considered and a view taken as to whether it would be appropriate to pass the contrary resolution in respect of some of the budgeted expenditure on Special Expenses.

In determining how the burden of special items should be charged to the taxpayer of the district, the following matters need to be considered.

i) Where is the facility situated?

ii) Who uses it?

iii) How much expenditure is to be spent in the various parts of the district?

Wherever possible the Council aims to charge the cost incurred in performing a function in a part of the district, to the taxpayers of that part. In assessing the area of benefit to which a

function identified as a special expense relates, parish boundaries have been treated as the appropriate areas.

The tax base for apportioning Special Expenses to each parish and the unparished area is that used to determine the Council's overall Council Tax base.

ANNUAL MINIMUM REVENUE PROVISION POLICY STATEMENT
Where relevant, figures included in the 2022/23 budget are based on the following policy statement that was agreed by Full Council on 30 November 2021. **In accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, the Council's policy for the calculation of MRP for 2022/23 shall be the Capital Financing Requirement Method for supported borrowing and the Asset Life (equal instalment) Method for prudential borrowing.**

BACKGROUND PAPERS FOR THE DECISION
Working papers held in Accountancy

APPENDICES	
Appendix C1	Updated Financial Forecast 2022/23
Appendix C2	Updated Net Savings Items 2022/23
Appendix C3	Updated Cost Pressure Summary 2022/23

APPENDIX C1

UPDATED FINANCIAL FORECAST 2022/23

Line		Prior Year Budget	Updated Forecast (12 November 2021)	Updated Forecast (17 December 2021)	Change between November and December Positions
		2021/22	**2022/23**	**2022/23**	
		£m	**£m**	**£m**	**£m**
	Underlying Funding Growth in the Budget				
1	Council Tax Increase 1.99%	(0.166)	(0.168)	(0.176)	(0.008)
2	Council Tax increase by £5 (amounts set out are over and above 1.99% above)	(0.076)	(0.074)	(0.073)	0.001
3	Growth in Business Rates - Inflation	0.000	(0.139)	(0.139)	0.000
4	Growth in Business Rates / Council Tax - general property growth	(0.183)	(0.100)	(0.259)	(0.159)
5	Collection Fund Surpluses b/fwd	6.018	0.323	0.099	(0.224)
		5.593	**(0.158)**	**(0.548)**	**(0.390)**
	Net Cost of Services and Other Adjustments				
6	Reduction in RSG	(0.002)	0.431	0.431	0.000
7	Remove one-off items from prior year	(0.412)	0.000	0.000	0.000
8	Remove one-off items from prior year - Collection Fund Surplus	1.360	(6.018)	(6.018)	0.000
9	Inflation - Employee Costs (including annual review adjustments)	0.478	0.598	0.605	0.007
10	Inflation - Other	0.124	0.221	0.198	(0.023)
11	First / Second / Third year impact of PFH WP Savings	(0.045)	(0.045)	(0.045)	0.000
12	LCTS Grant to Parish Council's	0.000	(0.037)	(0.037)	0.000
13	Revenue Contribution to the Capital Programme	(0.209)	0.008	0.008	0.000
14	Specific Changes in Use of Reserves	(4.050)	5.794	5.794	0.000
15	On-going savings / increases in income	(0.239)	(0.450)	(0.213)	0.237
16	Unmitigated Cost Pressures	0.516	0.250	0.265	0.015
17	Other Adjustments	(2.065)	0.000	0.000	0.000
		(4.544)	**0.752**	**0.988**	**0.236**
	Net Total	**1.048**	**0.594**	**0.440**	**(0.154)**
	Add back General Use of Reserves in Prior Year to Balance the Budget	0.000	1.048	1.048	0.000
	Net Budget Position	**1.048**	**1.642**	**1.488**	**(0.154)**
	Use of Forecast Risk Fund to support the Net Budget Position	(1.048)	(1.642)	(1.488)	0.154

Use of Forecast Risk Fund

Estimated Outturn b/fwd from prior years	**(3.753)**	**(3.205)**	**(3.205)**	
Contribution from / (to) reserve	1.048	1.642	1.488	(0.154)
Planned additional contributions generated in year	(0.500)	(0.500)	(0.500)	0.000
Balance to Carry Forward	**(3.205)**	**(2.063)**	**(2.217)**	**(0.154)**

Forecast Risk Fund - Estimated Surplus Balance at the end of the year	**Year**	**Updated Forecast (12 November 2021)**	**Updated Forecast (17 December 2021)**	**Change between November and December Positions**
		2022/23	**2022/23**	
		£m	**£m**	
	2022/23	2.063	2.217	(0.154)
	2023/24	1.439	1.516	(0.077)
	2024/25	0.933	0.927	0.006
	2025/26	0.539	0.444	0.095
	2026/27	0.254	0.064	0.190

APPENDIX C2

NET ON-GOING SAVINGS ITEMS 2022/23

	2022/23 £	Comments
Manningtree Joint Use Sports Centre	50,300	The current agreement was terminated by the School during 2021/22. As the centre operated with an overall budget subsidy, this can now be removed from the estimates.
Revised rental income following annual rent review exercise	43,370	Additional income can be added to the budget to reflect the outcome of this annual review process across a number of properties owned by the Council.
Recycling Credit Income	65,000	This reflects the ongoing recycling performance and includes both kerbside and bring bank collections.
Investment Income	20,000	A relatively small increase in investment income is expected to reflect minor increases in interest rates during 2022/23.
Income from Legal Fees	25,000	Services such as the administration of S106 have recently been brought in-house, with external income now receivable. The figure is net of the estimated cost of providing additional staff resources that is subject to a proposed restructure to ensure capacity matches demand.
Reduction in interest payments and Minimum Revenue Provision	8,930	As debt is repaid, interest payments reduce year on year along with a corresponding reduction in the money 'set aside to repay debt'.
Total	**212,600**	

