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

18 JANUARY 2019

REPORT OF THE FINANCE AND CORPORATE RESOURCES PORTFOLIO HOLDER

A.2 LATEST FINANCIAL FORECAST / FINAL BUDGET PROPOSALS 2019/20

(Report prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To seek Cabinet's approval of the latest financial forecast and final budget proposals 2019/20 (including Council Tax proposals) for recommendation to Council on 5 February 2019.

EXECUTIVE SUMMARY

- At the meeting on the 14 December 2018, Cabinet considered the Updated Financial Forecast / Budget 2019/20. The forecast at that time provided for a modest surplus of **£0.002m** that was to be contributed to the Forecast Risk Fund.
- The Updated Financial Forecast was subject to consultation with the Resources and Services Overview and Scrutiny Committee which met on the 17 December 2018 and 3 January 2019 to consider it and their comments are set out in this report along with the response from the Finance and Corporate Resources Portfolio Holder.
- Since the Cabinet's meeting on 14 December 2018, additional changes have been required, primarily as a result of new or revised information becoming available which includes the Government's Financial Settlement announcements.
- The changes required result in a deficit for 2019/20 of **£0.027m**, a change of **£0.029m** compared to the **£0.002m** surplus presented to Cabinet in December 2018.
- The updated forecast has now been translated into detailed estimates which are set out in **Appendix D**.
- This figure may change as further adjustments may be required as part of finalising the budget for presenting to Council on 5 February 2019, with a delegation included in the recommendations to reflect this.
- The deficit of **£0.027m** in 2019/20 has been met by utilising the Forecast Risk Fund as planned.
- It is worth highlighting that the use of the Forecast Risk Fund in 2019/20 is significantly lower than originally forecast with the long term plan therefore remaining ahead of the target. (*initial forecast use of the Forecast Risk Fund in 2019/20 was £0.725m as at end of July 2018*)
- Based on the final proposed budget for 2019/20, the Council Tax requirement is **£7.955m**, which is based on a £5 increase for this Council's services with a Band D

council tax of **£167.64**.

- In line with legislative requirements, the Section 151 Officer has confirmed the robustness of the estimates along with the adequacy of reserves.
- The Council's annual budget and the district and parish elements of the council tax will be considered by Full Council on 5 February 2019 with approval of the 'full' council tax levy for the year to be considered by the Human Resources and Council Tax Committee on the 20 February 2019.
- Although the relevant Prudential Indicators are set out in this report, the approval of the associated Treasury Strategy for 2019/20 for consultation with the Resources and Services Overview and Scrutiny Committee is recommended to be delegated to the Portfolio Holder for Finance and Corporate Resources. This has been necessary due to significant changes being required to the document following revised guidance becoming available during the year.

RECOMMENDATION(S)

Cabinet approves:

(a) The latest financial forecast set out in Appendix A;

(b) that if the financial position changes prior to Council considering the budget on 5 February 2019, delegation be given to the Deputy Chief Executive to adjust the forecast / budget, including the use of Reserves, in consultation with the Finance and Corporate Resources Portfolio Holder;

(c) that in consultation with the Leader and the Finance and Corporate Resources Portfolio Holder, the Deputy Chief Executive reports directly to Council in respect of the formal draft resolutions necessary to implement the Cabinet's budget proposals along with any late information or notifications received from the Ministry for Housing, Communities and Local Government etc.;

(d) that the Resources and Services Overview and Scrutiny Committee be thanked for the work they have undertaken and continue to undertake in supporting the development of the forecast / budget and agrees the comments of the Finance and Corporate Resources Portfolio Holder in response to those of the Committee as set out in this report;

(e) that in respect of the Treasury Strategy 2019/20, delegation be given to the Portfolio Holder for Finance and Corporate Resources to approve the Strategy for consultation with the Resources and Services Overview and Scrutiny Committee.

That subject to the above, Cabinet recommends to Full Council:

(a) That following the consideration of the comments from the Resources and Services Overview and Scrutiny Committee the following final budget proposals be made (based on a £5 increase in a Band D Council Tax for district services):-

i) that the detailed budgets as per Appendix D of this report be approved which provide for a Council Tax Requirement for 2019/20 of £7.955m (excluding parish

precepts);

ii) that the Council agrees and formally approves:

a) the specific recommendations, calculations and other matters in respect of the Council's requirements – Appendix F; and

b) the Council Tax for this Council's services – Appendix I.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

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

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

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

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

Risk

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

- Economic environment / instability;
- Emergence of additional cost pressures;
- Changes to the local authority funding mechanisms such as the Government's fairer funding review that is 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.

