

NORTH LINCOLNSHIRE COUNCIL

CABINET

**BUDGET REVIEW 2019-20 AND
MEDIUM TERM FINANCIAL PLAN UPDATE**

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To inform Cabinet of current progress in respect of revenue and capital investment against the limits set in 2019/20.
- 1.2 To provide an update on the actions being taken as required by the Council's Financial Assurance arrangements.
- 1.3 To inform Cabinet of the successful outcome of the external audit of the Council's 2018/19 statement of accounts.
- 1.4 To seek approval for allocation of capital resource to four new schemes from the additional capital investment allocation.
- 1.5 To inform Cabinet of the latest revised budget for revenue and capital, amended under delegated powers within the parameters set by Council.
- 1.6 To inform Cabinet that cash balances and debt are being managed in line with the Council's approved treasury management strategy.
- 1.7 To provide Cabinet with further details of the Council's strategy and approach to medium term financial planning 2020 and beyond.

2. BACKGROUND INFORMATION

- 2.1. The Council approved a cash limited £143.2m revenue investment budget for 2019/20, which ensured better alignment of resources to Council priorities. The budget set is based on a number of assumptions and risks, outlined in the Financial Strategy, Budget 2019/20 and Medium Term Financial Plan 2020/23 report; including activity pressures inherent within the social care system, delivering the required reductions to the cost base and managing all other financial risks that could materialise into a pressure to the cost base.

Budget Review 2019/20 - Revenue

- 2.2. The current approved revenue and capital budget and potential expenditure at outturn for 2019/20 can be seen in appendix 1.

- 2.3. Financial monitoring occurs on a regular basis, and incorporates; budget monitoring, reviewing the progress of approved reductions to the cost base and areas of specific risk management. Based upon quarter one monitoring, risks of £5m have been identified which, if unaddressed, could result in net expenditure at outturn of £148.2m. This would be 3.5% above the cash limit set. Analysis of the potential variance is provided in appendix 1, with commentary focussing on the key identified areas of financial risk.
- 2.4. The Council's strengthened accountability framework requires a whole system approach across the organisation to further understand solutions required to mitigate and reduce the risks that have been identified during quarter one monitoring. This includes identifying additional actions that could be taken to improve the position. The outcome from confirm and challenge sessions will feed into the budget update report to the November Cabinet.
- 2.5. The Council's long-term financial aim is to become self-sustainable, where the income it generates is sufficient to fulfil its investment aspirations. The Financial Strategy provides the framework for how the Council can manage its cost base to adapt to changes in activity and availability of income. The Council approved a programme of cost base reductions that contribute to longer term financial sustainability, delivery of which underpins the 2020/23 medium term financial plan.
- 2.6. Reporting identified risks to income and expenditure to Cabinet early in the year forms part of prudent financial management and provides an opportunity for Cabinet to inform the strategic direction. At this early stage of the financial year, forecasts generally reflect potential issues in full to the extent they are understood, but do not yet reflect the impact of corrective actions that is deemed necessary.
- 2.7. The Council has a strong track record of managing within budget. It spent within budget in 2018/19 as a result of the actions taken during the year through collaborative working to address identified budget pressures.

Reserves

- 2.8. Should the position remain unchanged at year-end, the Council will be required to make an unplanned use of the Risk and Transformation reserve, which would reduce the available balance for significant unforeseen events and risk mitigation.

Budget Adjustments

- 2.9. A number of adjustments to the revenue budget have been made, as the Council continually seeks to align budgets with delivery of the Council Plan. The adjustments have all been made under delegated powers and are summarised in appendix 2.