APPENDIX C3

COST PRESSURE SUMMARY 2022/23

Status		2022/23 £	2023/24 £	2024/25 £	2025/26 onwards £	Comments
Unavoidable Items 2022/23 Budget						
On-going Impact from Items Agreed as part of the 2021/22 Budget	**REVENUE - Chief Executive, Finance, IT, Governance and Partnerships -** Expenditure to compliment the on-going digital transformation programme ***(IT, Emergency Planning and Business Continuity)***	2,500	15,300	15,300	15,300	The amounts reflect a varied range of expenditure to support continued digitalisation, such as equipment to support home working (H&S requirement), hosting costs, mobile telephony costs, website / intranet hosting costs and cyber security costs.
New Items for 2022/23	**REVENUE - Chief Executive, Finance, IT, Governance and Partnerships -** Cost of Insurance Premiums ***(Finance - Other Corporate Costs)***	61,100	61,100	61,100	61,100	This reflects the increased costs chargeable to the general fund following the retender process during 2021/22. Increases in future years remain subject to the annual renewal process over the remaining 3 year 'contracted' term of cover.
	REVENUE - Chief Executive, Finance, IT, Governance and Partnerships - LCTS Administration Subsidy ***(Revenues & Benefits - Local Council Tax Support Scheme)***	6,770	6,770	6,770	6,770	This amount adjusts the on-going base position to reflect the reduction in 2021/22. Further reductions may be required, which will become clearer during the current budget cycle as its remains subject to further Government announcements.

Status		2022/23 £	2023/24 £	2024/25 £	2025/26 onwards £	Comments
New Items for 2022/23	**REVENUE - Chief Executive, Finance, IT, Governance and Partnerships -** Apprenticeship Levy ***(Finance - Other Corporate Costs)***	8,000	8,000	8,000	8,000	To reflect the increase to the levy payment which is linked to the inflationary uplift to the wider salary budget.
	REVENUE - Chief Executive, Finance, IT, Governance and Partnerships - Carnarvon House Rental Income ***(Finance - Other Corporate Costs)***	0	0	72,970	72,970	This represents the loss of income following the end of the current lease and decision to demolish the building. As part of the early termination agreement, the current tenant paid a one-off payment that effectively met the rent due in 2022/23 and 2023/24, which is why there is no cost pressure for those years.
	REVENUE - Operations & Delivery - Contract Costs ***(Waste Management - Recycling & Waste Collection)***	67,000	67,670	68,350	69,030	This reflects increased contract costs due to property growth.
	REVENUE - Chief Executive, Finance, IT, Governance and Partnerships - IT Digital Transformation Programme ***(IT, Emergency Planning and Business Continuity)***	120,000	120,000	120,000	120,000	This reflects the 'natural' growth in the provision of digital services and includes licences, data costs and the hardware replacement programme.
Total of Unavoidable Items Included in the 2022/23 Budget		**265,370**	**278,840**	**352,490**	**353,170**	

Status		2022/23 £	2023/24 £	2024/25 £	2025/26 onwards £	Comments
Items to be mitigated / met via reductions elsewhere within the overall budget						
NOT Included in Forecast 2022/23 and beyond	**REVENUE - Chief Executive, Finance, IT, Governance and Partnerships -** Estimated Reduction in Housing Benefit Administration Grant ***(Revenues & Benefits - Rent Allowances / Rebates)***	49,000	93,100	132,790	168,500	There will be a reduction in the housing benefit administration grant receivable from the Government on a year on year basis to reflect reduced housing benefit workload over the period that Universal Credit is being rolled out. The figures reflect a year on year reduction in caseload of 10%, which will be mitigated via a corresponding reduction in employee costs via the management of vacancies etc.
	REVENUE - Energy Costs ***(Various)***	71,000	71,000	71,000	71,000	The outlook remains volatile with the figures reflecting a 10% increase in prices. However given the current level of market uncertainty in respect of future prices, it is proposed to underwrite this risk via the existing Contingency Budget of £322k. This will enable the time to review the longer term impact and trend that may need to be reflected in the forecast in future years.
	REVENUE - Operations & Delivery Crematorium Net Income - loss in the first quarter of 2022/23 ***(Public Realm - Crematorium)***	250,000	0	0	0	An expedited procurement process is underway to limit periods of non-operation as far as possible. Due to this being a one-off issue, it is not proposed to include this in the base budget for 2022/23 but it will remain under review as part of the quarterly financial performance reports and outturn for the year.

Status		2022/23 £	2023/24 £	2024/25 £	2025/26 onwards £	Comments
NOT Included in Forecast 2022/23 and beyond	**REVENUE -** Review of Posts previously funded on a one-off basis ***(Various)***	352,460	352,460	352,460	352,460	These relate to posts previously funded from one-off money / external income and include: 6 Community Ambassadors 4 Street Rangers 1 Technical / Administration Officer (Waste and Recycling). This cost has not been included in the budget at this stage as alternative options are being explored such as external funding / grants or use of existing budgets.
	Revenue - Operations & Delivery - Cost of Temporary Accommodation / Homelessness Initiatives ***(Housing & Homelessness)***	100,000	100,000	100,000	100,000	The Government have continued to support homelessness via grant funding, a position that is expected to continue into 2022/23. Initiatives to increase / maintain the supply of temporary accommodation also continue such as the remodelling of Spendells House and the use of hotel accommodation. Similarly to previous years, the situation will be reviewed as part of the on-going forecast as it may be necessary to include additional costs in the base budget in future years.

