

CABINET

12 NOVEMBER 2021

REPORT OF CORPORATE FINANCE AND GOVERNANCE PORTFOLIO HOLDER

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

(Report prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

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

EXECUTIVE SUMMARY

- These regular finance reports present the overall financial position of the Council by bringing together in-year budget monitoring information and timely updates on the development of the long term forecast.
- Therefore the report is split over two distinct sections as follows:
 - 1) *The Council's in-year financial position against the budget at the end of September 2021***
 - 2) *An updated long term financial forecast***

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

- The position to the end of September 2021, as set out in more detail within the appendices, shows that overall the General Fund Revenue Account is underspent against the profiled budget by **£8.483m** (after excluding variances against COVID 19 grant supported activities, such as business grants, this position is revised to a net overspend of **£4.372m**). It is acknowledged that other expenditure or income trends may still be emerging with the position also largely reflecting the timing of other general expenditure and/or income budgets. However any significant issues arising to date have been highlighted and comments provided as necessary.
- In respect of other areas of the budget such as the Housing Revenue Account, capital programme, collection performance and treasury activity, apart from additional details set out later on in this report, there are other no major issues that have been identified to date.
- Any emerging issues will be monitored and updates provided in future reports, which will include their consideration as part of updating the long term financial forecast.
- Some necessary changes to the 2021/22 budget have been identified which are set out in **Appendix B8**, with an associated recommendation also included within this

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

- The net impact of the budget adjustments will be moved to or from the Forecast Risk Fund. At the end of the second quarter, it has been possible to make a small contribution to the fund of **£40k**, which supports the requirement set out in the long term forecast of identifying in-year savings of **£500k** each year.
- A half year treasury management review has been carried out with a summary set out later on in this report along with an associated recommendation to temporarily increase the aggregate limit of funds that can be placed overnight with the Council's bankers for the period that the offices will be closed over the Christmas break.
- It is proposed to continue to be a member of the Essex Business Rates Pool if it remains advantageous to do so in 2022/23.
- It is also proposed to bring the Member's Small Covid grant scheme to a close by the end of 31 March 2022.

In respect of the updated long term financial forecast:

- The forecast has been reviewed and updated at the end of September 2021 and continues to reflect the ongoing impact of COVID 19 as necessary. The updated forecast is set out in **Appendix B9**.
- Work remains on-going in consultation with the various Services across the Council to identify savings within a zero based approach along with unavoidable cost pressures, that remain subject to review for inclusion or otherwise in the detailed budget report that will be presented to Cabinet in December.
- Overall, the long term forecast can still provide an effective method of managing financial risks but the annual deficit or surplus position for each year of the forecast has been revised. The on-going impact from the COVID 19 pandemic is still evolving and it is therefore important to highlight that the money set aside in the Forecast Risk fund should not be seen as overly cautious as sensitivity testing indicates that the fund could be depleted within as little as 3 years if a number of factors arose during the same period.
- A detailed review of risks associated with the long term forecast is subject to on-going review and is separately reported within **Appendix B10**.
- As mentioned during the development of the longer term approach to the budget over recent years, it is important to continue to deliver against this plan as it continues to provide a credible alternative to the more traditional short term approach, which would require significant savings to be identified in 2022/23.
- In terms of delivering against the forecast for 2022/23 and beyond, work remains on-going across the various strands set out in **Appendix B9**.

RECOMMENDATION(S)

That in respect of the financial performance against the budget at the end of September 2021, it is recommended that:

(a) *The position be noted;*

(b) *the proposed in-year adjustments to the budget as set out in Appendix B8 be agreed;*

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

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

(e) *the closing date for Members to submit claims under the Members' Small COVID grant scheme be agreed as 31 March 2022.*

That in respect of the Updated Long Term Forecast it is recommended that:

(a) *The updated forecast be agreed and the Resources and Service Overview and Scrutiny Committee be consulted on the latest position.*

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Effective budgetary control is an important tool in ensuring the financial stability of the authority by drawing attention to issues of concern at an early stage so that appropriate action can be taken. Financial stability and awareness plays a key role in delivering the Council's corporate and community aims and priorities.

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

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The financial implications are considered in the body of the report.

