Appendix A

Budget Setting Report and Financial Medium Term Plan 2013-14

This appendix is the combined budget estimates and medium term plan 2013-18. The medium term plan is the link between the Corporate Plan, which sets out the aims and ambitions agreed with our partners, and the medium term financial plan which sets out the cost of what the Council is currently providing. The plan also establishes a set of financial policies and principles which provide a sound basis for maintaining the financial integrity of the Council over the medium term.

1. Budget Summary

The following table shows the headline figures relating to the budget estimates for 2013-14 compared to the 2012-13 position:

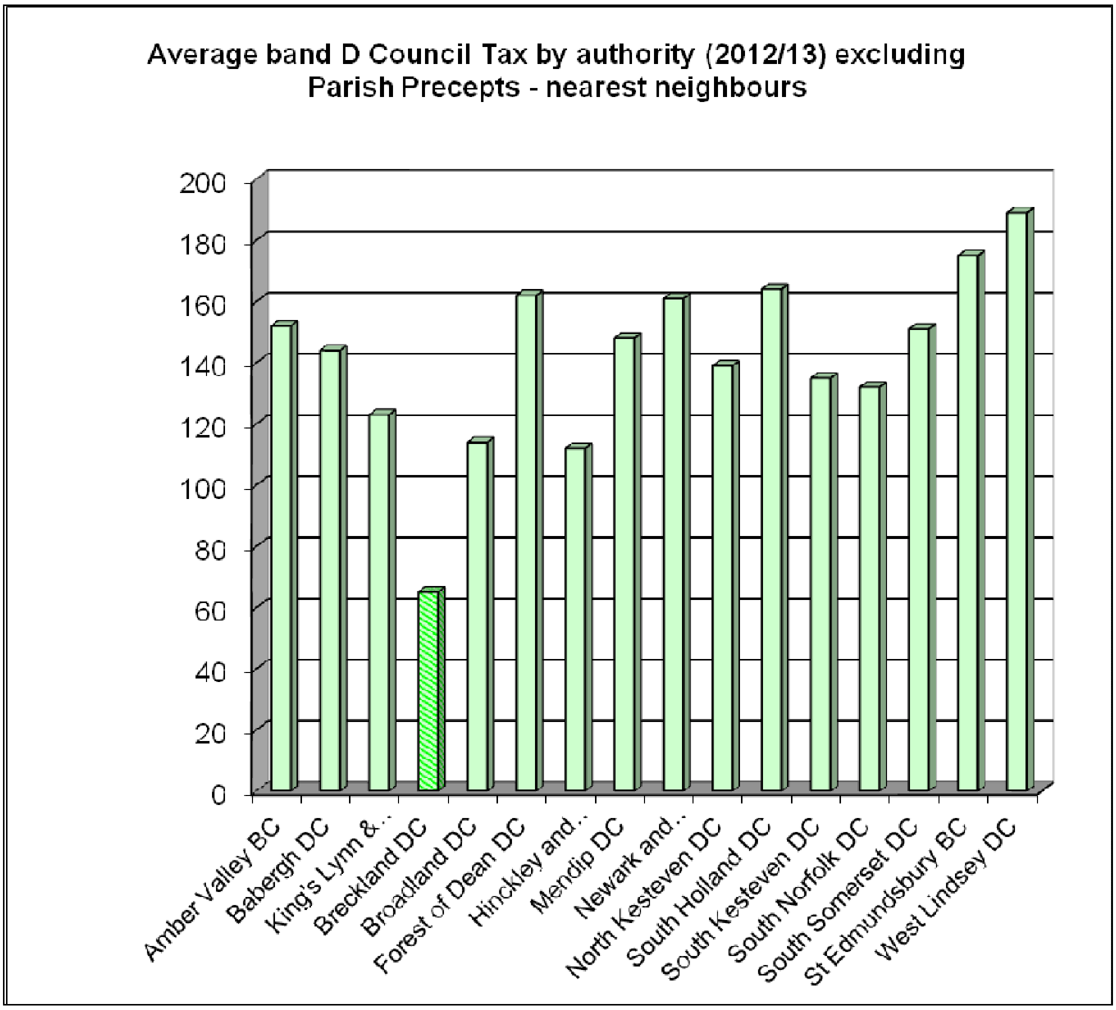
Description	2012-13	2013-14	Increase/ (Decrease)
Breckland precept requirement	£2,794,824	£2,593,111	(7.2%)
Council Tax Band D	£64.05	£69.03	7.8%
Band D cost per week	£1.23	£1.33	8.1%
Grant settlement	£8,363,246	£8,353,130	(0.1%)
Other non-ring fenced grants	£285,100	£17,840	(93.7%)
New Homes Bonus applied	£471,170	£1,107,699	135.1%
Special expenses account	£62,550	£62,550	-
(Efficiency)/contingency requirement	-	£303,910	

Of all the homes in the Breckland area, 69% are in bands A-C and 45% are in band A or B. Therefore the majority of homes pay less than £1.33 a week towards the District services we provide.