As previously discussed, the Council's ability to financially underwrite the forecast is an important element of the 10 year plan. As with any forecast, some elements of income and expenditure will be different to that forecasted. It is fair to say that many may offset each other over the longer term. However, there are two important aspects to how this will be managed.

- 1) To date it is estimated that **£2.290m** will have been set aside by the end of 2018/19 within the Forecast Risk Fund to support the budget in future years. This is more than previous forecasts 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.

The 2019/20 position includes net savings of **£0.328m** which is slightly ahead of the current annual target of **£0.300m**. 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 is important to deliver against the forecast in the early years to continue to build confidence in the revised approach. This will, therefore, continue to need robust input from members and officers where decisions may be required in the short term or on a cash flow basis.

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

In addition to the above it is important to note that the Council has already prudently set aside money for significant risks in the forecast such as **£1.609m** (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.

LEGAL

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

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

The Calculation of Council Tax Base Regulations 2012 set out arrangements for calculation of the council tax base following implementation of the Local Council Tax Support Scheme. 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.

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

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

1. Expenditure is estimated to be incurred by the District Council in the whole or part of its area on the provision of a function;
2. Expenditure on the provision of the same function is to be incurred by at least one parish/town council elsewhere in the district.

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

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

There are no other implications that significantly impact on the financial forecast. However, the ability of the Council to appropriately address such 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.

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

PART 3 – SUPPORTING INFORMATION

BACKGROUND

On 14 December 2018 Cabinet considered the Updated Financial Forecast / Budget 2019/20 for consultation with the Resources and Services Overview and Scrutiny Committee. The report set out an estimated small surplus of **£0.002m** in 2019/20.

The development of the forecast / budget has continued since Cabinet's meeting on 14 December 2018, primarily to reflect the latest information such as the outcome of the Local Government Finance Settlement. The most up to date position is set out in **Appendix A**, which

highlights a deficit position for 2019/20 of **£0.027m**.

Subject to the recommendations set out in this report, Cabinet's final council tax and budget recommendations along with the parish element of the council tax will be presented to Full Council on 5 February 2019. The formal approval of the 'full' council tax levy for the year including the district amount approved by Full Council in February along with the Essex County Council and Police / Fire precepts will be considered by the Human Resources and Council Tax Committee on 20 February 2019.

RESOURCES AND SERVICES OVERVIEW AND SCRUTINY COMMITTEE COMMENTS

In accordance with the Constitution, Cabinet has consulted with the Resources and Services Overview and Scrutiny Committee on the Updated Financial Forecast / Budget 2019/20.

The Committee met on 17 December 2018 and 3 January 2019 and their recommendations and comments to Cabinet are set out as follows:

| RECOMMENDATIONS | The response of the Finance and Corporate Resources Portfolio Holder |
|--|---|
| <p>The Cabinet, via the LGA, lobbies Government about local business rates and how much can be retained by local Councils. The Council expects to be able to retain as much income as possible from the business rates collected locally, so that the money can be used to support key priorities such as the eradication of coastal deprivation across the Tendring area.</p> | <p>Noted - The Council will be responding to Government consultations relating to both the business rate position and the associated fair funding review that will inform the baseline funding level for Local Authorities from 2020. This will involve working in partnership with other bodies such as the LGA who are expected to make their own representations to the Government via the consultation process.</p> |
| <p>That Cabinet supports the continuation of the Grant Co-Ordinator post. Ideally the post should be funded from external funds. However, if this is not possible it is recommended that the Cabinet given serious consideration to the continuation of this post through alternative resources.</p> | <p>Noted – Appendix C (Cost Pressures) has been updated and the Grant Coordinator Post has now been included in the budget for 2019/20.</p> |
| <p>The Milton Road car park business case should be considered as part of the wider Harwich public realm review.</p> | <p>Noted – Appendix C (Cost Pressures) has</p> |

| | |
|---|---|
| | been updated and reflects the comments of the Committee. |
| COMMENTS | |
| The Government wants local Councils to be self-sufficient and Tendring District Council, alongside other Councils, does not want to have to rely on government funding. A fair deal is required for local Councils to enable this to be achieved. | Noted – As highlighted above, the Council will be making representations to the Government via a range of consultation exercises being undertaken by them to inform the Local Government funding position as part of the wider fair funding review. |