Risk

In respect of the position at the end of September 2021, a number of variances will be subject to change as the year progresses although at this stage it is expected that any adverse position can be accommodated within the overall budget with direct management action. The budget position will be monitored and reviewed as part of both the future budget monitoring arrangements and Financial Strategy Processes.

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

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

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

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

- 1) **£3.753m** has already been set aside within the Forecast Risk Fund to support the budget in future years. This money is available to be drawn down if the timings within the forecast differ in reality and the net position is unfavourable compared to the forecast in any one year. As set out later on in this report, given the increased risks introduced by the COVID 19 crisis, this current reserve level should not be seen as too pessimistic as the sensitivity testing undertaken indicates that this reserve could be depleted in as little as 3 years if some of the risks are borne out in reality.
- 2) The forecast will remain 'live' and be responsive to changing circumstances and it will continue to be revised on an on-going basis. If unfavourable issues arise that cannot be mitigated via other changes within the forecast then the forecast will be adjusted and mitigating actions taken. Actions to respond will therefore need to be considered but can be taken over a longer time period where possible. In such circumstance the Council may need to consider 'topping' up the funding mentioned in 1) above over the life of the forecast if required. This may impact on the ability to invest money elsewhere but will need to demonstrate that its use is sustainable in the context of the ten year forecast.

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

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

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

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

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

LEGAL

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

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

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

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

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

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

OTHER IMPLICATIONS

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

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

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

PART 3 – SUPPORTING INFORMATION

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

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

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

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

GENERAL FUND REVENUE

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

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

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

Expenditure Budgets

- **Increase in Insurance Premiums** – An adjustment is included in **Appendix B8** to reflect the outcome of a recent retender exercise. Although the overall cost has increased in 2021/22 by **£0.076m**, this was significantly less than the expected outcome given the very challenging insurance market at the present time.
- **Potential Increase in Homelessness Costs** – At the end of September, net expenditure was ahead of the profile by **£0.066m** due to the continuing demand for temporary accommodation. No budget adjustment has been included within **Appendix B8** at the present time but the issue will be kept under review during Q3 to identify if there remains a need to increase this budget, which could be supported from the general COVID 19 grant received from the Government. Additional comments are set out below relating to the use of the COVID 19 funding.
- **Planning Agency Staff** – The necessary use of agency staff continues within Planning with an associated adjustment set out within **Appendix B8**. A restructuring process is now underway within the service, which aims to limit the use of agency staff going forwards.

Income Budgets

- **Crematorium Income** – Operational issues continue at the Crematorium with net income behind profile by nearly **£0.300m** at the end of September. Although the associated procurement process to purchase and install new cremators is underway, this adverse position is likely to worsen over the second half of the year which could result in an overall reduction in income in excess of **£0.600m**. Given the scale of the impact on the budget, the Portfolio Holder for Corporate Finance and Governance along with Management Team have requested that Departments review their existing budgets to identify if there are any opportunities to cease / reduce spending elsewhere in the Council's overall operational budgets to partially or fully offset this loss of income. It is recognised that this will need to be done on a proportionate basis given the potential consequences of this approach, but it does provide an alternative to the other option of refocusing existing budgets set aside to deliver specific projects or initiatives. A further update will be presented to members later in the year.
- **Parking Income** – Income is currently ahead of the budget by **£0.141m** at the end of September. This will be kept under review during the second half of the year before consideration is given to including a favourable budget adjustment or not, especially in light of the position set out above in respect of crematorium income.
- **Leisure Facilities Income** – Based on current estimates, it is expected that leisure income will be behind profile by **£1.000m** by the end of the financial year due to the on-going impact from COVID 19, which includes the reduction in memberships fees by 25% given the reopening restrictions in place during the year. However, it is estimated that this will be offset by **£0.250m**, following the Government's commitment to extend the sales, fees and charges compensation scheme into the first quarter of 2021/22. It is proposed to meet the balance of **£0.750m** by applying the general COVID 19 grant received from the Government with some additional commentary set out further on in this report relating to wider use of this COVID 19 funding. The proposed adjustment is included within **Appendix B8**.

