Appendix A

Budget Setting Report and Financial Medium Term Plan 2015-16

This appendix is the combined budget estimates and medium term plan 2015-19. 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

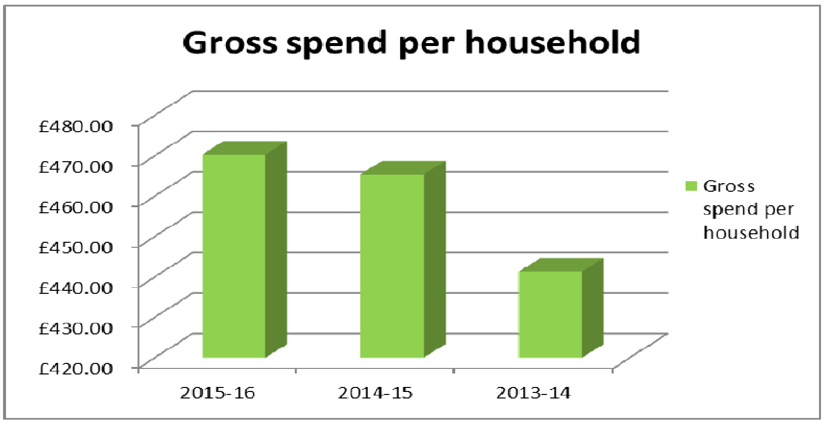
The following table shows the headline figures relating to the budget estimates for 2015-16 compared to the 2014-15 position:

Description	2014-15	2015-16	Increase/ (Decrease)
Breckland precept requirement	£2,624,104	£2,737,348	4.3%
Council Tax Band D	£69.03	£69.03	-
Band D cost per week	£1.33	£1.33	-
Grant settlement (excluding NNDR)	£3,989,615	£2,701,040	(32.3%)
Retained NNDR	£3,365,110	£3,587,010	6.6%
S31 grants in lieu of NNDR reliefs	£821,950	£857,590	4.3%
Other non-ring fenced grants	£26,240	£77,840	196.6%
New Homes Bonus applied	£1,594,559	£1,969,739	23.5%
New Homes Bonus to Reserves	£67,750	£377,250	456.8%
Special expenses account	£63,190	£74,353	17.7%
(Efficiency)/contingency requirement	Nil	Nil	-

Of all the homes in the Breckland area, 77% are in bands A-C and 54% are in band A or B. Therefore the majority of homes pay less than £1.03 a week towards the District services we provide.

The budget report recommends a freeze on council tax for 2015-16, which will allow the authority to draw Council Tax Freeze Grant from central government if awarded. For the purposes of the medium term plan it is proposed that just under a 2% inflationary increase is built in to future years council tax levels. Future levels will be considered each year as the Budget and Medium Term Plan are updated.

