

BRECKLAND DISTRICT COUNCIL

Report of: **Cllr Pablo Dimoglou, Executive Member Finance**

To: **Full Council; 23 February 2017**

(Author: **Christine Marshall, Executive Director Commercialisation)**

Subject: **Budget, Medium Term Plan & Capital Strategy**

Purpose: **To consider the capital and revenue budget estimates and proposed council tax, the financial medium term plan and the capital strategy and to recommend their approval to Full Council.**

Recommendation(s):

Recommend to Full Council that:

- 1) The Breckland revenue estimates and parish special expenses for 2017-18 and outline position through to 2020-21
 - a) as set out in appendix B1 and E1 are approved; or
 - b) as set out in appendix B2 and E2 are approved.
- 2) The capital estimates and associated funding for 2017-18 and outline position through to 2020-21 (as set out in appendix H) are approved.
- 3) The discretionary business rates relief for local newspapers for up to 2 years as detailed in appendix I is approved.
- 4) The fees and charges shown at appendix D and D2, for adoption on 1 April 2017 are approved.
- 5) The Council Tax in the medium term plan be set at either:
 - a) 1.95% increase per year (£75.42 for a Band D property in 2017-18, an increase of £1.44); or
 - b) £4.95 increase per year (£78.93 for a Band D property in 2017-18); or
 - c) A value between 1.95% and £4.95.
- 6) Either;
 - a) the financial medium term plan at appendix A1 is approved; or
 - b) the financial medium term plan at appendix A2 is approved.
- 7) The capital strategy at appendix G is approved.
- 8) That £100,000 is allocated in the Organisational Development Reserve to fund feasibility studies for growth and investment projects which will generate a return to the Council. That release of funding for individual feasibility studies be delegated to the S151 Officer in conjunction with the Strategic Growth Group and Finance Board in consultation with the Leader or Deputy Leader.

1.0 **BACKGROUND**

1.1 This budget accommodates the latest known position, as the final confirmation of the Local Government Finance Settlement (including announcements for new homes bonus and referendum levels) has not been received at the time of writing this report. This is expected week commencing 20 February 2017 and Full Council will be updated with any known changes at the meeting.

This budget also offers Members a choice of Council Tax levels at recommendation 5 and due to this choice there are two sets of appendices at appendix A, B and E to accommodate the differences between the 1.95% and £4.95 council tax rise.

1.2 The appendices to this report outline the 2017-18 revenue and capital estimates for the General Fund, the proposals for the setting of discretionary fees and charges, the outline position through to 2020-21, the medium term financial plan and the capital strategy. The medium term financial plan sets out the framework within which the budget is to be set, to ensure that it enables the Council to achieve its own corporate objectives. The capital strategy sets out the framework for capital budget setting.

1.3 The budget, medium term plan and capital strategy have been considered by Overview & Scrutiny Committee and Cabinet, they have also been available for consultation on the Council's website in advance of this formal Council decision.

1.4 A small amount of feedback was received from the consultation:

- Loans could be provided to forward fund delivery of the Attleborough link road;
- Two requests for litter clear up at roadsides and paths;
- A request for significant increased budget allocation to keep our environment tidy;
- A comment from a resident that they would be willing to pay a higher council tax if it meant better services;
- A request for improvement to roundabouts and improved infrastructure;
- Thanks for the grants which are provided to towns or villages;
- Suggestion of an old village school being brought back into use due to the large number of houses being built in the village.

Revenue

1.5 The budget approved by the Council in February 2016, provided a robust budget over the medium term, supported by the Moving Forward transformation plan. The Moving Forward programme includes efficiencies and service improvement in 4 main areas: Organisational Design, Commercialisation, Digitalisation and Aligning Public Services. Reserve funding was set aside in order to provide resource and investment to deliver the programme, innovative income generation and associated growth and investment plans. Successful delivery of this programme provided a balanced budget over the medium term. To date this programme is performing well with around a third of the 4 year target already delivered in year 1. Some timing delays have led to a forecast shortfall in achievement of targets in year 2, but these are still on track to deliver in the medium term. Projects within the programme have been flexed and updated as part of this budget process to ensure the programme remains up to date and deliverable.

1.6 The Council successfully applied for the Government's four year settlement offer, using the Moving Forward programme as the basis of the efficiency plan. Whilst this has given some certainty over this element of funding, at this stage of the budget process there still remain some un-knowns, including:

- New Homes Bonus – the final Settlement will include the details of the scheme for the medium term;
- Council Tax referendum limits.

This budget includes assumptions for these areas and Full Council will be updated at the meeting.

- 1.7 Despite the challenges of reduced funding and economic uncertainty, the Council remains in a secure financial position across the medium term with no dependency on reserves. This draft budget continues to support the principal of reducing reliance on RSG to nil from 2019-20 and providing funding for both investment and growth funds.
- 1.8 Dependent on the council tax option chosen, there are different financial positions. At a 1.95% council tax rise, there is a budget gap of £268k in 2020-21, nil reliance on revenue support grant and a reliance of £1.8m on new homes bonus. At a £4.95 council tax rise, the budget is balanced, with an additional contribution to the investment fund available, nil reliance on revenue support grant and a reliance of £1.1m on new homes bonus.

Under both council tax options there is a budget gap in 2017-18 which mainly results from timing changes of the four year Moving Forward programme and business rates growth which does not come into play until 2018-19. The Moving Forward programme remains on track to deliver the necessary savings over the four year term and individual projects will flex throughout this time and budgets will be adjusted, as required, to adapt to this flexing.