Capital Investment 2019/20

- 2.10. The Council approved a multi-year capital investment programme in its Priorities totalling £62.5m. It also set aside an additional £37m for schemes in development, to be drawn down as and when schemes have received full approval as per the capital investment strategy. When combined, the Council expects to invest £99.5m in its priorities over the three-year period to 2021/22, funding broadly 50/50 internal resources (e.g. borrowing) and external resources (e.g. grants).
- 2.11. Since the capital investment programme was originally approved in February 2019, the programme has been adjusted to incorporate re-phasing at outturn and further allocation of capital resource to priority areas from the unallocated capital investment resource. These were approved by the Prosperity Cabinet Member in July.
- 2.12. There are no known or declared capital variances at this early point of the financial year, and therefore capital is currently forecast to outturn at the budgeted expectation. Some re-phasing is likely to be required throughout the remainder of the financial year, as capital schemes are generally delivered over a number of years and better information around delivery timescales emerges as the year progresses.
- 2.13. Business cases for capital investment are currently being worked up in accordance with the process and priorities set out in the capital investment strategy. Four business cases have been refined through the process and recommended for inclusion as investments in the capital programme. The schemes are highlighted in the latest capital investment programme 2019/22 at appendix 3. There are also adjustments to external programmes proposed which increase external investment in North Lincolnshire, also highlighted in appendix 3.
- 2.14. Incorporating the adjustments discussed above, and subject to receiving Cabinet approval where required, capital investment over the three years to 2021/22 is expected to total £107.9m, with £62.4m programmed to be delivered in 2019/20.
- 2.15. Capital investment is a key enabling tool, in that it can help to improve outcomes that can be achieved and facilitate reductions to the cost base. There are a set of principles which govern the types of investment the Council is prepared to make as set out in the capital investment strategy, all new investment proposals fall under at least one of these groupings.

Treasury Management

- 2.16. The Council is continuing to manage cash balances and debt in line with the approved Treasury Management Strategy. Borrowing costs are expected to be lower than budget at outturn, and the provisional estimate of minimum revenue provision is also marginally lower than budget. As a result, the cost of capital financing ratio in 2019/20 is expected to be lower than the forecast in the budget papers to Full Council.

- 2.17. Borrowing at the end of June 2019 was £181.5m. This will increase during the year to meet cash flow forecasts, including the need to borrow to support the capital programme. This will be lower than the level set for the capital financing requirement and borrowing will take place at the optimum time for affordability and need.
- 2.18. Appendix 5 sets out the prudential indicators for 2019/20 approved by Full Council on 28th February 2019, and the revised estimate.

Medium Term Financial Planning 2020 and beyond

- 2.19. The Council will set a revenue budget for 2020/21 and approve a medium term financial plan, currently expected to cover the three year period 2020/23, at the budget setting meeting of Full Council on Wednesday 26th February 2020.
- 2.20. In order to do this, the Council will continue work on bringing its expenditure aspirations in line with its expected resources over the period. As reported previously, there is longer-term uncertainty with regards to future local government funding. However, greater clarity has now been provided for 2020/21 following the Chancellor's announcement of the Spending Round on Wednesday 4th September 2020, which committed to increasing Local Government spending power in 2020/21 by £2.9bn. The potential impact on the Council is considered in appendix 4.
- 2.21. The Council has adopted Priority Based Budgeting as its preferred method for resource allocation and investment planning. The 2019/20 budget was set using this approach which will be repeated for 2020/21. Priority Investment groups comprising officers from across the Council will consider how best to develop the Council's offer for 2020/21 against the Council's strategic policy direction set out in the Council Plan, making the best use of available resources. Investment Plans will be updated and will set out the proposed offer, investment and outcomes for 2020/21 and beyond.
- 2.22. It is envisaged that Cabinet will determine an Executive Budget proposal at its meeting in January 2020, which will form the basis of the budget setting papers which will be scrutinised and taken to Full Council in February 2020.
- 2.23. An indicative timeline guiding the budget setting process has been included within appendix 4.

Closure of Accounts 2018/19

- 2.24. The Council is required to produce its annual statement of accounts within two months of the end of the financial year. The Council's external auditors, Mazars, then have a further two months to conduct a series of audit tests to ascertain whether, in their opinion:
- The financial statements give a true and fair view of the financial position of the Council and have been properly prepared in

accordance with the applicable account codes of practice on Local Authority Accounting.

- North Lincolnshire Council has proper arrangements in place for securing economy, efficiency and effectiveness in the use of resources.