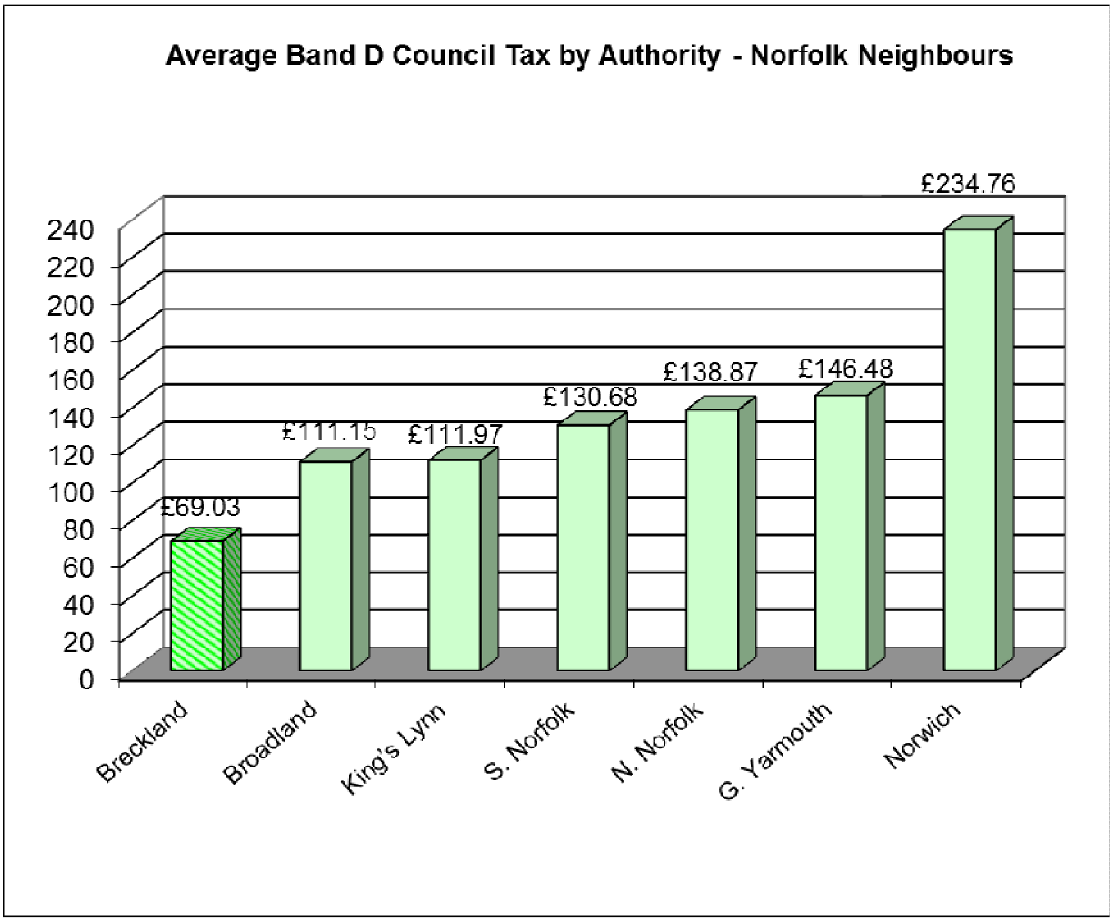
The table below shows the Breckland Council gross spend per household (excluding Housing Benefit payments) with previous year comparators.



The following table details the Band D Council Tax levels for all precepting authorities over the last twelve 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
2014-15	1,145.07	204.75	69.03	76.32	1,495.17	0.7
2015-16	tbc	tbc	69.03	tbc	tbc	tbc

The following chart shows the average Band D Council Tax levels (excluding parish precepts) for all Norfolk authorities in 2014-15.



2. 2015-16 Estimates

The table below shows the budget estimates for 2014-15 and 2015-16 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		2014-15 £	2015-16 £	Variance £	Variance %
1	Employees	8,662,050	9,115,510	453,460	5.2
	Premises	2,341,720	2,319,960	(21,760)	(0.9)
	Transport	271,380	265,830	(5,550)	(2.0)
2	Supplies & Services	14,474,520	13,870,800	(603,720)	(4.2)
	Drainage board levies	54,010	72,550	18,540	34.3
3	Transfer payments	36,906,030	37,276,040	370,010	1.0
	Support services	3,655,920	3,600,280	(55,640)	(1.5)
4	Capital charges	2,126,500	1,889,460	(237,040)	(11.1)
5	Capital financing	(1,323,550)	(949,580)	373,970	28.3
	Total Expenditure	**67,168,580**	**67,460,850**	**292,270**	**0.4**
6	Rents/service charges	(2,543,540)	(2,615,830)	(72,290)	(2.8)
7	Fees and charges	(2,921,620)	(3,168,180)	(246,560)	(8.4)
8	Grants	(40,293,090)	(39,241,550)	1,051,540	2.6
9	Other	(5,270,760)	(6,500,520)	(1,229,760)	(23.3)
	Total Income	**(51,029,010)**	**(51,526,080)**	**(497,070)**	**(1.0)**
	(Efficiency)/contingency	-	-	-	-
	Less trading units	(3,400,400)	(3,384,790)	(15,610)	(0.5)
	Budget Requirement	**12,739,170**	**12,549,980**	**(189,190)**	**(1.5)**

