

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

24 JANUARY 2020

REPORT OF THE CORPORATE FINANCE AND GOVERNANCE PORTFOLIO HOLDER

A.4 LATEST FINANCIAL FORECAST / FINAL GENERAL FUND BUDGET PROPOSALS 2020/21

(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 General Fund budget proposals 2020/21 (including Council Tax proposals) for recommendation to Council on 11 February 2020.

EXECUTIVE SUMMARY

- At the meeting on the 20 December 2019, Cabinet considered the Updated Financial Forecast / Budget 2020/21. The forecast at that time provided for a small deficit of **£0.023m** that was to be met by drawing money from 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 16 December 2019 and 6 and 8 January 2020 to consider it and their comments are set out in this report along with the response from the Corporate Finance and Governance Portfolio Holder.
- Since the Cabinet's meeting on 20 December 2019, 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 surplus for 2020/21 of **£0.461m**, a change of **£0.484m** compared to the **£0.023m** deficit presented to Cabinet in December 2019. **Appendix A** provides further details across the various lines of the forecast with the most significant change being the receipt of revenue support grant which was not originally expected in 2020/21.
- The updated forecast has also 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 11 February 2020, with a delegation included in the recommendations to reflect this.
- The forecast surplus of **£0.461m** in 2020/21 has been contributed to the Forecast Risk Fund in accordance with the long term forecast principles.
- Based on the final proposed budget for 2020/21, the Council Tax requirement is **£8.354m**, which is based on a £5 increase for this Council's services, with a Band D council tax of **£172.64**.

- 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 11 February 2020 with approval of the 'full' council tax levy for the year to be considered by the Human Resources and Council Tax Committee on 24 February 2020.
- Although the relevant Prudential Indicators are set out in this report, the approval of the associated Treasury Strategy for 2020/21 for consultation with the Resources and Services Overview and Scrutiny Committee is recommended to be delegated to the Portfolio Holder for Corporate Finance and Governance, this is a repeat of the approach taken last 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 11 February 2020, delegation be given to the Chief Executive to adjust the forecast / budget, including the use of reserves, in consultation with the Corporate Finance and Governance Portfolio Holder;

(c) that in consultation with the Leader and the Corporate Finance and Governance Portfolio Holder, the 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 Corporate Finance and Governance Portfolio Holder in response to those of the Committee as set out in this report;

(e) that in respect of the Treasury Strategy 2020/21, delegation be given to the Portfolio Holder for Corporate Finance and Governance 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 2020/21 of £8.354m (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 and IT.

Risk

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

- Economic environment / instability;
- Emergence of additional cost pressures;
- Changes to the local authority funding mechanisms such as the Government's fairer funding review that is 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 **£3.253m** will have been set aside by the end of 2019/20 within the Forecast Risk Fund to support the budget in future years. This money is available to be drawn down if the timings within the forecast differ in reality and the net position is unfavourable compared to the forecast in any one year.
- 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 2020/21 position includes net savings of **£0.369m** which is slightly behind the annual target of **£0.450m**. (further details are set out in **Appendix B**). 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. Conversely, cost pressures included to date total **£0.491m**, which is lower than the original figure of **£0.600m** included in earlier forecasts. However it is acknowledged that although some emerging costs pressures plan to be mitigated in 2020/21, they may continue at a level that requires them to be considered for inclusion in the 2021/22 budget (further details are set out in **Appendix C**)

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

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

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

LEGAL

The 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 Business 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 revised 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 20 December 2019 Cabinet considered the Updated Financial Forecast / Budget 2020/21 for consultation with the Resources and Services Overview and Scrutiny Committee. The report set out an estimated deficit of **£0.023m** in 2020/21.

The development of the forecast / budget has continued since Cabinet's meeting on 20 December 2019, 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 surplus position for 2020/21 of **£0.461m**.

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 11 February 2020. 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

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 2020/21.