2.25. In their conclusion, Mazars issued an unqualified opinion on the financial statements. This means they are satisfied that the financial statements give a true and fair view of the Council's financial position. In addition, they concluded that the Council had proper arrangements in place during 2018/19 to secure economy, efficiency and effectiveness in its use of resources.

2.26. This is the best possible outcome, and is the result of the collective approach and respect given to financial management across the organisation, led by the Accountancy service. This gives assurance that the Council is considered by external specialists to be financially well managed.

3. OPTIONS FOR CONSIDERATION

3.1. To receive the budget monitoring position for revenue and capital for 2019/20, outlined in the report and in appendix 1.

3.2. To be advised of the latest approved revenue budget 2019/20, and the approach being taken to ensure delivery against the approved budget.

3.3. To approve the revised capital investment programme for 2019/20.

3.4. To note the performance in respect of Treasury Management.

3.5. To consider the proposed 2020/21 financial planning process.

3.6. To be advised of the positive outcome of the external audit of the 2018/19 accounts.

4. ANALYSIS OF OPTIONS

4.1. The analysis is outlined in the background information in section 2 and in the supporting appendices.

5. FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g. LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)

5.1. The Council must maintain a balanced revenue budget for each financial year. If the financial risks highlighted in this report are not resolved by the year-end, the required use of reserves would be more than planned. Accordingly, it is vital that the Council identifies solutions to contain spending within the strict cash limits set, to prevent available reserve balances reducing in an unplanned way.

6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)

6.1. Not applicable.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

7.1. Not applicable.

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

8.1. Not applicable.

9. RECOMMENDATIONS

9.1. To note the revenue and capital budget monitoring position for 2019/20, which is set out at appendix 1 and the ongoing work to identify solutions to mitigate the financial risks.

9.2. To note the revenue budget adjustments approved under delegated powers and the revised budget position for 2019/20, summarised at appendix 2.

9.3. To approve the revised capital investment programme 2019/22 summarised at appendix 3.

9.4. To approve the proposed 2020/21 financial planning process set out at appendix 4.

9.5. To note the progress against the approved Treasury Management Strategy in appendix 5.

9.6. To note the positive outcome of the external audit of the 2018/19 accounts.

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Background Papers used in the preparation of this report

Financial Strategy, Budget 2019/20 and Medium Term Financial Plan 2020/23 report
Capital Investment Strategy and Capital Programme 2018-2022
Capital Programme 2019-22 Update report
Treasury Management and Investment Strategy 2019/20
Revenue and Capital budget transfer analysis (quarter one)

REVENUE AND CAPITAL MONITORING POSITION 2019/20
Appendix 1

REVENUE	Budget £000's	Potential Spend £000's	Risk £000's
EXPENDITURE			
Investment in Priority Areas	115,264	120,445	5,181
Running the Business (technical)	27,890	27,710	(180)
NET OPERATING EXPENDITURE	143,154	148,155	5,001
FUNDING			
Council Tax, Business Rates and Government Grants	(141,854)	(141,854)	-
Use of Reserves	(1,300)	(1,300)	-
TOTAL FUNDING	(143,154)	(143,154)	-
POTENTIAL VARIANCE	-	5,001	5,001

CAPITAL	Budget £000's	Potential Spend £000's	Risk £000's
EXPENDITURE			
Investment in Priority Areas	54,899	54,899	-
Additional Capital Investment Allocation	7,507	7,507	-
TOTAL EXPENDITURE	62,406	62,406	-
FINANCING			
External & Grant Funding	(31,513)	(31,513)	-
Council Resources	(30,893)	(30,893)	-
TOTAL FINANCING	(62,406)	(62,406)	-
POTENTIAL VARIANCE	-	-	-