Status		2022/23 £	2023/24 £	2024/25 £	2025/26 onwards £	Comments
NOT Included in Forecast 2022/23 and beyond	**REVENUE - Chief Executive, Finance, IT, Governance and Partnerships -** External Audit Fees **(Finance - Other Corporate Costs)**	25,000	25,000	25,000	25,000	These fee are expected to increase from 2023/24 when the PSAA undertake the necessary procurement to appoint auditors for the next 5 year accounting period. Fees are also likely to increase in 2022/23 as part of additional work expected to be generated from the revised use of resources assessment and potentially from the Redmond Review. It is currently proposed to respond to this issue in-year rather than adjust the base budget at this stage, as clarity is expected to emerge over the coming months in terms of the scale of the potential fee increase. The current base fee is £45k so the above approach does not introduce an unreasonable level of financial risk to the current forecasting process.
Total of Mitigated Items		**847,460**	**641,560**	**681,250**	**716,960**	
TOTAL OF ALL COST PRESSURES ABOVE		**1,112,830**	**920,400**	**1,033,740**	**1,070,130**	
TOTAL OF COST PRESSURES INCLUDED IN THE 2022/23 BUDGET (Total of all cost pressures less mitigated items)		**265,370**	**278,840**	**352,490**	**353,170**	

APPENDIX D

CABINET

17 DECEMBER 2021

JOINT REPORT OF THE HOUSING PORTFOLIO HOLDER AND CORPORATE FINANCE AND GOVERNANCE PORTFOLIO HOLDER

A.6 HOUSING REVENUE ACCOUNT BUSINESS PLAN AND BUDGET PROPOSALS 2022/2023

(Report prepared by Richard Barrett and Richard Hall)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT
To set out and seek approval of an updated 30 year HRA Business Plan and budget proposals for 2022/23.

EXECUTIVE SUMMARY

- Similarly, to the General Fund's long term forecast, a 'live' HRA Business Plan is maintained on an on-going basis, with the most up to date position in December each year being translated into the detailed budget for the following year for consultation with the Resources and Services Overview and Scrutiny Committee.
- A number of changes have been made to the business plan for 2022/23 onwards that largely reflect a 'reset' in terms of a number of budget lines in response to recent increases in costs / prices and demands on the service.
- A significant risk also remains in terms of the potential cost pressure relating to the major repairs contribution to the capital programme in response to expected changes to the 'decent homes standard' and recommendations that may emerge from the Hackett review that followed the Grenfell Tower tragedy.
- With the above in mind, a stock condition survey is planned on being undertaken during 2022/23 to inform the potential cost pressure involved, which needs to be reflected within the business plan before any future major investment decisions can be made to maintain the balance between the investment in existing tenant's homes and the delivery of new affordable homes for local people.
- As part of supporting the balance above and in-line with rent setting guidance issued by the Regulator for Social Housing, rents are proposed to be increased by CPI + 1% in 2022/23 (a 4.1% increase). This also allows for the continued recovery from the 4 years of rent reductions from 2016/17 to 2019/20.
- Due to the relatively volatile CPI rates experienced since the start of the COVID 19 pandemic, if the proposed level of rent increase is taken together with relatively low figure of 1.5% last year, the average annual increase would be 2.8% over the two years, which broadly reflects the Bank of England's longer term CPI rate.
- Based on the above, the average weekly rent proposed for 2022/23 is **£87.55** (£84.10 in 2021/22)
- The budget currently proposed for 2022/23 generates an overall surplus of

£0.143m. This 'base' position provides a strong foundation against which to consider future risks to the forecast such as those mentioned above along with supporting the commitment to the on-going new build and acquisition policy.

- It is proposed to 'hold' this surplus within the Capital Programme to support the on-going development of the new build and acquisition programme.
- HRA General Balances are currently estimated to total **£4.325m** at the end of 2022/23 that further supports 30 year Business Plan and associated risks to the forecast.
- The proposed HRA Capital Programme for 2022/23 totals **£3.457m,** the same level of investment as in 2021/22, which continues to provide for a range of schemes and projects.
- 'Old' HRA debt continues to reduce year on year as principal is repaid with a total debt position at the end of 2022/23 forecast to be **£35.350m,** which also reflects the proposed refinancing of an historic loan.
- In addition to requesting comments from the Resources and Services Overview and Scrutiny Committee, it is also proposed to consult with the Tenant's panel during January, with the outcome reported to Cabinet in January, where the final HRA budget proposals will be considered for recommending onto to Full Council in February 2022.

RECOMMENDATION(S)

That Cabinet:

a) Approves the updated HRA 30 year Business Plan and proposed position for 2022/23 as set out in this report and Appendix; and

b) requests the Resources and Services Overview and Scrutiny Committee's comments on this latest HRA financial forecast and proposed position for 2022/23.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The HRA budget and Business Plan plays a significant role in the delivery of affordable and decent housing in the district and the Council's responsibilities as a landlord has direct implications for the Council's ability to deliver on its objectives and priorities.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The financial implications are set out in this report and its appendices.

Although the availability of financial resources is a key component in the delivery of HRA services, there will also be a need for appropriate input of other resources such as staffing, assets, IT etc.

Risk

There are inherent risks associated with the forecast such as:

Changes in income achieved and future rent setting policy

Emergence of additional areas of spend
Emergence of new or revised guidance
New legislation / burdens
Changing stock condition requirements
Adverse changes in interest rates
National welfare reforms

In view of the above, it is important that a sufficient level of balances / reserves is available to support the HRA. HRA General Balances are currently forecast to be **£4.325m** at the end of 2022/23, which although required to support the business plan and HRA investment in future years, provides a 'buffer' to the 30 year Business Plan if, for example, some of the items highlighted above emerge or are required to deal with changing financial and service demand issues.