The Committee met on 16 December to consider the financial forecast as at the end of the second quarter and again on 6 and 8 of January 2020 to consider the most up to date budget proposals being put forward by Cabinet. The Committee's recommendations to Cabinet are set out below along with the response of the Corporate Finance and Governance Portfolio Holder:

RECOMMENDATIONS	The response of the Corporate Finance and Governance Portfolio Holder
<p>That this Committee recommends to Cabinet be instructed to conduct, by the end of the current financial year, a viability review of all long outstanding projects for which monies are currently ring-fenced.</p>	<p>This will form part of the identification of items over and above the unavoidable cost pressures currently included in the budget as part of developing the delivery plan to underpin the new corporate plan.</p>
<p>That Cabinet identifies a range of seafront enhancements/cliff stabilisation/beach protection arrangements, in consultation with seaside communities in the District (including relevant Town and Parish Councils) and seeks to fund these through an associated expansion of beach huts in those communities.</p>	<p>This will form part of the identification of items over and above the unavoidable cost pressures currently included in the budget as part of developing the delivery plan to underpin the new corporate plan.</p>
<p>That Cabinet instigates a review of the Public Conveniences Strategy with a view to realising the full benefits of the intended investment for all of the toilets being retained.</p>	<p>This will form part of the upcoming review of all of the Council's assets and supported by the associated budget of £1.134m set aside earlier in the year.</p>
<p>That commercialism should be a specific part of an existing Portfolio Holder's Responsibility or that a new Portfolio Position should be created to take forward the agenda for commercialism as part of means of contributing positively to meeting the budgetary pressures on the Council as identified in its MTFS.</p>	<p>Commercialism will play a key role in delivering against the action plan being developed to underpin the corporate plan. As part of this process the relevant portfolio holder will need to consider and maximise commercialism</p>

	opportunities, which will be overseen by the Corporate Finance and Governance Portfolio Holder, given their specific role in developing the long term financial forecast. This should address the very relevant and important point raised by the Committee.
That Cabinet, as part of the budget development to support the corporate plan, looks favourably at providing sufficient funding for meaningful interventions for 2020-21 onwards that will support economic growth for businesses and key sectors such as energy.	This will form part of the identification of items over and above the unavoidable cost pressures currently included in the budget as part of developing the delivery plan to underpin the new corporate plan.
That, in view of the Government's unexpected continuation of the revenue support grant to this Council in 2020/21, Cabinet be recommended to approve the passporting of Local Council Tax Subsidy Grant to Parish/Town Councils in the District in 2020/21 be confirmed on the same basis as previously.	This adjustment has now been included in the updated budget set out in this report.
That Cabinet be recommended not to approve the proposed adjustment to the budget to remove expenditure of £68,250 based on the Government's commitments to exempt public conveniences from NNDR liability; as there is no indication that the necessary Parliamentary processes will be undertaken to introduce this measure.	Officers are making further enquiries with the Government to gain a clearer understanding of whether or not they will be implementing the earlier commitment they made. It is therefore proposed to leave the budget unchanged at this stage but keep the issue under review and make a final decision as part of finalising the budget for presenting to Full Council in February.

LATEST FINANCIAL FORECAST AND FINAL BUDGET PROPOSALS 2020/21

As highlighted earlier in this report, the forecast considered by Cabinet at its 20 December 2019 meeting provided for a small deficit of **£0.023m**.

This has subsequently been revised to a surplus of **£0.461m**, a change of **£0.484m** as set out in **Appendix A**.

This change is made up of the following adjustments:

- **Receipt of Revenue Support Grant (RSG) – income of £0.429m has been added to the forecast. (Line 6 – Appendix A)**

The Government have unexpectedly maintained revenue support grant for local authorities in 2020/21. No money was originally expected and it is assumed that as the move to the new 75% retention of business rates model was postponed by the Government until 2021/22, they have instead committed to maintaining the current level of grant funding (uprated by inflation) in the interim period.

In previous years, the Council has reduced the LCTS grant to Town and Parish Council in line with its own reduction in Revenue Support Grant. The forecast to date has therefore reduced the grant payable to Town and Parish Council's to nil in 2020/21. However given the Government's commitment to maintain RSG for a further year, it is proposed to maintain this existing principle and continue to pay an LCTS grant to Town and Parish Councils in 2020/21. This has added a cost of **£0.036m** to the forecast. **(Line 12 – Appendix A)**

- **Other Adjustments - £0.091m (Line 17 – Appendix A)**

This adjustment primarily reflects the change in recharges between the General Fund and Housing Revenue Account (HRA) in 2020/21 along with some small rounding adjustments.