| LATEST FINANCIAL FORECAST AND FINAL BUDGET PROPOSALS 2019/20 |
|---|
| <p>As highlighted earlier in this report, the forecast considered by Cabinet at its 14 December 2018 meeting provided for a small surplus of £0.002m.</p> <p>This has subsequently been revised to a deficit of £0.027m, a change of £0.029m as set out in Appendix A.</p> <p>This change is made up of the following adjustments:</p> <ul style="list-style-type: none"> • Cost Pressures Included in the Budget – an additional £0.027m has been added to the forecast. <p>As set out in Appendix C, funding for the disabled facilities grant coordinator post has now been included within the forecast. It is still possible that this can be funded from the associated capital grant receivable, but written confirmation that this is allowable has yet to be received from ECC, so at this stage of the budget process the most practical action to take is to include it in the forecast pending ECC's decision.</p> <p>If ECC subsequently confirm that the capital grant money can be used, then the budget will be adjusted accordingly.</p> <ul style="list-style-type: none"> • Small Rounding Adjustments - £0.002m <p>In addition to the above, the Cost Pressures set out in Appendix C have been reviewed with a number of items now agreed for funding from the revised budget position in 2018/19 rather than as part of this report. A number of cost pressures remain unfunded at this stage with additional comments set out against each item within Appendix C.</p> <p>Changes from the Local Government Finance Settlement, Council Tax and Business Rates</p> <p>Although not impacting on the overall net position, income of £1.184m from the New Homes Bonus was announced as part of the Local Government Finance Settlement, which has now been included in the budget along with a corresponding expenditure line, against which</p> |

commitments can be made during the year.

This has been 'topped up' by an additional **£0.076m** as the Government have also confirmed grant funding from within the overall business rates model where there was an excess levy nationally which has been shared across all relevant Local Authorities.

The Government also announced a reduction in Housing Benefit Administration Grant of **£0.043m** due to a reducing workload within Local Authorities as the roll-out of Universal Credit continues. This has been offset by a corresponding budget reduction within the associated service to reflect a restructuring process that is currently underway to deliver the necessary savings.

Council Tax Income

As part of the Provisional Local Government Finance Settlement, the Government confirmed the council tax 'capping' criteria for 2019/20. District Councils can increase their council tax by 2.99% or £5, whichever is the greater. An increase of £5 had already been included in the forecast so subject to agreement by Cabinet / Council, no further changes are required.

A £5 increase results in a council tax for a Band D property of **£167.64** in 2019/20, with a Council Tax Requirement of **£7.955m**.

National Non-Domestic Rates Income

No changes are required to the forecast. Unless a Local Authority withdraws from the Essex business rates pool, the pool will continue in 2019/20. At present the forecast does not reflect any financial benefit from being a member of the pool, which will be revisited as part of developing the forecast in future years or reflected in the in-year budget position as necessary during 2019/20.

As mentioned in the financial forecast update report considered by Cabinet in December 2018, additional income is expected to be received by the Council due to its membership of the Essex Business Rates pool in 2018/19. It is proposed to apply this funding as part of the wider in-year budgets adjustments included within the quarterly financial performance reports, to fund a number of cost pressures on a one-off basis in 2019/20. The relevant cost pressures that have been agreed to be funded in this way are set out within the relevant section of **Appendix C**.

Capital Programme

No further changes have been included within the budget.

Fees and Charges

As previously reported, Departments have been asked to review their fees and charges on an individual basis as changes may need to be made to meet specific aims or strategic objectives or in some cases in response to external factors such as market forces.

The review of fees and charges has been set against the following key principles:

- General inflationary increases or lower where appropriate
- amounts rounded for ease of application, which may result in a slightly above inflation increase.
- on a cost recovery basis as necessary
- reflect statutory requirements.
- increases where market conditions allow

Appendix D includes the full schedule of fees and charges proposed in 2019/20 set against the

principles highlighted above.

A revised charging schedule is proposed for cemeteries, which includes removing the charge for 0 to 18 year olds and increasing the adult burial fees. The change in adult burial fees is estimated to generate an additional **£0.040m** per annum for reinvestment in the service, which has been reflected in the budget.

