# Risks for 2020/21 budget A1

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| **Revenue Income** | | | |
| Council Tax | £10.6m | Potential for increases - the referendum limit proposed by the government for consultation is £5 or 2% whichever is the greater. Setting the council tax at a higher level would require a referendum.<br><br>Collectability – the council tax in year collection rate was slightly below target for 2018/19. Collection rates for 2019/20 so far are about 0.12% behind target.<br><br>Council Tax Reduction Scheme (CTRS) – As residents move from housing benefit to universal credit, we are experiencing some delays in applications for CTRS. The team are proactively managing this to try to ensure that residents who are entitled to CTRS are taking up their maximum entitlement. The proposed new scheme to be considered by councillors in December would simplify administration of the scheme for both the council and applicants. | Council tax referendum rules will limit the Council's ability to use council tax increases as a solution to balancing the budget. The government announces the referendum rules annually so it is not possible to forecast their impact on future years. Council Tax increases in the Financial Plan show a £5 increase in 20/21 and 3% increases thereafter.<br><br>The grant to cover the costs of the council tax reduction scheme has been rolled into government funding, so as that is reduced, funding available for the council tax reduction scheme has also reduced. |
| Formula grant and Business Rates | nil Revenue Support Grant<br><br>£4.6m Business Rates | The Council's central government funding for 2020/21 for individual authorities has not been announced and due to the election it may not be announced until January. This would be after the Council has consulted on its draft budget and only a month before the budget is set.<br><br>The Council was due to be in negative RSG but it has been indicated that the Council's position would be nil RSG and the budget has been drafted on that basis.<br><br>RSG is fixed, but for business rates the Council shares the risk/rewards of rates and its income will depend on | No information is available about central government funding for 21/22 onwards. A spending review is underway that will determine the share of government funding that will be allocated to local government. There is also a fair funding review underway that will determine how local government's share of central funding is allocated between different types of councils.<br><br>There are no indications yet about the potential outcomes of these reviews.<br><br>The government has announced that 75% business rates retention will be in place from 21/22 but no information is available about how this would work, and in any event the base |

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| | | how the business rates base and collection rates vary during year, and the success of outstanding appeals.<br><br>A number of NHS trusts, including EKHUFT, are taking local authorities to court to change how they are treated for business rates purposes. They claim that they should be awarded 80% mandatory rate relief. If the trusts are successful, this change in classification would mean that their rates bills would be significantly reduced for the past six years. This would have a major impact on this Council and many others. At present, no provision has been made for an adverse outcome and it is expected that, given the scale of the impact on local authorities, the government would need to intervene. | allocation to councils will be determined by the two reviews referred to above. |
| New Homes Bonus (NHB) | £1.8m | For 2020/21 the government has indicated that NHB will continue however the NHB to be awarded has not yet been announced, and potentially it will not be announced until January. The budget currently assumes that legacy NHB payments will continue in 2020/21. | It remains to be seen whether commitments for future years NHB funding will be honoured.<br><br>From 2021/22 onwards the government will reward/penalise councils based on the housing delivery test. |
| Commercial rents | £13m | Rents achieved will depend on economic growth and expectations of future growth – the current forecast for 2016/17 rental income is in line with the budget.<br><br>The Whitefriars purchase provides opportunities for higher rental income but also increases the Council's exposure to adverse changes in commercial rents. | The downward pressure on high street rents continues due to the uptake in online shopping and economic uncertainty. |
| Parking income | £9m off street<br>£0.5m on | Parking income depends on economic growth and tourism trends. Currently income levels are below target | Current plans assume increases in income for future years. |

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| | street | and the budget proposals for 2020/21 include an adjustment to take account of the income shortfall. | |
| Other variable income sources | £1.4m Planning<br><br>Museum income £0.4m | These income sources are dependent on the housing market. Planning income is forecast to be above budget and Building Control income below budget.<br><br>Museum income budgets have been reviewed and realigned; income is forecast to be close to budget.<br><br>The Marlowe is due to become a Trust before the start of 2019/20 so any risks around its income transfer to that organisation. | Continued housing demand in the South East should lead to a continued upturn in planning fees, though this will be matched by increased costs for processing applications. |
| Other specific government grants | | Relates to Surestart, Community Safety and Supporting People. Planned reductions in public spending are likely to lead to further reductions in grants. The current arrangements for Riverside are in place for 18 months. | All government support is expected to continue to be reduced over the next few years. |
| Revenue contributions from Reserves | £200k from General Fund in 2019/20; also £150k from Budget Stabilisation Reserve, contributions to capital and regular contributions to smooth expenditure | The support is partly from planned reductions in the General Fund balance and partly from reserves that are no longer required or where the reserve was created to fund planned expenditure that is now due to take place. | Reserves can be used to smooth the need for savings in future years but can only be used once and are therefore not a permanent solution to forecast budget gaps. The Budget Stabilisation reserve is being used to support the budget up to 2022/23 and will be fully utilised at that date. |