A 30 year HRA Business Plan is maintained on an on-going basis that continues to demonstrate the sustainability and resilience of the HRA within a self financing environment and the ability to provide opportunities for housing investment and associated housing services in the future, although it is acknowledged that the longer term view always remains subject to the Government's housing policies.

To date the HRA has been largely unaffected financially from the impact of the COVID 19 pandemic and at the present time it is not expected that this situation will significantly change over the remainder of this financial year and into 2022/23. However, the position will be kept under on-going review and the financial sustainability of the HRA remains underwritten by the current level of general balances, which are forecast to be **£4.325m** at the end of 2022/23 as mentioned above.

LEGAL

It is a statutory requirement on a local authority to determine its Housing Revenue Account budget before the upcoming financial year and to ensure that its implementation will not result in an overall debit balance on the Account.

The self-financing regime for the Housing Revenue Account that came into effect from April 2012 was enabled by the Localism Act 2011.

The Regulator of Social Housing and its predecessor bodies have, at the Direction of Government, issued requirements and guidance to registered providers of social housing (which includes Local Authorities) in respect of rents. This has included the maximum levels of rent they can charge and annual increases in rents.

In 2016, Parliament passed the Welfare Reform and Work Act, which, together with Regulations made under it, created a legislation-based regime of rent reduction across the sector by 1% per year until 2020. Therefore, over this 4-year period, providers have been required to reduce rents by 1% per year across its housing stock.

In October 2017, the Government announced that at the end of the 4 year rent reduction period it intended to return to annual rent increases of up to CPI + 1%, implemented through the regulator's Rent Standard rather than through legislation.

The Secretary of State for Housing, Communities and Local Government published on 26 February 2019 a 'Direction to the Regulator' to set a Rent Standard that will apply from 1 April 2020. That Direction was published alongside the Government's Policy Statement on Rents (the Policy Statement) and the regulator is required to have regard to this when setting its Rent Standard.

The regulator may under section 194(2A) of the Housing and Regeneration Act 2008 set standards for registered providers requiring them to comply with specified rules about their levels of rent (and the rules may, in particular, include provision for minimum or maximum levels of rent or levels of increase or decrease of rent).

The Regulator of Social Housing has confirmed rents can be increased by up to CPI+1% per year for a period of 5 years starting from 1 April 2020. The rent standard does not apply to properties let to high-income social tenants, so rather than this being a mandatory requirement that the Government had previously looked to implement, it is now a voluntary decision taken at a local level. However, given the very challenging administrative issues associated with charging higher rents to high-income tenants, it is not proposed to introduce this at the present time. However, it is acknowledged that this flexibility may be subject to review in future years, for example, as part of developing future policy decisions within the HRA.

The Housing and Planning Act 2016 introduced a number of changes that had an impact on social housing, which via associated regulations are reflected in the HRA estimates as necessary.

The original HRA 30 Year Business Plan was agreed as part of the self-financing reforms and associated borrowing agreed by Full Council in February 2012 and the budget proposed for 2022/23 reflects the latest / updated forecast position set out in **Appendix D1.**

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.
Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement / Carbon Neutrality

In carrying out its functions as a social landlord, the Council has regard to the need to reduce the potential for criminal activity by improving the security of dwellings as part of maintenance and repair programmes and for combating anti-social behaviour through effective management procedures.

Although there are no direct equality and diversity issues, the overall HRA and associated financial planning processes aim to recognise and include such issues where appropriate and relevant.

Whilst this report does not have a direct impact on the Council's commitment to carbon neutrality, any work undertaken within the HRA and associated capital programme will take into account any opportunities to contribute to this key priority where possible. The proposed stock condition survey will also support this approach.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The HRA is the Council's landlord account and it is 'ring fenced' for this purpose. Comprehensive rules and requirements surround the HRA such as specific accounting treatment and what items can or cannot be charged to the account. Authorities are required to set a balanced HRA budget each year and agree the level of rents it wishes to charge.

From April 2012, the Housing Revenue Account has operated under the self-financing approach introduced as part of the Localism Act 2011, which required the Council to 'buy' itself out of the previous subsidy arrangements via a debt settlement process.

From 2016/17, the Government imposed annual rent reductions of 1% each year for a period of 4 years. As mentioned above, the Regulator of Social Housing has confirmed rents can be increased by up to CPI+1% per year for a period of 5 years starting from 1 April 2020. The rate of CPI used is the figure for September of the preceding year that the increase will apply to. For 2022/23, the figure for September 2021 was 3.1%. Therefore, the maximum that rents can be increased by in 2022/23 is 4.1%.

As highlighted within budget reports in previous years, one area that is important to note as it may have a bearing on the overall financial position of the HRA in future years is the regulatory regime emerging from the Hackett review, which followed the Grenfell fire incident. The Council remains alert to any changes that may be required in managing its housing stock, which are reflected in the 30 year business plan as necessary, with further commentary set out below.

HOUSING REVENUE ACCOUNT PROPOSED BUDGET 2022/23

An updated 30 year Business Plan is set out within **Appendix D1,** with the column for 2022/23 effectively representing the proposed budget for that year. The table below sets out the changes proposed in 2022/23 along with additional commentary:

The relevant line of the 30 year Business Plan	2021/22 Original Budget £m	2022/23 Proposed Budget £m	Comments
Maintenance	3.050	3.272	The figure for 2022/23 includes a necessary inflationary uplift to better reflect current prices.
Depreciation and the Revenue Contribution to the Major Repairs Allowance	3.176	3.176	Although there are currently no increases proposed, please see additional commentary immediately after this table.
Management Costs	1.355	1.573	This increase reflects a proposed restructure to better reflect the required capacity across a range of activities such as housing allocations / tenancy management along with the cost of a comprehensive stock condition survey to inform future investment decisions.