The following table details the Band D Council Tax levels for all precepting authorities over the last ten years:

	Norfolk County Council £	Norfolk Police Authority £	Breckland (Excl special expenses) £	Parish £	Total £	Increase/ (Decrease) %
2004-05	929.70	138.69	56.84	39.86	1,165.09	6.9
2005-06	956.70	145.53	57.98	42.21	1,202.42	3.2
2006-07	1,004.40	154.17	59.14	46.37	1,264.08	5.1
2007-08	1,052.10	164.88	60.32	49.25	1,326.55	4.9
2008-09	1,091.52	178.56	61.98	52.15	1,384.21	4.4
2009-10	1,123.74	185.58	64.05	55.99	1,429.36	3.3
2010-11	1,145.07	191.16	64.05	57.37	1,457.65	2.0
2011-12	1,145.07	191.16	64.05	55.14	1,455.42	(0.2)
2012-13	1,145.07	196.92	64.05	57.68	1,463.72	0.6
2013-14	1,145.07	200.79	69.03	69.91	1,484.80	1.4

The Audit Commission compares us with our nearest neighbours (similar types of authority) – the following chart shows the average Band D Council Tax levels (excluding parish precepts) for 2012-13.



2. 2013-14 Estimates

The table below shows the budget estimates for 2012-13 and 2013-14 by type of expenditure/income split over the standard CIPFA classifications. Notes explaining the major variances between the two years are given below the table.
Full details of the overall position are shown at **appendix B**.

Note		2012-13 £	2013-14 £	Variance £	Variance %
1	Employees	8,104,270	8,075,530	(28,740)	(0.4)
2	Premises	2,382,170	2,258,080	(124,090)	(5.2)
3	Transport	303,800	375,850	72,050	23.7
4	Supplies & Services	13,690,640	13,509,910	(180,730)	(1.3)
	Drainage board levies	52,780	53,240	460	0.9
5	Transfer payments	45,685,070	35,316,550	(10,368,520)	(22.7)
6	Support services	3,932,360	3,326,570	(605,790)	(15.4)
7	Capital charges	2,659,330	2,148,840	(510,490)	(19.2)
8	Capital financing	(2,262,010)	(1,676,850)	585,160	25.9
	Total Expenditure	**74,548,410**	**63,387,720**	**(11,160,690)**	**(15)**
9	Rents	(2,914,440)	(2,753,630)	160,810	5.5
10	Fees and charges	(2,699,940)	(2,959,950)	(260,010)	(9.6)
11	Grants	(47,637,780)	(37,092,090)	10,545,690	22.1
12	Other	(5,434,520)	(5,511,990)	(77,470)	(1.4)
	Total Income	**(58,686,680)**	**(48,317,660)**	**10,369,020**	**17.7**
	Growth bids	0	0		
	(Efficiency)/contingency	0	303,910		
	Less trading units	(3,873,580)	(3,265,000)		
	Budget Requirement	**11,988,150**	**12,108,970**	**120,820**	**1.0**

Notes:
1 – Overall employee costs have decreased, mainly as a result of staff costs moving to supplies and services as a result of shared service arrangements and efficiencies made to reduce staff numbers. Efficiencies of around £0.5m had already been factored into the 12-13 budget for initiatives identified in earlier budget setting rounds, reducing the 12-13 employees costs.
2 – This variance is mainly a result of reductions to the public lighting repairs and maintenance budget due to re-active works only taking place.
3 – This increase is due to costs relating to staff within the Anglia Revenues and Benefits departments becoming a direct Breckland cost but is not a true increase as the costs are offset by partner contributions.
4 – Whilst there are increases in this area relating to contract inflation, overall there is a decrease. The reduction is due to contracts brought in house and costs showing elsewhere, reduced spend on items funded through grants, reduced spend on items funded from reserves and additional efficiencies achieved.
5 – Transfer Payment costs are mostly Housing Benefit and Council Tax Benefit payments. In 2013-14 Council Tax Benefit is becoming a discount under the localised council tax support scheme and therefore both the costs and income relating to this benefit have been removed (see also note 11).
6 – This variance is mainly due to a reduction in the cost of some support services, resulting from efficiencies made. The remaining reduction (£101k) is due to insurance costs for industrial units being moved directly to the cost centre rather than being recharged indirectly.

7 – Capital charges have reduced as a result of the lower spend on Affordable Housing and Decent Homes Grants in 13-14, however this is due to higher spend in 12-13 through re-profiling of budgets rather than a real decrease.
8 – Capital Financing costs reflect the appropriations to and from reserves and the reversal of the capital charges figures. The change in 2013-14 reflects the changes in capital charges (see note 7) and also funding from reserves for one off costs.
9 – This decrease is due to reduced rental income on commercial properties resulting from the economic conditions.
10 – Fees and charges income has increased due to forecast volume increases in some major areas and new charges being introduced in other areas (see section 12 for more information).
11 – Grant income has reduced due to the changes resulting from the localised council tax support scheme (see note 5).
12 – The increase is mainly due to additional income from partners (offsetting some spend in other areas).