Notes:
1 – The increase in employee costs results from additional staff enrolled in the pension scheme as a result of auto-enrolment (0.5%) and increased lump sum pension costs (0.7%), growth bids for corporate health & safety staff (0.5%), the 2015-16 pay award (2.0%) additional ARP resources (0.5%), changes relating to South Holland employed shared managers (0.7%) and other minor salary related changes.
2 – Reductions in costs as a result of the efficiencies programme (i.e. CCTV contract, Breckland Voice, etc) and reduced grant spend on the LEGE project which is offset by reduced grant income.
3 – Transfer Payment costs are mostly Housing Benefit payments and these have increased, but are partly offset by increased grant income.
4 – There is a small reduction in capital charges and these figures are fully reversed within the capital financing (see note 5).
5 – Capital Financing costs reflect the appropriations to and from reserves and the reversal of the capital charges figures and accounting entries. These are items such as depreciation which is not a real charge to the Council Tax payer. The change in 2015-16 reflects the changes in capital charges (see note 4) and also funding from reserves for one off costs.
6 – This increased income is due to the purchase of additional commercial properties for rental.
7 – The revised garden waste scheme and Breckland Training Services are budgeted to generate additional income compared to 2014-15.
8 – Grant income relating to the LEGE project has reduced as the spend has reduced (see note 2).

9 – Additional income relating to interest receivable, kerbside recycling, PFI scheme becoming an NPDO and additional contributions from ARP as the number of partners has expanded.

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, water, 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 internally agreed assumptions (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 restate mid year with ongoing changes forming the basis of future years estimates.
- 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 2015-16 budget is formally approved, future years are indicative only for both revenue and capital for the purposes of medium term financial projections.

4. Funding Assumptions

Only a small amount of the Local Government Settlement is now received in the form of Revenue Support Grant (RSG). Instead of receiving a fixed funding amount from government, from 1 April 2013 we have been reliant on a new model which is geared towards the local raising of funds. Changes to schemes in respect of non-domestic rates (NDR) and localised council tax reduction scheme (LCTRS) have brought a greater degree of risk and variability to the Council's funding.

Under this Government policy a proportion of NDR income is retained by district and county councils through a system of top-ups and tariffs. The remaining NDR income is 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 has specific grants rolled into it that were previously identified separately (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 12.0% of the overall NDR income collected by the Council. Any growth over and above the NDR income that Government has assumed for the year is shared between central and local government, with our local share equating to 20% of the total growth.

Whilst in the first year we used the Government target figure for retained NDR, this year we have forecast collection amounts to set a budget for the amount the district council will retain. These forecasts are based on actual amounts collectable at October 2014 which are then adjusted for local knowledge (i.e. for appeals, charitable relief, etc) and uplifted by an inflationary increase to allow for the increase in NDR multiplier each year. The level of appeals has been set at 0.6% in this budget forecast, based on the Valuation Office clearing outstanding appeals by July 2015 (as targeted), in future years we will have more data available to analyse to allow us to estimate this appeals figure as accurately as possible.

Norfolk authorities formed a business rates pool for 2014-15 (excluding Norwich City Council & Great Yarmouth Borough Council). Tariff that otherwise would be paid to Central Government is paid into the County pool. This pool will be used to supplement economic development activity throughout the county, supporting the work that the authorities are doing with the Local Enterprise Partnership (LEP). From 2015-16 Norwich City Council will also be joining this County pool and it is now beneficial for them to do so, based on their Business Rates forecasts.

Funding from central Government has become more complex in recent years, with additional smaller grants being notified to council's separately to the core local government Settlement. Any new non-ring fenced grants or Section 31 grants or any continuation of grants which are notified after Council approves the budget (such as Community Right to Buy, etc) will be contributed into the Organisational Development Reserve for re-allocation as appropriate.

The table below shows the level of budgeted central grants.