Utilities	0.206	0.225	The increase to this budget reflects current energy prices.
Provision for Bad Debts	0.055	0.055	There are currently no significant changes in collection performance that require this budget to be revised at the present time.
Council Tax in Empty Properties	0.130	0.130	Although performance in the management of voids continues to improve, this budget has been maintained at the same level as in 2021/22 as a cautionary approach to 2022/23, although the cost is expected to reduce in the later years of the plan.
Debt Management Expenses	0.066	0.066	These are relatively fixed costs that reflect the costs of managing the treasury management activities within the HRA.
HRA Interest Payments on Debt	1.322	1.304	These budgets have reduced to reflect the repayment schedule for existing debt. However, please see additional commentary immediately below this table.
Principal Repayments on Debt – MRP	1.664	1.428	
Revenue Contribution to the Capital Programme	0.281	0.281	This reflects the current available budget that is currently committed to the supporting the new build and acquisition programme. Further commentary is provided immediately after this table.
Recharges	2.407	2.671	The increase currently

			included, reflects the latest recharge position from the General Fund. An increase would be expected given the increase in general fund costs such as salaries, national insurance and insurance premiums, which would 'feed' through to the HRA.
Total Expenditure	**13.712**	**14.181**	
Dwelling Rents	(12.870)	(13.492)	This reflects a proposed 4.1% increase – further commentary is set out later on in this report.
Service Charges	(0.516)	(0.522)	Similarly to the above, increases of up to 4.1% have been included where appropriate
Garage Rents	(0.150)	(0.156)	
Non Dwelling Rents	(0.081)	(0.081)	
Misc. Income	(0.033)	(0.033)	
Investment Income	(0.013)	(0.013)	Although there is an expected increase in interest rates during 2022/23, the level will be very marginal, so no changes to the budget have been included at the present time.
Capital Receipts	(0.026)	(0.026)	No changes are proposed to this budget, which reflects the charge against capital receipts to recover the administration costs of right to buy sales.
Total Income	**(13.690)**	**(14.325)**	
Net Position	**0.022**	**(0.143)**	

** Although the table above reflects the changes for 2022/23, the 30 year Business Plan set out in **Appendix D1** includes inflationary uplifts where necessary from 2023/24 onwards along with known changes such as those relating to the repayment of debt and interest charges as they represent fixed costs over the life of the respective loans.*

Depreciation and the Revenue Contribution to the Major Repairs Allowance

As set out within **Appendix D1**, this line of the plan presents one of the highest risks in the context of the associated RAG rating.

This line of the plan represents the capital investment in existing stock that is over and above the more routine maintenance included within a separate line of the forecast. This therefore includes major items such as replacement kitchens, bathrooms, windows and

doors.

The risks to this line of the plan are not only future commodity / material prices but as highlighted in earlier reports, the Council is likely to have to respond to changes that are likely to emerge from the upcoming review into the 'decent homes standard' and the outcome of the Hackett review that followed the Grenfell Tower tragedy.

As mentioned within the table above, a stock condition survey is proposed to be funded in 2022/23 to inform the necessary investment across the later years of the current business plan that in turn will reflect the risks discussed above.

This issue will be kept under review, but it is recognised that there is a need to balance the maintenance of the existing stock with the affordability, scale and speed of investing in housebuilding / acquisitions.

The business plan will be updated during 2022/23 to reflect the required adjustments to the forecast, which will be required before any major investment in housebuilding or acquisitions is undertaken given the potential financial risks to the long term sustainability of the HRA.

HRA Interest Payments on Debt and Principal Repayments on Debt – MRP

A loan taken out to support the self-financing reforms back in 2012 will shortly be repaid resulting in lower debt and interest payments from 2022/23 onwards.

As part of previous business plan reviews it was agreed that more historic debt would be considered in future years, especially as it became repayable. Historic debt was traditionally based on 'interest only' type loans, which were 'replaced' as they matured. With this in mind, an historic loan of **£0.800m** matures during 2022/23. However rather than simply refinance the loan with a further 'interest only' type deal, it is proposed to replace it with a 'repayment' type loan over 30 years to reduce future interest costs and to prudently pay off the loan over reasonable timescales. The annual cost of this approach is estimated to be just over **£0.042m,** based on current interest rates.

The alternative approach would be to repay the **£0.800m** loan via reserves rather than refinance it. However, it is felt that it would be a better use of resources to not deplete reserves at the present time, as they will then remain available to support the HRA in the medium term, including delivering on the key priority of providing additional affordable homes in the district. It is proposed to apply the same approach to other historic loans as they mature over the next few years, which is reflected in the updated business plan.

Even though a refinancing approach is being taken to historic debt, the overall cost to the HRA has reduced in 2022/23, as the **£0.042m** highlighted above is more than offset by the saving from repaying one of the 'self-financing' loans taken out back in 2012.

Dwelling Rents

As set out within the table above, it is proposed to increase rents by the maximum allowable amount of CPI + 1% to continue the recovery from the unsustainable 1% reduction in rents over the period 2016/17 to 2019/20 and to continue to invest in tenants homes.

Based on CPI + 1%, rents are proposed to be increased by 4.1%, which results in an average rent of **£87.55** (an increase from **£84.10** in 2021/22).