ANALYSIS OF REVENUE 2019/20

1. The Council's Net Operating Expenditure represents the day to day costs and income sources of council. For 2019/20, a strict cash limit of £143.2m was set by Full Council and represented the expected spending power to support revenue investment in year.
2. The Council undertakes a robust monitoring process throughout the year which seeks to identify progress of spend against budget and includes a focus on the actions approved in the 2019/20 budget. A Council level budget position reported quarterly. At quarter one, total risks of £5m have been identified that could, if unaddressed, result in revenue expenditure of £148.2m at outturn. This would represent an increase of 3.5% above the limit set.
3. The financial environment which the Council is working within means that the Council must take action to control costs as far as it is able to do so. The biggest variances that could arise are most likely to come from the services which are sensitive to the level of need and activity. Therefore, operating in a financially sustainability way means continuously taking the necessary action to influence activity and therefore cost, in a way that ensures vulnerable people's needs are best met.
4. The potential variance that could arise at the year-end if corrective action is not taken comprises the following:
 - The Council set out new approaches to financial management in its budget setting report for 2019/20 to support its effective approach to risk management. Part of this strategy includes taking continual action to contain increases in activity as far as possible. At this early stage of the financial year, activity pressures are evident across a range of services, with the most acute instances being in Adult Social Care (mental health & learning disability). When combined, activity levels within the service are currently tracking £1.5m over the budget limit. This comprises new packages in mental health services and additional complex learning disability placements.
 - The Council approved £8.7m of reductions to the cost base, which supported the balanced budget. The implementation and phasing of some initiatives are likely to differ to the budget assumption, therefore will require alternative solutions in year. In total, the in-year shortfall is expected to be in the region of £3m. This includes the review of waste strategy.
 - The commercial property portfolio is not expected to achieve its 2019/20 income target, which reflects pressures due to voids in the current portfolio and the progress of new property acquisitions. The total shortfall is expected to be in the region of £0.5m.
 - The cost of providing transport services across North Lincolnshire is currently and collectively expected to be £0.5m overspent at outturn, reflecting a higher current offer than the budget can structurally afford.

- The cost of capital financing is expected to be lower than the budgeted expectation as a result of a lower minimum revenue provision charge.
 - The Council continues to take a sensible approach to vacancy management, only recruiting to roles where absolutely necessary for business continuity purposes. Vacancies being held will be deleted as and when service reviews are completed which will support achievement of longer-term cost base reductions. In total, vacancy management is expected to mitigate overspend elsewhere by approximately £1.9m.
5. The refined Financial Assurance arrangements in place for 2019/20 requires collective and collaborative action to address the in-year financial challenge in a way which minimises the ongoing impact beyond 2019/20. Where risks in delivery are identified, officers will work together to identify potential solutions. Senior Leadership Team will provide oversight and direction in conjunction with Cabinet members where intervention is necessary. Confirm and challenge will be held with relevant leads in determining agreed solutions. Cabinet will be kept updated on progress.
 6. It is not uncommon for a financial pressures to be reported at this stage of the year, as officers base expenditure projections for the full year on three months data. Additionally, solutions that may be developed across the Council are not yet reflected in the quarter one position. The Council has a good track record of containing expenditure to budget, and was able to manage its inherent risks and spend within budget in 2018/19 after taking action during the year to reverse the forecast overspend that had been expected during the monitoring process.
 7. The Council has a reserves strategy which governs deployment of reserves. This forms part of the wider approach to risk management. It is likely that greater reserve usage may be required if an overspend remains at outturn.
 8. Following the recent approval of the pay award for 2019/20, there will soon be a distribution of resource from contingency to priority investment budgets to fund the forecast adjustment to staff expenditure.

ANALYSIS OF CAPITAL 2019/20

9. The Council approved a new approach to capital investment in February, with all investment decisions guided and governed by the capital investment strategy which states the three capital investment principles:
 - Invest in outcomes – aligning capital investment to support the Council's vision, ambition and strategic priorities
 - Invest for return – a commercial approach to investment which is linked to the commercial aspirations
 - Invest to save – supporting the Council's organisational development implementation and to enable long-term financial sustainability.
10. At the same time, Council approved capital investment in 2019/20 of £54.5m, with investment over the three years to 2021/22 totalling £99.5m. Investment was split

between specific schemes already committed to within priority investment areas, and an additional capital investment allocation to be distributed pending the successful business case approval.