The budget gap in 2017-18 can be funded from the 2016-17 below budget spend, efficiencies achieved early and the organisational development reserve. Additional funding available in later years will be contributed to the investment fund to be spent on assets to generate a return. The budget gap in 2020-21 based on a 1.95% council tax rise will need to be funded from additional efficiencies identified from the Moving Forward transformation programme. The appendices to this report reflect these positions and funding.

- 1.9 Elected Members work to ensure the district and our residents remain at the heart of our financial planning, key headlines of the attached budget are:
- No reduction in services;
 - No long term reliance on reserves;
 - Continued investment to support transformation in service delivery to improve outcomes for our customers;
 - Continued focus on district growth supporting local businesses and the economy and enabling a wide range of housing solutions;
 - Major capital investment in regeneration and services.
- 1.10 The Local Government Act 2003 introduced a requirement that the Chief Financial Officer reports on the robustness of the budget. I am satisfied the estimates have been prepared in a prudent manner, although it is recognised that there are a number of elements outside of the Council's control and these are identified within the "risks" section of appendix A1&2 and will be mitigated through the budget monitoring and risk management processes of the Council. I can confirm there is no dependency on reserves to finance recurrent expenditure and appendix A1&2 gives details of the General Fund and earmarked reserve balances and movements, which I consider to be adequate for the purposes of the Council over the medium term.
- 1.11 The investment and growth funds will financially support projects which provide an ongoing return to the Council and these projects will be supported by the necessary amount of due diligence and a relevant business plan. In order to move these projects

forward, the council may need to buy in some external advice, for example; taxation advice on the most efficient company structures, market intelligence for a specific field of income to help with forecasting within business plans, etc. These specialist skills may not be available within the council, so this report recommends that £100,000 is earmarked within the Organisational Development Reserve to provide funding to support feasibility studies when external specialist advice is required.

Capital

1.12 The draft capital programme for 2017-18 through to 20-21 is:

	2017-18 to 20-21
Programmed spend	£9,789k
Forecast Receipts	(£3,143k)
Forecast Funding	(£3,580k)
Net Spend	£3,066k
Forecast Reserves as at 01.04.2017	(£2,547k)
Shortfall in funding	£519k

This shows a shortfall in capital funding of £519k, which can be funded via internal borrowing based on these budgets. The availability and scope for future projects is therefore limited unless additional receipts or funding is generated, or the spend supports a business case including borrowing. Details of the capital programme are included at appendix H.

NNDR Relief for Newspapers

1.13 The Government have consulted on providing a business rates relief for local newspapers as part of its commitment to supporting a strong and vibrant local press. Responses to this consultation indicated that a relief on business rates bills would generally be welcomed by the industry and help publishers occupy property in their local area. As a result a discount was announced in the March 2016 budget on the following terms:

- A £1,500 business rates discount for office space occupied by local newspapers for up to 2 years from 1 April 2017;
- A maximum of one discount per local newspaper title and per hereditament;
- State Aid limits apply;
- Will not apply to Local Councils that publish a local newspaper;
- Will not apply to online-only publications and local magazines.

1.14 Relief can be granted by the Council using discretionary powers under section 47(3) of The Local Government Finance Act 1988. Central Government will fully reimburse councils for any relief they grant to eligible properties that fall within the definitions contained with the guidance included in appendix I.

2.0 OPTIONS

2.1 That recommendations 1a, 2, 3, 4, 5a, 6a, 7 and 8 are approved.

2.2 That recommendations 1b, 2, 3, 4, 5b, 6b, 7 and 8 are approved.

2.3 That amendments are made before the recommendations 1 to 8 above are approved.

3.0 REASONS FOR RECOMMENDATION(S)

3.1 To comply with budgetary and policy framework.

4.0 **EXPECTED BENEFITS**

4.1 To set an affordable and balanced budget for 2017-18 which delivers on the Council's priorities.

5.0 **IMPLICATIONS**

5.1 **Corporate Priorities**

5.1.1 The budget supports the Council's priorities and the final budget is considered alongside the Corporate Plan.

5.2 **Financial**

5.2.1 The report is of a financial nature and financial implications are covered within the report.

5.3 **Risk Management**

5.3.1 Risk has been considered and is included within the appendices.

5.4 **Stakeholders / Consultation / Timescales**

5.4.1 Consultation is included within the appendices and the responses received are outlined at paragraph 1.4.

5.5 **Transformation Programme**

5.5.1 The budget and transformation programme are intrinsically linked and information on the Moving Forward programme is included as necessary within the report and appendices.

6.0 **WARDS/COMMUNITIES AFFECTED**

6.1 N/A

7.0 **ACRONYMS**

7.1 BPI – Basic Performance Increase

7.2 CIPFA – Chartered Institute of Public Finance and Accountancy

7.3 DCLG – Department for Communities Local Government

7.4 LABV – Local Asset Backed Vehicle

7.5 LCTRS – Localised Council Tax Reduction Scheme

7.6 NHB – New Homes Bonus

7.7 NNDR/NDR – National Non-Domestic Rates (Business Rates)

7.8 PFI – Private Finance Initiative

7.9 PRP – Performance Related Pay

7.10 RSG – Revenue Support Grant

7.11 S31 – Section 31

7.12 VFM – Value for Money

Background papers:- N/A

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Key Decision: No

Exempt Decision: No

This report refers to a Mandatory & Discretionary Services

Appendices attached to this report:

Appendix A1 & A2	Budget estimates and medium term financial plan
Appendix B1 & B2	General Fund Summary
Appendix C	Tax Base
Appendix D & D2	Fees and charges (D2 to follow)
Appendix E1 & E2	Reserves
Appendix F	Sensitivities
Appendix G	Capital Strategy
Appendix H	Capital Programme
Appendix I	Business Rates Relief for Local Newspapers Guidelines