This is estimated to generate an additional **£0.623m** in income in 2022/23, after adjusting for void periods, which continue to improve over 2021/22.

It is worth highlighting the unusual / volatile level of CPI since the COVID 19 pandemic started back in March 2020. Last year saw a CPI rate of 0.5%, which resulted in rents increasing by 1.5% (based on CPI + 1%). This has had a knock on impact on the CPI rate for this year of 3.1%. However, taking the two years together, the average annual increase is 2.8%, which broadly reflects the longer term Bank of England target rate.

In conclusion and as mentioned in the executive summary, the business plan for 2022/23 onwards largely reflects a 'reset' in terms of a number of budget lines that respond to recent increases in costs / prices, demands on the service, loan refinancing and other timely changes to the forecast.

As highlighted in the table above, there is an overall initial net surplus of **£0.143m** in 2022/23, which is planned to be transferred to the capital programme as a further commitment to delivering affordable homes in the district, which is discussed in more detail below.

Delivering on the Key Priority of the Provision of More Affordable Homes in the District

An on-going amount of **£0.281m** is already included within the HRA budget that remains available to support the commitment to the new build and acquisition project, either directly or as a platform to identify further opportunities to increase funding to this important programme in future years. This budget can therefore be used to directly meet the cost of building / acquiring new homes or could be used to meet the costs if money was borrowed as part of the overall approach to deliver new homes.

Although subject to separate investment decisions, this budget could therefore potentially provide the necessary funding to support the borrowing costs to deliver the new build project on the site of the now demolished Honeycroft Sheltered Scheme. This will be considered over the remaining budget cycle, which may result in potential delegations / borrowing decisions being included within the final budget proposals that will be considered by Cabinet in January 2022.

Based on current projections, the 30 Year Business Plan is expected to deliver annual surpluses in future years to provide on-going financial support to deliver additional affordable homes within the district, which remains one of the Council's key priorities.

HRA Capital Programme

The proposed HRA Capital Programme is set out below:

	Proposed Budget 2022/23 £m
Improvements, enhancement & adaptation of the Council's housing stock	2.696
Disabled adaptations for Council Tenants	0.400
Information Technology upgrade and replacement	0.020
New Build Initiatives and Acquisitions	0.281
Cash Incentive Scheme	0.060
Total	**3.457**

Funded by:	
Major Repairs Reserve	3.176
Direct Revenue Financing	0.281
Total	**3.457**

There are no changes proposed, so the capital programme remains the same as the current year (2021/22). The above currently excludes the transfer of the estimated surplus in 2022/23 of **£0.143m** as highlighted earlier in the report. This figure is expected to change as the development of the budget continues over the coming weeks, but the principle of contributing any surplus to the capital programme will remain, with the final figure included in the final HRA budget proposals that will be presented to Cabinet in January 2022.

HRA BALANCES / RESERVES

The forecast position for HRA balances at 31 March 2022 and 31 March 2023 will vary over time depending on the outturn positions for 2021/22 and 2022/23 as well as the emergence of other unexpected or unplanned matters that could occur in or across these years.

Based on the updated Business Plan attached, the total HRA reserves are forecast to total **£8.992m** by the end of 2022/23, with the general balances element within this amount being **£4.325m**.

HRA DEBT

The total HRA debt at the end of 2021/22 is estimated to be **£36.777m.**

With forecast repayments of principal along with the proposed refinancing of an historic loan highlighted earlier, the level of HRA debt at the end of 2022/23 is forecast to be **£35.350m**

With the Government's removal of the HRA debt cap, any future borrowing will need to be considered against the 30 Year Business Plan and underlying prudential code principles.

It is possible to use the Major Repairs Reserve that currently supports the capital programme to pay down historic debt where it is financially advantageous to do so. The total of this reserve is estimated to be **£4.668m** at the end of 2022/23, but a balance needs to be struck between investing in capital projects and tenant's homes and reducing / managing debt repayment costs as highlighted earlier on in this report. Although no adjustments are included within the proposed budget for 2022/23, this option can be revisited in future years of the business plan.

OTHER HRA RELATED MATTERS

Although there are no significant issues to raise at this stage of the budget setting process, it is acknowledged that the Government may reconsider previous housing policy decisions or introduce new housing related initiatives / requirements on local authorities.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES	
Appendix D1	HRA 30 Year Business Plan 2022/23

APPENDIX D1

HRA 30 Year Business Plan (revised Year 10 to Year 30)

