Appendix A

Budget Setting Report and Financial Medium Term Plan 2016-17

This appendix is the combined budget estimates and medium term plan 2016-20. 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.

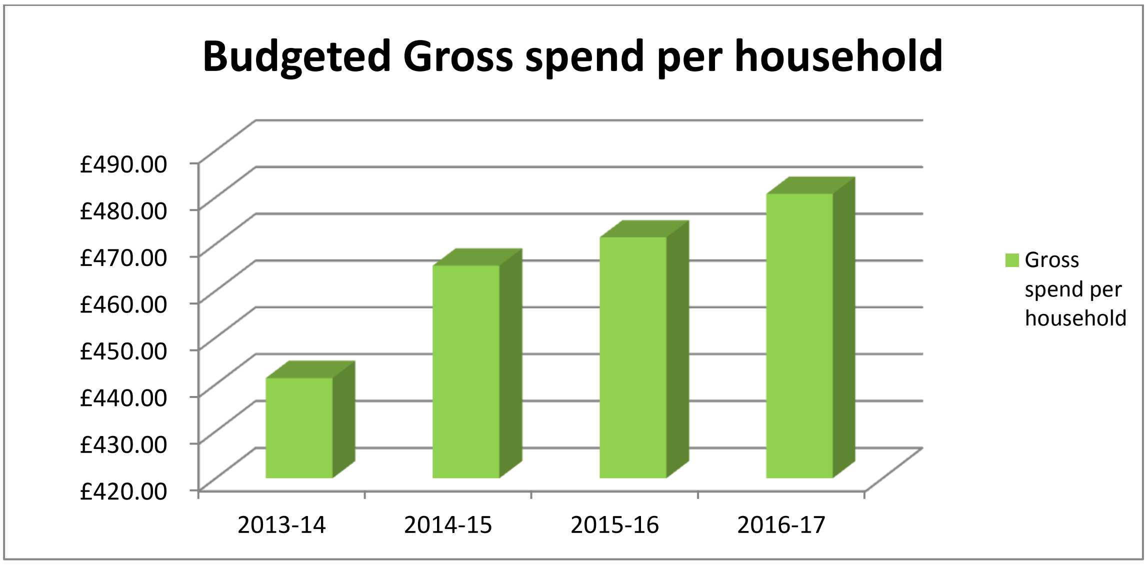
1. Budget Summary

The following table shows the headline figures relating to the budget estimates for 2016-17 compared to the 2015-16 position:

Description	2015-16	2016-17	Increase/ (Decrease)
Breckland precept requirement	£2,737,339	£3,041,456	11.11%
Council Tax Band D	£69.03	£73.98	7.17%
Band D cost per week	£1.33	£1.42	6.77%
Grant settlement (excluding NNDR)	£2,756,259	£2,028,243	(26.41%)
Income to investment fund	Nil	£467,085	100%
Retained NNDR (incl S31 grants)	£4,540,253	£4,543,936	0.08%
Other non-ring fenced grants	£78,060	£469,522	501.5%
New Homes Bonus	£2,362,949	£3,005,221	27.2%
New Homes Bonus to Reserves	£393,210	£455,505	15.8%
Special expenses account	£65,522	£69,661	6.3%
Transformation target	Nil	Nil	-

