

Key Decision Required:	Yes	In the Forward Plan:	Yes
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CABINET

9 NOVEMBER 2018

REPORT OF FINANCE AND CORPORATE RESOURCES PORTFOLIO HOLDER

A6. FINANCIAL PERFORMANCE REPORT – IN-YEAR PERFORMANCE AGAINST THE BUDGET AT END OF SEPTEMBER 2018 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 2018 and to present an updated forecast on an on-going basis as part of developing the budget for 2019/20 and beyond.

EXECUTIVE SUMMARY

- As highlighted in the corresponding report at the end of July 2018, in a significant change from previous years, these regular finance reports aim to present the overall financial position of the Council by bringing together information that was previously reported within corporate budget monitoring reports and performance monitoring reports along with timely updates on the development of the long term forecast and budget for 2019/20 and beyond.
- The above approach follows the commitment to provide regular updates on the long term financial forecast as agreed as part of the move to a long term financial sustainability plan last year and to bring the reporting of key financial performance together in one report.
- The report continues to be split over two distinct sections as follows:
 - 1) ***The Council's in-year financial position against the budget at the end of September 2018***
 - 2) ***An updated long term financial forecast and estimated position for 2019/20.***

In respect of the in-year financial position at the end of September 2018:

- The Council's financial position against the approved budget has been prepared for the period to the end of September 2018.
- In respect of the position at the end of September, it is acknowledged that expenditure or income trends may still be emerging. However any significant issues arising to date have been highlighted and comments provided as necessary.
- The position to the end of September 2018, as set out in more detail in the

Executive Summary attached, shows that overall the General Fund Revenue position is behind the profiled budget by **£3.468m**. As has been the case in previous quarters, the variance to date primarily reflects the timing of expenditure and income although as mentioned above, underlying trends may emerge or be confirmed over the remainder of the year.

- 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 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.
- As highlighted in the corresponding report at the end of July 2018, these regular finance reports will respond to in-year budget pressures and other changes as they emerge rather than wait until the detailed estimates are prepared in December / January of each year. **Appendix H** therefore sets out a number of changes to in-year budgets with an associated recommendation also included within this report. The net impact of all of the budget adjustments will be moved to or from the Forecast Risk Fund. The long term forecast relies upon **£0.500m** of in-year outturn savings being set aside over the course of the whole year within the Forecast Risk Fund to support the long term plan.
- 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

In respect of the updated long term financial forecast:

- The forecast has been reviewed as at the end of September 2018 and updated from 2019/20 onwards. The required changes do not expose the Council to any additional risk and although the annual deficit or surplus position for each year of the forecast has been amended, they can still be accommodated within the overall projected financial position supported by an increased Forecast Risk Fund.
- A review of risks associated with the long term approach to the forecast is also subject on-going review and are separately reported within **Appendix J**.
- As mentioned last year, it is important to continue to deliver against the new longer term approach to the budget as it continues to provide a credible alternative to the more traditional short term approach which would require significant savings to be identified over 2019/20 and 2020/21.
- Work remains on-going across the 5 key work strands of:
 - 1) Increases to underlying income
 - 2) Controlling expenditure / inflationary increases
 - 3) The identification of savings / efficiencies
 - 4) Delivering a positive outturn position each year
 - 5) The mitigation of cost pressures wherever possible.

RECOMMENDATION(S)

That in respect of the financial performance against the budget at the end of September 2018, it is recommended that:

- (a) The position be noted;
- (b) the proposed in-year adjustments to the budget as set out in Appendix H be agreed; and
- (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.

That in respect of the Updated Long Term Forecast revised at the end of September 2018, it is recommended that:

- (a) The updated forecast be agreed; and
- (b) the Resources and Service Overview and Scrutiny Committee are consulted on the updated 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 2018, 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 managed within the overall budgets. 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 that is proposed;
- 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.

However the forecast is based on relatively conservative estimates with no optimistic bias included. **Appendix J** discusses the various risks to the forecast with a Red / Amber/ Green risk assessment approach taken.

As discussed last year, another potentially more important action to manage and mitigate risk is the Council's ability to financially underwrite the forecast. 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) Along with additional contributions included within the outturn position for 2017/18, **£1.887m** has already been set aside within the Forecast Risk Fund to support the budget in future years. This is significantly more than the estimated position from last year and excludes the additional contribution of **£0.717m** to fund initiatives aimed at supporting the long term forecast, which is also being held in the reserve. 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.
- 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 in the early years of the forecast. 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 and supports the thinking behind the new approach of protecting Council services wherever possible.

Set against the above foundations, the forecast includes the need to identify on-going savings of **£0.300m** each year. This figure will need to remain flexible and react as a counterbalance to other emerging issues as it is accepted that this figure may need to be revised up or down over the life of the forecast.

It will also be important to deliver against the forecast in the early years to continue to build confidence in the revised approach. This will, therefore, 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 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 **£1.608m** (NDR Resilience Reserve) and **£1.100m** (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.

To support the forecast, sensitivity testing has been undertaken which is set out in more detail later in this report.

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. The new arrangements mean that there are now 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 SEPTEMBER 2018

The Council's financial position against the approved budget has been prepared for the period ending 30 September 2018.

This is the second such report on the Council's financial position against the budget for 2018/19, and so some expenditure or income trends may still be emerging. However comments are provided below where necessary against the following key areas:

- General Fund Revenue and Proposed Changes to the 2018/19 Budget
- HRA Revenue
- Capital Programme – General Fund
- Capital Programme - HRA
- Collection Performance
- Treasury Activity

GENERAL FUND REVENUE

The position to the end of September 2018, as set out in more detail in the Executive Summary attached, shows that overall the actual position is behind the profiled budget by **£3.468m**.

After excluding the variance for employee costs of **£0.311m**, the remaining net variance is **£3.157m**

As set out in the appendices, elements of this remaining variance are due to the timing of expenditure and income or where commitments / decisions have yet to be made.

Appendix B provides further narrative around variances with some highlights as follows:

- Employee Costs – as set out above, expenditure is behind profile by **£0.311m**. Following a detailed review, it is estimated that **£0.200m** of this amount relates to vacancies where there is no associated commitment and therefore is the accrued amount that can be 'banked' at the end of September 2018 as a saving. This is included within the proposed adjustments to the budget set out in **Appendix H** as part of the net contribution to the Forecast Risk Fund. The corresponding figure at the end of July 2018 was **£0.100m**.
- Income is running ahead of the profile in areas such as parking (**£0.133m**), cemeteries (**£0.013m**), the crematorium (**£0.028m**), street naming and numbering (**£0.056m**) and building control (**£0.024m**). Although these income trends will be monitored over the remainder of the year, initial assumptions have been made about their inclusion or otherwise within the long term forecast that contribute to the net savings amount set out within the second part of this report.
- In a continuing reversal of a trend from previous years, planning income remains behind the profile (**£0.065m**). This will be considered as the long term forecast develops as it was anticipated that income growth in this area could contribute to the long term net savings target which is now likely to have to be reconsidered based on the current position.

In addition to the above issue, a revised financial reporting requirement has been introduced which is basically a technical accounting adjustment relating to when income can be recognised within the accounts. It is currently expected that a significant level of planning income received towards the end of this financial year may have to be removed and accounted for in 2019/20 which could have a significant overall impact. This is currently being monitored and a further update will be provided later on in the year, which may require an adjustment to the planning income budget in 2018/19.

It is also worth mentioning that a number of budgets are being reviewed where they have remained uncommitted for more than one year as highlighted by Cabinet / Resources and Service Overview and Scrutiny Committee. This review is nearing completion and so will now be reported in a future report rather than this report as originally anticipated.

APPENDIX H sets out a number of proposed budget adjustments that respond to both favourable and adverse issues that have emerged over the first half of the year and include:

- Insurance Costs – during the renewal process this year, it was decided to move the renewal date in future years to avoid busier times of the year for the relevant officers. This has required an accounting change where the insurance costs are now accounted for on an accruals basis rather than on a cash basis. This results in a one-off saving in 2018/19 of an estimated **£0.100m**.
- Investment income – a continuing positive cash flow and interest rate position have resulted in additional income of **£0.080m** from treasury activities.
- Career Track Income – the service is currently experiencing a time ‘lag’ of building up a client base which was adversely impacted by the delay in the available of guidance etc. from the Government. Therefore it is expected that income will be lower than the budget over the course of the year, with an income budget adjustment of **£0.050m** proposed.
- Air Show 2018 – Following the finalisation of the airshow ‘account’ relating to the 2018 show, net costs exceeded the budget by **£0.043m**.

The net overall position set out in **Appendix H**, which includes the vacancy saving of **£0.200m** highlighted earlier, results in a net contribution to the Forecast Risk Fund of **£0.387m**, which brings the total transferred to this reserve in 2018/19 to **£0.484m**. Therefore the total target contribution of **£0.500m** has nearly been reached at the end of the first six months of the year.

Other net neutral budget adjustments have also been included within **Appendix H** and include **£0.791m**, funded from the 2018/19 New Homes Bonus, which relates to the purchase of wheeled bins and recruitment of additional temporary staff to support the implementation of the changes from the extension to the current waste, recycling and street cleansing contract as agreed by Cabinet at its 23 March 2018 meeting.

HRA REVENUE

An overall position is set out in the Executive Summary with further details included in **Appendix C**.

At the end of September 2018, the HRA is **£0.073m** behind the net profiled budget. The

most significant issue contributing to this position is dwelling rental income which is **£0.049m** behind profile (**0.4%** of the total annual amount). Void loss has been higher over recent periods due to issues such as taking time to undertake major repairs etc. when properties become vacant but it is expected that this should stabilise in the long term. A further issue that will have an impact on rental income and the long term HRA business plan is the general increase in right to buy sales which will have a negative impact on income. These issues will therefore need to be considered within the 2019/20 HRA budget and beyond.

CAPITAL PROGRAMME – GENERAL FUND

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

As at the end of September 2018 the programme is behind profile by **£0.050m**. Detailed comments are provided within the appendix. Following the on-going review, a further scheme has been reprofiled into future years to reflect lead in times / development of the associated project, with the necessary adjustment set out in **Appendix H**.

Appendix H also includes the establishment of a budget in the Capital Programme relating to purchase of wheeled bins following the extension to the waste and recycling contract as discussed earlier in this report.