						Medium Term			Longer Term			
	RAG Rating	Year 10	Year 11	Change	Year 12	Year 13	Year 14	Year 15	Years 16 To 20	Years 21 to 25	Years 26 to 30	Totals
Expenditure		2021/22	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27	2031/32	2036/37	2041/42	
Maintenance incl stock reduction factor		3,049,610	3,272,232	222,622	3,376,943	3,485,005	3,596,525	3,711,614	20,417,507	23,900,181	27,976,906	92,786,523
Depreciation - Capital Programme		2,906,670	2,906,670	0	2,906,670	2,906,670	2,906,670	2,906,670	14,533,350	14,533,350	14,533,350	61,040,070
Revenue Contribution to MRA		269,740	269,740	0	269,740	269,740	269,740	269,740	1,348,700	1,348,700	1,348,700	5,664,540
Management Costs (incl Sweeping and Grounds Maint & RTB Admin)		1,354,560	1,573,140	218,580	1,589,033	1,605,242	1,621,777	1,638,641	8,458,224	8,933,409	9,458,052	36,232,078
Utilities		205,950	224,727	18,777	229,104	229,549	235,541	241,748	1,309,983	1,502,910	1,734,882	5,914,394
Provision for Bad Debts		55,440	55,440	0	55,440	55,440	55,440	55,440	277,200	277,200	277,200	1,164,240
Council Tax In Empty Properties		130,090	130,090	0	76,302	77,828	79,385	80,973	429,812	474,547	523,938	2,002,965
Debt Management Expenses		65,750	65,750	0	67,065	68,406	69,774	71,170	377,779	417,098	460,510	1,663,302
HRA Interest Repayments on Debt		1,322,220	1,303,871	(18,349)	1,275,242	1,261,935	1,224,484	1,205,804	5,534,665	4,853,489	4,409,884	22,391,594
Principal Payments on Debt - MRP		1,664,300	1,427,633	(236,667)	1,440,967	1,480,967	1,514,300	1,545,672	6,061,692	4,186,692	2,486,693	21,808,915
Revenue Contribution to the Capital Programme		280,820	280,820	0	280,820	280,820	280,820	280,820	1,404,100	1,404,100	1,404,100	5,897,220
Recharges		2,269,580	2,499,015	229,435	2,548,996	2,599,976	2,651,975	2,705,015	14,358,544	15,852,993	17,502,985	62,989,079
Insurances		180,730	215,630	34,900	215,630	215,630	215,630	215,630	1,078,150	1,078,150	1,078,150	4,493,330
Pension Costs (over and above recharges) (share of deficit) (- lower than deficit)		(43,430)	(43,430)	0	(43,430)	(43,430)	(43,430)	(43,430)	(217,150)	(217,150)	(217,150)	(912,030)
		13,712,030	**14,181,329**	**469,299**	**14,288,521**	**14,493,778**	**14,678,631**	**14,885,506**	**75,372,556**	**78,545,670**	**82,978,200**	**323,136,221**
Income												
Dwelling Rents (incl.stock reduction factor)		(12,869,970)	(13,492,620)	(622,650)	(13,856,921)	(14,231,058)	(14,615,296)	(15,009,909)	(81,351,883)	(92,943,672)	(106,187,170)	(364,558,499)
Service Charges (incl.stock reduction factor)		(515,570)	(522,380)	(6,810)	(529,374)	(536,557)	(543,933)	(551,509)	(2,878,538)	(3,101,078)	(3,355,327)	(12,534,265)
Garage Rents (incl. stock reduction factor)		(150,260)	(155,970)	(5,710)	(160,181)	(164,506)	(168,948)	(173,509)	(940,399)	(1,074,396)	(1,222,699)	(4,210,867)
Non Dwelling Rents		(81,570)	(81,570)	0	(81,570)	(81,570)	(81,570)	(81,570)	(407,850)	(407,850)	(407,850)	(1,712,970)
Misc Income		(32,910)	(32,910)	0	(32,910)	(32,910)	(32,910)	(32,910)	(164,550)	(164,550)	(164,550)	(691,110)
Investment Income (income on cash balances and Mortgages)		(13,350)	(13,350)	0	(13,350)	(13,350)	(13,350)	(13,350)	(66,750)	(66,750)	(66,750)	(280,350)
Capital Receipts (to cover Admin Costs of RTB's)		(26,000)	(26,000)	0	(26,000)	(26,000)	(26,000)	(26,000)	(130,000)	(130,000)	(130,000)	(546,000)
		(13,689,630)	**(14,324,800)**	**(635,170)**	**(14,700,306)**	**(15,085,950)**	**(15,482,007)**	**(15,888,757)**	**(85,939,970)**	**(97,888,296)**	**(111,534,346)**	**(384,534,062)**
Surplus (-)/Deficit (+) on HRA Balance		**22,400**	**(143,471)**	**(165,871)**	**(411,784)**	**(592,172)**	**(803,376)**	**(1,003,251)**	**(10,567,413)**	**(19,342,626)**	**(28,556,146)**	**(61,397,840)**

ADDENDUM

RESOURCES AND SERVICES OVERVIEW AND SCRUTINY COMMITTEEE

Cabinet – 17 December 2021

Initial Thoughts for Highlight Priorities for 2022/23

The initial thoughts for Highlight Priorities for 2022/23 are set out below and grouped by the appropriate theme within the Corporate Plan. The themes are:

- Delivering High Quality Services
- Building Sustainable Communities for the Future
- Strong Finance and Governance
- A Growing and Inclusive Economy
- Community Leadership through Partnerships

As part of the Delivering High Quality Services Theme

Climate Change Action Plan Actions for 2022/23

The Council has pledged to become carbon neutral by 2030 from The Council's own activities and from the electricity it uses. The Council has an Action Plan 2020-2023 to help it make progress towards this goal, and it will continue to deliver actions within the Action Plan. In particular, the Council will focus on electric vehicle charging infrastructure, and consideration of the opportunities for solar, alongside improving the efficiency of the Council's estate, and engaging externally with partners with common interests in climate action.

Commitments about Environmental service delivery

The Environment Act 2021 and subordinate legislation and guidance will have a defining influence on the forward direction of the Councils waste and recycling service. The failure of the County Council's proposals for the Mechanical Biological Treatment plant will impact on future waste collection rounds and costs. County wide waste collection authorities are working together to agree a new Municipal Waste Strategy. In order to deliver the new strategy Councillors will be presented with evaluated and costed options for consideration and appropriate level decision. At this moment in time the costs are unknown. The aim will be to meet regulatory requirements whilst increasing recycling rates in a manner that balances financial constraints.

Community Safety and Supporting good practice enforcement

The Covid response work continues, alongside a commitment to Enforcement. As agreed at the Corporate Enforcement Group the Community Ambassadors are being trained to respond to three key offences using Fixed Penalty Notices. The areas of priority are dog fouling, littering and fly tipping. The Community Safety Team continue to use the powers available to the authority in the Anti- Social Behaviour 2014 Act. These powers are usually used in conjunction with partners such as Essex Police or Housing Associations.