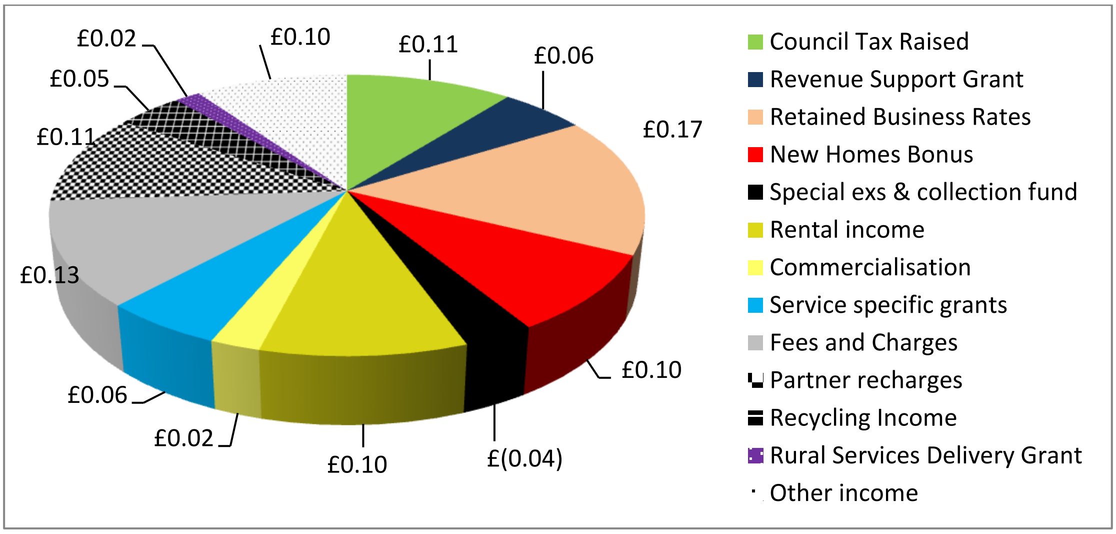
Of all the homes in the Breckland area, 77% are in bands A-C and 54% are in band A or B. Therefore the majority of homes pay less than £1.26 a week towards the District services we provide.

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



The budget report recommends an annual increase of just under £5 to Band D council tax for 2016-17 (£3.30 for a Band A). 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.

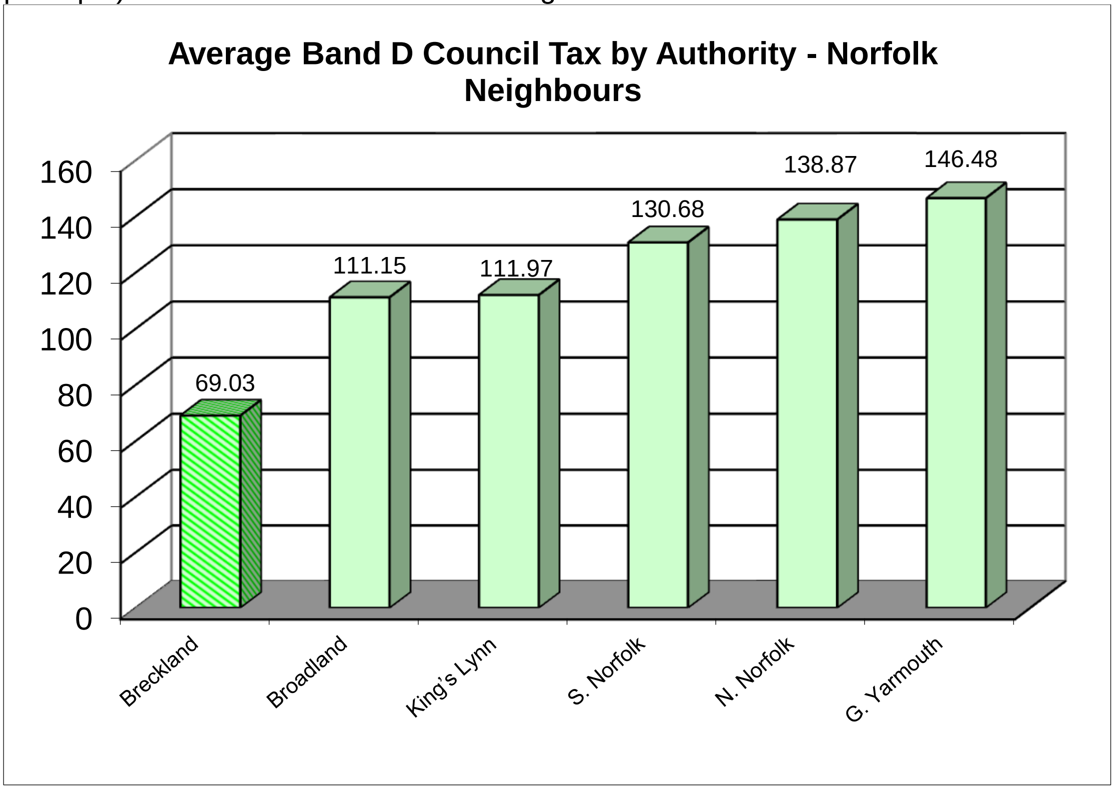
The council maximises its sources of funding to help keep the council tax at a low level. For every £1 spent by the Council (excluding Housing Benefit payments) it is funded from the income sources shown in the chart below.