Apart from the matters highlighted above or within the appendix, there are no additional issues to highlight at present.

CAPITAL PROGRAMME – HOUSING REVENUE ACCOUNT

As at the end of September 2018 the programme is behind profile by **£0.108m**.

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.

Appendix H sets out the following two adjustments to the HRA Capital Programme:

- The inclusion of a new line to reflect the first phase of the construction of 10 new homes in Jaywick Sands as endorsed by Cabinet at its November 2017 meeting.
- The inclusion within the HRA Capital programme of additional funding due from ECC relating to the acquisition of a site within Jaywick Sands.

COLLECTION PERFORMANCE

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

The position for 2018/19 remains behind the position reported for the same period last year. At the end of July 2018, it was reported that there was a significant amount of money owed by one public sector organisation. This remains outstanding and following further review, replacement invoices have been sent to the relevant organisation for payment as soon as possible.

At the end of September 2018, **£0.034m** remains outstanding from Brightlingsea Town Council that primarily relates to their contribution to the running costs of Brightlingsea Pool in prior years.

Apart from the above, there are no significant issues to highlight at the present time. Income will continue to be collected over the remainder of the year with recovery arrangements and action taken as necessary.

TREASURY ACTIVITY

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

The Council agreed the Treasury Strategy for 2018/19 on 27 March 2018 and 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 first half of 2018/19 has seen UK economic growth post a modest performance, but sufficiently robust for the Monetary Policy Committee (MPC) to vote unanimously to increase the Bank Rate on 2 August from 0.5% to 0.75%. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019, and the Council's treasury advisors are predicting an increase in the bank rate to 1.00% in Sept 2019.

Investments

Investment returns are well ahead of the budget, mainly as a result of the increase in the bank base rate on 2 August 2018. The weighted average interest rate at the end of September stood at 0.60%, with the budget reflecting a target of 0.40%. As a result, the budget is proposed to be increased by £80,000 for 2018/19, and by £100,000 for 2019/20, with this additional income reflected in the updated financial forecast set out in the next section of the report.

The closure of Council Offices between Christmas and New Year 2018 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. A similar situation occurred last year which was brought to the attention of members. Although alternative approaches remain under review, at the present time 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 have seen a strengthening position in terms of their overall ratings from the main rating agencies increasing confidence in them and therefore limiting the risks associated with the proposed approach set out above. A recommendation has been included earlier in this report reflecting this proposal.

Borrowing

The borrowing rates that the Council can access remain relatively low. 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 2018/19.

Other

The Chartered Institute of Public Finance and Accountancy, (CIPFA), issued a revised Code of Practice on Treasury Management and Prudential Code in late 2017 and has recently issued guidance notes supporting both Codes. Statutory investment guidance has also been updated in 2018. These have raised several issues:

- A local authority should define its risk appetite and its governance processes for managing risk.
- A local authority should assess the risks and rewards of significant investments over the long term, as opposed to the usual three to five years that most local authority financial planning has been conducted over, in order to ensure the long term financial sustainability of the authority.
- The Prudential Code has also expressed concern that local authorities should ensure that an authority's approach to commercial activities should be proportional to its overall resources.
- A local authority should have access to the appropriate level of expertise to be able to operate safely in all areas of investment and capital expenditure, and to involve members adequately in making properly informed decisions on such investments.

As a result, the Prudential Code 2017 introduced a requirement to produce an annual capital strategy to deal with these issues.

Although these issues are broadly included within existing decision making processes where necessary, they will be reviewed as part of development of the annual Treasury Management Strategy report for 2019/20, which will be reported to Cabinet in early 2019 and to Council by 31 March 2019.

In respect the Council's commercial property portfolio, there have been no additions since the purchase of the property in Clacton last year. In respect of the property purchased last year, the lease with the existing tenant remains on-going, with nothing emerging to date that alters that position.

Notwithstanding the above, operationally there are no significant matters to highlight at the end of September with investment and borrowing activity on-going in line with the Treasury Strategy and associated practices / requirements.

SECTION 2 – UPDATED LONG TERM FORECAST

Following the establishment of a longer term approach to the budget setting process that was agreed last year, the forecast is updated on an on-going basis with the latest position set out in **Appendix I**.

The detailed context to the revised longer term approach was included in the report to Cabinet on the 5 September 2017. Key elements to the forecast and further developments are set out below against the following principles / work strands:

Increases to Underlying Income (Council Tax and Business Rates)

- ***Changes to the forecast for 2019/20***

Two lines of the forecast have been changed since the update in July 2018 as follows:

- 1) **Growth in Business rates / council tax – general property growth** – this has been reduced from **£0.171m** to **£0.130m** in 2019/20 to reflect the latest estimate

of property growth for council tax purposes. This excludes any change in the estimated property growth for business rates, which is still subject to an annual review, and any benefit from being a member of the Essex Business Rate Pool / Pilot.

- 2) **Collection Fund Surpluses b/fwd** - This has been increased from **£0.446m** to **£0.703m** in 2019/20 to reflect the latest position and performance to date. Similarly to the above, this excludes any change in business rates which will be finalised later in the budget setting process.

Taking the above into account, the total income for this element of the forecast has increased from **£0.942** to **£1.158m** in 2019/20 compared with the position reported at the end of July 2018.

- ***Underlying assumptions for 2020/21 and beyond***

There have been no changes to the forecast for 2020/21 and beyond apart from projecting the lower property base identified above into the later years of the forecast.

The forecast remains based on an increase of £5 in the level of Council Tax for Tendring District Council Services over the life of the forecast and property growth in 2020/21 and beyond remains broadly based on the local plan projections.

Controlling Net Expenditure / Inflationary Pressures

- ***Changes to the forecast for 2019/20***

There have been no changes since the update in July 2018.

- ***Underlying assumptions for 2020/21 and beyond***

There have been no changes since the update in July 2018.

Although the 2019/20 forecast reflects the significant and front loaded pay award, it remains the expectation that the longer term position will revert to more manageable increases such as the 1% commitment previously promoted by the Government, which is included from 2020/21 onwards within the forecast.

A number of activities remain on-going within the Council's overall financial framework such as reviewing the outturn position from prior years to identify possible budget reductions. The Council also continues to explore opportunities to bring services back in-house, which has the potential to reduce overall increases in costs.

As discussed earlier in the year, the proposed changes to the Waste, Recycling and Street Cleansing contract have reduced what would have seen a significant price increase down to a level that can be managed within the forecast.

Departments continue to take a proactive approach in delivering quality services against the context of the financial forecast in mind. Examples of actions taken include managing emerging issues within existing budgets wherever possible or reprioritising activities to reduce / limit pressures on the budget over the course of the year.

Savings and Efficiencies

Appendix K sets out the initial net savings identified for 2019/20. Although subject to final review / risk assessment where necessary, the figure identified to date totals **£0.279m**. Work remains on-going to increase this amount to **£0.300m** or above by the time the detailed estimates for 2019/20 are prepared for presenting to Cabinet in December 2018.

It is recognised that this line of the forecast provides the 'safety valve' to the overall long term approach and may have to be increased if significant / on-going adverse issues emerged over the life of the forecast.

Delivering a favourable Outturn Position

The Forecast Risk Fund continues to rely on in-year outturn contributions of **£0.500m** per annum to support the overall balance on the reserve which in turn underwrites the various risks to the forecast.

In respect of 2017/18, the requirement to contribute **£0.500m** to the Forecast Risk Fund was delivered.

In respect of 2018/19 to date, net contributions to the Forecast Risk Fund total **£0.484m**, made up of:

- **£0.081m** reported at end of July 2018
- **£0.387m** proposed at the end of September 2018 as included within **Appendix H**.
- **£0.016m** which relates to the carry forwards not approved under the delegation to the Finance and Corporate Resources Portfolio.

Cost Pressure Mitigation

Appendix L sets out the initial items identified by services for 2019/20.

These are currently subject to further review / challenge, which will include asking the following questions:

- 1) Can the expenditure be delayed until such time as there is a surplus in the forecast?
- 2) Can mitigating action be put in place or an alternative option implemented?
- 3) Can the cost pressure be supported by one-off money in the short term?
- 4) Can the cost pressure be mitigated via corresponding budget reductions within departmental budgets?
- 5) What Council priorities are being supported and what are the key benefits?

The cost pressures include one-off items in 2018/19, such as the Mental Health Hub Contribution, Airshow Night Flight, Sea and Beach Festival and the TV advert promoting the district, which will need to be considered for including on an on-going basis from 2019/20 in the context of the overall forecast and the other cost pressures identified.

It is unlikely to be possible to fund all of the items as they total **£0.886m** in 2019/20 (**£0.416m** on-going and **£0.470m** one-off).

Although discussed in more detail below, this line of the forecast presents one of the most significant risks, as in many instances it could be outside the control the Council, such as reduced income from external bodies / the Government.

Sensitivity Testing of the Forecast

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

Although there will always be a large number of permutations, all sensitivities tested are still expected to deliver an annual surplus within the life of the forecast.

The sensitivity test that would have one of the greatest impacts on the forecast is if council tax rises were 1% less than the base position. In aggregate, the annual deficits would be **£6.281m** compared with base position of **£3.227m**, but the budget would still deliver an annual surplus by the end of the forecast period.

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 may be that the level of savings required needs to be increased to ensure the long term sustainability of the Council's financial position or the Council reverts back to the historic short term approach to setting the budget which would require significant savings early in the process.

Risk Assessment of Individual Lines of the Forecast

Given the inherent risks outlined, commentary on the various risks to the forecast is set out in **Appendix J**.