3. Principles of Budget Preparation

The following principles have been used in the budget preparation process, in order to;

- Provide a consistent and authorised approach to the preparation of revenue and capital estimates
- Ensure estimates are prepared in line with available resources
- Ensure that estimates are prepared to reflect corporate priorities

Budget principles:

- Detailed working sheets are maintained for all budget headings and these are prepared by the budget manager, with the exception of *central* items.
- Central items are calculated by the accountancy team. The central items are: salaries, insurance, lease car and car allowances, support service recharges, capital accounting entries, interest paid and received, pensions, NI, special expenses, mobiles phones, overtime, gas, electricity, postages and Members allowances.
- The full effect of known pay awards is incorporated into the estimates and a provision made for future years, based on CMT guidance (taking into account any Central Government policies).
- Staffing estimates are prepared on the basis of approved staffing levels as provided by Human Resources. These estimates include an allowance for employers NI, superannuation contributions and lump sum amounts.
- Controllable expenditure is defined as expenditure on employees, premises (excluding business rates), transport, supplies and services, but excluding internal recharges.
- There will be no allowance for inflation, unless contractual or related to salaries.
- We seek to mitigate the impact on Council Tax from the consumption of capital resources. In effect all decisions should be made in the knowledge of the impact on investment income.
- We should seek additional scrutiny and challenge for accessing capital resources and ensure that the programme only reflects schemes that are sufficiently scoped to allow delivery.
- A review of fees and charges to ensure maximisation of income where consistent with policy.
- An acceptance that a viable budget was already created last year and we adjust it rather than recreate afresh.
- To set a balanced budget with no long term dependency on General Balances.

- To work towards a zero balance on the collection fund.
- Only the 2013-14 budget is formally approved, future years are indicative only for both revenue and capital.

4. Funding Assumptions

In previous years we have received a government settlement for a set number of years giving the amount of funding receivable for those years, with our last allocation being 2012-13, however government funding is changing. Instead of receiving a fixed funding amount from government, from 1 April 2013 we will be reliant on a new model which is geared towards the local raising of funds. These changes announced in respect of non-domestic rates (NDR) and localised council tax support (LCTS) will bring a greater degree of risk and variability to the Council's funding.

Under the new proposals a proportion of NDR income will be retained by district and county councils through a system of top-ups and tariffs. The remaining NDR income will be centralised by government and distributed back to local authorities through the formula grant process, thus allowing the government to retain a proportion of business rates centrally to meet public expenditure targets. This formula grant element will have previous specific grants "rolled into" it (eg. the council tax freeze grant and the homelessness prevention grant). Whilst the headline figures of this scheme quote a 40% share of NDR income retained by district councils, in reality this is not the case. The tariff system reduces the NDR income retained by Breckland to a "baseline funding" figure calculated by government which is actually around 12.5% of the overall NDR income collected by the Council.
Any growth over and above the NDR income that Government has assumed for 2013-14 is shared between central and local government, with our local share equating to 25% of the total growth.

The figures included in this budget are based on the figures assumed by the Government Settlement, with no growth forecast for NDR and reductions in the remaining Government grants in line with forecasts provided by external advisors.

Previously council tax benefit was provided to those in need towards payment of their council tax bills. The schemes were administered by local authorities but funded by central government. From 1 April 2013, the government will no longer fund the schemes. Instead they have provided a grant to local authorities to administer the schemes, which is a reduction of 11.4% compared to 2011-12 spend and local authorities must design their own individual LCTS schemes, protecting certain categories of benefit claimants (such as pensioners). The government have also provided a grant to district councils which relates to the parish/town element of the LCTS, with the expectation that this grant is passed down to the parish/town councils in a methodology agreed between themselves. For 2013-14 Breckland have committed to passing this grant in full to parish/town councils, based on their reduction in tax base as a result of this new LCTS scheme, future years allocations will need to be determined before any decisions are made regarding the amount that is passed down to parish/town councils.

Both of these schemes place additional financial risk and administrative burden with the local authorities and this is detailed further within the risk and sensitivities sections.

Any new non-ring fenced grants or any continuation of grants which are not included in the budget will be contributed into the Organisational Development Reserve for re-allocation as appropriate.

The 'New Homes Bonus' (NHB) is budgeted for six years from 2012-13 at the year one level of £471,170 and an additional £401,079 for 6 years from 2013-14 (as detailed in the 11-12 allocations). The year one and two NHB will be contributed to reserves in the year it is received and applied to the budget in the next year as detailed in **Appendix B**. NHB allocations for year three onwards are applied as funding in the year it is received.

The table below shows the level of budgeted central grants.