The following table details the Band D Council Tax levels for all precepting authorities over the last thirteen 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	1,145.07	208.80	69.03	76.99	1,499.89	0.3
2016-17	1,190.79	212.94	73.98	81.09	1,558.80	3.9

The following chart shows the average Band D Council Tax levels (excluding parish precepts) for all Norfolk district and borough authorities in 2015-16.



2. 2016-17 Estimates

The table below shows the budget estimates for 2015-16 and 2016-17 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**.

		2015-16 £	2016-17 £	Variance £	Variance %
1	Staffing Costs (BC & 3rd Party)	9,115,510	9,997,770	882,260	9.7
2	Premises	2,319,960	2,384,385	64,425	2.8
	Transport	265,830	265,310	(520)	(0.2)
3	Supplies & Services	13,926,320	14,097,707	171,387	1.2
	Drainage board levies	72,550	78,850	6,300	8.7
4	Transfer Payments	37,203,490	34,894,205	(2,309,285)	(6.2)
5	Support services	3,600,280	3,824,432	224,152	6.2
6	Capital charges	1,889,460	4,170,175	2,280,715	120.7
7	Capital financing	(1,455,350)	(5,508,978)	(4,053,628)	(278.5)
	Total Expenditure	**66,938,050**	**64,203,856**	**(2,734,194)**	**(4.1)**
8	Rents/service charges	(2,615,830)	(2,848,367)	(232,537)	(8.9)
9	Fees and charges	(3,168,180)	(3,927,439)	(759,259)	(23.9)
10	Grants	(39,059,060)	(35,598,855)	3,460,205	8.9
11	Other	(6,605,000)	(6,950,169)	(345,169)	(5.2)
	Total Income	**(51,448,070)**	**(49,324,830)**	**2,123,240**	**4.1**
12	Transformation	563,387	68,711	(494,676)	(87.8)
	Less trading units	(3,384,790)	(3,714,662)	(329,872)	(9.7)
	Budget Requirement	**12,668,577**	**11,233,075**	**(1,435,502)**	**(8.1)**

Notes:
1 – The increase in employee costs results from additional staff employed at ARP for the enforcement service, additional ARP staff employed directly by Breckland (offset by partner income) and increased NI contributions. These additional costs are partly offset by an increase to the vacancy factor.
2 – Forecast additional costs relating to maintenance works at Breckland Business Centre in Dereham which is fully offset by service charge income held in reserves.
3 – Inflationary increases on major contracts such as waste collection and planning & building control, partly offset by efficiency targets from the transformation programme and reduced grant spend following the end of the economic development grant programmes which is offset by reduced grant income.
4 – Transfer Payment costs are mostly Housing Benefit payments and these have reduced, but the reduction is offset by reduced grant income, leaving the net effect in line with previous years. This line also includes the town and parish grant increase of £226k.
5 – There are general increases relating to staff and contract costs in the different services plus additional one off spend in 2016-17 funded from reserves, partly offset by reduced office charges following the DWP re-location into Elizabeth House.
6 – This increase relates to the £950k Superfast Broadband project and other increases in the capital programme compared to last year, these figures are fully reversed within the capital financing (see note 7).
7 – 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 2016-17 reflects the changes in capital charges (see note 6) and also funding from reserves for one off costs.
8 – Increased income from initiatives such as Thetford Riverside (part year in 2016-17) and DWP.
9 – Additional income relating to the new ARP Enforcement service of £524k plus increased planning forecasts and other smaller increases in service income.
10 – Reduced grant income resulting from reduced Housing Benefit claims and the ending of the economic development grant programmes (see notes 3 & 4).
11 – Additional income relating to interest receivable from Breckland Bridge and additional Housing Benefits overpayments receipts.
12 – Transformation targets are included within the supplies & services budgets for projects currently being delivered and the contribution in 2016-17 is budgeted to be used in full in 2017-18.

