

UPDATED LONG TERM FINANCIAL FORECAST

APPENDIX I

Line	Budget 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							
1 Council Tax Increase 1.99%	(0.158)	(0.165)	(0.168)	(0.171)	(0.175)	(0.178)	(0.182)
2 Ctax increase by £5 (amounts set out are over and above 1.99% above)	(0.079)	(0.077)	(0.074)	(0.071)	(0.067)	(0.064)	(0.060)
3 Growth in Business rates - Inflation	(0.110)	(0.041)	(0.137)	(0.139)	(0.142)	(0.145)	(0.148)
4 Growth in Business rates / council tax - general property / tax base growth	(0.365)	(0.187)	(0.198)	(0.208)	(0.219)	(0.230)	(0.242)
5 Collection Fund Surpluses b/fwd	(1.360)	0.000	(0.100)	(0.100)	(0.100)	(0.100)	(0.100)
	(2.072)	(0.470)	(0.676)	(0.690)	(0.703)	(0.717)	(0.732)
Net Cost of Services and Other Adjustments							
6 Reduction in RSG	(0.007)	0.429	0.000	0.000	0.000	0.000	0.000
7 Remove one-off items from prior year	0.013	(0.412)	0.000	0.000	0.000	0.000	0.000
8 Remove one-off items from prior year - Collection Fund Surplus	0.710	1.360	0.000	0.100	0.100	0.100	0.100
9 Inflation - Employee Costs (including annual review adjustments)	0.615	0.507	0.386	0.390	0.394	0.398	0.403
10 Inflation - Other	0.231	0.148	0.164	0.169	0.173	0.178	0.184
11 First / Second / Third year impact of PFH WP Savings	0.000	0.000	(0.090)	0.000	0.000	0.000	0.000
12 LCTS Grant To Parish Council's	0.000	(0.037)	0.000	0.000	0.000	0.000	0.000
13 Revenue Contrib. to Capital Programme	(0.045)	(0.209)	0.000	0.000	0.000	0.000	0.000
14 Specific change in Use of Reserves	1.103	2.265	0.000	0.000	0.000	0.000	0.000
15 On-going savings required	(0.301)	0.000	(0.450)	(0.450)	(0.450)	(0.450)	(0.450)
16 Unmitigated Cost Pressures	0.884	0.250	0.250	0.250	0.250	0.250	0.250
17 Other Adjustments	(1.157)	(2.056)	0.000	0.000	0.000	0.000	0.000
	2.045	2.245	0.260	0.459	0.468	0.477	0.486
Net Total	(0.027)	1.775	(0.416)	(0.231)	(0.236)	(0.240)	(0.245)
Add back Use of Reserves / Forecast Risk Fund in Prior Year	0.027	(0.000)	1.774	1.358	1.127	0.892	0.651
Net Budget Position	(0.000)	1.774	1.358	1.127	0.892	0.651	0.406
Use of Forecast Risk Fund to support the Net Budget Position	0.000	(1.774)	(1.358)	(1.127)	(0.892)	(0.651)	(0.406)

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

Use of Forecast Risk Fund to Support the Net Budget Position Above

Outturn b/fwd from prior years	(3.253)	(3.753)	(2.479)	(1.621)	(0.993)	(0.602)	(0.450)
Applied in year as set out in the forecast above	(0.000)	1.774	1.358	1.127	0.892	0.651	0.406
Additional contributions generated in year	(0.500)	(0.500)	(0.500)	(0.500)	(0.500)	(0.500)	(0.500)
Balance to Carry Forward	(3.753)	(2.479)	(1.621)	(0.993)	(0.602)	(0.450)	(0.544)

FORECAST SENSITIVITIES - TABLE 1	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£	£	£	£	£	£
Forecast Budget Gap / (Surplus) from table above (BASE Position)	1.774	1.358	1.127	0.892	0.651	0.406
<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	1.858	1.529	1.389	1.250	1.107	0.965
Property Growth does not grow over the life of the forecast	1.962	1.556	1.336	1.111	0.882	0.648
Property Growth is lower than the forecast by 10% compared to the base	1.794	1.394	1.179	0.958	0.732	0.500
Inflation increases at a rate of +1% faster than the base	2.004	1.598	1.378	1.154	0.924	0.690
Inflation decreases at a rate of 1% slower than the base	1.544	1.118	0.876	0.630	0.378	0.122
Savings achieved are lower by 10% per annum compared to the base	1.774	1.448	1.262	1.072	0.876	0.676
Savings achieved are lower by 20% per annum compared to the base	1.774	1.538	1.397	1.252	1.101	0.946
Unmitigated Cost Pressures are greater by 10% per annum compared to the base	1.799	1.408	1.202	0.992	0.776	0.556
Unmitigated Cost Pressures are greater by 20% per annum compared to the base	1.824	1.458	1.277	1.092	0.901	0.706