11. At financial outturn in 2018/19, £6.8m was re-phased forward to 2019/20 to align investment resource with latest delivery timescales.
12. Additionally, following successful completion of business cases and receiving full approval from the Cabinet Member for Prosperity in July, a further £17.8m of the additional capital investment allocation has been distributed to priority investment areas to fund additional investment across the period 2019/22. Of the amount drawn down to priority investment areas, £6.6m relates to investment in 2019/20.
13. Following successful completion of business cases, further drawdown of the additional capital investment allocation is proposed; all are endorsed by the Capital and Major Projects board. The proposed areas for investment are listed in appendix 3 (table 2). Cabinet is required to approve the additional investment in schools and children centres. All other investments have received full approval under delegated powers.
14. The Council receives a significant amount of external funding to contribute towards the investment that it makes in North Lincolnshire. Some adjustments to external funding can now be made to reflect recent notifications of funding for the current financial year. These adjustments, which in totality increases the investment to be made in 2019/20 by £1.285m, are listed in appendix 3 (table 3) and have all been approved under delegated powers.
15. The revised capital investment programme 2019/22 is summarised in appendix 3 (table 1).
16. At this early stage of the financial year, there are no reported variances across the capital investment programme for 2019/20. It is expected that there will need to be some re-phasing adjustments made as the financial year progresses and better information becomes available.

Table 1 – Revenue Investment (Accountability Structure)

2019/20 REVENUE INVESTMENT: BY SERVICE	Current Approved Budget £000's	Policy Changes £000's	Technical Budget Transfers £000's	Revised Budget £000's
Business Development	(505)	-	-	(505)
Governance & Partnerships	20,171	-	(6,006)	14,165
Operations	29,582	-	(252)	29,330
Learning, Skills & Culture	9,816	-	-	9,816
Children & Community Resilience	19,168	-	-	19,168
Adults & Community Wellbeing	35,810	-	(67)	35,743
Public Health	1,222	-	6,325	7,547
SERVICE TOTAL	115,264	-	-	115,264
Central & Technical Budgets	27,890	-	-	27,890
NET OPERATING EXPENDITURE	143,154	-	-	143,154

Table 2 – Revenue Investment (Council Plan Priority)

2019/20 REVENUE INVESTMENT: BY PRIORITY	Original Approved Budget £000's	Policy Changes £000's	Technical Budget Transfers £000's	Revised Budget £000's
Keeping People Safe And Well	62,364	-	5	62,369
Enabling Communities to Flourish	23,264	-	99	23,363
Growing The Economy	7,181	-	36	7,217
Running the Business (organisation)	23,056	-	(140)	22,916
Running the Business (technical)	27,289	-	-	27,289
PRIORITY TOTAL	143,154	-	-	143,154
NET OPERATING EXPENDITURE	143,154	-	-	143,154

Table 1 – Capital Investment Programme Summary 2019/22

PROPOSED PROGRAMME	2019/20 £000's	2020/21 £000's	2021/22 £000's	Total £000's
Investment In Priority				
Keeping People Safe And Well	957	2,022	156	3,135
Enabling Communities To Flourish	11,136	2,729	1,729	15,594
Growing The Economy	38,935	11,912	15,366	66,213
Running the Business	3,871	920	20	4,811
Total	54,399	17,083	17,271	89,753
Additional Capital Investment Allocation	7,507	6,956	3,725	18,188
Capital Investment Limit	62,406	24,039	20,996	107,941
Funding Analysis				
External & Grant Funding	31,513	12,339	9,296	53,148
Revenue Funding	138	-	-	138
Borrowing	23,704	8,700	8,700	41,104
Capital Receipts	7,051	3,500	3,000	13,551
Total	62,406	24,039	20,996	107,941