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 with 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 2016-17 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, in addition the Government have also announced their intention to phase out RSG over the medium term. 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. The budget assumes an accelerated reduced reliance on RSG for the medium term, taking our reliance on RSG to nil by 2019-20 (on a phased reduction). An element of investment income received in each year above that which is required for services will be contributed to an investment fund and invested in income generating assets to provide an on-going revenue return. The budgeted values are shown in the table on the following page, giving an additional total of £2.6m to the investment fund over the medium term.

The rural services delivery grant was previously included within the RSG, however the government have separated this grant out from 2016-17, recognising the additional pressures rural authorities face.

Under the retained NNDR scheme 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. 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% 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.

The retained NDR forecasts are based on actual amounts collectable at December 2015 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 1.5% in the long term budget forecast, but is open to risk of increase or decrease in all years.
The Norfolk business rates pool formed in 2014-15 has been expanded to include Norwich city Council from 2015-16 onwards. 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).

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.

Previously the ‘New Homes Bonus’ (NHB) was budgeted for six years from 2012-13 at the year one level plus future years allocations. Consultation is underway to look at potential changes to this scheme which include:

- NHB payable only where a local plan has been produced & submitted
- Reducing the number of years NHB is paid to between 2 & 4 years
- Setting a baseline increase level at which point NHB is only paid above this level of growth (possibly at 0.25%)

Based on this consultation, these budgets assume from 2017-18 the NHB is only paid for 4 years. Some NHB is required for delivery of services to new homes in the area, however any New Homes Bonus income received above £2m will be contributed to a growth fund which will be used to secure housing and employment growth, generating an on-going revenue return. The budgeted values are shown in the table below, giving an additional total of £1.8m to the growth fund over the medium term.

The table below shows the level of budgeted central grants.

	15-16 £m	**16-17 £m**	**17-18 £m**	**18-19 £m**	**19-20 £m**
Local Gov’t Settlement	(2.834)	**(2.028)**	(1,451)	(1.071)	(0.646)
Income cont’n to investment fund	-	**0.467**	0.656	0.853	0.646
Retained Business Rates	(3.608)	**(3.863)**	(4.793)	(5.336)	(5.508)
S31 grants in lieu of NDR	(0.932)	**(0.681)**	-	-	-
Rural Services Delivery grant	-	**(0.470)**	(0.379)	(0.292)	(0.379)
New Homes Bonus	(2.363)	**(3.005)**	(2.461)	(2.537)	(2.331)
NHB to growth fund	0.393	**0.456**	0.461	0.537	0.331
Total	(9.344)	**(9.124)**	(7.967)	(7.846)	(7.887)
% -/(+)		**2.4%**	12.7%	1.5%	(0.5%)

5. Collection Fund

Each year the Council is required to calculate the balance on its Collection Fund. 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 £4.6m in total (taking 2014-15 balance and 2015-16 forecast) and Breckland's share of this for 2016-17 would be around £452k (surplus of £168k for 2015-16).
For Business Rates a deficit is forecast of £3.6m in total (mainly as a result of a large level of appeals backdated to 2010 following a recent tribunal ruling on "purpose built doctors surgeries") and Breckland's share of this for 2016-17 would be around £1.4m (deficit of £40k for 2015-16).