Although there is no net impact on the budget, as part of the annual Local Government Finance Settlement, the Government have announced the New Homes Bonus Grant amounts for 2020/21. This Council will be receiving grant funding of **£1.514m** in 2020/21 with a corresponding expenditure budget set up, against which commitments will to be considered as the year progresses. It is worth highlighting that the Government have stated that they will not be making legacy payments on the 2020/21 amount, unlike in previous years where they committed to honouring legacy payments for a period of four years. The Government have stated that they will be reviewing the scheme during 2020/21.

The level of savings and cost pressures have not changed since the position was reported to Cabinet on 20 December 2019. Details of the items included in the budget are set out in **Appendices B and C** respectively and reflect initial savings items totalling **£0.369m** and cost pressures totalling **£0.491m**.

Council Tax Income

As part of the Local Government Finance Settlement, the Government announced the council tax 'capping' criteria for 2020/21 and it has been confirmed that District Councils can increase their council tax by 2% 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 **£172.64** in 2020/21, with a Council Tax Requirement of **£8.354m**.

Business 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 2020/21. 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 2020/21.

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
- to meet specific priorities or service delivery aims / objectives

Appendix D includes the full schedule of fees and charges proposed in 2020/21, which have been developed by applying the key principles highlighted above.

Two areas of note are Building Control charges which are proposed to be increased by 10% to better reflect the cost of providing the service along with charges for leisure facilities, which currently remain unchanged from 2019/20 as they will form part of the development of the Leisure Strategy and subject to a separate report later in the year.

All of the above changes along with those set out in the earlier forecast considered by Cabinet in December 2019 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 11 February 2020.

BUDGET SUMMARIES

Based on all of the adjustments set out elsewhere in this report, the proposed budgets for 2020/2021 are summarised below.

General Fund Revenue Budget

Table 1

	2019/20 Original	2020/21 Original
	£m	£m
Net Cost of Services	18.205	18.876
Revenue Support for Capital Investment	1.214	0.267
Financing Items	(5.830)	(3.472)
Net Expenditure	13.589	15.671
Contribution to /(from) Uncommitted Reserve	0.000	0.000
Net Use of Earmarked Reserves	(0.032)	(1.089)

Total Net Budget	13.557	14.582
Less Funding		
Business Rates (<i>excl. S31 Govt. Grant funding</i>)	(4.470)	(4.438)
Revenue Support Grant	(0.422)	(0.429)
Collection Fund (Surplus) / Deficit	(0.710)	(1.361)
Council Tax Requirement (for Tendring District Council) (Excludes Parish Precepts)	7.955	8.354

The council tax requirement for 2020/21 is based on a Band D council tax of **£172.64**, an increase of **£5 (2.98%)** over the 2019/20 amount of **£167.64**.

General Fund Capital Programme

Table 2

	2020/21 Original Budget
	£m
EXPENDITURE	1.024
FINANCING	
Government Grants	0.757
Direct Revenue Contributions	0.055
Earmarked Reserves	0.212
Total Financing	1.024

Treasury Strategy and Prudential Indicators 2020/21

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 2020/21 to the Corporate Finance and Governance Portfolio Holder 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 2020/21 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 to the Forecast Risk Fund of **£0.461m** in 2020/21.

The Forecast Risk Fund is estimated to be **£4.214m** by the end of 2020/21 which continues to provide a strong level of 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 significant 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, the robustness of the estimates and the adequacy of the reserves, both of which are set out below.

Robustness of the Estimates

As part of the Long Term Financial Sustainability Plan introduced during 2017/18, the forecast and budget setting processes continue to be 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 is based on relatively conservative estimates with no optimistic bias included. Each element of the forecast and how it has been derived and developed over time is clearly set out within regular reports to Management Team and Members.

As mentioned in earlier years of the long term forecast, cost pressures continue to present one of the more significant risks to the long term plan. As part of the development of the long term plan during 2019 a number of on-going cost pressures emerged which resulted in the cost pressure allowance being increased from **£0.150m** to **£0.600m** in 2020/21. Although the final level of cost pressures included in the budget in 2020/21 was slightly lower at **£0.491m**, it was still significantly more than the initial amount allowed for. It is also important to highlight that mitigation actions have been proposed for a number of cost pressures which may not provide a permanent solution and the item may need to be reconsidered for inclusion in the budget over the later years of the forecast.