Table 2 – Proposed Drawdown of Additional Capital Investment Allocation

CAPITAL INVESTMENT SCHEME	2019/20 £000's	2020/21 £000's	2021/22 £000's	Total £000's
Schools & C.C. Investment Programme	588	-	-	588
Digital & IT Infrastructure	245	-	-	245
Education Health Care Plan System	72	-	-	72
NL Broadband Development Phase 3	18	44	26	88
Additional Capital Investment Allocation	(923)	(44)	(26)	(993)
Total	-	-	-	-

Table 3 – Amendment to Externally Funded Capital Investment Schemes

CAPITAL INVESTMENT SCHEME	2019/20 £000's	2020/21 £000's	2021/22 £000's	Total £000's
NL Broadband Development Phase 3	500	500	-	1,000
Pothole Action Fund	252	-	-	252
Enhanced & Prosperous Communities	31	-	-	31
Humberhead Levels Landscape Partnership	5	-	-	5
Devolved Formula Capital	(3)	-	-	(3)
Total	785	500	-	1,285

1. The 2019/23 medium term financial plan was the result of a step change in approach to budget setting. Forecast resource levels were better aligned to the Council's priorities for North Lincolnshire, namely:

- Keeping People Safe and Well
- Enabling Communities to Flourish, and
- Growing the Economy

There is an additional priority of 'Running the Business' which supports the broader investment in priorities and enables effective and efficient service delivery.

2. The budget setting report for 2019/20 included a series of Priority Investment plans for each priority area which set out the high level offer for each priority, made the links to outcomes explicit and detailed the Council's contribution to achieving success in each outcome area based on the investment in 2019/20. The Priority Investment plans will continue to be the vehicle used for investment allocation decisions in 2020/21 and beyond, and will be developed further between now and when the budget is set on Wednesday 26th February 2020.
3. Work is already underway to reappraise the funding base, which in essence represents the Council's spending power. This will be an ongoing exercise. The 2019/23 medium term financial plan contained significant funding uncertainty beyond 2019/20 - which was the final year of a four year settlement - due to major planned changes to the Local Government funding framework. The amount of business rates retained locally was due to increase from 2020/21 (offset by reduction in grant funding). In addition, the Government review of Fair Funding was due to be completed and implemented, which would lead to a new formula to determine the new distribution of resources between local authorities, with potential transitional arrangements being introduced.
4. However, the national landscape since the 2019/20 budget was set has changed significantly. There has been a delay in the development and implementation of policy changes such as Local Government funding reform, leading to the Government opting to hold a one year Spending Round for 2020/21 rather than the multi-year Spending Review which had been due to be held.
5. On Wednesday 4th September 2019, the Chancellor of the Exchequer announced the results of the Spending Round, setting out departmental spending plans for 2020/21. A one year spending round provides short-term certainty.
6. The Spending Round 2020/21 represents the fastest planned increase in day-to-day departmental spending in 15 years (4.1% above inflation), with additional resource set aside for public priorities, including health, education, security and social care. Specifically for Local Government, the Spending Round confirmed:
- A further £1bn grant funding for social care
 - Continuation of £2.5bn grants to support social care
 - A potential £500m through an additional 2% adult social care precept

- Inflationary increases in Public Health Grant and Better Care Funding
 - The core settlement will be uprated by £300m.
 - An extra £700m to support children with special educational needs
7. The Spending Round also confirmed that, in order to provide certainty and stability for next year, the longer-term reforms including business rates retention and fairer funding will be delayed until 2021/22. The Council's longer-term funding position will therefore continue to contain inherent uncertainty. Officers will make a best estimate of resources beyond 2020/21 to aid local planning decisions.
 8. The Spending Review has provided certainty for 2020/21, barring any subsequent changes in the Autumn Budget or Local Government finance settlement. Officers have attempted to translate the Spending Round announcements into a local spending power position on page 16.
 9. There are three tables on page 16 which set out different spending power scenarios. Table 1 sets out the estimate of spending power which supported the 2019/23 medium term financial plan, the opening position.
 10. Table 2 sets out the revised estimate taking Spending Round announcements into consideration. This position assumes the Council:
 - levies a 2% adult social care precept in 2020/21
 - increases general council tax by the referendum limit set for 2020/21
 - receives social care grant funding
 - retains £2.1m of social care grant funding provided in 2019/20, and
 - receives inflationary increases to revenue support grant and public health grant.