6. Tax Base

The tax base is assumed to rise by 3.7% in 2016-17 which brings forecasts in line with actual collection fund experience in the last year with increases of 0.67%, 1.59% and 1.55% for future years. 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 2016-17 to 2019-20, 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 (2015-16) 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:

	15-16	**16-17**	**17-18**	**18-19**	**19-20**
Combined PRP and BPI	2.225%	**1.00%**	1.00%	1.00%	1.00%
Staffing salary level	98%	**96%**	96%	96%	96%
ARP cost of living increase	1.75%	**1.00%**	1.00%	1.00%	1.00%
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	£589k	**£666k**	£726k	£786k	£786k
Return on cash investments	0.75%	**0.90%**	1.50%	2.00%	2.75%
Tax base	39,654	**41,112**	41,387	42,045	42,697

- 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.

Universal credit implementation has begun as part of a package of measures under the Welfare Reform Act. It changes the way that benefits (including Housing Benefits delivered by local authorities) are administered for certain claims, but it is not yet clear how this will progress over the medium term to incorporate more claims. The future of universal credit and its impact on budgets is still un-quantifiable in budget terms.

The next triennial review of the Norfolk Pension Fund is due at the end of 2015-16, which could result in changes to pension contributions and this would be incorporated into next years budgets.

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 four 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

With the aspiration to reduce reliance on RSG, this results in further pressures to deliver savings from the transformation programme. Section 16 details the planned savings from the transformation programme over the medium term in order to balance the budget with a nil reliance on RSG by 2019-20.

10. 2015-16 Outturn

An assessment of the 2015-16 out turn will inform the reliance we can place on the baseline we use for setting the 2016-17 estimates. Based on the position at the 31 December 2015, various pressures, transformation items and efficiencies have been identified, forecasting a small below budget out-turn as an overall result. One-off efficiencies and surpluses will be used to offset transformation targets in the current year, allowing time for the programme to grow. Ongoing efficiencies and surpluses have been reflected in the medium term plan. The Council will continue to review the financial performance of its services throughout the year. In preparing the budgets for 2016-17 services have reflected the on-going pressures and efficiencies in their new budget estimates.

11. Budget Requirement and Forward Estimates

Outline estimates through to 2019-20 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 all years with no ongoing reliance on reserves. Section 16 gives further information on how the Council plans to achieve these efficiencies through a programme of efficiencies and growth and details what assumptions have been made on assumed efficiencies.

The special expenses charge shown in **appendix B** is made for the maintenance of footway lighting in Dereham, Thetford and Watton. 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.

	Dereham	**Thetford**	**Watton**	**Attlebo-rough**	**Swaff-ham**
Special Expense	£9,235.84	£32,677.31	£18,914.90	-	-
2016-17 tax base	5,421.1	6,119.1	2,372.4	-	-
Band D equivalent	£1.70	£5.34	£7.97	-	-
2015-16 band D	£1.39	£6.02	£6.17	-	-
Direct charge 16-17	-	-	-	£18,252	£15,594

The County Council manage the footway lighting on behalf of Breckland and the Towns and little 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.