All of the above changes along with those set out in the earlier forecast considered by Cabinet in December 2018 have now been translated into detailed budget proposals as set out in Appendix D, where additional comments have also been provided.

There may be further changes to the budget before a final position is presented to Full Council. A delegation is therefore included in the recommendations earlier on in this report to enable further changes to be reflected in the budget, including the use of reserves that will then be reported to Council on 5 February 2019.

BUDGET SUMMARY

Based on all of the adjustments set out elsewhere in this report, the proposed budget for 2019/2020 is summarised below.

General Fund Revenue Budget

Table 1

| | 2018/19 Original | 2019/20 Original |
|---|---------------------|---------------------|
| | £m | £m |
| Net Cost of Services | 17.403 | 18.205 |
| Revenue Support for Capital Investment | 0.100 | 1.214 |
| Financing Items | (4.632) | (5.830) |
| Net Expenditure | | |
| Contribution to /(from) Uncommitted Reserve | 0 | 0 |
| Net Use of Earmarked Reserves | 1.031 | (0.032) |
| Total Net Budget | 13.902 | 13.557 |
| Less Funding | | |
| Business Rates (<i>excl. S31 Govt. Grant funding</i>) | (4.578) | (4.470) |
| Revenue Support Grant | (1.070) | (0.422) |
| Collection Fund (Surplus) / Deficit | (0.652) | (0.710) |
| Council Tax Requirement (for Tendring District Council) (Excludes Parish Precepts) | 7.602 | 7.955 |

The council tax requirement for 2019/20 is based on a Band D council tax of **£167.64**, an increase of **£5 (3.07%)** over the 2018/19 amount of **£162.64**.

General Fund Capital Programme

Table 2

| | 2019/20 Original Budget |
|------------------------------|--|
| | £m |
| EXPENDITURE | 2.637 |
| FINANCING | |
| Government Grants | 1.360 |
| Capital Receipts | 0.064 |
| Direct Revenue Contributions | 0.100 |
| Earmarked Reserves | 1.113 |
| Total Financing | 2.637 |

Treasury Strategy and Prudential Indicators 2019/20

In accordance with the Budget and Policy Framework the Treasury Strategy is required to be considered by the Resources and Services Overview and Scrutiny, following which it will be reviewed by Cabinet for recommending to Full Council in March. To enable this timetable to be met, a recommendation is included earlier on in this report to delegate the approval of the Treasury Strategy 2019/20 to the Finance and Corporate Resources Portfolio for consultation with the Resources and Services Overview and Scrutiny Committee. However the relevant prudential indicators for consideration as part of the overall budget setting process, which are based on the budget proposals for 2019/20 set out above, are included in **Appendix K**.

RESERVES

Detailed information in respect of the level of reserves is set out within **Appendix D**, which reflects the various changes agreed as part of the development of the budget.

As set out in **Appendix D**, the forecast reflects a contribution from the Forecast Risk Fund of **£0.027m** in 2019/20.

The Forecast Risk Fund is estimated to be **£2.763m** by the end of 2019/20 which continues to provide adequate funding to underwrite the estimated long term forecast. This will be kept under review as part of the 'live' forecast process, but at the present time there are no financial risks that adversely reduce the confidence in the long term approach adopted.

Robustness of Estimates and Adequacy of Reserves – Report under Section 25 of the Local Government Act 2003.

As part of the requirements set out in legislation, the Chief Finance Officer (S151 Officer) must report to Council as part of the budget process on the following two matters:

Robustness of the Estimates

As part of the new Long Term Financial Sustainability Plan introduced during 2017/18, the forecast and budget setting process is built on the following 5 key strands:

- Increases to Underlying Income
- Controlling Net Expenditure Inflationary Pressure
- Savings and Efficiencies
- Delivering a Favourable Outturn Position
- Cost Pressure Mitigation

Within each strand, the forecast continues to be based on relatively conservative estimates with no optimistic bias included. Each element of the forecast and how it has been derived is clearly set out within reports to Management Team and Members.