OTHER EMERGING ISSUES / USE OF COVID FUNDING

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

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

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

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

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

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

Allocations from this budget so far to date include:

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

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

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

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

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

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

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

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

COLLECTION PERFORMANCE

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

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

HRA REVENUE

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

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

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

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

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

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

CAPITAL PROGRAMME – GENERAL FUND

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

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

CAPITAL PROGRAMME – HOUSING REVENUE ACCOUNT

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

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

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

TREASURY ACTIVITY

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

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

The Economy and the outlook for next 6 months

A more detailed analysis has been provided by the Council's treasury advisors with highlights set out as follows:

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

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

Investments

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

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

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

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

Borrowing

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

SECTION 2 – UPDATED LONG TERM FORECAST

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

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

Annual Forecast Surplus or Deficit

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

Associated Forecast Balance on the Forecast Risk Fund

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risk Assessment

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

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

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

Delivering a positive outturn position each year

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

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

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

Sensitivity Testing

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

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

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

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

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

Forecast Risk Fund

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

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

Housing Revenue Account

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

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

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

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

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

RELATING TO SECTION 1 OF THE REPORT

Front Cover and Executive Summary

Appendix B1 – Summary by Portfolio / Committee

Appendix B2 – General Fund Budget Position by Department

Appendix B3 – Housing Revenue Account Budget Position

Appendix B4 – Capital Programme

Appendix B5 – Collection Performance – Council Tax, Business Rates, Housing Rent and General Debts

Appendix B6 – Treasury Activity

Appendix B7 – Income from S106 Agreements

Appendix B8 – Proposed Adjustments to the In-Year Budget

RELATING TO SECTION 2 OF THE REPORT

Appendix B9 – Updated Long Term Financial Forecast

Appendix B10 – Risk Analysis of Each Line of the Forecast

Tendring **District Council**



Appendices Included:

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

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

September 2021

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

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

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

General Fund - Summary by Department Excluding Housing Revenue Account

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

Housing Revenue Account

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

Capital

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

Collection Performance

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

Treasury

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

Revenue Budget Position at the end of September 2021

General Fund Portfolio / Committee Summary

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

Revenue Budget Position at the end of September 2021

HRA Portfolio Summary

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

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

Department - Chief Executive, Finance, IT and Governance

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

Department - Chief Executive, Finance, IT and Governance

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

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

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

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

Department - Operations and Delivery

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

Department - Operations and Delivery

	2021/22 Current Full Year Budget £	2021/22 Profiled Budget to date £	2021/22 Actual to date £	2021/22 Variance to Profile £	Comments
<u>Analysis by Service/Function</u>					
Total for CD Operations and Delivery Management and Administration	10,000	147,500	148,406	906	
Total for Building and Public Realm Management and Administration	0	33,955	40,256	6,301	
Total for Building and Surveyors	13,900	719,885	715,528	(4,357)	
Total for Engineering	2,902,580	413,232	415,170	1,939	
Total for Public Realm	2,227,720	474,040	559,498	85,458	<p>There are three main issues behind the current variance as follows:</p> <ol style="list-style-type: none"> 1) Crematorium net income is £292k behind the profile following the on-going operational issues at the facility - please see the main body of the report for further details. 2) Parking income is ahead of the profile by £141k at the end of Q2. 3) A credit of £72k has been received following the backdating of the exemption on business rate payable on public conveniences - an adjustment has been included within App B8.