	12-13 £m	**13-14 £m**	**14-15 £m**	**15-16 £m**	**16-17 £m**	**17-18 £m**
Local Gov't Settlement	8.363	**8.353**	7.270	6.640	6.198	6.185
Council Tax Freeze	0.144	**-**	-	-	-	-
Homelessness grant	0.141	**-**	-	-	-	-
New Homes Bonus	0.471	**1.108**	1.544	1.796	2.047	2.299
Total	£9.119	**£9.461**	£8.814	£8.436	£8.245	£8.484
% +/(-)		3.8%	(6.8%)	(4.3%)	(2.3%)	2.9%

5. Collection Fund

Each year the Council is required to calculate the balance on its Collection Fund. In the current difficult economic climate the medium term plan target is to have a minimal balance on the Collection Fund, aspiring for a zero balance.

Figures indicate a deficit of £0.31m in total and Breckland's share of this for 2013-14 would be around £0.025m (surplus of £0.012m for 2012-13).

As a result of the changes to funding from 2013-14, there is likely to be more pressure on the collection fund from the LCTS scheme and additional administrative burdens relating to the retained business rates scheme, these are highlighted in the risks section.

6. Tax Base

One impact of the LCTS scheme is that council tax benefit becomes a discount rather than a benefit and this results in a reduced tax base moving forward. The council is making use of the technical changes to council tax which allow changes to other classes of council tax (such as empty properties) to help bring the tax base back up and therefore mitigate any potential loss in council tax income. The result of these changes is a reduction in tax base from 43,635 in 12-13 to 37,565 in 13-14.

The tax base is assumed to rise by 1.09% from 2013-14 to 2014-15 (based on recent averages) and for all future years a 1.09% increase has also been forecast. The assumed figures are shown in section 7 of this report. The tax base for all parishes is shown at **appendix C**.

7. Other Budget Assumptions

The budget estimates and medium term plan cover the period 2013-14 to 2017-18, over this timescale it is important that we make realistic assumptions as to how costs rise or fall. This section details the key assumptions made.

The key assumptions used are:

- Revenue budgets will be used to deliver services during the year for which they are approved.
- We will allow for unavoidable growth on services (i.e. new statutory obligations and contractual inflation) but will not allow any increase for general inflation.

- Estimates are prepared on the understanding that appropriate service budgets were produced for the previous year (2012-13) which will then be adjusted to reflect the changing financial circumstances that the public sector is required to prepare for.
- Where service delivery is dependent on a specific grant we will only assume continuation of the grant and expenditure where such notification has been received.

The key assumptions made for the setting of these budget estimates, which influence the five year financial plan are as follows:

	12-13	**13-14**	**14-15**	**15-16**	**16-17**	**17-18**
General inflation	0%	**0%**	0%	0%	0%	0%
Blended pay increase	0.325%	**1.325%**	2.80%	4.30%	4.30%	4.30%
ARP cost of living increase	0%	**1.00%**	1.00%	2.50%	2.50%	2.50%
Non ARP staffing salary level	95%	**96%**	97%	98%	98%	98%
ARP staffing salary level	97.5%	**97.5%**	97.5%	97.5%	97.5%	97.5%
Pension contribution rate	14%	**14%**	14%	14%	14%	14%
Pension lump sum cont’n	£434k	**£469k**	£526k	£589k	£607k	£626k
Return on cash investments	1.917%	**2.04%**	2.82%	3.44%	3.44%	3.44%
Tax base	43,635	**37,565**	37,974	38,388	38,807	39,230

- Details on the grant settlement and assumptions made are shown in section 4.

8. Future Developments

The following are areas which are currently under development or consultation which are likely to have an impact on the budget, but there is currently insufficient detail to include these in the main budget.

The accounting standards relating to lease accounting are likely to change with effect from 2015-16. The potential effect of this change is that not all the income receivable by the Council for rentals (i.e. commercial property rental income) will be classified as revenue income, therefore reducing the income receivable by the Council. There may be mitigating treatment provided by CLG/CIPFA for what in effect is an additional cost pressure to the Council, however the full effects will not be known for some time yet.

Universal credit is due to be implemented from October 2013. It is part of a package of measures under the Welfare Reform Act. It will change the way that benefits (including Housing Benefits delivered by local authorities) are administered. It is not yet clear what role local authorities will have in this administration, or what the financial consequences of the change will be.

Planned changes to the UK state pension scheme are likely to have the effect of increasing National Insurance contributions for employers from 2017 and additional budgetary provision will be required once the scheme details are known. This will increase employment costs and is likely to add pressure to contracts and supplies and services, adversely affecting future years efficiency requirements.

9. Strategy, Aspirations and Forward Projections

The Council’s financial medium term strategy is shown below:

1) To manage a budget process that will make progress in re-directing and focusing the budget on corporate priorities and in doing so, recognise the

intrinsic link between this strategy and the Capital Strategy and the Treasury Management strategy.