	14-15 £m	**15-16 £m**	**16-17 £m**	**17-18 £m**	**18-19 £m**
Local Gov't Settlement	3.989	**2.717**	2.125	1.625	1.147
Retained Business Rates	3.365	**3.587**	4.343	4.410	4.552
S31 grants in lieu of NDR	0.822	**0.858**	-	-	-
Council Tax Freeze	0.026	**0.061**	0.031	-	-
New Homes Bonus	1.595	**1.970**	2.342	2.714	2.615
NHB to reserve	0.068	**0.377**	0.700	1.072	1.444
Total	£9.865	**£9.570**	£9.541	£9.821	£9.758
% +/(-)		**(3.0%)**	(0.3%)	2.9%	(0.6%)

The 'New Homes Bonus' (NHB) is budgeted for six years from 2012-13 at the year one level plus future years 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**. Estimated NHB allocations for year three onwards are applied as funding in the year it is received, based on prior year averages. Forecasts of growth above these averages (if achieved) are contributed into an earmarked reserve. This is shown in the table below.

	12-13 £m	**13-14 £m**	**14-15 £m**	**15-16 £m**	**16-17 £m**	**17-18 £m**	**18-19 £m**
Year 1 (deferred 1 year)	0.471	0.471	0.471	0.471	0.471	0.471	
Year 2 (deferred 1 year)		0.401	0.401	0.401	0.401	0.401	0.401
Year 3		0.235	0.235	0.235	0.235	0.235	0.235
Year 4			0.488	0.488	0.488	0.488	0.488
Year 5				0.375	0.375	0.375	0.375
Year 6					0.372	0.372	0.372
Year 7						0.372	0.372
Year 8							0.372
Cont'n to General Fund	**0.471**	**1.107**	**1.595**	**1.970**	**2.342**	**2.714**	**2.615**
Potential Income from Higher Level of New Homes							
Confirmed to reserve			0.068	0.377	0.377	0.377	0.377
Potential to reserve					0.323	0.695	1.067
Cont'n to reserve			**0.068**	**0.377**	**0.700**	**1.072**	**1.444**

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 surplus for Council Tax of £1.663m in total and Breckland's share of this for 2015-16 would be around £168k (deficit of £80k for 2014-15).
For Business Rates a nil balance is forecast in total (surplus of £194k for 2014-15).

6. Tax Base

The tax base is assumed to rise by 0.88% from 2015-16 to 2016-17, then 0.88% for the next year and thereafter (based on planning forecasts). 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 2015-16 to 2018-19, 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 (2014-15) 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:

	14-15	15-16	16-17	17-18	18-19
Combined PRP and BPI	1.325%	**2.225%**	2.325%	2.325%	2.325%
Staffing salary level	97%	**98%**	98%	98%	98%
ARP cost of living increase	1.00%	**1.75%**	2.00%	2.00%	2.00%
ARP staffing salary level	97.5%	**97.5%**	97.5%	97.5%	97.5%
Pension contribution rate	14%	**14%**	14%	14%	14%
Pension lump sum cont'n	£526k	**£589k**	£649k	£709k	£709k
Return on cash investments	0.65%	**0.95%**	1.53%	2.15%	2.15%
Tax base	38,014	**39,654**	40,003	40,355	40,711

- 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 2016-17. 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. While the accounting standard will not affect the total income the council receives from rent, it will affect the amount of income the council will be able to treat as revenue income in the general fund.

Universal credit is due to be implemented shortly as 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, but it is not yet clear what role local authorities will have in this administration. Breckland will be in the first tranche of universal credit roll out for new claimants from February 2015. The future of universal credit and its impact on budgets is still un-quantifiable in budget terms.

Government is creating a centralised fraud service as part of preparations for Universal Credit, with staff being transferred from local authorities. As a result Housing Benefit (HB) admin grant is expected to reduce by 20% (£113k) in 2016-17.