In respect of cost pressures, this presents one of the more significant risks to the long term plan. For 2019/20 the funding for the cost pressures agreed remain broadly in-line with the **£0.150m** annual amount set out in the long term plan. As has been the case in previous years, a number of cost pressures emerge and are usually formed of a mix of where there is no option, such as reductions in external funding, and where there is a choice whether to fund or not. The long term approach to the forecast requires a compromise in terms of the speed at which the Council can spend money on items where it has a choice to do so or not. This may involve areas where the additional expenditure may support income growth or the Council's reputation. A hard but fair and considered approach is being taken in terms of how much additional expenditure by way of cost pressures can be accommodated within the long term forecast. It is also acknowledged that some of the more significant cost pressures relate to the maintenance of the Council's key assets. These are usually of a one-off nature and money is available within the budget and related reserves to fund such items where possible and so reducing the pressure on the underlying revenue position set out in the long term forecast.

In addition to the above, a number of significant cost pressures have been mitigated via actions such as negotiating alternative service provision with suppliers or through redesigning the delivery of the service with an example being the waste, recycling and street cleansing contract.

The detailed budget for 2019/20 has been prepared within the above framework. Clear rationale has been stated in respect of the formulation of the financial forecast and how it has been translated into the detailed budgets for 2019/20. This has been supported by a risk assessment of each line of the forecast, which was introduced during 2018/19.

The on-going review of reserves continues to demonstrate that the Council's current level of reserves remain adequate to 'underwrite' risks and uncertainties that are also inherent within the forecasting process, supported by a specific Forecast Risk Fund. No significant adjustments have been required in 2019/20 that weakens this approach. A specific statement on reserves is set out further on in this section of the report.

The financial forecasting process continues to remain alert to government announcements and the impact of external issues such as funding receivable from elsewhere within the public sector. The forecast also aims to reflect the outturn position from the previous year along with cost pressures which also allow it to remain alert to potential changes to its financial position.

Clear actions in respect of financial resilience continue to form part of the Council's Annual Governance Statement that includes amongst other things a number of financial risks and issues that enable the Council to keep a watching brief on significant upcoming matters that may have a financial consequence. Where the Council makes significant financial commitments, such as to major projects to deliver against its priorities, money is found from within existing budgets wherever possible and set aside accordingly rather than relying on projected savings or future forecasts.

The Council's External Auditor recently highlighted as part of their value for money work that the Council's process for setting the budget is sound and that the forecast has identified the key assumptions expected to underpin the budget process. The Auditor also raised a number of recommendations which form part of a wider financial action plan that remains in progress within the Council.

Financial Resilience remains at the forefront of the financial planning process with money identified where possible to invest in 'spend to save' projects or 'protect' key services that will in turn support the Council in delivering a balanced and sustainable budget in the long term. It is important to highlight that the Council continues to aim to find savings from within its underlying revenue budget rather than rely on potentially time limited income, such as from the New Homes Bonus, to balance the budget.

The need to continue to deliver against the 10 year forecast is clearly recognised and remains the key focus for the Council in 2019/20 to enable it to continue to provide quality services and investment in its priorities. Self-sufficiency underpins the Council's 10 year forecast along with maximising opportunities through investment and maximising savings opportunities over a longer time period. Taking a longer term view of the forecast also enables the Council to respond to any significant financial impacts over several years rather than as part of an annual budget cycle, which strengthens financial resilience in the long term.

Another aspect to the long term approach to the forecast is the ability to 'flex' the delivery of services rather than cut services. If required by the forecast, the Council could flex the delivery of a service one year but increase it again when money becomes available which also provides a key foundation against which the budget is 'built'.

The Council was subject to Peer Review in 2018, with a number of financial actions identified. These included revisiting spending profiles, introducing risk scoring against key areas of the forecast, and maintaining an on-going key projects plan that reflects a corporate appraisal and business planning approach. Actions have either been fully implemented or remain in progress going into 2019/20.

The Council is also playing a key role in a number of activities such as engaging with cross authority working and maximising commercial opportunities wherever possible, all of which are important elements in supporting the Council's longer term financial strength. Significant transformation activities including office rationalisation, channel shift and digital transformation projects, are also underway within the Council to support the overall financial position going forward.

The Council remains alert to the risks associated with the highly complex area of the budget introduced via the local retention of business rates. A separate Business Rates Resilience Reserve has been established to support the Council through periods where income may be volatile, which provides the Council with a longer recovery period through a self-sufficiency approach.

It is recognised that there are risks inherent within the Council's financial framework and corresponding detailed estimates. However, action has been taken to mitigate these risks as far as possible. The budgets have been prepared against the background of the continuing difficult economic climate resulting in on-going reviews of significant budgets.

Within the Financial Strategy framework there is Cabinet involvement at various stages in addition to a comprehensive review and associated input from the Resources and Services Overview and Scrutiny Committee.