2) Adopt a corporate approach to budget preparation and continue to provide strong timely budget control.
3) Use sound modern financial systems procedures and principles and promote electronic record keeping and approval processes. Ensure financial performance reporting remains integrated with business planning.
4) Ensure there is a rigorous scrutiny of the financial planning process and work towards a more effective consultation process to engage the public and stakeholders.
5) Maintain balances and reserves that will provide for known risks and liabilities and provide capacity for managing peaks in expenditure.
6) Operate strategies on capital and external funding that supports the Council's corporate objectives and that supports the targets of any partners.
7) Undertake a risk assessment of material items of income and expenditure and report the risks to Members as part of the budget setting process (see section 15).
8) Manage and use our resources to deliver value for money and better sustainable outcomes for local people.
9) Set realistic targets for trading accounts and if services fail to achieve these they will be subject to a more fundamental review.
10) Aim for a minimum balance on the Collection Fund.
11) Prepare robust and realistic income and resource requirement plans for the next five years.
12) Promote take up of benefits and reliefs.
13) Maximise income collection.
14) Recognise our role in the community throughout and beyond the period of economic hardship by providing assistance to individuals, groups and businesses.

These strategies will be achieved through the working practices set by the relevant departments. The effectiveness of these strategies and the underlying principles can be monitored by key outputs such as:

- Annual audit letter
- Financial plan
- Audit Committee reports
- Annual Governance Statement (AGS)
- Grants returns submitted to deadlines
- Governance and performance reports

The following detail the key forward projections for the Council:

- Having regard to public consultation in 12-13, Council Tax levels will be increased by £4.98 in 13-14, with forecast rises of 2% in future years, subject to the Council's ability to provide the necessary services to its community in light of Central Government grant cut backs.

10. 2012-13 Outturn

An assessment of the 2012-13 out turn will inform the reliance we can place on the baseline we use for setting the 2013-14 estimates. Based on the position at the 31st December 2012, various pressures and efficiencies have been identified, however Budget Managers believe that the Councils services will be delivered within budget. The Council will continue to review the financial performance of its services throughout the year. In preparing the budgets for 2013-14 services have reflected the on-going pressures and efficiencies in their new budget estimates

11. Budget Requirement and Forward Estimates

Outline estimates through to 2017-18 are shown in **appendix B**. In compiling these figures we have followed the assumptions shown in sections 4 and 7 of this appendix and made specific adjustments to service budgets as and where budget holders have advised of a change over the medium term.

These forward estimates demonstrate a balanced budget for 2013-14, with further efficiencies required from 2014-15 onwards, as detailed in the table below. Section 17 gives further information on how the Council plans to achieve these efficiencies through the "Could We, Should We" programme.

The special expenses charge shown in **appendix B** is made for the maintenance of lighting on public footpaths in Dereham, Thetford, Watton and Bawdeswell. This is in addition to the precept raised by the Council across the district. Attleborough and Swaffham have elected to be recharged directly for their public lighting costs, so it forms part of their own precept. These expenses are shown in the table below. Other parish councils maintain their own footpath lighting requirements and therefore manage this cost through their own precept.

	Bawde-swell	Dere-ham	Thet-ford	Watton	Attlebo-rough	Swaff-ham
Special Expense	£237	£4,173	£40,412	£8,894	-	-
2013-14 tax base	251.2	4,977.8	5,566.2	2,127.3	-	-
Band D equivalent	£0.94	£0.84	£7.26	£4.18	-	-
2012-13 band D	£0.56	£1.79	£5.05	£6.88	-	-
Direct charge 13-14	-	-	-	-	£13,735	£10,905

The County Council manage the Street Lights on behalf of the Town Councils and no planned maintenance or replacements are taking place, only re-active maintenance and repair. This results in reductions to these street lighting charges, however it also creates a risk of additional un-planned costs for any major reactive repairs and also the risk of breaching the level of council tax rise allowable in the future before a referendum is required. These are detailed further in the risk section.

12. Fees and Charges

Income from fees and charges is an important source of revenue income for the Council. Charges have a central role to play in service delivery, raising income, controlling access, responding to competition, funding investment and affecting public behaviour.