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| **Revenue Expenditure** | | | |
| major contracts | | None | Inflation factors used to uprate payments may exceed the inflation contingency provided for in the budget (£250,000 a year).<br><br>The Council is starting to plan for the end of its current refuse collection contract |
| Employee costs | £14m | The cost of one percent award is estimated at £140,000 pa. The pay award for 2020/21 is yet to be agreed and the national award is also still under negotiation. | May be pressure for higher increases in later years, as pay inflation has picked up. |
| Sup’n Fund backfunding | £2.5m | The fund is being revalued as at 31 March 2019 and very early indications are that costs should be contained within existing provisions. | Changes to the Scheme from April 2014 and already implemented (eg. change in pension inflation measure, later retirement dates and sharing of future cost pressures between employers and employees) should reduce future liabilities but the performance of investments may increase liabilities, the net position is assessed every three years. |
| Other major non-pay costs | | Energy costs are unpredictable particularly given currency movements. When equipment is replaced the opportunity is taken to introduce more energy efficient products in order to reduce usage.<br><br>Inflation on costs for which no inflation has been allowed may create budget pressure. CPI for September was 1.7%. £250k allowed for each year. | Energy costs will feed in mainly through the Refuse Collection, Street Cleansing and Grounds Maintenance contracts as well as accommodation costs. They also affect the leisure sites run by Active Life.<br><br>Maintenance requirements for all the Council’s buildings have been assessed through a stock condition survey, and provision made for this in the capital programme. From this a planned maintenance programme will be drawn up. |
| Unavoidable growth/income reductions | £250k | This provision covers unbudgeted cost pressures and income shortfalls and is usually significantly less than the total of bids received each year. For 2019/20 growth | For later years, the provision for unavoidable growth has been reduced to £250,000. Consideration |

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| | | is £789k above this provision. | |
| Planned savings for future years | £5m up to 2023/24 | Savings proposals for 2020/21 are included elsewhere in this report. | The budget gap will require additional savings of £5m between 2020/21 and 2023/24. Managing a programme of savings of that magnitude will be extremely challenging on top of the savings already achieved in recent years. |
| Borrowing costs | £11.5m | Interest rates are currently low though forecast to rise slowly. Increase in PWLB rates covered in the main report. The Plan assumes a mix of funding for capital projects, including capital receipts, revenue contributions and borrowing.<br><br>The capital programme for 2020/21 will require further borrowing, taking annual financing costs up to £11.7m. | Interest rates will increase at some stage and new loans would be at higher rates. Loans are taken out on a fixed rate basis to give certainty over future costs.<br><br>Borrowing costs will increase to £13.4m pa by 2023/24. As the proportion of the revenue budget that is taken up by borrowing costs increases, the Council's ability to redirect funding or make further savings is reduced. |
| **Capital** | | | |
| Planned use of Capital receipts | | The value and timing of capital receipts is subject to significant uncertainty. If receipts cannot be achieved, capital spending will have to be funded from borrowing, placing additional pressure on the revenue budget. | The properties now planned for disposal are the more complex situations and therefore disposal timings and values are harder to predict. As a result, the assumed receipts are calculated on a prudent basis. The level of borrowing required can be reduced downwards if a higher level of receipts is achieved. |
| Capital Programme | £35m net to be funded from borrowing 2020/21 | The plan has been reviewed and reprofiled as part of the budget preparation. Any additional borrowing costs will require further revenue savings to compensate. | As for previous years, planned capital expenditure is outstripping receipts, which will lead to increased borrowing and revenue costs, requiring further revenue savings to ensure a balanced budget unless further revenue contributions can be used to close the funding gap or a project generates sufficient revenue income to be self-funding. |
| **Other** | | | |
| 2019/20 | N/A | Current forecasts are for an overspend at the year end. | |

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| outturn | | The main areas of overspend forecast ( parking income) has been taken into account in drafting the budget for 2020/21. | |
| HRA | N/A | UC has increased the risk of rent arrears increasing. After four years of government imposed rent reductions, in 2020/21 a rent increase is proposed. Despite this the HRA is still expected to make a deficit for 2020/21. | The four year rent reduction has had a significant and growing impact on the HRA. The government has indicated that it will allow local authorities to increase rents by CPI plus 1% from 2020 to 2025. The recently approved HRA business plan set out the challenges being faced in achieving a stable financial position for the HRA as well as providing much needed additional social housing. |
| EK Services, EK HR, EKH | N/A | The Council is currently consulting on bringing its housing management services back in house as are its three partner authorities. | The Civica partnership has the potential to deliver savings in future years, though allowance will need to be made for inflation in future years. |
| Universal Credit (UC) | | Universal Credit (UC) now introduced for new cases and those with significant changes will move across to UC.<br><br>The Council is already seeing an impact on rent collection and council tax support applications. | Civica will have to manage a reduction in housing benefit workload but migration plans from DWP indicate that full roll out of UC may not happen until 2022. Assessors may leave in the run up to UC introduction, requiring the use of more expensive agency staff.<br><br>Impact on the HRA and in-house Housing due to increased homelessness, increased rent arrears. |
| Brexit | N/A | In the short term a weaker pound might be encouraging foreign tourists to visit the UK. The impact of continued uncertainty over what the Brexit deal will be on | Continued uncertainty over the terms of the Brexit deal has the potential to delay investment decisions by businesses and major purchases by consumers. The District's two main business |

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| | | consumers and businesses is unclear at present.<br><br>In the event of a 'no deal' Brexit, the Council's business continuity plans may need to be activated if disruption at the port of Dover and the channel tunnel means that traffic builds up across the District. | sectors – tourism and higher education - could be affected by any terms agreed. |