9. Strategy, Aspirations and Forward Projections

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

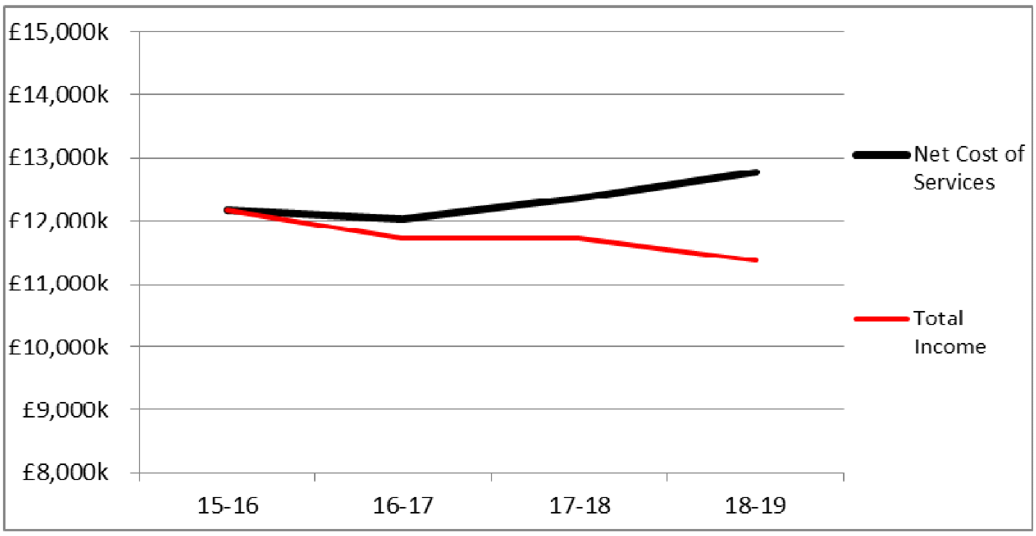
1) To manage a budget process that will make progress in re-directing and focusing the budget on corporate priorities and in doing so, recognise the intrinsic link between this strategy and the Capital Strategy and the Treasury Management strategy.
2) Adopt a corporate approach to budget preparation 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 14).
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 graph below shows the cost pressures increasing and government funding reducing over the medium term.



10. 2014-15 Outturn

An assessment of the 2014-15 out turn will inform the reliance we can place on the baseline we use for setting the 2015-16 estimates. Based on the position at the 30 September 2014, various pressures and efficiencies have been identified, forecasting a below budget out-turn as a result of efficiencies achieved early. These efficiencies and surpluses will be transferred to reserves be used to provide resources for the efficiency projects and the transformation programme that will be necessary to close the longer term funding gap. The Council will continue to review the financial performance of its services throughout the year. In preparing the budgets for 2015-16 services have reflected the on-going pressures and efficiencies in their new budget estimates.

11. Budget Requirement and Forward Estimates

Outline estimates through to 2018-19 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 2015-16 with no reliance on reserves, with further efficiencies required from 2016-17 onwards. Section 16 gives further information on how the Council plans to achieve these efficiencies through a programme of efficiencies and growth.

The special expenses charge shown in **appendix B** is made for the maintenance of footway lighting 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 footway 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	£44	£8,423	£40,930	£16,125	-	-
2015-16 tax base	254.7	5,239.1	5,885.2	2,262.8	-	-
Band D equivalent	£0.15	£1.39	£6.02	£6.17	-	-
2014-15 band D	£0.68	£0.96	£7.10	£4.20	-	-
Direct charge 15-16	-	-	-	-	£16,090	£13,668

The County Council manage the footway lighting on behalf of Breckland and the Towns and no planned maintenance or replacements are taking place, only re-active maintenance and repair. This results in reductions to these footway 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. Discussions are taking place with the Town Councils regarding the options for future provision of footway lighting.

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.