As discussed at the end of July 2018, attention is drawn to the following key areas of the forecast which have been given a higher risk rating compared with other lines of the forecast:

- **£5 increase in Council Tax** – the ability to increase Council Tax to a point that does not require holding a referendum is based on permission from the Government which is only confirmed on an annual basis. Although it is expected that above inflationary increases are likely to feature in future financial settlements, this risk will need to be carefully monitored and if there is any indication from the Government that it will not be allowable in later years of the forecast then the necessary adjustment to the estimated position will need to be made, which could include increasing the required savings allowance above **£0.300m** per annum.
- **Inflation** – Given the recent significant increases from the pay award negotiations, this pressure on the forecast may have subsided in the immediate term with only 1% increases included in future years of the forecast. However annual increases are currently outside the direct control the Council and will be reviewed on an annual basis with comments provided to the relevant national negotiating body as necessary. Inflation for items such as utilities and other similar items have historically been managed on a corporate basis with increases in some service areas being met from reductions in other areas. It is expected that this approach will continue in the immediate term. Inflation for major contracts is included within the forecast based on the Bank of England's long term CPI target of 2%.
- **Ongoing Net Savings** – a target of **£0.300m** remains within the forecast. For 2019/20 the activities underway to deliver this amount include a review of the historic outturn position, taking a confident but cautious approach to income streams which are currently or have historically outperformed the budget, along with securing on-going savings from re-organisational reviews. In terms of delivering against future year's targets, associated discussions will need to be

commenced over the rest of the current year to be able to secure the required savings from 2020/21 and beyond. This approach is backed by money set aside for activities that support the delivery of the long term forecast as discussed earlier in this report.

- **Unmitigated Cost Pressures** – as highlighted within the appendix, this line of the forecast presents one of the more significant risks going forward, especially in light of the total value of items identified for 2019/20.

Some items may be within the Council’s control, such as repairs to assets etc., but some are not, such as reduced income from outside bodies.

To date the Council has also refrained from using one-off money such as the New Homes Bonus to support the on-going budget. The forecast is based on this prudent principle continuing.

Taking all of the above into account, the forecasted annual deficit or surplus as set out in **Appendix I** is summarised as follows compared with the forecast considered at the end of July 2018:

Year	Net Budget Position Reported at the end of July 2018 (including adjusting for prior use of reserves to balance the budget)	Net Budget Position as Set out in the Updated Forecast (including adjusting for prior use of reserves to balance the budget)
2019/20	£0.725m (Deficit)	£0.509m (Deficit)
2020/21	£1.083m (Deficit)	£1.167m (Deficit)
2021/22	£0.790m (Deficit)	£0.918m (Deficit)
2022/23	£0.491m (Deficit)	£0.664m (Deficit)
2023/24	£0.182m (Deficit)	£0.401m (Deficit)
2024/25	£0.134m (Surplus)	£0.133m (Deficit)
2025/26	£0.458m (Surplus)	£0.142m (Surplus)
2026/27	£0.790m (Surplus)	£0.424m (Surplus)

Although the deficits have increased in the short term, the forecast moves to an annual surplus position within broadly the same timescales, with surpluses still forecast towards the end of the forecast period.

Appendix I also sets out the annual change in the Forecast Risk Fund with positive balances on this reserve estimated over the life of the forecast.

As part of their value for money work, the Council’s external auditors drew attention to the risks associated with use of reserves to balance the budget, namely that it is not sustainable. Although this is acknowledged, 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.

The approach to the forecast continues to be undertaken within a robust risk management framework which includes the regular reporting of a ‘live’ forecast as set out in this report which will enable timely actions to be taken in response to any adverse issues that may emerge. It is also important to highlight that delivery of the long term forecast in the early

years will provide confidence to the revised approach being taken.

Other Changes to the Forecast

As reported at the end of July 2018 and for completeness, there are a number of other budget changes that do not have an overall net impact on the budget. These include the removal of one-off capital items where they are funded from reserves, along with other one-off budgets where reserves have also been used such as the three year pension deficit contribution.

In the above cases the expenditure will be removed along with the associated call on reserves with no overall impact on the forecast. These will be set out in more detail later on in the year when the detailed budget for 2019/20 is presented.

Based on the latest position, the updated 2019/20 budget is forecast to be as follows:

Initial General Fund Budget 2019/20

	2018/19 Original Budget	2019/20 Forecast (at end of Jul 2018)	2019/20 Updated Forecast (at end of Sept 2018)
	£m	£m	£m
Net Cost of Services	17.403	17.686	17.686
Revenue support for capital investment	0.100	0.100	0.100
Financing items	(4.632)	(4.632)	(4.632)
Net Expenditure	12.871	13.154	13.154
Contribution to /(from) Reserves	1.031	0.390	0.606
Total Net Budget	13.902	13.544	13.760
Business Rates (<i>excl. S31 Govt. Grant</i>)	(4.578)	(4.680)	(4.680)
Revenue Support Grant	(1.070)	(0.422)	(0.422)
Collection Fund Surplus	(0.652)	(0.446)	(0.703)
Council Tax Requirement	7.602	7.996	7.955

Although this will be subject to revisions and updates as the year / forecast progresses, it does set out the estimated position for 2019/20 which includes a draw down from the Forecast Risk Fund of an estimated **£0.509m** to balance the budget in accordance with the long term forecast. (a reduction from the **£0.725m** forecast at the end of July 2018)

The council tax requirement figure of **£7.955m** is based on the forecast increase of £5 along with the property base assumptions as set out in the updated forecast. This represents an increase of **£0.353m** compared to 2018/19 and would result in an average Band D council tax of **£167.64** compared to **£162.64** in 2018/19.

To continue to deliver various elements of the forecast and to react to any changes as the forecast develops, it will require significant member and officer effort and focus. However the approach being taken continues to be a credible alternative to the more traditional approach of taking a shorter term view, which would require significant savings to be identified in both 2019/20 and 2020/21.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES**RELATING TO SECTION 1 OF THE REPORT**

Front Cover and Executive Summary

Appendix A – Summary by Portfolio / Committee

Appendix B – General Fund Budget Position by Department

Appendix C – Housing Revenue Account Budget Position

Appendix D – Capital Programme

Appendix E – Collection Performance – Council Tax, Business Rates, Housing Rent and General Debts

Appendix F – Treasury Activity

Appendix G – Income from S106 Agreements

Appendix H – Proposed Adjustments to the 2018/19 Budget

RELATING TO SECTION 2 OF THE REPORT

Appendix I – Updated Long Term Financial Forecast

Appendix J – Risk Analysis of Each Line of the Forecast

Appendix K – Initial Net Savings Items 2019/20

Appendix L – Initial Cost Pressure Summary 2019/20

Tendring **District Council**



Appendices Included:

Executive Summary	A summary of the overall position.
Appendix A	A summary of the overall position by Portfolio/Committee split by GF and HRA
Appendix B	An analysis by Department of all General Fund Revenue budgets.
Appendix C	An analysis of Housing Revenue Account Revenue budgets.
Appendix D	The position to date for General Fund and HRA capital projects.
Appendix E	Collection Performance
Appendix F	Treasury activity.
Appendix G	Section 106 monies.
Appendix H	Proposed Adjustments to the 2018/19 Budget

Corporate Budget Monitoring

September 2018

(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)

Corporate Budget Monitoring - Executive Summary as at the end of September 2018

The tables below show the summary position for the General Fund, Housing Revenue Account, Capital, Debt 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	958,900	500,570	474,028	(26,542)
Corporate Services	(22,017,890)	(4,925,694)	(7,423,356)	(2,497,662)
Operational Services	14,610,700	3,470,055	3,265,052	(205,003)
Planning and Regeneration	6,448,290	1,363,565	625,269	(738,295)
Total General Fund	(0)	408,496	(3,059,007)	(3,467,503)

Housing Revenue Account

	Full Year Budget £	Profiled Budget to Date £	Actual to Date £	Variance to Profile £
Total HRA	0	(4,625,741)	(4,698,390)	(72,649)

Capital

	Full Year Budget £	Profiled Budget to Date £	Actual to Date £	Variance to Profile £
General Fund	13,127,960	1,325,878	1,276,353	(49,525)
Housing Revenue Account	7,409,290	1,883,445	1,775,834	(107,611)
Total Capital	20,537,250	3,209,324	3,052,187	(157,136)

Debt

	Collected to Date Against Collectable Amount
Council Tax	56.09%
Business Rates	56.40%
Housing Rents	98.10%
General Debt	84.58%

Treasury

	£'000
Total External Borrowing	42,955
Total Investments	69,197

Revenue Budget Position at the end of September 2018

General Fund Portfolio / Committee Summary

	2018/19 Current Full Year Budget £	2018/19 Profiled Budget to date £	2018/19 Actual to date £	2018/19 Variance to Profile £
Leader	1,750,000	0	0	0
Finance and Corporate Resources	3,053,940	2,001,122	988,350	(1,012,772)
Environment	5,758,120	1,195,100	1,041,744	(153,356)
Housing	2,943,740	2,343,004	884,012	(1,458,992)
Health and Education	507,390	175,325	175,130	(195)
Corporate Enforcement	3,000,730	847,157	14,882	(832,275)
Investment and Growth	3,020,640	104,914	84,697	(20,217)
Leisure and Tourism	6,392,990	620,600	824,402	203,802
Budgets Relating to Non Executive Functions	825,370	101,475	39,716	(61,759)
	27,252,920	7,388,697	4,052,932	(3,335,764)
Revenue Support for Capital Investment	3,766,570	0	0	0
Financing Items	(4,632,450)	(61,714)	(193,659)	(131,945)
Budget Before use of Reserves	26,387,040	7,326,983	3,859,273	(3,467,710)
Contribution to / (from) earmarked reserves	(12,484,560)	0	0	0
Total Net Budget	13,902,480	7,326,983	3,859,273	(3,467,710)
Funding:				
Revenue Support Grant	(1,070,100)	(471,006)	(470,844)	162
Business Rates Income	(4,578,370)	(2,320,476)	(2,320,438)	38
Collection Fund Surplus	(652,300)	(326,150)	(326,150)	0
Income from Council Tax Payers	(7,601,710)	(3,800,855)	(3,800,848)	7
Total	(0)	408,496	(3,059,007)	(3,467,503)

Revenue Budget Position at the end of September 2018

HRA Portfolio Summary

	2018/19 Current Full Year Budget	2018/19 Profiled Budget to date	2018/19 Actual to date	2018/19 Variance to Profile
	£	£	£	£
Housing	(2,241,210)	(4,625,741)	(4,698,390)	(72,649)
	(2,241,210)	(4,625,741)	(4,698,390)	(72,649)
Revenue Support for Capital Investment	480,570	0	0	0
Financing Items	1,919,980	0	0	0
Budget Before use of Reserves	159,340	(4,625,741)	(4,698,390)	(72,649)
Contribution to / (from) earmarked reserves	(159,340)	0	0	0
Total	0	(4,625,741)	(4,698,390)	(72,649)