FORECAST SENSITIVITIES - TABLE 2		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Impact on Forecast Risk Fund - Year End Balance		£	£	£	£	£	£
Forecast Year End Balance from table above (BASE Position)		(2.479)	(1.621)	(0.993)	(0.602)	(0.450)	(0.544)
Council Tax Increase are lower by 1% per annum compared to the base		(2.395)	(1.366)	(0.476)	0.273	0.881	1.346
Property Growth does not grow over the life of the forecast		(2.291)	(1.236)	(0.400)	0.211	0.593	0.740
Property Growth is lower than the forecast by 10% compared to the base		(2.459)	(1.566)	(0.887)	(0.429)	(0.197)	(0.198)
Inflation increases at a rate of +1% faster than the base		(2.249)	(1.151)	(0.272)	0.381	0.806	0.996
Inflation decreases at a rate of 1% slower than the base		(2.709)	(2.091)	(1.714)	(1.585)	(1.706)	(2.084)
Savings achieved are lower by 10% per annum compared to the base		(2.479)	(1.531)	(0.768)	(0.197)	0.180	0.356
Savings achieved are lower by 20% per annum compared to the base		(2.479)	(1.441)	(0.543)	0.208	0.810	1.256
Unmitigated Cost Pressures are greater by 10% per annum compared to the base		(2.454)	(1.546)	(0.843)	(0.352)	(0.075)	(0.019)
Unmitigated Cost Pressures are greater by 20% per annum compared to the base		(2.429)	(1.471)	(0.693)	(0.102)	0.300	0.506

Risk Assessment of Each Line of the Forecast

APPENDIX J

Relevant line of the Forecast	RAG Assessment of Risk	Comments
<i>Underlying Funding Growth in the Budget</i>		
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, although a one-off exceptionally low rate is expected in 2021/22 due to the impact of COVID 19.
Growth in Business rates / council tax - general property growth		Underlying growth in business rates and Council Tax are expected to remain relatively stable and robust in the long term. However the medium term impact of COVID 19 is unclear at the present time. The other two main risks relate to major economic changes and future Government Policy, especially in relation to business rates where the Government remains active in developing a 75% retention model across the public sector based on a fair funding assessment. This model could see the Government introduce business rate 'resets' which could see income from economic growth being reduced on a cyclical basis as part of a redistribution method nationally. The Government continues to move forward with their proposals which have been delayed for at least a further year given the impacts from COVID 19.

Relevant line of the Forecast	RAG Assessment of Risk	Comments
Collection Fund Surpluses b/fwd		Although only relatively modest amounts have been included in the forecast, the short to medium term impact of COVID 19 is unclear. A surplus for 2021/22 has now been removed from the forecast given this increased risk with the figures in later years being kept under review. (The forecast excludes any benefit from being a member of the Essex Business Rates Pool as it is accounted for on an actual basis rather than building it into the base budget given its one-off nature and complexities in the overall business rate calculations)
Net Cost of Services and Other Adjustments		
Reduction in RSG		Given the delays to the Government's fair funding review and move to the new 75% business rates retention model, it may be possible that RSG is receivable again in 2021/22 (although the Government may be reluctant to continue it given the impact of COVID 19 on national finances) However no RSG has been assumed within the forecast at the present time pending the outcome from the Government's one year spending settlement.
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)		Following an increase of 2.75% in 2020/21, the forecast for future years has been maintained at 1.5%.
Inflation - Other		Although the Government's target CPI inflation is 2%, this is a long term target which will inevitably see fluctuations over short financial cycles. However 2% and 3% remain the basis for calculating an inflationary allowance for contracts and budgets that are based on either CPI or RPI respectively.
First / Second / Third year impact of PFH WP Savings		These are known adjustments which will be delivered in total but is recognised that the timing may differ to that originally anticipated which will be reflected in the forecast. The item included in 2022/23 relates to the annual revenue savings expected from the disposal of Weeley Council Offices.

Relevant line of the Forecast	RAG Assessment of Risk	Comments
LCTS Grant To Parish Council's		This will be subject to the level of RSG receivable from the Government, as to date the change in the level of grant funding provided to Town and Parish Councils has mirrored the changes in RSG.
Specific change in Use of Reserves		Changes in the use of reserves primarily reflect other changes elsewhere in the budget/ forecast so are not a significant risk in isolation.
On-going savings required		This line of the budget fundamentally acts as the 'safety valve' for other changes elsewhere in the forecast and would need to be increased if adverse issues were experienced or estimates were not in line with predictions. Although the long term forecast provides flexibility in the timing of the delivery of such savings, it is important that on-going savings continue to be secured to meet the amounts set out in the forecast.

Relevant line of the Forecast	RAG Assessment of Risk	Comments
Unmitigated Cost Pressures		<p>It is recognised that this line of the forecast presents one of the highest risks, especially given the amount of unavoidable cost pressures included in 2020/21. On-going revenue items remain the most difficult items to respond to. Although one-off items, such as those associated with repairing / refurbishing assets could also have a significant impact on the forecast, one-off funding has been made available elsewhere in the budget to support these costs which therefore contributes to the mitigation of this risk.</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 £700k each year. This has been reflected in the forecast based on ECC's current commitment, but it may need to be increased based on future proposals put forward by ECC.</p> <p>To support the management of risks, the Council continues to resist using one-off money, such as the New Homes Bonus, to support the on-going base budget.</p> <p>The cost pressure allowance has been increased from £150k to £250k per year, given the level of cost pressures identified in prior years and to respond to potential future items.</p>