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

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

Department - Place and Economy

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

Department - Place and Economy

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

Appendix B2

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

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

Housing Revenue Account

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

Housing Revenue Account

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

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

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

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

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

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

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

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

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

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

Collection Performance : Position at the end of September 2021

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

Council Tax			Business Rates																																
<table border="1"> <thead> <tr> <th>Quarter</th> <th>2020/21</th> <th>2021/22</th> </tr> </thead> <tbody> <tr> <td>Quarter 1</td> <td>27.79%</td> <td>27.82%</td> </tr> <tr> <td>Quarter 2</td> <td>53.20%</td> <td>53.45%</td> </tr> <tr> <td>Quarter 3</td> <td>77.96%</td> <td></td> </tr> <tr> <td>Quarter 4</td> <td>92.66%</td> <td></td> </tr> </tbody> </table>			Quarter	2020/21	2021/22	Quarter 1	27.79%	27.82%	Quarter 2	53.20%	53.45%	Quarter 3	77.96%		Quarter 4	92.66%		<table border="1"> <thead> <tr> <th>Quarter</th> <th>2020/21</th> <th>2021/22</th> </tr> </thead> <tbody> <tr> <td>Quarter 1</td> <td>22.75%</td> <td>25.74%</td> </tr> <tr> <td>Quarter 2</td> <td>52.87%</td> <td>63.82%</td> </tr> <tr> <td>Quarter 3</td> <td>80.82%</td> <td></td> </tr> <tr> <td>Quarter 4</td> <td>96.20%</td> <td></td> </tr> </tbody> </table>			Quarter	2020/21	2021/22	Quarter 1	22.75%	25.74%	Quarter 2	52.87%	63.82%	Quarter 3	80.82%		Quarter 4	96.20%	
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Quarter 4	97.00%		Quarter 4	90.00%																															

Treasury Activity : Position at the end of September 2021

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

TREASURY ACTIVITY

Borrowing	Opening Balance 1 April £'000	Borrowing to date £'000	Borrowing Repaid to date £'000	Balance to Date £'000	Comments
Long Term PWLB Borrowing - GF	151	0	3	148	
Long Term PWLB Borrowing - HRA	38,441	0	832	37,609	
TOTAL BORROWING	38,592	0	835	37,757	
Investments	Opening Balance 1 April £'000	Investments to date £'000	Investments Repaid to date £'000	Balance to Date £'000	Comments
<i>Investments less than a year</i>					
Investments with UK Government via Treasury Bills/Investments with DMO, and Local Authorities and other public bodies	65,600	531,300	539,700	57,200	Net investments have increased over the reporting period due to the timing of the Council's cash flow such as expenditure budgets behind profile or income being received ahead of expenditure. Within this there has been a switch away from investments with other local authorities to investments with UK Financial Institutions as fewer local authorities have been borrowing.
Investments with UK financial Institutions (including Money Market Funds)	11,359	25,639	10,400	26,598	In respect of investments with UK financial institutions, at the end of the period, investments were held with 9 counterparties, including 2 Money Market Funds.
Investments with non-UK Financial institutions	0	0	0	0	
Total Investments for less than a year	76,959	556,939	550,100	83,798	
<i>Investments for longer than a year</i>	0	0	0	0	
TOTAL INVESTMENTS	76,959	556,939	550,100	83,798	
Interest Paid / Received	Full Year Budget £'000	Profiled Budget to Date £'000	Actual to Date £'000	Variance to date £'000	Comments
Interest Paid on Borrowing - GF	11	5	4	(1)	The weighted average rate of interest on the Council's GF borrowing is currently 7.13%. (on an accrued basis).
Interest Paid on Borrowing - HRA	1,322	374	377	3	The weighted average rate of interest on the Council's HRA borrowing is currently 3.51%. (on an accrued basis)
Interest Received on Investments	(67)	(37)	(22)	15	The weighted average rate of interest being received on the Council's investments is currently 0.05%. (on an accrued basis)
PRUDENTIAL INDICATORS					
	Approved Indicator £'000	Highest amount reached in the period £'000	Comments		
Authorised limit for external borrowing	75,355	38,592	Borrowing has remained within approved limits.		
Operational boundary for external borrowing	67,342				