Beyond 2020/21, it is assumed that the social care grant funding reduces back to 2019/20 levels, and that the Council is able to increase the general rate of council tax by up to 3%. There are no other changes assumed reflecting the limited information available beyond 2020/21.

11. A worse case spending power scenario is presented in table 3. This mirrors the table 2 assumption for 2020/21, but assumes social care grant funding reduces to nil in 2021/22 and revenue support grant is reduced by 25%. This scenario reflects the possibility that the national economic outlook could deteriorate, which could constrain the long-term affordability of current Government spending plans.
12. The revised assumptions increases the projected spending power in 2020/21 by £6.3m. The assessment of spending power contained in table 2 will now become the working scenario, noting that the definitive funding position will be confirmed in the 2020/21 Local Government Finance Settlement in December. The working scenario will continually be refined and updated to reflect the best information available, up to the point where the finance settlement is published.
13. The structural deficit in the February medium term financial plan is reduced under the working scenario of spending power. The budget process will need to identify how to resolve both short term and longer term structural deficit and enable a balanced budget to be set, definitively for 2020/21 and beyond.

14. The new arrangements with regard to risk management formalised in the 2019/23 medium term financial plan include a requirement on taking action to mitigate risks. This ethos and way of being will continue be a foundation principle of budget setting and effective management thereafter.
15. The quarter one position contained in this report highlights the inherent risk within expenditure budgets. Investment in Priorities could outturn £5.2m above the budget limit if mitigating actions are not identified and implemented. There is an inherent risk that the increase to the cost base carries forward and increases the residual challenge in 2020/21. The financial assurance arrangements will continue to work through the specific issues and look to identify potential solutions. The outcome of this process will have an impact on the size of the residual challenge the Council will need to address in 2020/21.
16. The Council has a clear reserves policy which will govern their relationship with the 2020/23 medium term financial plan. The level of available reserves could be impacted by the forecast outturn in 2019/20.
17. Cabinet will continue to be updated on progress at subsequent meetings in November and January, with the Full Council budget setting meeting held in February. An early indication of outturn for 2019/20 is also proposed to be brought to the meeting in March.
18. An indicative high level timetable guiding the budget process can be seen on page 17.

FORECAST SPENDING POWER SCENARIO'S

Table 1 – 2019/23 Medium Term Financial Plan spending power

SPENDING POWER BREAKDOWN	2020/21 £000's	2021/22 £000's	2022/23 £000's
Council Tax (2.99% p.a.)	(70,111)	(72,847)	(75,681)
Social Care Precept	(5,221)	(5,255)	(5,290)
Business Rates	(42,288)	(43,255)	(45,042)
Revenue Support Grant	(6,098)	(6,098)	(6,098)
Improved Better Care Fund	(6,264)	(6,264)	(6,264)
Other Social Care Grants	-	-	-
Public Health Grant	(9,066)	(9,066)	(9,066)
Other Grants	(1,026)	(1,087)	(1,180)
Total Forecast Spending Power	(140,074)	(143,873)	(148,621)

Table 2 – Spending Round 2020/21 revised spending power estimate

SPENDING POWER BREAKDOWN	2020/21 £000's	2021/22 £000's	2022/23 £000's
Council Tax (1.99% 20/21, 2.99% 21/22 – 22/23)	(69,380)	(72,132)	(74,984)
Social Care Precept (2% 20/21)	(6,672)	(6,716)	(6,761)
Business Rates	(42,288)	(43,255)	(45,042)
Revenue Support Grant	(6,220)	(6,220)	(6,220)
Improved Better Care Fund	(6,264)	(6,264)	(6,264)
Other Social Care Grants	(5,231)	(2,061)	(2,061)
Public Health Grant	(9,251)	(9,251)	(9,251)
Other Grants	(1,026)	(1,087)	(1,180)
Total Forecast Spending Power	(146,333)	(146,987)	(151,763)
Difference to 2019/23 MTFP	(6,259)	(3,114)	(3,142)