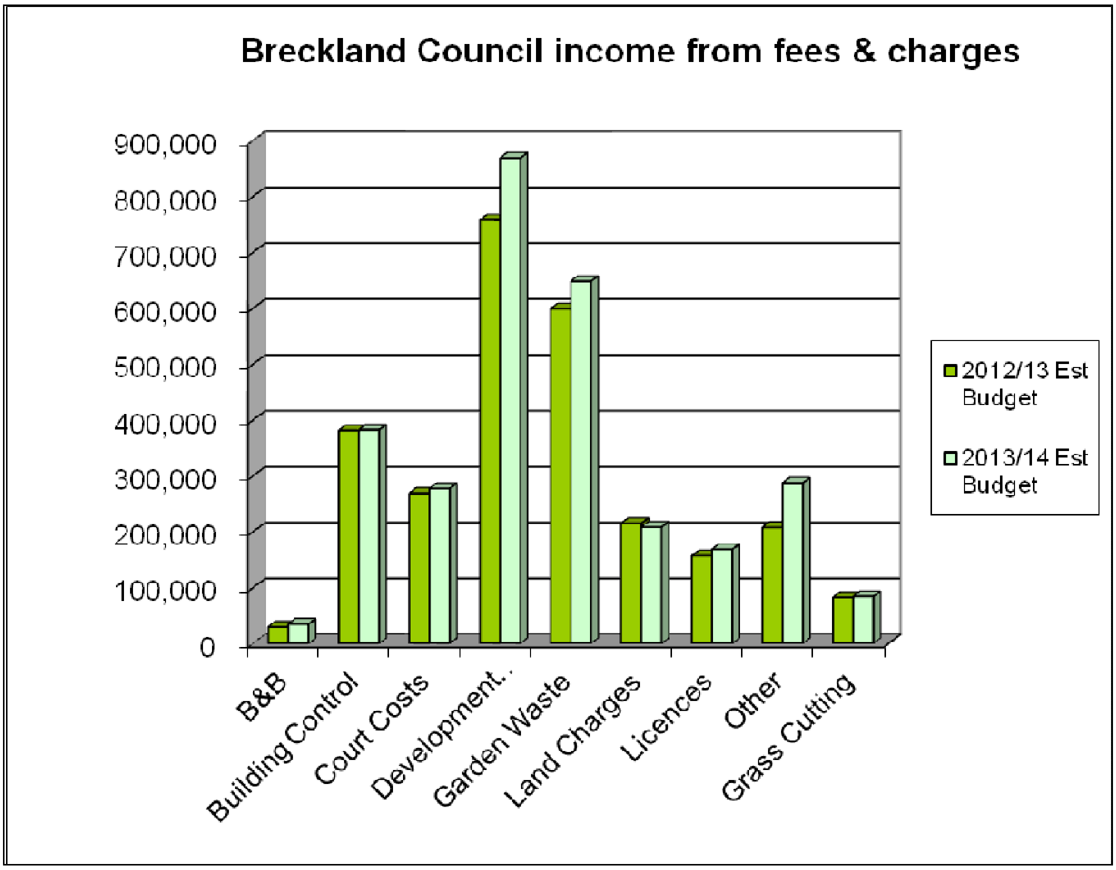
As part of our overall income strategy we will seek to:

- Maximise the return from the Council's asset holdings
- Ensure that the yield from fees and charges matches the increase in base budget for services that levy fees and charges, otherwise the shortfall will fall upon the Council Tax payer
- Annually review fees and charges for discretionary services
- Ensure that statutory charges are implemented
- Monitor compliance with the corporate charging policy and corporate debt policy
- Set targets for income collection and level of arrears and monitor performance against these targets.
- Treat windfall income as a corporate resource
- Use enforcement remedies effectively
- Seek to minimise benefit subsidy losses

Fees and charges have been reviewed and changes made where necessary to the levels levied. Demand for services has also been reviewed and changes in demand have been reflected in the budgeted level of fees and charges income.

Appendix D details all the fees and charges and highlights the charges which are new or have changed since they were last approved.

In total £2.96m is due from fees and charges in the 2013-14 budget. The chart below shows the main categories of budgeted fee income in 2013-14 (and 2012-13 for comparison).



13. Reserves and Balances

In order to comply with the requirements of the Local Government Act 2003, the Council should undertake a review of the level of reserves as part of the annual budget preparation. It is therefore a target of our medium term plan that a review of reserves is carried out and reported to Cabinet for consideration. The review will include a review of current and future risk assessments, including an assessment of risk registers, pressures upon services, inflation and interest rates and any underwriting arrangements.

Appendix E outlines the position statement on reserve balances. The proposed budget does not require any long term support from reserve balances, however the challenging circumstances around business rates retention, localised council tax support, performance of Commercial Property, investment income at risk and specific contractual challenges has required us to undertake a robust sensitivity analysis should these events require us to draw on balances. Whilst it is apparent these risks could be financially significant, our reserves are healthy. Moving forward the General

Fund balance stands at £2.58m. The tables below give a summary of reserve movements:

General Fund	12-13 £m	13-14 £m	14-15 £m	15-16 £m	16-17 £m	17-18 £m
Brought forward	2.581	**2.581**	2.581	2.581	2.581	2.581
In	-	**-**	-	-	-	-
Out	-	**-**	-	-	-	-
Carried forward	2.581	**2.581**	2.581	2.581	2.581	2.581

Specific Reserves	12-13 £m	13-14 £m	14-15 £m	15-16 £m	16-17 £m	17-18 £m
Brought forward	10.420	**8.093**	7.878	7.817	7.712	7.747
In	2.612	**2.782**	2.779	2.807	2.807	2.335
Out	(4.939)	**(2.997)**	(2.840)	(2.912)	(2.772)	(2.791)
Carried forward	8.093	**7.878**	7.817	7.712	7.747	7.291

These are the observations from the review of reserves for the 2013-14 budget:

- Although the PFI reserve is running at a low level, the anticipated costs of PFI are fully allowed for within the base budget. With the planned benchmarking review in future years there is a possibility of increased or decreased costs which the Council will have to evaluate and respond to as necessary.
- The Council holds £1.70m of unallocated funds within a match funding reserve. The Council should ensure that it is able to support this level of investment and indeed whether the match funding scheme (being of a discretionary nature) remains value for money against the Council's own capital investment needs.
- The organisational development reserve stands at £4.44m at 1 April 2012 and contains £2.55m of unallocated funds. It is envisaged that this reserve will continue to be used for transformational and invest to save initiatives that will be required to drive revenue costs down.
- The waste and recycling reserve was built up during the initial years of the contract from savings achieved against the previous contracts. Now the contract has reached the later years of the 10 year term, the funds are being applied over the later years of the contract to smooth the effect of price changes.
- All return from the investment in commercial properties will be contributed to the budget and therefore no additional sums are forecast to be contributed to the commercial property reserve (with the exception of earmarked contributions for items such as roof & asphalt). This reserve is currently holding around £0.51m of un-allocated funding which will continue to be used to fund feasibilities relating to potential investment and/or disinvestment opportunities as detailed in the Asset Management Plan.
- A sum of £2m is held in a Council Tax and Business Rates reserve to cover the potential pressures and/or timing pressures resulting from the changes from localisation of council tax benefit and funding from business rates retention from 1 April 2013.

In setting the level of General Balances, consideration has been given to the adequacy of financial control, the overall financial position, medium-term financial plans and the strategic, operational and financial risks facing the Council. Following this review, it is proposed that the General Fund remains set at a minimum level of £2m.

14. Localism and Partnerships

Democratic Community Leadership - The Council is developing its response to new demands arising from the developing local Government agenda and particularly the implications of the agenda for place shaping, rural governance and community engagement.

Strategic Service Delivery Partnerships - In recent years Breckland have entered into contractual arrangements for the delivery of core services. This process is continuing into 2013 and will require focus on both governance and performance of our partners to ensure effective service improvement for local residents.

15. Risk, Key Issues, Sensitivity and Monitoring

The Council must set a budget which is a realistic statement of its estimated income and expenditure for the coming year, based upon information currently available. The Council has a duty to take into account the demand for its services and the effect on council tax payers of meeting those demands at varying levels of services. Given the good management practices and sound financial and performance monitoring delivered in the past, the Council has the platform and expertise to deliver a balanced budget.

The following table details the key risks and issues identified and how we intend to treat them.

Risk	Likeli-hood	Impact	Action
Low income levels from fees and charges	Medium	Medium	Revise spending plans
Continuation of low interest rates	High	High	Market advice and forecasting. Mitigation by diversification
Continuing reduction in property rental income	Medium	High	Asset management plan. Mitigation by diversification
Changes to CTB subsidy and localised scheme. Increased caseload and lower collection rates adds further cost pressure	High	High	Monitor throughout year to understand demand and collection rates and meet reduced Central Gov't funding. Reserve created to help with potential initial pressures/timing pressures.
Further changes to Government funding for benefits could reduce by 8.5%	High	High	Monitor developments when details are published and factor into future plans as necessary
Changes to CTB subsidy and localised scheme reduces tax base & therefore reduces council tax income	High	High	Monitor throughout year to understand levels and use of technical changes to increase tax base where possible. Reserve created to help with potential initial pressures/timing pressures.

Risk	Likeli-hood	Impact	Action
Business rates retention scheme leaves Council exposed to economic downturn, reduced income from appeals and reduced income as schools transfer to academies.	High	High	Monitor throughout year & reserve created to help with potential initial pressures/timing pressures
Impaired investment within Icelandic banks	Medium	Medium	Strong liaison with the Local Gov't Association and legal representatives. Repayments are being received from the 3 affected banks
Pension fund deficit	Medium	Medium	Strong links with NCC pension fund Central Gov't measures to reduce public sector pension deficit
New Homes Bonus grant income less than budgeted due to growth levels lower than anticipated	Medium	High	Review levels each year to ensure estimate is as accurate as possible
Additional bad debts as a result of economic circumstances	Medium	Medium	Pro-active debt management and pre-pay fee policies
Increased maintenance costs of ageing physical assets	Medium	Medium	Asset management plan. Pro-active rather than reactive maintenance programme
Contractors for the Council facing financial hardship or going into administration	Medium	Medium	Contingency plans in place and financial checks for new contracts
Inflation rises by more than budgeted projections	Low	Medium	Budget assumptions kept up to date with most recent projections
Price increases resulting from contract re-tender	High	Medium	Vary the service specification within the affordability envelope
PFI contract price increases resulting from benchmarking	Medium	Medium	Robust challenge and use of experts
Big Society/Place budgets may create additional demands on core budget	Medium	Medium	Evaluate options for alternative service delivery using third sector organisations
Reducing available capital funding may mean that borrowing will be required at some point in the future	High	High	Continue to closely monitor the Councils CFR and communicate remaining balances to Members before decisions made

Risk	Likeli-hood	Impact	Action
Future changes to accounting legislation by the International Accounting Standards Board (IASB) could mean rental income from Commercial Properties is classified as capital income as opposed to revenue income	High	High	Liaison with CIPFA & lobbying of CLG if necessary
Future costs which are recharged through the special expenses rise as a result of reactive repairs, which would increase the Council Tax to a level above that which requires a referendum	High	High	Consider methods to smooth the effects of future costs. Look at alternatives to the special expenses levy.