Corporate Budget Monitoring - General Fund Budget Position at the end of September 2018

Department - Office of Chief Executive

	2018/19 Current Full Year Budget £	2018/19 Profiled Budget to date £	2018/19 Actual to date £	2018/19 Variance to Profile £	Next Quarters Profile £	Comments
<u>Analysis by Type of Spend</u>						
Direct Expenditure						
Employee Expenses	394,310	197,155	194,290	(2,865)	98,578	
Premises Related Expenditure	1,360	1,360	1,362	2	0	
Transport Related Expenditure	14,040	7,020	6,355	(665)	3,510	
Supplies & Services	601,830	302,195	294,593	(7,602)	125,513	
Total Direct Expenditure	1,011,540	507,730	496,600	(11,130)	227,600	
Direct Income						
Government Grants	0	0	(2,853)	(2,853)	0	
Other Grants, Reimbursements and Contributions	(4,070)	(4,070)	(16,631)	(12,561)	0	
Sales, Fees and Charges	(3,090)	(3,090)	(3,089)	1	0	
Total Direct Income	(7,160)	(7,160)	(22,573)	(15,413)	0	
Net Direct Costs	1,004,380	500,570	474,028	(26,542)	227,600	
Net Indirect Costs	(45,480)	0	0	0	0	
Total for Office of Chief Executive	958,900	500,570	474,028	(26,542)	227,600	

Department - Office of Chief Executive

	2018/19 Current Full Year Budget £	2018/19 Profiled Budget to date £	2018/19 Actual to date £	2018/19 Variance to Profile £	Comments
<u>Analysis by Service/Function</u>					
Total for Chief Executive and Leadership and Community Support	958,900	500,570	474,028	(26,542)	
Total for Office of Chief Executive	958,900	500,570	474,028	(26,542)	

Corporate Budget Monitoring - General Fund Budget Position at the end of September 2018

Department - Corporate Services

	2018/19 Current Full Year Budget £	2018/19 Profiled Budget to date £	2018/19 Actual to date £	2018/19 Variance to Profile £	Next Quarters Profile £	Comments
<u>Analysis by Type of Spend</u>						
Direct Expenditure						
Employee Expenses	6,681,130	2,557,716	2,284,876	(272,840)	1,263,870	
Premises Related Expenditure	190,500	170,530	150,873	(19,657)	1,950	
Transport Related Expenditure	55,910	45,640	38,834	(6,806)	8,415	
Supplies & Services	7,650,520	1,594,754	1,218,834	(375,920)	1,000,390	
Transfer Payments	53,222,090	23,440,875	24,317,112	876,237	11,720,437	
Interest Payments	63,670	33,306	18,549	(14,757)	1,823	
Total Direct Expenditure	67,863,820	27,842,821	28,029,078	186,257	13,996,885	
Direct Income						
Government Grants	(57,164,240)	(24,612,735)	(27,241,244)	(2,628,509)	(12,190,683)	
Other Grants, Reimbursements and Contributions	(1,713,250)	(973,133)	(944,101)	29,032	(435,716)	
Sales, Fees and Charges	(16,660)	(12,800)	(10,810)	1,990	(930)	
Rents Receivable	(300)	(180)	(215)	(35)	(50)	
Interest Receivable	(428,160)	(251,180)	(337,785)	(86,605)	(119,365)	
RSG, Business Rates and Council Tax	(13,902,480)	(6,918,487)	(6,918,280)	207	(4,203,489)	
Total Direct Income	(73,225,090)	(32,768,515)	(35,452,435)	(2,683,920)	(16,950,232)	
Net Direct Costs	(5,361,270)	(4,925,694)	(7,423,356)	(2,497,662)	(2,953,347)	
Net Indirect Costs	(4,172,060)	0	0	0	0	
Net Contribution to/(from) Reserves	(12,484,560)	0	0	0	0	
Total for Corporate Services	(22,017,890)	(4,925,694)	(7,423,356)	(2,497,662)	(2,953,347)	

Department - Corporate Services

	2018/19 Current Full Year Budget £	2018/19 Profiled Budget to date £	2018/19 Actual to date £	2018/19 Variance to Profile £	Comments
<u>Analysis by Service/Function</u>					
Total for Corporate Director, PR and Electoral Services	668,710	252,964	234,929	(18,035)	
Total for Governance and Legal Services	116,130	245,240	121,993	(123,247)	The position to date primarily reflects employee costs along with the reimbursement of costs from an associated planning appeal which is proposed to be transferred to the Forecast Risk Fund as set out in Appendix H.
Total for Finance, Revenues and Benefits	1,637,130	1,481,551	123,108	(1,358,443)	Similarly to the last quarter, the variance to date reflects both the position against employee costs (vacancies and temporary staff supported by funding from the major preceptors) and the cash flow impact of housing benefit payments and the timing of the reimbursement of expenditure via the associated subsidy system.
Total for Finance - Other Corporate Costs	3,055,820	(1,412,829)	(2,178,556)	(765,727)	Income is currently running ahead of the profile for business rate grant income from the government, income from investments and new burdens funding. This is in addition to a one-off saving from changing the renewal date for insurance renewal and moving to an accruals basis. Income from investments and the saving from insurances are both included in Appendix H as part of the net contribution to the Forecast Risk Fund.

Department - Corporate Services

	2018/19 Current Full Year Budget £	2018/19 Profiled Budget to date £	2018/19 Actual to date £	2018/19 Variance to Profile £	Comments
Total for Finance - Financing Items	(14,759,110)	152,580	124,522	(28,058)	
Total for Finance - RSG, Business Rates and Council Tax	(13,902,480)	(6,918,487)	(6,918,280)	207	
Total for Property Services	51,460	14,375	25,105	10,730	
Total for People, Performance and Projects	179,900	292,930	289,158	(3,772)	Although overall the variance is minimal, a significant variance is now emerging against the Career Track / Apprenticeship budget. This remains under review with the relevant service but represents the time 'lag' in building the customer base to a break even position. Given this issue is likely to remain at the end of the year, an adjustment is set out in Appendix H to meet this level of reduced income in the short term.
Total for IT and Corporate Resilience	934,550	965,982	754,664	(211,318)	Some of the expenses / costs incurred reflect the timing of the delivery of a number of projects and initiatives. On-going savings are starting to emerge such as those associated with the new telephony system with the saving included in Appendix H within the net contribution to the Forecast Risk Fund.
Total for Corporate Services	(22,017,890)	(4,925,694)	(7,423,356)	(2,497,662)	

Corporate Budget Monitoring - General Fund Budget Position at the end of September 2018

Department - Operational Services

	2018/19 Current Full Year Budget £	2018/19 Profiled Budget to date £	2018/19 Actual to date £	2018/19 Variance to Profile £	Next Quarters Profile £	Comments
<u>Analysis by Type of Spend</u>						
Direct Expenditure						
Employee Expenses	8,882,700	4,433,075	4,501,974	68,899	2,227,310	
Premises Related Expenditure	3,049,600	1,630,517	1,737,997	107,480	570,104	
Transport Related Expenditure	467,280	176,518	169,340	(7,178)	101,655	
Supplies & Services	4,382,920	1,790,158	1,803,663	13,505	1,166,847	
Third Party Payments	4,629,740	1,162,991	1,131,733	(31,258)	1,185,687	
Transfer Payments	149,650	74,825	155,783	80,958	37,413	
Total Direct Expenditure	21,561,890	9,268,084	9,500,490	232,406	5,289,015	
Direct Income						
Government Grants	(446,720)	(353,350)	(353,350)	(0)	0	
Other Grants, Reimbursements and Contributions	(1,368,580)	(535,065)	(651,536)	(116,471)	(410,147)	
Sales, Fees and Charges	(8,010,640)	(4,679,498)	(5,030,761)	(351,263)	(1,678,261)	
Rents Receivable	(305,970)	(218,996)	(188,512)	30,484	(44,214)	
Total Direct Income	(10,131,910)	(5,786,909)	(6,224,160)	(437,251)	(2,132,623)	
Net Direct Costs	11,429,980	3,481,175	3,276,330	(204,845)	3,156,392	
Net Indirect Costs	3,180,720	(11,120)	(11,277)	(157)	(117,485)	
Total for Operational Services	14,610,700	3,470,055	3,265,052	(205,003)	3,038,907	

Department - Operational Services

	2018/19 Current Full Year Budget £	2018/19 Profiled Budget to date £	2018/19 Actual to date £	2018/19 Variance to Profile £	Comments
<u>Analysis by Service/Function</u>					
Total for Corporate Director and Administration Operational Services	741,920	218,230	170,297	(47,933)	
Total for Public Realm	1,454,120	299,442	145,462	(153,980)	Income remains strong and ahead of the profile against a number of service areas such as parking, the crematorium and cemeteries. Some additional costs have been incurred such as responding to traveller incursions and business rates for public conveniences due to the lead in time to decommission the sites previously identified for closure. These two items are included within Appendix H as adjustments against parking income and the net contribution to the Forecast Fund.
Total for Environmental Services	5,218,570	1,054,696	976,253	(78,443)	The position to date broadly reflects the timing of income and contract payments.
Total for Customer and Commercial Services	348,940	427,535	417,859	(9,676)	

Department - Operational Services

	2018/19 Current Full Year Budget £	2018/19 Profiled Budget to date £	2018/19 Actual to date £	2018/19 Variance to Profile £	Comments
Total for Sports and Leisure	2,541,560	(173,392)	(53,171)	120,221	As at the 30th September 2018 Clacton Leisure Centre is reporting an overspend of £70k. This is primarily due to asset deterioration in the swimming pool and spa areas which has led to building repair costs £40k over profile and reduction in income of £30k. A report is planned on being presented to Cabinet to set out these issues in more detail along with considering the longer term strategy for sports facilities. In addition, the air show account for 2018 has now been finalised which shows an increased cost of £42k compared to the budget. This is included within Appendix H as an adjustment against the net contribution to the Forecast Risk Fund.
Total for Housing	1,231,770	377,314	336,024	(41,290)	
Total for Building and Engineering	3,073,820	1,266,230	1,272,327	6,097	Income from Street Naming and numbering continues to remain strong with income ahead of the budget by £56k to date. This is 'masked' by the timing of coast protection expenditure which is ahead of the profiled budget to date.
Total for Operational Services	14,610,700	3,470,055	3,265,052	(205,003)	