As part of the Building Sustainable Communities Theme

Tendring-Colchester Borders and Development Planning Document

Working in partnership with Colchester Borough Council and Essex County Council to develop both the planning framework and a long-term stewardship model for a new Garden Community of 7,000-9,000 homes with associated employment opportunities and infrastructure. The Garden Community will be an exemplar development that incorporates the very highest standards of design, architecture, planning and carbon reduction measures and delivery of the scheme will require positive cooperation with the lead development partners Latimer Clarion and Mersea Homes and continuous engagement with both existing and future communities.

Council Housing/Building (including Honeycroft)

Working in partnership with procurement specialists at Essex County Council in order to run a tender exercise for the design and construction single storey homes suitable for older and disabled persons. The procurement exercise will result in a high profile redevelopment of around 20 bungalows at the Honeycroft site.

The redevelopment will seek to provide homes achieving appropriate energy efficiency and lifetime homes standards along with meeting other industry benchmarks for quality and design. Options for the use of Modern Methods of Construction will be included along with offering the opportunity to Small & Medium size Enterprise (SME) developers. The overall design is to recognise current landscape constraints and provide a secure yet welcoming micro community that supports independent living and quality lifestyle.

Further to the redevelopment of Honeycroft site, two further sites held within the Housing Revenue Account (HRA) will be progressed to design and tender phase such that construction can follow on once Honeycroft is completed, or in parallel if funding permits. These sites could deliver a total of ten additional council homes for rent.

Discussions with Councillors will be facilitated on a range of further potential development sites identified within the HRA and General Fund estates. Proposals around a range of disposal or development options will touch on a spectrum of priority themes and balance financial and service considerations.

All of the above will be subject to appropriate (further) Cabinet and Full Council level decisions on scheme design, cost and funding.

Jaywick Sands Place Plan

Working with the community of Jaywick Sands and other stakeholders to develop a long-term strategic plan for the area which will provide both a basis for making future planning decisions and a strategy for seeking and securing external private and public funding towards ongoing rejuvenation of the area and tackling deprivation. Key matters to address will include improving housing conditions, provide access to training and employment opportunities, improving community facilities and infrastructure and, perhaps most challenging of all, providing a long-term sustainable future of the community in the face of climate change and the increased likelihood and risk to life and property associated with of coastal flooding.

As part of the Strong Finances and Governance Theme

Achieving Savings target

To continue the development of a zero based approach to deliver the required savings over the remaining years of the long-term forecast.

This will need to be balanced against the level of cost pressures that may emerge over the same timescales along with the delivery against the emerging Corporate Investment Plan.

Improving governance arrangements further

The Council continually seeks to improve and enhance its governance arrangements and in 2022/23 further enhancements will be made. This includes actions from the Centre for Governance and Scrutiny's Scrutiny Development Review of the Council and actions to keep the Constitution and Councillor training opportunities up to date.

Through this highlight priority the progress with such activities such as the development of a revised strategy for Inclusion and Equality will be captured. The revised Strategy, including an updated People Impact Assessment is aimed at securing robust governance arrangements are in place across the organisation.

Use of the Council's assets

Appropriately disposing of land at the redundant Weeley Office Site in support of priorities.

To facilitate member decision on a range of potential development sites identified within the Housing Revenue Account and General Fund estates. Propose a range of disposal or development options that touches on a spectrum of priority themes and balances financial and service considerations.

To ensure that the Council's general fund assets support in the delivery of the Council's key priorities including health, the provision of modern high quality

buildings for customers and staff along with a commitment to carbon neutrality.

As part of the Growing and Inclusive Economy Theme

Freeport East

Partners have submitted a successful Outline Business Case for Freeport East, with the potential to bring investment and jobs to the Port at Harwich. The Council will be an effective partner in the Freeport East programme, working with other local authorities and the Port to support efforts to bring forward Bathside Bay. The Council will work with Essex County Council and other partners to develop future proposals for the regeneration benefits that Freeport East could bring to District of Tendring.

Exploring Town Centre Renewal/improvement

The Council has the opportunity to seek government funding to invest in its major town centres in Clacton and Harwich through the Levelling Up Fund. The Council will develop a pipeline of projects to support the District's town centres, working with partners, and seek funding for them.

Tourism Offer/Events

Tourism is a major industry for District of Tendring. The sector is worth almost £402 million to Tendring, with the industry responsible for almost 9,000 jobs, equivalent to 17.9% of the District's employment. Most recently Clacton 150 has demonstrated the capacity of the Council to bring forward events and animate the seafront. The Council's Tourism Strategy aims to grow the value and volume of tourism for the wider benefit of the District, with a 10 point plan. The Council will co ordinate a programme of events including the Clacton Airshow and celebrations of the Queen's Platinum Jubilee, and bring forward proposals to support the visitor economy.

As part of the Community Leadership Theme

Health Inequalities Grant funded initiatives

The Council has agreed a number of health Memoranda of Understanding primarily to support the work around health inequalities across the District. At the current time the evaluation framework is being constructed with a view to recruiting additional post holders on a temporary basis to move this work forward across communities. For example, an additional Family Solutions worker is to be recruited to support families in the Harwich area. This work will be completed with communities, stakeholders, statutory and voluntary bodies.

Education

Working with Education partners including ECC, local schools, universities and business to address the four key work streams – teacher recruitment, retention, school attendance and Post 16 opportunities. This work is in line with the Council's Children and Young Person's Strategy.