

Annual Budget Report, Medium Term Financial Strategy, Financial Strategies and Council Tax Introduction Full Council 6th March 2019

Chairman, thank you

- In Mr Macawber's words "Annual income 20 shillings, annual expenditure 19 shillings and sixpence – Happiness. Annual income 20 shillings, annual expenditure 20 shillings and sixpence – misery" This tells us all we need to know about the relationship between fiscal prudence and financial sustainability, so is it happiness or misery in 2019/20?
- To answer this question we need to be clear about the balance between income and expenditure.
- In terms of income: for the 2019/20 budget this is the last year of the financial settlement announced by Government in 2016 which means we have a large measure of certainty.
- In expenditure terms both myself and the finance team held discussions with Budget and Portfolio Holders during September and October which allowed service area managers the freedom to identify their targets, expected risks and their proposals for delivering a commercial income generation approach.
- More importantly they were encouraged to identify the resources needed to achieve their targets.
- So I am content that we understand both our income and expenditure and therefore for 2019/20 it is, in Mr Macawber's words, happiness as we can have confidence in our estimation of delivering a balanced budget.
- However in 2020/21 it may be Dickensian misery that we encounter since we will be potentially underfunded. This can be seen in Table 11, under the heading, Surplus/new savings to be found.
- Indeed it is in 2020/21 that the loss of Government grants really bites, by reference to Table 11 under the heading Funded By, in lines 3 and 4; note the zeros!

- By 2024 this deficit will potentially amount to £3.7m.
- However this represents a reduction over the equivalent figure of £4.7m which I quoted for 2023 in the 2018/19 budget.
- This is a deficit reduction approaching £1m which reflects well on our financial forward planning initiatives including the Transformation Programme savings and the net income generated from the commercial property investments approved by Council early last year and
- Significantly, our avoidance of a potentially negative budget amendment introduced by the Labour Group.
- One thing is abundantly clear; in order to avoid the misery of service cuts and emplace an appropriate level of budgetary resilience we must pursue the projects and activities identified in our Financial Sustainability Strategy in order to deliver fiscal security.
- This is about robustly insulating ourselves from the vagaries of future Government funding strategies by internally generating an improved level of financial resilience.
- To this end and in line with the provisions of the Transformation Programme we are proposing an increase in Council Tax of 3.62% for a Band D property which is a real terms increase of £4.95 per annum.
- We are also acting in accordance with the Government LTE dwelling provision and introducing the premium increases provided for in the Council Tax (Empty Dwellings) Act 2018 from the 1st April 2019.
- Although we continue to face many risks, we are confident that all the assumptions included in the preparation of this budget and medium term financial strategy are cautious and therefore sound.
- As already alluded to, 2020/21 is a year of significant financial uncertainty due in large measure to Government initiatives such as the Business Rates Reset, the new Business Rate system, the Fairer Funding

Review and the Comprehensive Spending Review 2019 . However we will continue to fight our corner for Rural Councils.

- It would be difficult to ignore the BREXIT effect and we have given it consideration. Our budget assumes a neutral impact however we have mechanisms in place to ensure the Council can respond to negative outcomes.
- It is noted that Government have announced that there will be specific BREXIT related financial support for Councils to the tune of £56.5m nationally, which is welcome.
- Importantly the amount of £5m in the Business Rate Volatility Reserve for 2020 provides a valuable level of financial resilience for Council and gives us time to generate the income streams needed to achieve budgetary financial sustainability in the medium term.
- However this is not a time to be profligate with our hard won resources and I believe our reserves are correctly positioned to meet the challenges we face.
- The budget does reflect an increase in staffing which is associated with the continued expansion of the Wellbeing Service by 18 FTEs. However this increased staffing level is expected to be cost neutral as a function of the Wellbeing contract value
- Finally it seems right to emphasize the fact that we have done lots of good things, performance is strong, our financial position is strong and I would also like to highlight the final paragraphs in the expenditure section of the Budget Report which cover the new Compass Point Business Services contract, our Magna Vitae investments, the Leisure Centre investment, the refurbishment of the Louth Livestock Market, the Skegness Foreshore and toilet refurbishment initiatives all of which are to the credit of Council.

Chairman, I propose that the Council approve recommendations 1 – 5 of the Annual Budget Report, Medium Term Financial Strategy, Financial Strategies and Council Tax. Thank you