Corporate Budget Monitoring - General Fund Budget Position at the end of September 2018

Department - Planning and Regeneration

	2018/19 Current Full Year Budget £	2018/19 Profiled Budget to date £	2018/19 Actual to date £	2018/19 Variance to Profile £	Next Quarters Profile £	Comments
<u>Analysis by Type of Spend</u>						
Direct Expenditure						
Employee Expenses	2,404,650	1,151,703	1,047,033	(104,669)	596,037	
Premises Related Expenditure	28,430	20,050	16,586	(3,464)	4,190	
Transport Related Expenditure	35,960	18,310	14,370	(3,940)	8,825	
Supplies & Services	4,728,540	1,034,820	378,658	(656,162)	466,560	
Third Party Payments	870	0	0	0	0	
Total Direct Expenditure	7,198,450	2,224,883	1,456,647	(768,235)	1,075,612	
Direct Income						
Government Grants	(96,500)	(96,500)	(96,506)	(6)	0	
Other Grants, Reimbursements and Contributions	(5,500)	(5,500)	(19,752)	(14,252)	0	
Sales, Fees and Charges	(1,382,320)	(731,405)	(688,716)	42,689	(325,457)	
Rents Receivable	(55,340)	(27,913)	(26,404)	1,509	(13,713)	
Total Direct Income	(1,539,660)	(861,318)	(831,378)	29,940	(339,171)	
Net Direct Costs	5,658,790	1,363,565	625,269	(738,295)	736,441	
Net Indirect Costs	789,500	0	0	0	0	
Total for Planning and Regeneration	6,448,290	1,363,565	625,269	(738,295)	736,441	

Department - Planning and Regeneration

	2018/19 Current Full Year Budget £	2018/19 Profiled Budget to date £	2018/19 Actual to date £	2018/19 Variance to Profile £	Comments
<u>Analysis by Service/Function</u>					
Total for Corporate Director	1,040	53,585	54,273	688	
Total for Head of Planning and Customer Services	51,350	749,055	627,008	(122,047)	The position to date primarily reflects employee costs.
Total for Planning and Development	968,690	(364,009)	(283,612)	80,397	Planning fee income continues to remain behind profile. As discussed at the end of the first quarter, income may be received across financial years which will be reviewed to see how such an impact can be 'smoothed' across the financial forecast period.
Total for Planning Policy	1,764,800	595,170	(50,864)	(646,034)	Delivery of the Local Plan takes place over a number of years with the variance to date reflecting the timing of expenditure across financial years.
Total for Building Control	144,230	15,880	(24,168)	(40,048)	Income remains ahead of the profile at the end of September 2018.
Total for Regeneration	3,518,180	313,884	302,632	(11,252)	
Total for Planning and Regeneration	6,448,290	1,363,565	625,269	(738,295)	

Corporate Budget Monitoring - Housing Revenue Account Budget Position at the end of September 2018

Housing Revenue Account

	2018/19 Current Full Year Budget £	2018/19 Profiled Budget to date £	2018/19 Actual to date £	2018/19 Variance to Profile £	Next Quarters Profile £	Comments
<u>Analysis by Type of Spend</u>						
Direct Expenditure						
Employee Expenses	1,061,140	324,230	325,026	796	162,115	
Premises Related Expenditure	3,708,270	1,299,604	1,226,991	(72,613)	1,022,328	
Transport Related Expenditure	22,570	11,385	14,508	3,123	5,593	
Supplies & Services	469,470	190,591	154,072	(36,519)	60,730	
Third Party Payments	1,030	515	0	(515)	258	
Transfer Payments	17,000	8,500	11,096	2,596	4,250	
Interest Payments	1,452,960	393,685	399,340	5,655	293,269	
Total Direct Expenditure	6,732,440	2,228,510	2,131,032	(97,478)	1,548,542	
Direct Income						
Other Grants, Reimbursements and Contributions	(8,000)	0	(8,775)	(8,775)	0	
Sales, Fees and Charges	(553,860)	(312,777)	(315,532)	(2,755)	(107,543)	
Rents Receivable	(13,107,230)	(6,541,474)	(6,505,115)	36,359	(3,268,839)	
Interest Receivable	(51,600)	0	0	0	0	
Total Direct Income	(13,720,690)	(6,854,251)	(6,829,422)	24,829	(3,376,381)	
Net Direct Costs	(6,988,250)	(4,625,741)	(4,698,390)	(72,649)	(1,827,839)	
Net Indirect Costs	7,147,590	(0)	0	0	0	
Net Contribution to/(from) Reserves	(159,340)	0	0	0	0	
Total for HRA	0	(4,625,741)	(4,698,390)	(72,649)	(1,827,839)	

Housing Revenue Account

	2018/19 Current Full Year Budget £	2018/19 Profiled Budget to date £	2018/19 Actual to date £	2018/19 Variance to Profile £	Comments
<u>Analysis by Service/Function</u>					
Total for Finance - Financing Items	2,400,550	0	0	0	
Total for Corporate Director and Administration Operational Services	639,420	45,546	39,589	(5,956)	
Total for Customer and Commercial Services	(41,980)	(84,000)	(88,787)	(4,787)	
Total for Housing	(6,920,890)	(5,706,166)	(5,680,879)	25,287	In line with the first quarter, rental income continues to be behind profile. Although void periods contribute to this overall position, there is now an impact from right to buy sales which totalled more than 30 in 2017/18, with 6 sold to date in 2018/19. The longer term impact will be considered as part of the HRA 30 year business planning process.
Total for Building and Engineering	3,922,900	1,118,879	1,031,686	(87,193)	The position to date reflects the timing of repairs and maintenance costs.
Total for HRA	0	(4,625,741)	(4,698,390)	(72,649)	

Corporate Budget Monitoring - General Fund Capital Programme

Position at the end of September 2018

	Total Budget Allocated to Scheme*	2018/19 Current Full Year Budget £	2018/19 Profiled Budget to date £	2018/19 Actual to date £	2018/19 Variance to Profile £	Comments
Expenditure						
Corporate Enforcement Portfolio						
Milton Road car park repairs	250,000	250,000	0	0	0	This project remains under consideration as part of the wider Harwich regeneration programme
Clacton Multi-Storey car park repairs	180,000	180,000	0	0	0	The tender process is underway with works expected to start during November 2018.
Total for Corporate Enforcement Portfolio	430,000	430,000	0	0	0	
Environment Portfolio						
Cranleigh Close, Clacton, landscaping works	6,660	6,660	0	0	0	Project ongoing and expected to be finalised by end of this financial year
Environmental Health Database Migration	5,250	0	0	0	0	The Service is reviewing this project as part of the wider Digital Transformation Project with the budget being profiled to 2019/20.
Public Access Module to CAPS	54,140	0	0	0	0	The Service is reviewing this project as part of the wider Digital Transformation Project with the budget being profiled to 2019/20.
Laying Out Cemetery	170,120	1,650	1,650	1,650	0	The works element of this project which has been profiled to 2020/21.

Corporate Budget Monitoring - General Fund Capital Programme Position at the end of September 2018

	Total Budget Allocated to Scheme*	2018/19 Current Full Year Budget £	2018/19 Profiled Budget to date £	2018/19 Actual to date £	2018/19 Variance to Profile £	Comments
Crematorium and Cemeteries Road Works	150,000	150,000	0	0	0	The tender process for this scheme has been delayed, and is set to begin within the next few weeks.
Bath House Meadow Play Area, Walton	37,580	37,580	32,710	32,709	(1)	Minor works to be completed before project is finalised
Changing Place Facilities, Walton	62,000	62,000	47,060	47,056	(4)	Minor works to be completed before project is finalised
Resurfacing Works, Valley Road	40,000	40,000	40,000	27,668	(12,332)	Minor landscaping works to be carried out before the project is finalised.
Total for Environment Portfolio	525,750	297,890	121,420	109,083	(12,337)	
Finance and Corporate Resources Portfolio						
Audit management software	2,230	2,230	0	0	0	
Joint HR and Payroll System	1,780	1,780	0	0	0	
Westleigh House Demolish/additional parking provision	23,710	23,710	0	0	0	Demolition is scheduled for December 2018
Information and Communications Technology Core Infrastructure	552,400	152,400	26,200	(4,808)	(31,008)	This capital sum, together with the IT strategic Investment budget below will shortly be fully committed to the office transformation network re-design and investment works during 2018/19.

Corporate Budget Monitoring - General Fund Capital Programme

Position at the end of September 2018

	Total Budget Allocated to Scheme*	2018/19 Current Full Year Budget £	2018/19 Profiled Budget to date £	2018/19 Actual to date £	2018/19 Variance to Profile £	Comments
IT Strategic Investment	153,790	153,790	41,861	36,662	(5,199)	See Information and Communications Technology Core infrastructure comment re: office transformation network re-design.
Agresso e-procurement	84,000	84,000	0	0	0	Now that the necessary upgrade to Agresso has been completed, the next phase of this project is currently expected to progress in 2019/20, and the budget is to be reprofiled to reflect this.
Individual Electoral Registration - Scanning Equipment	1,560	1,560	0	0	0	
Enhanced Equipment replacement - Printing and Scanning	3,610	0	0	0	0	This scheme has been profiled to 2021/22
Office Rationalisation	1,489,260	937,670	55,000	54,505	(495)	Statutory consents for work in Pier Avenue have been gained. Work began on 25 June 2018. Procurement of further work phases will take place through Autumn 18 with construction extending through to Autumn 19. The bulk of expenditure will occur during the construction phases between now and Autumn 2019. Retentions and set up costs will form a tail of expenditure from Autumn 19 for around a further 12 months. The budget has been reprofiled to reflect this schedule of works.
Total for Finance and Corporate Resources Portfolio	2,312,340	1,357,140	123,061	86,359	(36,702)	