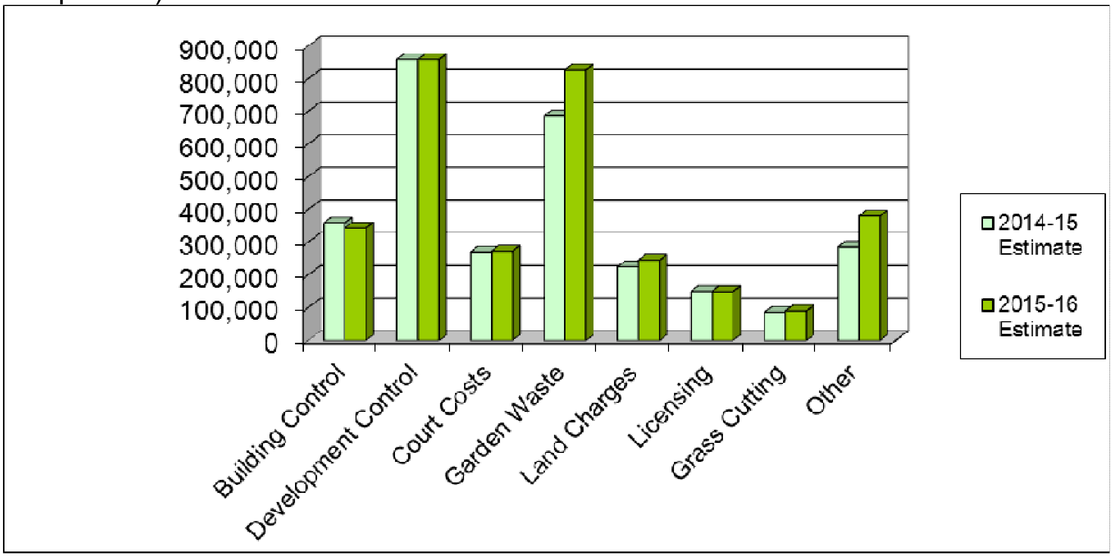
As part of our overall income strategy we will seek to:

- 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 £3.17m is due from fees and charges in the 2015-16 budget. The chart below shows the main categories of budgeted fee income in 2015-16 (and 2014-15 for comparison).



In addition to fees and charges the council has also invested £23m in commercial properties. It uses the rent from these properties to support the delivery of front line services. Income from commercial property rent is estimated at £2.4m in 2015-16, excluding service charges, offices rental and finance lease adjustments (£2.3m in 2014-15).

13. Reserves and Balances

The authority has carried out a review of its reserves and balances as at 30 September 2014 and the finding and recommendations from this are attached at **Appendix E2**.

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 is maintained at £2.908m.

The tables below give a summary of reserve movements:

General Fund	**14-15 £m**	**15-16 £m**	**16-17 £m**	**17-18 £m**	**18-19 £m**
Brought forward	2.908	**2.908**	2.908	2.908	2.908
In	-	**-**	-	-	-
Out	-	**-**	-	-	-
Carried forward	2.908	**2.908**	2.908	2.908	2.908

Specific Reserves	**14-15 £m**	**15-16 £m**	**16-17 £m**	**17-18 £m**	**18-19 £m**
Brought forward	12.297	**9.678**	9.899	9.366	9.983
In	1.393	**0.974**	0.800	1.172	1.544
Out	(4.012)	**(0.753)**	(1.333)	(0.555)	(0.430)
Carried forward	9.678	**9.899**	9.366	9.983	11.097

These are the observations from the review of reserves for the 2015-16 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 £1.62m of unallocated funds within a match funding reserve for both capital and revenue match funding projects. 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 £5.52m at 1 April 2014 and contains £2.64m 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 to achieve a balanced and sustainable budget over the longer term.
- 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, with 2015-16 being the final year of reserve use.
- 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 £0.32m of un-allocated funding which will continue to be used to fund feasibility studies relating to potential investment and/or disinvestment opportunities as detailed in the Asset Management Plan.
- A sum of £2.62m 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 and the potential for successful back-dated appeals.

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. 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	Medium	Medium	Market advice and forecasting. Mitigation by diversification
A reduction in property rental income	Low	Medium	Asset management plan. Mitigation by diversification
Changes to Council Tax Benefit subsidy and localised scheme. Increased caseload and lower collection rates adds further cost pressure	Medium	Low	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 up to 25% per year	High	High	Monitor developments when details are published and factor into future plans as necessary
Localised council tax reduction scheme results in the risk of tax base fluctuations which impacts on the council tax income collected	Medium	Medium	Monitor throughout year to understand levels. Reserve created to help with potential initial pressures/timing pressures.
Business rates retention scheme leaves Council exposed to economic downturn, reduced income from appeals (including back dated appeals) and reduced income as schools transfer to academies.	High	High	Monitor throughout year & reserve created to help with potential initial pressures/timing pressures