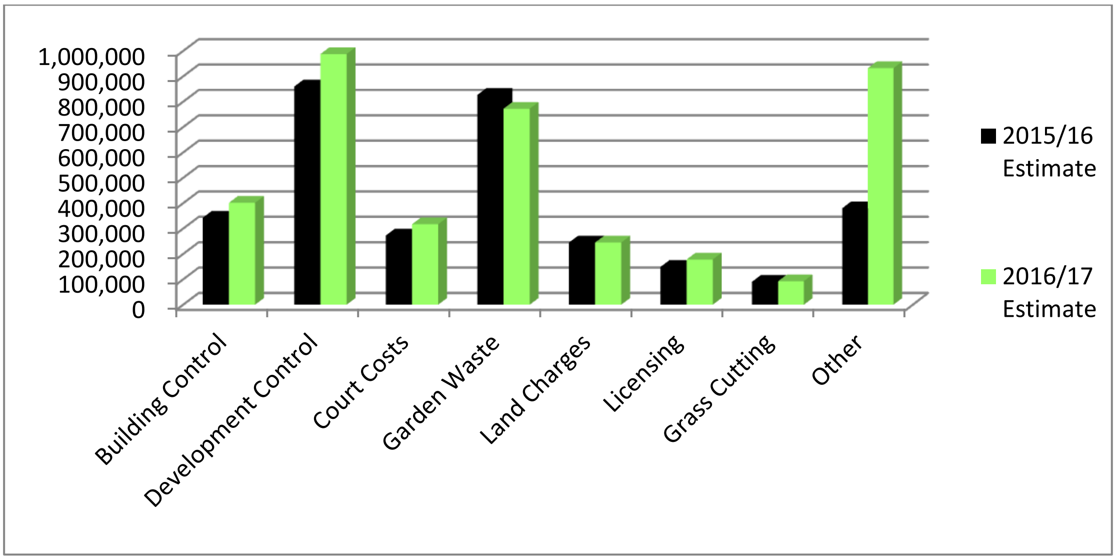
As part of our overall income strategy we will seek to:

- 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 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 £3.9m is due from fees and charges in the 2016-17 budget. The chart below shows the main categories of budgeted fee income in 2016-17 (and 2015-16 for comparison).



In addition to fees and charges the council has also invested £23m in commercial properties, plus our new investment in Thetford Riverside (due to complete in 2016).

It uses the rent from these properties to support the delivery of front line services. Income from commercial property rent is estimated at £2.71m in 2016-17, excluding service charges, offices rental and finance lease adjustments (£2.4m in 2015-16). As part of the transformation programme work will be undertaken to look at diversification away from commercial properties and cash investments to look at the potential of market rent housing.

13. Reserves and Balances

The authority carried out a review of its reserves and balances as at 30 November 2015 and the finding and recommendations from this are incorporated into this budget.

Appendix E outlines the position statement on reserve balances. The proposed budget does not require any long term support from reserve balances, however the economic circumstances around business rates retention, localised council tax support, high performance of Commercial Property, investment income 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 £2.851m.

The tables below give a summary of reserve movements:

General Fund	**15-16 £m**	**16-17 £m**	**17-18 £m**	**18-19 £m**	**19-20 £m**
Brought forward	2.851	**2.851**	2.851	2.851	2.851
In	-	**-**	-	-	-
Out	-	**-**	-	-	-
Carried forward	2.851	**2.851**	2.851	2.851	2.851

Specific Reserves	**15-16 £m**	**16-17 £m**	**17-18 £m**	**18-19 £m**	**19-20 £m**
Brought forward	14.196	**10.196**	5.529	4.785	4.302
In	3.411	**1.128**	1.223	1.496	1.085
Out	(7.411)	**(5.795)**	(1.967)	(1.979)	(1.008)
Carried forward	10.196	**5.529**	4.785	4.302	4.379

These are the observations from the review of reserves for the 2016-17 budget:

- The commercial assets reserve holds service charge income from tenants to provide for future repairs & maintenance and now incorporates the service charges from the two business centres in Dereham and Thetford in one reserve.
- The anticipated costs of PFI are fully allowed for within the base budget, therefore the balance has been transferred to the investment fund.
- The Council holds £1.58m of unallocated funds within a match funding reserve for both capital and revenue match funding projects. This level is appropriate based on the expected future spend.
- The organisational development reserve stood at £6.08m at 1 April 2015 and contained over £2m of unallocated funds. Part of the unallocated funds have been transferred to the investment fund with a balance of £472k remaining to be used for invest to save initiatives that will be required to drive revenue costs down to achieve a balanced and sustainable budget over the longer term.
- Balances in reserves which are no longer required such as LDF, LABGI & Area Based Grant have been transferred to the investment fund.