Corporate Budget Monitoring - General Fund Capital Programme

Position at the end of September 2018

	Total Budget Allocated to Scheme*	2018/19 Current Full Year Budget £	2018/19 Profiled Budget to date £	2018/19 Actual to date £	2018/19 Variance to Profile £	Comments
Housing Portfolio						
Replacement of High Volume Printers	29,000	29,000	0	0	0	
Replacement debit and credit card payment facility	14,630	14,630	0	0	0	
Replacement Scan Stations	12,000	0	0	0	0	This scheme has been profiled to 2020/21
Housing in Jaywick	500,000	70,000	0	0	0	Although the budget has been profiled to reflect a higher spend profile in 2019/20, expenditure in 2018/19 is allocated to a project officer/consultant to support the delivering of the project.
Private Sector Renewal Grants/Financial Assistance Loans	365,640	365,640	28,840	28,840	(0)	
Disabled Facilities Grants	7,037,320	4,009,320	563,337	561,157	(2,181)	
Private Sector Leasing	75,660	75,660	0	0	0	
Empty Homes funding	164,220	164,220	0	0	0	This project is being reviewed to identify alternative options / opportunities
Total for Housing Portfolio	8,198,470	4,728,470	592,177	589,997	(2,181)	

Corporate Budget Monitoring - General Fund Capital Programme Position at the end of September 2018

	Total Budget Allocated to Scheme*	2018/19 Current Full Year Budget £	2018/19 Profiled Budget to date £	2018/19 Actual to date £	2018/19 Variance to Profile £	Comments
Investment and Growth Portfolio						
Regeneration Capital Projects	349,180	349,180	0	0	0	The Service is currently reviewing projects and initiatives which will be presented to Members for consideration.
SME Growth Fund Capital Grants	65,000	65,000	12,250	12,250	0	This is supported by external funding and will be committed as successful applications are made against the SME Scheme.
Harwich Public Realm	1,000,000	1,000,000	0	0	0	
Total for Investment and Growth Portfolio	1,414,180	1,414,180	12,250	12,250	0	
Leisure and Tourism Portfolio						
Replacement of beach hut supports - The Walings	11,620	0	0	0	0	
Clacton Leisure Centre Air Handling Units	0	0	0	(4,300)	(4,300)	The outstanding credit is due to a retention payment which is expected to be paid at the end of 2018
Princes Theatre Toilets	40,000	0	0	0	0	This project will now be completed in 2019/20 as part of the scheduled works to the Town Hall that form part of wider Office Rationalisation project
Town Centre Fountain	160,000	160,000	0	0	0	The Service is currently exploring options for the existing site
Princes Theatre Sound Equipment	42,240	42,240	42,240	42,387	147	

Corporate Budget Monitoring - General Fund Capital Programme Position at the end of September 2018

	Total Budget Allocated to Scheme*	2018/19 Current Full Year Budget £	2018/19 Profiled Budget to date £	2018/19 Actual to date £	2018/19 Variance to Profile £	Comments
Venetian Bridge Clacton	108,140	108,140	108,140	113,988	5,848	Works finished, with service awaiting final invoices to finalise the project
New Beach Huts	64,600	20,000	0	0	0	The majority of this project has been profiled to 2019/20 with a limited amount of expenditure planned in 2018/19.
Cliff Stabilisation Scheme	4,617,720	4,015,130	89,380	89,381	1	Works are now underway, and are expected to be completed during summer 2019.
Public Convenience Works	140,000	140,000	16,410	16,409	(1)	Works on this Public Convenience have started and are expected to be finalised by December 2018.
Marine Parade West Clacton Cliff Works	57,270	57,270	4,490	4,486	(4)	Works finished, with service awaiting final invoices to finalise the project
Flood Wall, Walton On The Naze	222,500	222,500	216,310	216,313	3	Works are now complete, with invoices being sent to funding partners to finalise the project.
Promenade Way, Public Convenience Works	135,000	135,000	0	0	0	Initial Refurbishment works for this Public Convenience are underway.
Total for Leisure and Tourism Portfolio	5,599,090	4,900,280	476,970	478,664	1,694	
Total Approved General Fund Capital Programme	18,479,830	13,127,960	1,325,878	1,276,353	(49,525)	

* This is current and future years budget where a scheme has been profile into future years

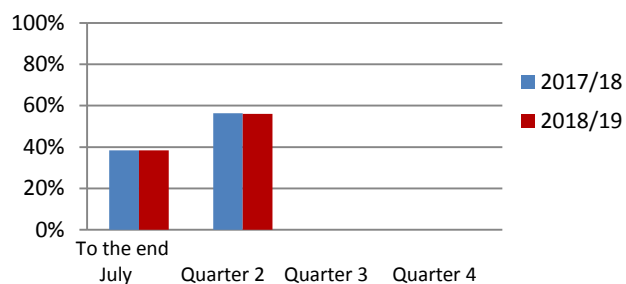
Corporate Budget Monitoring - Housing Revenue Account Capital Programme Budget Position at the end of September 2018

	2018/19 Current Full Year Budget £	2018/19 Profiled Budget to date £	2018/19 Actual to date £	2018/19 Variance to Profile £	Comments												
Improvements, enhancement & adaptation of the Council's housing stock	3,492,250	913,205	891,592	(21,613)	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	79,030	10,000	1,015	(8,985)													
Disabled Adaptations	465,060	200,000	122,985	(77,015)	Similarly to the above, it is anticipated that works will be progressed over the remainder of the year.												
Cash Incentive Scheme	60,000	0	0	0													
New Build Initiatives and Acquisitions	3,312,950	760,240	760,242	2													
<p>*Within the budget of £3,312,950, £2,748,202 relates to projects supported by one for one capital receipts with spend by dates as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">31/12/2019</td> <td style="width: 25%;">£102,150</td> <td style="width: 25%;">30/09/2020</td> <td style="width: 25%;">£536,130</td> </tr> <tr> <td>31/03/2020</td> <td>£413,570</td> <td>31/12/2020</td> <td>£1,270,100</td> </tr> <tr> <td>30/06/2020</td> <td>£276,060</td> <td>31/03/2021</td> <td>£150,192</td> </tr> </table>						31/12/2019	£102,150	30/09/2020	£536,130	31/03/2020	£413,570	31/12/2020	£1,270,100	30/06/2020	£276,060	31/03/2021	£150,192
31/12/2019	£102,150	30/09/2020	£536,130														
31/03/2020	£413,570	31/12/2020	£1,270,100														
30/06/2020	£276,060	31/03/2021	£150,192														
Total Housing Revenue Account Capital Programme	7,409,290	1,883,445	1,775,834	(107,611)													

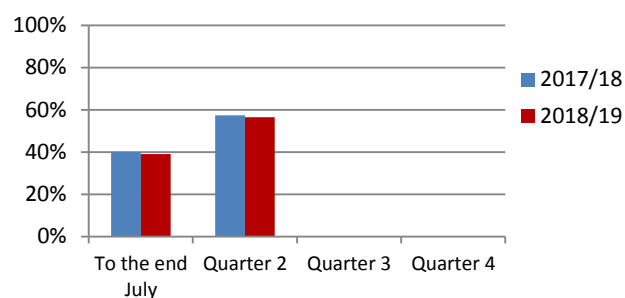
Collection Performance : Position at the end of September 2018

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

Council Tax (against annual amounts)

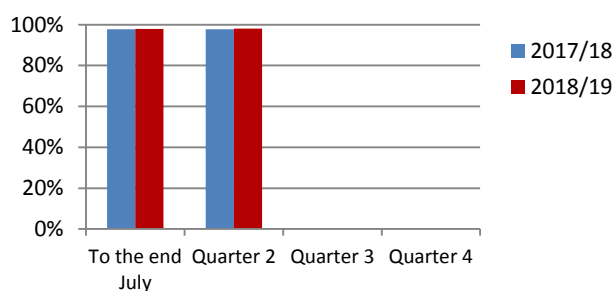


Business Rates (against annual amounts)

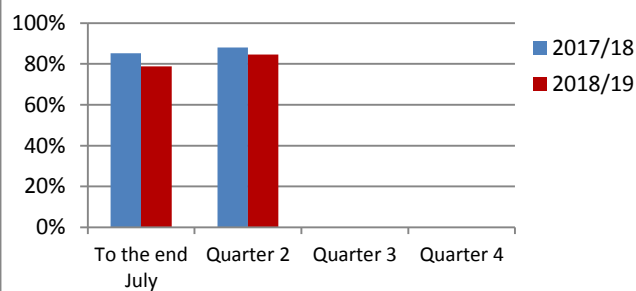


	2017/18	2018/19		2017/18	2018/19
To the end July	38.42%	38.46%	To the end July	39.97%	39.12%
Quarter 2	56.29%	56.09%	Quarter 2	57.38%	56.40%
Quarter 3			Quarter 3		
Quarter 4			Quarter 4		

Housing Rents



General Debt



	2017/18	2018/19		2017/18	2018/19
To the end July	97.80%	98.00%	To the end July	85.25%	78.84%
Quarter 2	97.80%	98.10%	Quarter 2	88.04%	84.58%
Quarter 3			Quarter 3		
Quarter 4			Quarter 4		

Treasury Activity : Position at the end of September 2018

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	464	0	111	353	
Long Term PWLB Borrowing - HRA	43,434	0	832	42,602	
TOTAL BORROWING	43,898	0	943	42,955	
Investments	Opening Balance 1 April £'000	Investments to date £'000	Investments Repaid to date £'000	Balance to Date £'000	Comments
<i>Investments less than a year</i>					
Investments with UK Government via Treasury Bills/Investments with DMO, and Local Authorities and other public bodies	46,000	166,400	160,400	52,000	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.
Investments with UK financial Institutions (including Money Market Funds)	9,440	29,000	21,243	17,197	At the end of the period, investments were held with 9 counterparties.
Investments with non-UK Financial institutions	0	0	0	0	
Total Investments for less than a year	55,440	195,400	181,643	69,197	
<i>Investments for longer than a year</i>	0	0	0	0	
TOTAL INVESTMENTS	55,440	195,400	181,643	69,197	
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	56	30	16	(14)	The weighted average rate of interest on the Council's GF borrowing is currently 7.95%. (on an accrued basis)
Interest Paid on Borrowing - HRA	1,453	394	399	5	The weighted average rate of interest on the Council's HRA borrowing is currently 3.38%. (on an accrued basis)
Interest Received on Investments	(236)	(130)	(212)	(82)	The weighted average rate of interest being received on the Council's investments is currently 0.60%. (on an accrued basis)
PRUDENTIAL INDICATORS					
	Approved Indicator £'000	Highest amount reached in the period £'000	Comments		
Authorised limit for external borrowing	74,298	43,898	Borrowing has remained within approved limits.		
Operational boundary for external borrowing	66,868				
Debt Cap - HRA	60,285				

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 D for overall scheme progress.