As acknowledged in prior years, 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. Set against this backdrop and to 'protect' the revenue budget as much as possible, the budget proposals in 2020/21 set out a revised approach to avoidable costs pressures and those relating to the Council's assets. It is proposed to deal with these two classes of cost pressures outside of the annual budget cycle, supported by an initial asset improvement fund of **£1.134m** and via the use of one off money and/or the reprioritisation of existing budgets where necessary. The above approach will also be supported by the Council's newly adopted business case / project initiation processes, which will include the consideration of maximising the use of existing resources or external funding where possible.

In response to the increase in the level of on-going cost pressures included within the 2020/21 budget, the annual savings 'allowance' has been increased from **£0.300m** to **£0.450m** across the remaining 6 years of the forecast period. Savings of **£0.369m** have been included within the 2020/21 budget and work will shortly be underway to identify further savings opportunities to support the budget position from 2021/22 onwards.

The detailed budget for 2020/21 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 2020/21. This has been supported by a risk assessment of each line of the forecast.

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 the specific Forecast Risk Fund. No significant adjustments have been required in 2020/21 that weaken the overall long term approach to the forecast. 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. The future financial settlement arrangements from the Government remains a key risk along with cost pressures and savings targets discussed earlier and together they represent the highest rated risks within the long term forecast.

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. Linked to an earlier point above, 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 medium term financial strategy assumptions adequately reflect demographic and inflationary cost pressures, pay awards and other known cost pressures. The assumptions around funding sources are reasonable and reflect published information and Government announcements. The auditor went on to say that they were satisfied that the Council has adequate arrangements for setting and monitoring financial budgets. While they recognised that there was a funding gap in the long term plan, they were satisfied that the Council is making appropriate arrangements to manage this in a way that will ensure it continues to remain financially sustainable.

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 within the Council and remains the key focus in 2020/21 and beyond to enable it to continue to provide quality services and invest in its priorities. Self-sufficiency continues to underpin 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 next becomes available, which also provides a key foundation against which the budget is 'built'.

The Council continues to play 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, remain in progress 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 if faced with adverse issues in the years ahead.

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 2020/21 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 2020 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 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. One example proposed in 2020/21 being the use of reserves to enable the payment of the 3 year pension deficit amount in one upfront amount, which saves the Council in excess of **£0.093m** over three years (equivalent to a return on investment of 4.3%)

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 11 February 2020.

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 2020/21 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 11 February 2020. The final precepts from the major precepting authorities will be included when the final council tax levies for 2020/21 are formally considered by the Human Resources and Council Tax Committee on 24 February 2020.

UPDATES TO THE FORECAST FOR THE PERIOD 2021/22 AND BEYOND

The most recent updated long term forecast was presented to Cabinet in November 2019, which set out the following expected annual position for each remaining year of the forecast:

Year	Net Budget Position (including adjusting for prior year use of reserves to balance the budget)
2021/22	£0.935m deficit
2022/23	£0.651m deficit
2023/24	£0.365m deficit
2024/25	£0.076m deficit
2025/26	£0.215m surplus
2026/27	£0.507m surplus

Although the figures set out within the table above will change as part of updating the forecast on a regular basis during 2020/21, there have been no issues that significantly increase the risks in future years with the long term forecast position broadly reflecting a move to a surplus position in the later years. However against this background and as discussed during this budget setting cycle, the level of cost pressures emerging has increased and it may not be possible to avoid or mitigate issues that may arise over the remaining years of the forecast. However, the level of savings required will need to continue to act as the 'safety valve' with the overall position being subject to further updates as part of reporting the quarterly position going forward.

BACKGROUND PAPERS FOR THE DECISION

Working Papers in Accountancy

APPENDICES

Appendix A	Latest Financial Forecast 2020/21
Appendix B	Net Savings 2020/21
Appendix C	Cost Pressures 2020/21
Appendix D	Detailed General Fund revenue estimates, fees and charges, capital programme and reserves 2020/21
Appendix E	Special Expenses 2020/21
Appendix F	Requisite Budget Calculations 2020/21
Appendix G	Calculation of District Council Taxes for All Areas 2020/21
Appendix H	Precepts on the Collection Fund – District Amounts 2020/21
Appendix I	District Council Tax Amounts 2020/21 (<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 2020/21
Appendix K	Prudential Indicators 2020/21