Table 3 – Worse case spending power scenario

SPENDING POWER BREAKDOWN	2020/21 £000's	2021/22 £000's	2022/23 £000's
Council Tax (1.99% p.a.)	(69,380)	(71,367)	(73,404)
Social Care Precept (2% 20/21)	(6,672)	(6,716)	(6,761)
Business Rates	(42,288)	(43,255)	(45,042)
Revenue Support Grant	(6,220)	(4,665)	(4,665)
Improved Better Care Fund	(6,264)	(6,264)	(6,264)
Other Social Care Grants	(5,231)	-	-
Public Health Grant	(9,251)	(9,066)	(9,066)
Other Grants	(1,026)	(1,087)	(1,180)
Total Forecast Spending Power	(146,333)	(142,420)	(146,382)
Difference to 2019/23 MTFP	(6,259)	1,453	2,239

*totals subject to rounding

INDICATIVE BUDGET PROCESS TIMELINE

Stage	Date
Priority investment groups reconvene to start investment planning	Sep 2019
Initial public engagement	Oct 2019
Draft priority investment plans and medium term financial plan complete	Oct 2019
Elected member consultation	Nov 2019
Budget Review 2019/20 and Medium Term Financial Plan update report to Cabinet, which includes: <ul style="list-style-type: none"> Budget review 2019/20 (quarter two) Revised estimate of spending power for MTFP period Progress on cost base adjustments Update on national policy (e.g. Spending Review 2019, Autumn Budget, Exit from the EU) 	25 Nov 2019
Local Government Finance Settlement 2020/21	Dec 2019
Setting the Council Tax Base 2020/21 report to Full Council, which includes: <ul style="list-style-type: none"> Finalisation of the council tax base 2020/21 Consideration of potential policy changes 	10 Dec 2019
Additional public engagement	Jan 2020
Budget Review 2019/20 and 2020/21 Executive Budget Proposal report taken to Cabinet for endorsement, which includes: <ul style="list-style-type: none"> Budget review 2019/20 (quarter three) Balanced budget proposal for 2020/21 Priority investment plans Detail on funding and expenditure adjustments Detail of local government finance settlement A medium term financial plan proposal 	27 Jan 2020
2020/21 Executive Budget Proposal taken to Governance & Standards scrutiny panel. Final changes made following feedback.	Feb 2020
Full Council budget setting meeting to consider: <ul style="list-style-type: none"> Financial strategy, revenue budget 2020/21 & medium term financial plan 2020/23 Capital investment strategy 2020/23 Treasury management strategy 2020/21 Pay policy statement 2020/21 All other relevant resolutions (e.g. council tax) 	26 Feb 2020

TREASURY PRUDENTIAL INDICATORS

Appendix 5

		2019/20	
		Budget (Feb 2019)	Forecast (Q1)
(i)	Estimates of capital expenditure	£m 54.5	£m 61.9
(ii)	General Fund ratio of financing costs to the net revenue stream % (Based on Prudential Code 2013)	% 9.66	% 9.52
(iii)	An estimate of the capital financing requirement	£m 252.9	£m 253.4
(iv)	The authorised limit for external debt: borrowing other long term liabilities total	£m 282.9 5.0 287.9	£m no change
(v)	The operational boundary for external debt: borrowing other long term liabilities total	£m 254.7 2.0 256.7	£m no change
(vi)	Upper limit for fixed rate exposure	% 100.0	% no change
(vii)	Upper limit for variable rate exposure	% 40.0	% no change
(viii)	upper and lower limits for maturity structure of borrowing UPPER LIMIT under 12 months 12 months and within 24 months 24 months and within 5 years 5 years and within 10 years 10 years and above LOWER LIMIT 10 years and above	% 40.0 20.0 50.0 75.0 90.0 25.0	% no change
(ix)	Total principal sums invested for periods longer than 364 days	£m 0	£m no change