ALLOCATED / BEING SPENT

Scheme	Amount Committed / Planned to be Spent in 2018/19 (including accrued interest as appropriate) £'000
Capital Schemes	
Cranleigh Close, Clacton - landscaping works	7
Valley Road, Car Park Resurfacing	40
Seafront Facilities, Brightlingsea Promenade	135
Revenue Schemes and other Contributions	178
TOTAL	360

UNALLOCATED / UNCOMMITTED TO DATE

Permitted Use as per S106 Agreement	Amount Held / 'Spend by' Date			
	Less than 1 Year	1 to 2 Years	2 to 4 Years	4 years +
	£'000	£'000	£'000	£'000
Regeneration Programme and Other Initiatives	0	0	0	74
Affordable Housing	0	0	0	650
Healthcare	0	0	0	47
Town Centre Improvements	0	0	0	43
Open Space*	7	12	33	716
TOTAL	7	12	33	1,530

* For schemes with a 'spend by' date of less than one year, this money must be spent as follows:
 £4,000 by October 2018
 £2,000 by November 2018
 £1,000 by December 2018

Proposed Adjustments to the 2018/19 Budget September 2018

Description	Expenditure Budget £	Income Budget £	Reason for Adjustment
GENERAL FUND REVENUE			
<i>The following items have no net impact on the overall budget</i>			
Environmental Services - Employee Expenses	(50,040)		Use of vacancies within the service to support short term temporary staff costs.
Environmental Services - Agency Staff	50,040		
Planning Services - Employee Expenses	(25,660)		Use of vacancies within the service to support short term temporary staff costs.
Planning Services - Agency Staff	25,660		
Wheeled Bins Purchase (Revenue Contribution to Capital)	742,990		To support the changes associated with the extension to the existing Waste and Recycling Contract to be funded from the 2018/19 New Homes Bonus as agreed by Cabinet at its 23 March 2018 meeting.
Temporary staff to support activities associated with the waste and recycling contract extension	47,660		
New Homes Bonus	(790,650)		
Mayflower 400 Project	57,000		This represents the cost of leasing and undertaking associated work to Christopher Jones' house (Kings Head Street, Harwich) to support the wider Mayflower 400 commemorations, funded from the Business Investment and Growth Budget.
Business Investment and Growth Budget	(57,000)		
Total General Fund Revenue with no net impact on the overall budget	0	0	
<i>The following items will be adjusted against the Forecast Risk Fund</i>			
Increase in Income - Governance and Legal Costs Recovered		(56,000)	Reimbursement of costs from associated planning appeal.
Reduction in Expenditure - Insurance renewal date changed	(100,000)		One-off saving from changing the insurance renewal date and moving to an accrual basis
Reduction in Expenditure - Asset Valuations 5 year cycle	(15,000)		Savings in 2018/19 as only limited revaluation work during the interim period between full revaluations
Increase in Income - Investment Income		(80,000)	Income is running ahead of the budget due to the cash flow and interest rate position

Appendix H

Description	Expenditure Budget £	Income Budget £	Reason for Adjustment
Reduction in Income - Career Track		50,000	Income is expected to remain behind the budget for the year due to the time 'lag' in developing the customer base to reach a break-even position
Reduction in Expenditure - Central Telephones	(15,000)		Saving from roll-out of new telephony system as part of on-going digital transformation programme.
Increase in Expenditure - Public Convenience NDR	8,500		Additional costs incurred due to the delay in decommissioning sites that were identified to deliver savings as agreed last year.
Increase in Expenditure - Car Park Security Increase in Income - Car Park Fees and Charges	18,000	(18,000)	Additional security costs were incurred due to traveller incursions during the year with the cost to be met from an associated income adjustment
Increase in Net Expenditure - Air Show	42,700		To meet the net additional costs associated with running the 2018 event
Increase in Income - Housing Benefit Administration Grant		(11,010)	Additional income was received following the final grant notification from the Government
Reduction in Expenditure - Employee Costs	(200,000)		This represents the level of vacancy 'saving' accrued to date
Reduction in Expenditure - Staff Restructures undertaken in period	(11,350)		Minor savings identified from staff restructures completed in the first half of the year
Net Contribution to Forecast Risk Fund	387,160		Net total of above adjustments contributed to this reserve

Description	Expenditure Budget £	Income Budget £	Reason for Adjustment
GENERAL FUND CAPITAL			
Schemes Reprofiled			
Agresso e-procurement reprofile	(84,000)		It is estimated that expenditure will not take place on this scheme until 2019/20
Corresponding adjustments to financing of Capital Programme (including associated Direct Revenue Financing adjustment) to reflect estimated year of expenditure as set out for the above capital scheme(s).	84,000		
Other Changes to General Fund Capital Programme			
Wheeled Bins Purchase	742,990		New Scheme added to the Capital Programme funded by a revenue contribution which is highlighted above.
Total General Fund Capital Adjustment with no net impact on the overall budget	(742,990)	0	

HRA REVENUE			
<i>The following items will be adjusted against the HRA General Balance</i>			
None			

HRA CAPITAL			
Jaywick Sands New Build / Starter Homes (Phase 1)	775,000		To enable works to begin within Jaywick Sands as endorsed by Cabinet in November 2017. The adjustment proposed establishes a new line within the HRA Capital Programme by moving money from the existing new build and acquisition scheme.
New Build and Acquisition Schemes	(775,000)		
New Build and Acquisition Schemes	667,000		To increase this capital scheme following additional funding from ECC to support the cost of work within the Jaywick Sands such as property acquisition costs
Corresponding adjustments to financing of Capital Programme (income from ECC)		(667,000)	

UPDATED LONG TERM FINANCIAL FORECAST

	Budget 2017/18 £	Budget 2018/19 £	Estimate* 2019/20 £	Estimate 2020/21 £	Estimate 2021/22 £	Estimate 2022/23 £	Estimate 2023/24 £	Estimate 2024/25 £	Estimate 2025/26 £	Estimate 2026/27 £
Underlying Funding Growth in the Budget										
Council Tax Increase 1.99%	(0.136)	(0.147)	(0.151)	(0.154)	(0.157)	(0.160)	(0.164)	(0.167)	(0.170)	(0.174)
Ctax increase by £5 (amounts set out are over and above 1.99% above)	(0.090)	(0.086)	(0.082)	(0.079)	(0.076)	(0.073)	(0.070)	(0.067)	(0.063)	(0.060)
Growth in Business rates - Inflation	0.000	(0.131)	(0.092)	(0.093)	(0.095)	(0.097)	(0.099)	(0.101)	(0.103)	(0.105)
Growth in Business rates / council tax - general property growth	(0.148)	(0.293)	(0.130)	(0.138)	(0.147)	(0.155)	(0.164)	(0.172)	(0.181)	(0.189)
Collection Fund Surpluses b/fwd	(0.218)	(0.652)	(0.703)	(0.100)	(0.100)	(0.100)	(0.100)	(0.100)	(0.100)	(0.100)
	(0.592)	(1.309)	(1.158)	(0.564)	(0.575)	(0.585)	(0.597)	(0.607)	(0.617)	(0.628)
Net Cost of Services and Other Adjustments										
Reduction in RSG	0.914	0.580	0.648	0.422	0.000	0.000	0.000	0.000	0.000	0.000
Remove one-off items from prior year	(0.155)	(0.315)	(0.112)	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Remove one-off items from prior year - Collection Fund Surplus	(0.020)	0.218	0.652	0.703	0.100	0.100	0.100	0.100	0.100	0.100
Inflation - Employee Costs (including annual review adjustments)	0.125	0.514	0.608	0.264	0.266	0.268	0.269	0.271	0.272	0.274
Inflation - Other	0.000	0.088	0.107	0.109	0.111	0.113	0.115	0.118	0.120	0.122
First / Second / Third year impact of PFH WP Savings	(0.268)	(0.055)	(0.115)	(0.090)	0.000	0.000	0.000	0.000	0.000	0.000
LCTS Grant To Parish Council's	0.000	(0.049)	(0.055)	(0.036)	0.000	0.000	0.000	0.000	0.000	0.000
Beach recharge - Set aside full budget in one year	0.000	(0.150)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Revenue Contrib. to Capital Programme	(0.100)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Specific change in Use of Reserves	0.287	0.374	(0.060)	0.081	0.000	0.000	0.000	0.000	0.000	0.000
On-going savings required	(0.879)	(0.290)	(0.300)	(0.300)	(0.300)	(0.300)	(0.300)	(0.300)	(0.300)	(0.300)
Unmitigated Cost Pressures	1.046	0.114	0.150	0.150	0.150	0.150	0.150	0.150	0.150	0.150
Other Adjustments	0.000	(0.134)	0.000	(0.081)	0.000	0.000	0.000	0.000	0.000	0.000
	0.950	0.895	1.523	1.222	0.327	0.331	0.335	0.338	0.342	0.346
Net Total	0.358	(0.414)	0.365	0.658	(0.248)	(0.254)	(0.263)	(0.269)	(0.275)	(0.282)
Add back General Use of Reserves in Prior Year to Balance the Budget	0.200	0.558	0.144	0.509	1.167	0.918	0.664	0.401	0.133	(0.142)
Net Budget Position	0.558	0.144	0.509	1.167	0.918	0.664	0.401	0.133	(0.142)	(0.424)
Use of Forecast Risk Fund to support the Net Budget Position	(0.558)	(0.144)	(0.509)	(1.167)	(0.918)	(0.664)	(0.401)	(0.133)	0.142	0.424
Use of Forecast Risk Fund to support the Net Budget - Forecast From Last Year		(0.536)	(0.650)	(0.857)	(0.652)	(0.441)	(0.225)	(0.004)	0.223	0.454
<i>* See separate RAG risk assessment for further consideration of forecast risks for each line of the forecast</i>										
Use of Forecast Risk Fund to Support the Net Budget Position Above										
Outturn b/fwd from prior years	(0.558)	(1.934)	(2.290)	(2.281)	(1.614)	(1.196)	(1.032)	(1.130)	(1.498)	(2.140)
Applied in year as set out in the forecast above	0.558	0.144	0.509	1.167	0.918	0.664	0.401	0.133	(0.142)	(0.424)
Additional contributions generated in year	(1.934)	(0.500)	(0.500)	(0.500)	(0.500)	(0.500)	(0.500)	(0.500)	(0.500)	(0.500)
Balance to Carry Forward	(1.934)	(2.290)	(2.281)	(1.614)	(1.196)	(1.032)	(1.130)	(1.498)	(2.140)	(3.063)
Balance to Carry Forward Forecasted From Last Year		(1.398)	(1.248)	(0.891)	(0.739)	(0.798)	(1.073)	(1.569)	(2.292)	(3.246)