Income from S106 Agreements

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

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

ALLOCATED / BEING SPENT

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

UNALLOCATED / UNCOMMITTED TO DATE

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

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

Proposed Adjustments to the Budget September 2021

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

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

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

UPDATED LONG TERM FINANCIAL FORECAST

APPENDIX B9

<i>Line</i>	<i>Budget 2021/22 £</i>	<i>Estimate* 2022/23 £</i>	<i>Estimate 2023/24 £</i>	<i>Estimate 2024/25 £</i>	<i>Estimate 2025/26 £</i>	<i>Estimate 2026/27 £</i>
<i>Underlying Funding Growth in the Budget</i>						
1	(0.166)	(0.168)	(0.171)	(0.175)	(0.178)	(0.182)
2	(0.076)	(0.074)	(0.071)	(0.067)	(0.064)	(0.060)
3	0.000	(0.139)	(0.142)	(0.145)	(0.148)	(0.151)
4	(0.183)	(0.100)	(0.103)	(0.106)	(0.109)	(0.111)
5	6.018	0.323	(0.100)	(0.100)	(0.100)	(0.100)
	5.593	(0.159)	(0.587)	(0.593)	(0.599)	(0.604)
<i>Net Cost of Services and Other Adjustments</i>						
6	(0.002)	0.431	0.000	0.000	0.000	0.000
7	(0.412)	0.000	0.000	0.000	0.000	0.000
8	1.360	(6.018)	(0.323)	0.100	0.100	0.100
9	0.478	0.598	0.397	0.401	0.405	0.409
10	0.124	0.221	0.194	0.176	0.181	0.186
11	(0.045)	(0.045)	0.000	0.000	0.000	0.000
12	0.000	(0.037)	0.000	0.000	0.000	0.000
13	(0.209)	0.008	0.000	0.000	0.000	0.000
14	(4.050)	5.794	0.000	0.000	0.000	0.000
15	(0.239)	(0.450)	(0.450)	(0.450)	(0.450)	(0.450)
16	0.516	0.250	0.250	0.250	0.250	0.250
17	(2.065)	0.000	0.000	0.000	0.000	0.000
	(4.544)	0.753	0.068	0.477	0.486	0.495
<i>Net Total</i>	1.048	0.594	(0.520)	(0.116)	(0.113)	(0.109)
Add back Use of Reserves / Forecast Risk Fund in Prior Year	0.000	1.048	1.642	1.123	1.006	0.894
<i>Net Budget Position</i>	1.048	1.642	1.123	1.006	0.894	0.785
Use of Forecast Risk Fund to support the Net Budget Position	(1.048)	(1.642)	(1.123)	(1.006)	(0.894)	(0.785)

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

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

FORECAST SENSITIVITIES - TABLE 2		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)		(2.062)	(1.439)	(0.933)	(0.539)	(0.254)
Council Tax Increase are lower by 1% per annum compared to the base		(1.891)	(1.005)	(0.141)	0.710	1.555
Property Growth does not grow over the life of the forecast		(1.961)	(1.236)	(0.623)	(0.121)	0.276
Property Growth is lower than the forecast by 10% compared to the base		(2.042)	(1.392)	(0.849)	(0.411)	(0.073)
Inflation increases at a rate of +1% faster than the base		(1.825)	(0.953)	(0.184)	0.484	1.054
Inflation decreases at a rate of 1% slower than the base		(2.299)	(1.925)	(1.682)	(1.562)	(1.562)
Savings achieved are lower by 10% per annum compared to the base		(2.017)	(1.304)	(0.663)	(0.089)	0.421
Savings achieved are lower by 20% per annum compared to the base		(1.972)	(1.169)	(0.393)	0.361	1.096
Unmitigated Cost Pressures are greater by 10% per annum compared to the base		(2.037)	(1.364)	(0.783)	(0.289)	0.121
Unmitigated Cost Pressures are greater by 20% per annum compared to the base		(2.012)	(1.289)	(0.633)	(0.039)	0.496

Risk Assessment of Each Line of the Forecast

APPENDIX B10

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

Risk Assessment of Each Line of the Forecast

APPENDIX B10

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

Risk Assessment of Each Line of the Forecast

APPENDIX B10

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

Risk Assessment of Each Line of the Forecast

APPENDIX B10

Relevant line of the Forecast	RAG Assessment of Risk	Comments
Unmitigated Cost Pressures		<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 to date and with a fair degree of uncertainty remaining going into 2022/23 as the economy continues its recovery from the impact of COVID 19. On-going revenue items remain the most difficult items to respond to. Although one-off items, such as those associated with repairing / refurbishing assets could also have a significant impact on the forecast, one-off funding has been made available elsewhere in the budget to support these costs which therefore contributes to the mitigation of this risk.</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 £0.600m each year. This has been reflected in the forecast based on ECC's current commitment, but it may need to be increased based on potential changes in the future.</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 remains at £0.250m per year, given the level of cost pressures identified in prior years and to respond to potential future items.</p>