- The waste and recycling reserve uses savings achieved in the earlier years of the contract and applying them in the later years of the contract to smooth the effect of price changes, with 2015-16 being the final year of reserve use.
- A sum of £1.7m is held in a Revenue & Benefits 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.
- The community projects reserve holds £1.53m of earmarked funds due to be spent on community related projects during 2015-16 and 2016-17.
- The existing New Homes Bonus (NHB) reserve will be transferred to a "growth fund" and where NHB is received over and above our required level of £2m, this will be added to the growth fund which will be used to secure housing and employment growth generating an on-going revenue return.
- The new investment fund reserve has been set up using balances from other reserves and will be used to purchase assets which will generate an on-going revenue return.

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	Low	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
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	Medium	Monitor throughout year & reserve created to help with potential initial pressures/timing pressures

Risk	Likeli-hood	Impact	Action
Additional bad debts as a result of economic circumstances	Low	Low	Pro-active debt management and pre-pay fee policies
Pension fund deficit, leading to increased employers contributions (particularly with the next triennial valuation at the end of 2016)	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 resulting from the consultation	Medium	Low	Review levels each year to ensure estimate is as accurate as possible & growth fund mitigates amount used for services
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, 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	Low	Budget assumptions kept up to date with most recent projections
Price increases resulting from contract re-tender	Medium	Low	Vary the service specification within the affordability envelope
Net budget of the Housing Benefit claims is costlier than budgeted if error threshold breached	Medium	Low	Use of reserve to fund any in year additional costs/income shortfall
Reduction in S106 funding resulting from changes to legislation	Medium	Low	Maximise use of S106 where this is available
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
Reduced available capital funding meaning that borrowing will be required for future projects	High	Medium	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. Dis-investment in poorer performing assets to re-invest

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	Medium	Low	Liaison with CIPFA & lobbying of CLG if necessary. Expected mitigating accounting treatment so authorities will not be worse off financially
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.
NNDR revaluations in 2017 and re-basing in 2020 could reduce the Council's retained NNDR income	Medium	Medium	Use of reserve if necessary to provide 1-2 years funding whilst savings identified
Devolution in Norfolk and Suffolk reduces the retained income to Breckland and puts additional pressures on service delivery	Medium	Medium	Continue close working with neighbouring authorities
Transformation programme is not delivered to the expected time frames	Low	Medium	Continued monitoring & reporting and programme delivery manager in place
Senior/Shared management pay policy review could change costs	Medium	Low	Consultation throughout the process

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 was put out to consultation to Overview & Scrutiny Commission, the Town & Parish Forum and on the website, inviting commentary from key stakeholders. Feedback received from this consultation has been considered and incorporated into the budget papers where necessary.

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 2015-16 was set last year, the Council utilised early year efficiencies to be used to fund future years budget gap and provide funding for the transformation programme. At this time the budget was balanced through to 2017-18. Since that time, cost pressures and efficiencies have been identified, we are aiming to reduce reliance on RSG and the transformation programme has been developed. The current budget includes the following amounts which have been delivered or are due to be delivered through the transformation programme:

	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Delivery in progress:				
Breckland Bridge	(219)	(366)	(437)	(437)
DWP Co-location	(41)	(41)	(41)	(41)
Identified projects to be delivered:				
Organisational Design	-	(303)	(606)	(908)
Commercialisation (incl procurement)	(5)	(595)	(516)	(768)
Return on investment fund	-	(139)	(180)	(254)
Return on growth fund	-	(18)	(19)	(25)
Aligning public services	(25)	(40)	(40)	(40)
TOTAL	**(290)**	**(1,502)**	**(1,839)**	**(2,473)**

This has resulted in a balanced budget for all years provided the transformation programme is delivered to expected time frames.

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. The partnership has introduced 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 further borrowing takes place. The capital programme includes budget for projects which form part of the council's Local Asset Backed Vehicle (LABV) project and internal borrowing will be undertaken for the Riverside project which is part of the LABV. 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.