FORECAST SENSITIVITIES		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Totals
		£	£	£	£	£	£	£	£	£
Forecast Budget Gap / (Surplus) from table Above (BASE Position)		0.509	1.167	0.918	0.664	0.401	0.133	(0.142)	(0.424)	3.227
<i>Revised Forecast Budget GAP / (SURPLUS) in the event of the following possibilities</i>										
Council Tax Increase are lower by 1% per annum compared to the base		0.585	1.323	1.158	0.991	0.819	0.646	0.469	0.289	6.281
Property Growth does not grow over the life of the forecast		0.639	1.305	1.065	0.819	0.565	0.305	0.039	(0.235)	4.503
Property Growth is lower by 5% compared to the base		0.510	1.174	0.932	0.684	0.428	0.166	(0.102)	(0.378)	3.415
Inflation increases at a rate of +1% faster than the base		0.714	1.384	1.141	0.893	0.636	0.375	0.106	(0.160)	5.090
Inflation decreases at a rate of 1% slower than the base		0.304	0.950	0.695	0.435	0.166	(0.109)	(0.390)	(0.688)	1.364
Savings achieved are lower by 10% per annum compared to the base		0.539	1.227	1.008	0.784	0.551	0.313	0.068	(0.184)	4.307
Savings achieved are lower by 20% per annum compared to the base		0.569	1.287	1.098	0.904	0.701	0.493	0.278	0.056	5.387
Unmitigated Cost Pressures are greater by 10% per annum compared to the base		0.524	1.197	0.963	0.724	0.476	0.223	(0.037)	(0.304)	3.767
Unmitigated Cost Pressures are greater by 20% per annum compared to the base		0.539	1.227	1.008	0.784	0.551	0.313	0.068	(0.184)	4.307

Relevant line of the Forecast	RAG Assessment of Risk	Comments
Underlying Funding Growth in the Budget		
Council Tax Increase 1.99%		Although this is 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 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.
Growth in Business rates / council tax - general property growth		Growth in business rates and Council Tax are expected to remain relatively stable and robust over the life of the forecast. The 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 the full retention model across the public sector.
Collection Fund Surpluses b/fwd		Based on the outturn position for 2017/18, there is a collection fund surplus of £446k brought forward into 2018/19. Following the latest review of the forecast and using the most up to date figures, this has been increased to £703k which is available to support the budget in 2019/20. More modest amounts are included in future years of the forecast with a high degree of confidence in their delivery. (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		There is only limited uncertainty in respect of the next two years given the Government's commitment to a four year deal which the Council signed up to.
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)		2018/19 and 2019/20 reflects the significant / adverse impact from the recent pay settlement, which includes significant increases on the lower pay scales across the Council. It could be argued that such increases reflect the years of previous pay restraint which may see only modest inflationary rises in 2020/21 and beyond. Annual increases of 1% have been included in these later years of the forecast which compares with 1.5% initially included last year.
Inflation - Other		Although the Government's target inflation is 2%, this is a long term target which will inevitably see fluctuations over short financial cycles. However 2% remains the basis for calculating an inflationary allowance given the longer term nature of the current forecast.
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.
LCTS Grant To Parish Council's		These are known adjustments based on the Council's agreed policy of reducing support in line with it's own reduction in Government funding. The Government have raised the issue of Councils not passporting on the relevant funding which may require the existing policy to be revisited but this is only a limited risk.
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. One reserve that will be 'exhausted' by the end of 2019/20 is the homelessness reserve which will require a corresponding adjustment to the expenditure that this reserve is currently supporting to ensure there is no net impact on the budget. This will have to be reviewed in light of the on-going pressure on the delivery of homeless services and prevention activities.

Relevant line of the Forecast	RAG Assessment of Risk	Comments
On-going savings required		<p>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. Based on the improved overall position set out in the revised forecast, there is flexibility in the delivery of such savings over the life of the forecast. However it is important that on-going savings are secured to meet the amounts set out in the forecast.</p>
Unmitigated Cost Pressures		<p>It is recognised that of the various lines of the forecast, this presents the highest risk, with on-going revenue items being the most difficult items to deal with. Although one-off items, such as those associated with repairing / refurbishing assets could also have a significant impact on the forecast, one-off funding is available elsewhere in the budget to support these costs which therefore changes the risk.</p> <p>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 £800k each year, which has now been included as a on-going cost pressure in 2019/20 as set out in Appendix K.</p> <p>To support the management of risks, the Council continues to resist using one-off money to support the on-going base budget such as the New Homes Bonus.</p>

APPENDIX K

INITIAL NET SAVINGS ITEMS 2019/20

	On-going or One-Off	2019/20 £	Comments
Increased Income - Investments	On-going	100,000	Based on performance to date and interest rate forecasts, it is expected that this level of additional income can be achieved from the Council's treasury management activities over the course of the year.
Reduction in Expenditure - Telephony	On-going	15,000	The on-going investment in IT and digital transformation has enabled this reduction in expenditure to be secured.
Increased Income - Street Naming and Numbering Fee Income	On-going	30,000	Against the context of current and historic performance, this level of income is expected to continue into 2019/20 and beyond
Reduction in Expenditure - Staff reorganisation	On-going	19,000	This money has become available as part of finalising a number of restructures with this amount being the on-going impact.
Reduction in Expenditure - External Audit Fees	On-going	15,000	This represents the expected reduction in fees following the External Audit tender and appointment process undertaken by the associated independent body.
Reduction in Expenditure - Staff Vacancy Provision	On-going	100,000	It is proposed to increase the existing vacancy provision from £200k to £300k to reflect a more up to date staff turnover rate. The new amount represents approximately 2% of total payroll with a staff turnover rate of 8% (slightly lower than existing rates) with average vacancy periods of 2 to 3 months per vacated post during the year.
Total		279,000	

APPENDIX L

INITIAL COST PRESSURE SUMMARY 2019/20

	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 onwards £	Comments
Revenue						
Operational Services - Public Realm - Expiry of Commuted sums from developers to support open space maintenance etc.	25,000	33,500	33,500	33,500	33,500	Four areas of open space including a significant country park would not be able to be maintained to adequate standards.
Operational Services - Public Realm - Milton Road Car park maintenance	23,000	23,000	23,000	23,000	23,000	This item compliments the capital item below by increasing the on-going maintenance budget to meet future expenditure.
Operational Services - Building and Engineering Services - Removing build up of sand on promenades	5,000	5,250	5,500	5,750	6,000	New beach levels along Clacton to Holland seafront have resulted in sand being deposited along the promenade which needs to be cleared on a frequent basis.
Operational Services - Customer and Commercial Services - Staff Restructure Costs	47,200	47,200	47,200	47,200	47,200	A service restructure is proposed to support the wider transformation project.
Operational Services - Housing - Grant Coordinator Post	26,800	26,800	26,800	26,800	26,800	To bring onto the permanent establishment the Disabled Facilities Grant Coordinator post (currently 2 year fixed term post) to support the effective delivery of this service to residents.

Operational Services - Sport and Leisure - Clacton Airshow	60,000	60,000	60,000	60,000	60,000	To support the increasing cost of the show, including the night flight display.
Operational Services - Sport and Leisure - Sea and Beach Festival	20,000	20,000	20,000	20,000	20,000	To build this event into the ongoing base budget rather than it being a one-off item each year.
Operational Services - Sport and Leisure - 'Love Clacton' TV advert	25,000	25,000	25,000	25,000	25,000	To build this activity into the ongoing base budget rather than it being a one-off item each year.
Planning and Regeneration - Regeneration - Contribution to Mental Health Hub	23,000	23,000	23,000	23,000	23,000	To build this activity into the ongoing base budget rather than it being a one-off item each year.
Operational Services - Environmental Services - Waste, Recycling and Street Cleansing Contract Costs	41,000	41,000	41,000	41,000	41,000	This reflects the slightly higher annual contract costs associated with the extension to the Waste, Recycling and Street Cleansing Contract as set out in the report to Cabinet in March 2018.
Corporate Services - People, Performance and Projects - Apprenticeship Levy	9,000	9,000	9,000	9,000	9,000	The required levy is calculated as a percentage of total payroll costs which have significantly increased due to the pay award in 2018/19 and 2019/20.
Corporate Services - Finance, Revenues and Benefits - Reduced income from the Council Tax Sharing Agreement with the major preceptors	111,000	222,000	222,000	222,000	222,000	The major preceptors have confirmed that they will be reducing the percentage they 'share-back' with district Council's within Essex (reducing from 16% to 14% in 2019/20 and to 12% in 2020/21).
TOTAL REVENUE ITEMS	416,000	535,750	536,000	536,250	536,500	

Capital						
Operational Services - Public Realm - To extend Clacton Cemetery	200,000	50,000	0	0	0	This cost is over and above the £170k already within the Capital Programme for this project but this would secure capacity for the foreseeable future
Operational Services - Public Realm - To provide additional security measures at Bath House Meadow	20,000	0	0	0	0	This proposal will reduce unauthorised incursions in the car park, open space and play areas by a number of groups including youths at night in vehicles. This proposal will improve security and reduce ongoing maintenance costs.
Operational Services - Public Realm - Refurbishment of toilets at Weeley Crematorium and Cemeteries Clacton	100,000	0	0	0	0	Refurbishment / upgrading required to minimise external competition and to ensure assets are maintained to a high standard reducing future maintenance costs.
Operational Services - Public Realm - Milton Road Car park repairs	150,000	0	0	0	0	This represents the estimated increase in costs of repairing the car park over and above the £250k already in the capital programme for this project.
TOTAL CAPITAL ITEMS	470,000	50,000	0	0	0	