Regular and comprehensive monitoring of the budget will continue to be undertaken during 2019/20 as part of the well-established and comprehensive financial performance reporting process so issues can be identified and action taken at the earliest opportunity if and when appropriate. Also any savings identified during the year will continue to be transferred to the

Forecast Risk Fund where possible, to further strengthen the approach taken in 'underwriting' the risks associated with a 10 year forecasting period.

The proposed budget resulting from this process is therefore robust and deliverable and is supported by reserves with further details below.

Adequacy of the Reserves

An integral part of the Council's overall strategy is that the level of reserves is sufficient to support identified risks along with supporting a sustainable budget position in the longer term. The level of uncommitted reserves forecast at 31 March 2019 is **£4.000m** including the minimum working balance of **£1.600m**. All of the reserves are regarded as adequate and recognise significant risks such as from future welfare changes and potential business rates volatility.

Spend to save initiatives have been supported by reserves with the rate of return on investment being a key consideration when any proposal is considered to be funded this way.

As mentioned elsewhere, a Forecast Risk Fund has been established to 'underwrite' the 10 year forecast.

SPECIAL EXPENSES, PARISH PRECEPTS AND DISTRICT TAX LEVIES

The impact of Special Expenses along with the proposed District Tax levy on a Band D property in each area is shown in **Appendix E**.

The Council has yet to be notified of the final precepts from Town and Parish Councils. However they will be included in the report to Council on 5 February 2019.

Appendix H sets out the current overall position regarding precepts on the Council's collection funds. The calculation of the estimated surplus on the collection funds for 2019/20 is set out in **Appendix J**.

The statutory figures which are required to be calculated in relation to the budget are set out in **Appendix F** (excludes Town and Parish precepts).

The District and Parish council tax amounts are to be considered by Full Council on 5 February 2019. The final precepts from the major precepting authorities will be included when the final council tax levies for 2019/20 are formally considered by the Human Resources and Council Tax Committee on 20 February 2019.

UPDATES TO THE FORECAST FOR THE PERIOD 2020/21 AND BEYOND

The updated long term forecast presented to Cabinet in November 2018 set out the following expected annual position for each remaining year of the forecast:

| Year | Net Budget Position (including adjusting for prior use of reserves to balance the budget) |
|-------------|--|
| 2020/21 | £1.167m (Deficit) |
| 2021/22 | £0.918m (Deficit) |
| 2022/23 | £0.664m (Deficit) |
| 2023/24 | £0.401m (Deficit) |

| | |
|---------|-------------------|
| 2024/25 | £0.133m (Deficit) |
| 2025/26 | £0.142m (Surplus) |
| 2026/27 | £0.424m (Surplus) |

As previously mentioned, the latest forecasted deficit for 2019/20 is lower than originally expected which will have a favourable knock-on benefit to the position in future years. Although the figures set out within the table above will change as part of updating the forecast on a regular basis during 2019/20, there have been no issues that significantly increase the risks in future years with the forecast position remaining broadly in-line with the amounts set out in the table above. As discussed last year, the savings target within the long term plan of **£0.300m** acts in effect like a 'safety valve' and it may therefore be necessary to increase this figure if a number of adverse issues emerge that need to be reflected within the forecast.

BACKGROUND PAPERS FOR THE DECISION

Working Papers in Accountancy

APPENDICES

| | |
|-------------------|---|
| Appendix A | Latest Financial Forecast 2019/20 |
| Appendix B | Net Savings 2019/20 |
| Appendix C | Cost Pressures 2019/20 |
| Appendix D | Detailed General Fund revenue estimates, fees and charges, capital programme and reserves 2019/20 |
| Appendix E | Special Expenses 2019/20 |
| Appendix F | Requisite Budget Calculations 2019/20 |
| Appendix G | Calculation of District Council Taxes for All Areas 2019/20 |
| Appendix H | Precepts on the Collection Fund – District Amounts 2019/20 |
| Appendix I | District Council Tax Amounts 2019/20 (<i>excludes Council Tax amounts for Town and Parish, County, Fire and Police services which will form part of the final Council Tax setting process via the Human Resources and Council Tax Committee</i>) |
| Appendix J | Calculation of Estimated Surplus on the Collection Funds for 2019/20 |
| Appendix K | Prudential Indicators 2019/20 |