Risk	Likeli-hood	Impact	Action
Pension fund deficit, leading to increased employers contributions	Medium	Medium	Close links with NCC pension fund Increased contributions following triennial review
New Homes Bonus grant income less than budgeted due to changes to Government policy once the scheme is through its 6 year cycle	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. Consider including in LABV arrangement
Contractors for the Council facing financial hardship, going into administration or novating contracts to other suppliers	Medium	Medium	Contingency plans in place, financial checks for new contracts, wording in contracts to protect the Council from novation to alternative suppliers
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	Medium	Medium	Vary the service specification within the affordability envelope
Reducing available capital funding may mean that borrowing will be required at some point in the future	High	High	Continue to closely monitor the Council's CFR and communicate remaining balances to Members before decisions made. Use of revenue funding to support capital schemes and use of LABV where appropriate (once financial close is reached)
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	Medium	High	Liaison with CIPFA & lobbying of CLG if necessary

Risk	Likeli-hood	Impact	Action
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	Medium	Consider methods to smooth the effects of future costs. Look at alternatives to the special expenses levy.
Legislation changes regarding major planning applications timeframe of 26 weeks could result in lost income (up to £200k) to the council through lateness of applications	Medium	Medium	Liaison with legal and planning contractors to reduce process time and spread risk to the council
Extension of internal drainage board (IDB) activities increases drainage board levies beyond our control	Low	Medium	Liaison with IDB. Consider methods to smooth the effects of future costs
Reduction in S106 funding resulting from changes to legislation	Medium	Medium	Maximise use of S106 where this is available
S106 contributions from developers (i.e. contribution of a building) increase the ongoing costs to the council to run the asset	Low	Medium	Review of proposed S106's which are contributions of a non-monetary form

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**.

15. Consultation, Timetable and Links to Other Strategies

The draft budget will be put out to consultation on the website and invite commentary from key stakeholders.

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 the corporate management team prior to the start of the process (i.e. around July 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. The annual business planning process will run alongside the budget setting process to ensure an integrated approach of performance and finance and ensure that resources are made available to deliver the revised corporate plan.

16. 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 budget for 2014-15 was set last year, the Council utilised early year efficiencies to be used to fund future years budget gap whilst the transformation programme was implemented, giving a balanced budget to the end of 2015-16.
At the time of this draft budget, the 2015-16 year has been balanced without any reliance on reserves and with a contribution of £497k to support the future invest to save projects. Beyond 2015-16 a funding gap has been identified, and during the consultation period, further work will be carried out on the likely income generation from transformation projects and the required reserve contributions and these will be included within the final budgets as 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 averages and information obtained from the planning system. However no growth has been factored in for Business Rates (except for RPI increases to the multiplier rate) based on the expected position in future years.

The Anglia Revenues and Benefits Partnership (ARP) has continued to move from strength to strength and now provides services to seven authorities across three counties. Recognising the threat from the changes to the way central Government is administering welfare reforms, the partnership is drawing up plans to introduce an enforcement agency in 2015-16 which will provide an extra income stream for the partner authorities from 2016-17.

17. Capital Estimates

The capital programme has been created to meet the priorities of the Council. 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. These capital budgets will be reviewed and challenged during the consultation period with final schemes included in the final budget.

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 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 in the existing capital programme by 2016-17 unless additional capital receipts are generated, revenue reserves are used, or borrowing takes place. The capital programme currently includes budget for projects which will form part of the council's Local Asset Backed Vehicle (LABV) project, however until this project reaches financial close it is not known definitively which capital programme items will be included and how much funding is required. . Therefore the need for borrowing will be further addressed in the final budget when the LABV financial close has progressed. Prioritisation of capital projects in the future will be key to the best use of the Council's resources. Any future decision on borrowing for capital projects would only be supported if the business case for the projects does not place additional cost pressure on the tax payer through the council tax charge. The council would not undertake any un-supported borrowing whilst it still has reasonable capital receipt resources available.