

## BRECKLAND DISTRICT COUNCIL

**Report of:** Councillor Phillip Cowen, Executive Member Finance and Delivery

**To:** Cabinet, 27 November 2019  
Overview & Scrutiny, 13 December 2018

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

**Subject:** Draft Budget, Medium Term Plan and Capital Strategy

**Purpose:** To consider the draft capital and revenue budget estimates, the medium term financial plan and the capital strategy.

### **Recommendation(s):**

- 1) That the draft capital and revenue budget estimates, the draft medium term financial plan and the draft capital strategy are reviewed, in preparation for the final budget setting in 2019.

### **1.0 BACKGROUND**

- 1.1 The appendices to this report outline the draft 2019-20 revenue and capital estimates for the General Fund, the proposals for setting of discretionary fees and charges, the outline position through to 2022-23, 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 which also supports the Council's corporate objectives.
- 1.2 This draft budget accommodates the latest known position at the time of writing the report, however there remain estimates where final figures are not yet known, such as the Government Settlement (expected around 6 December 2018).
- 1.3 This draft budget is presented to Cabinet and Overview and Scrutiny for consideration. In addition the budget will be available on the website for customers to view and provide feedback from 1 December 2018 to 1 January 2019. The final budget will be presented to Cabinet and Full Council in February 2019, incorporating final information such as the Government Settlement, along with the formal Council Tax setting report.

#### **Funding**

- 1.4 2019-20 is the final year of the Government's four year Settlement. There are unprecedented levels of change planned for 2020-21 onwards and at this stage there is too little information to enable accurate forecasts in this budget.
- 1.5 75% retained NNDR  
Currently it is expected that the new scheme will include the existing Business Rates retention baseline income plus Rural Services Delivery Grant (RSDG) and any remaining Revenue Support Grant (RSG) plus the Section 31 grants currently received (which compensate for national NNDR discounts such as Small Business Rates Relief). It is not yet known how the additional 25% retention will be distributed between Counties, Districts and Fire, nor is it known how much of the NNDR growth Authorities may retain. The levels of RSDG, RSG and baseline are also not yet known as these link to the Fair Funding Review. Therefore assumed income levels in this budget include the Business

Rates retention baseline income plus Rural Services Delivery Grant plus Section 31 grants plus 50% growth retained and no additional income from the 25% share.

1.6 Fair Funding Review (FFR)

This review will set new baseline funding allocations for all Local Authorities and aims to simplify the existing system and provide an up to date assessment of Authorities relative needs and resources. Early consultations have taken place by MHCLG, but there is insufficient information to make informed estimates to date. It is likely that any changes would be transitioned to manage the impact, so there would not be major impacts on Authorities (positive or negative) immediately.

This budget assumes no financial changes from this review, but as the budget currently has no reliance on RSG or NHB, the Council is very well placed to respond to funding reductions if they occur.

1.7 Spending Review (SR)

There are no details on what the outcome of this Spending Review may be, however as the budget currently has no reliance on RSG or NHB, the Council is very well placed to respond to funding reductions if they occur.

1.8 New Homes Bonus (NHB)

It is possible that the NHB baseline of 0.4% may increase this year, but no indications by how much. This baseline is the level of growth in homes before the Council receives any NHB reward. It is also likely that the NHB will not exist in its current form after 19-20 but could be refreshed into an alternative reward funding stream. This budget assumes a 0.5% baseline and assumes reward income from 19-20 only, followed by the reducing legacy payments for the following 3 years. All the remaining NHB income is contributed into the Communities reserve in this budget.

**Revenue**

1.9 The budget approved by Full Council in February 2018 provided a robust budget over the medium term, supported by the Transformation programme. Since this time additional cost pressures and approved growth have been identified, along with additional income and service budgets have been refreshed to produce this draft budget.

This draft budget provides the following:

- Continued non reliance on Revenue Support Grant (RSG).
- No reliance on New Homes Bonus (NHB) funding which will be contributed into the Communities reserve.
- No cuts to service delivery.
- A balanced budget over the medium term using 'mid point' assumptions for major funding sources (i.e. NNDR).
- Financial support in reserves for feasibilities which lead to growth and investment (Invest Breckland) (subject to release in line with the constitution).
- A strong financial position to manage any future changes from the Fair Funding Review or Spending Review, allowing time to put an appropriate program in place if this is required.