In addition to the risks identified above we have calculated a sensitivity analysis of our key variables in order to quantify the potential financial impact. These sensitivities are shown in **appendix F**.

16. Consultation, Timetable and Links to Other Strategies

The Council has undertaken a "Could We, Should We" consultation, inviting residents to rank various options for changes to front line services and income generating opportunities. The results of this survey are detailed on the Council's website and will inform the detailed efficiency plans made moving forward for 2014-15 and future years. Options are detailed in **appendix I** of this report, together with a car park feasibility study included in **appendix J**. No efficiencies have yet been factored into this budget. Policy decisions will need to be approved by the authority and the cost and savings implications of any approved schemes will be incorporated into the budget and medium term plan.

This initial draft budget was put out to consultation on the website and invited commentary from key stakeholders. Feedback from these consultations has been incorporated into this budget and will be used for medium term planning.

It is important to have clear and agreed timetables for the budget process so that statutory requirements are met. Each year a timetable will be agreed with CMT prior to the start of the process (i.e. around May each year).

The Council has adopted a corporate risk management strategy and financial risk management is integrated into the Council's overall management and decision making processes. This ensures a robust and well integrated risk management programme, which will help the Council to identify and manage key strategic risks facing it, in pursuit of its corporate objectives.

A new Performance Framework has been developed to manage delivery of the new priorities described in the councils Corporate Plan 2011 - 2015. The annual business planning process will run alongside the budget setting process to ensure an integrated approach of performance and finance.

17. Value for Money and the Efficiency Requirement

The recent significant reductions in central funding for local authorities and uncertainty relating to future years funding has brought the value for money (VFM) issue to the forefront for all public services and all authorities are required to demonstrate VFM. VFM is more than simply cuts to services and/or budgets, it includes; innovation in service delivery, investment in technology, rationalisation of back office functions and organisational development. It is more important than ever that the tax payers in Breckland are receiving VFM and that funds are available to provide front-line services to the community while ensuring the impact on council tax is contained.

When the indicative budget for 2013-14 was set last year, the Council forecast a balanced budget, providing planned efficiency targets were achieved. Further pressures (i.e. interest rates not increasing as forecast, changes to government funding and reducing Commercial Property income) have put further pressure on finding these efficiency savings. Measures have been put in place to deliver this efficiency requirement without impacting front line services by:

- Reviewing staff vacancies when they arise and re-organising work to accommodate lower resource levels
- Review and/or re-tender of contracts to ensure they continue to offer VFM and support the Council's priorities
- Restructuring of departments to allow flexibility and new ways of working with lower resource levels
- Restructures and efficiencies from back office support services
- Business improvement reviews of identified areas to improve efficiencies and working between the two Councils
- Review of supplies and services budgets
- New areas of fees and charges for existing services implemented

Detailed efficiency plans made for 2012-13 are in progress and the majority of schemes have been implemented and achieved the necessary savings. These have already been factored into the base budget reported. However there are some schemes remaining to be implemented and these efficiencies have been included within the budget and will continue to be monitored to ensure the plan is delivered and any additional/shortfall in efficiencies are highlighted to enable changes to be made where necessary

There is huge potential to generate income locally to offset the reduction in central government funding. Government policy is to encourage local authorities to generate growth within their areas through house building and retention of Business Rates. Prudent assumptions for New Homes Bonus have been factored into the budget based on information obtained from the planning system. However nothing has been factored in for Business Rates growth as there has been a fundamental change in Business Rates collection and the authority needs to be certain that it will be able to collect the baseline amount the Government expects us to.

18. Capital Estimates

The capital programme has been created to meet the priorities of the Council and it is fully funded. The schemes and associated funding are set out in **appendix H**. Each scheme is supported by a capital bid form, formulated where appropriate after the consideration of options. The cash flow implications of all schemes and the impact on revenue have been included within the revenue budgets. The joint preparation of both a capital and revenue budget should ensure a sustainable position for the Council.

The capital programme contains both annualised projects to be delivered in year and larger projects that will span more than one financial year. If a new project is to be included within the capital programme it must be more than an idea. As a minimum criterion, costs, timescales, funding agreements, governance arrangements, risks and outcomes will be clearly specified for all named projects. The delivery of the capital programme will be monitored through the Performance Plus system.

Capital resources are diminishing over time, the capital strategy details this position fully in section 3.4. The forecasts currently show that there is little scope for further capital investment beyond April 2015 unless additional capital receipts are generated or borrowing takes place. Therefore prioritisation of capital projects in the future will be key to the best use of the Council's resources.