**Staffing**

The Medium Term Plan at Appendix A provides a breakdown of the 2019-20 budget compared to the current year's budget. The gross costs of staffing have increased in this table above the value you would usually expect to see here, however these additional costs are mostly offset by either additional income or from reserve funding (for fixed term roles).

True cost increases which impact the Council Tax include the effect of the 2% pay increase and incremental salary increases for staff, plus the costs of the pension deficit as determined by the Norfolk Pension Fund each year and other small changes such as standby payments for on-call staff (approved via Full Council).

Cost increases which are offset by income relate mainly to ARP staff who may be employed directly by Breckland Council but are working across all 7 partners within ARP and costs are met in full through either Government grants or income/contributions from other Councils.

Temporary staff numbers have increased (i.e. in housing) as a result of Government grant funding which allows us to temporarily increase the staffing in that area through targeted Government funding.

- 1.10 At this stage of the budget there are still some un-knowns which should be confirmed in the Government Settlement, expected around 6 December 2018:
- New Homes Bonus baseline.
  - Referendum limits for Council Tax are not yet known and this budget assumes a £4.95 rise to a Band D council tax in all years (as proposed in last year's budget).
  - Norfolk has submitted a bid for a 75% Business Rates Pilot but the outcome is not known and therefore nothing is included in this budget.
- 1.11 Despite the unprecedented challenges of reduced funding and economic uncertainty, the Council remains in a secure financial position across the medium term with no dependency on reserves. Key to the success of this balanced budget is the continued delivery of the Transformation programme outcomes.

Details of the Medium Term Financial Plan are shown in Appendix A, with summary finance shown in Appendix B.

### Capital

- 1.12 The draft capital programme for 2019-20 to 2022-23 is:

	<b>19-20 to 22-23</b>
Forecast Spend	£28,745k
Forecast Receipts	(£2,547k)
Forecast Funding	(£18,278k)
<b>Net Spend</b>	<b>£7,920k</b>
Forecast Capital Funding Available	(£2,849k)
<b>Shortfall in Funding</b>	<b>£5,071k</b>

- 1.13 This shows a borrowing requirement of just over £5 million, however, within this programme are two projects which are repaid through revenue over the course of time – waste contract vehicles and equipment £5m over 8 years and the Dereham Health Hub £1.6m over 8 years. If we take into account the repayment through revenue for these items the borrowing requirement would be £121k. Currently the budget makes no allowance for borrowing costs as we may be able to borrow from internal balances, however this will be re-visited in next years budgets when there is more certainty.

## 2.0 OPTIONS

- 2.1 That the draft capital and revenue budget estimates, the draft medium term financial plan and the draft capital strategy are reviewed.

### 3.0 REASONS FOR RECOMMENDATION(S)

3.1 To comply with budgetary and policy framework and allow consultation with Members.

### 4.0 EXPECTED BENEFITS

4.1 To set an affordable and balanced budget for 19-20 which delivers on the Council's priorities.

### 5.0 IMPLICATIONS

In preparing this report, the report author has considered the likely implications of the decision - particularly in terms of Carbon Footprint / Environmental Issues; Constitutional & Legal; Contracts; Corporate Priorities; Crime & Disorder; Equality & Diversity/Human Rights; Financial; Health & Wellbeing; Reputation; Risk Management; Safeguarding; Staffing; Stakeholders/Consultation/Timescales; Transformation Programme; Other. Where the report author considers that there may be implications under one or more of these headings, these are identified below.

#### 5.1 Corporate Priorities

5.1.1 The budget supports the Council's priorities and the final budget will be considered alongside the Corporate Plan in February 2019.

#### 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 has been undertaken with the service managers and Directors for every budget and public consultation will be included in the final budget.

#### 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 All

### 7.0 ACRONYMS

7.1 MHCLG – Ministry of Housing, Communities and Local Government

7.2 NNDR – National Non-Domestic Rates

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Background papers:- [See The Committee Report Guide for guidance on how to complete this section](#)

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#### Lead Contact Officer

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**Key Decision:** No

**Exempt Decision:** No

**This report refers to Mandatory and Discretionary Services**

**Appendices attached to this report:**

Appendix A	Budget estimates and medium term financial plan
Appendix B	General Fund summary
Appendix C	Tax base
Appendix D & D2	Fees and charges
Appendix E	Reserves
Appendix F	Sensitivities
Appendix G	Capital Strategy
Appendix H	Capital Programme