

BRECKLAND DISTRICT COUNCIL

Report of: Councillor Philip Cowen, Executive Member Finance & Growth

To: Cabinet, 3 February 2020
Full Council, 27 February 2020

Author: Christine Marshall, Executive Director Commercialisation

Subject: Budget, Medium Term Financial Plan and Capital Strategy

Purpose: To approve the capital and revenue budget estimates and proposed Council Tax, the financial Medium Term Plan and the Capital Strategy

Recommendation(s):

Recommend to FULL COUNCIL:

- 1) That the Breckland revenue estimates and parish special expenses for 2020-21 and outlined position through to 2023-24 (as set out in Appendix B and E) are approved.
- 2) That the capital estimates and associated funding for 2019-20 and 2020-21 and outline position through to 2023-24 (as set out in Appendix H) are approved.
- 3) The fees and charges shown at Appendix D and D2, for adoption on 1 April 2020 are approved.
- 4) The Council Tax is set at £93.78 for a Band D property in 2020-21 (a £4.95 per annum increase on 2019-20 levels).
- 5) The financial Medium Term Plan and associated staffing full time equivalents at Appendix A is approved.
- 6) The Capital Strategy at Appendix G is approved.

1.0 BACKGROUND

- 1.1 The appendices to this report outline the 2020-21 revenue, full time equivalent staffing and capital estimates for the General Fund, the proposals for the setting of discretionary fees and charges, the outline position through to 2023-24, 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 and links to the Treasury Management Policy and Strategy.
- 1.2 This budget accommodates the latest known position, the final confirmation of the Local Government Finance Settlement has not been received at the time of writing this report. Cabinet will be updated with any known changes at the meeting.
- 1.3 The draft budget, medium term plan and capital strategy have been considered by Overview & Scrutiny Commission, they have also been available for consultation on the

Council's website in advance of any Cabinet recommendations and formal Council decision. One formal response was received from the public and business consultations.

Funding

- 1.4 2019-20 was due to be the final year of the Government's four-year Settlement, however following the Spending Review 2019 we will receive a further one-year Settlement as the planned changes from the Fair Funding Review and 75% Business Rates retention have been delayed by one year until April 2021.

At the time of writing this report the final Local Government Settlement has not been announced, but budget assumptions have been taken from the provisional Local Government Settlement. These include a one-year continuation of Revenue Support Grant (RSG) and Rural Services Delivery Grant (RSDG) for 2020-21 only, inflationary increases to the Business Rates Multiplier and one further year of New Homes Bonus (a one-year allocation only with no future legacy payments).

Added to this, the current political uncertainty alongside the other significant funding changes and complexity results in a budget with far higher levels of estimates than usual and therefore the actual budgets from 2021-22 onwards will almost certainly be different to these estimates. This budget provides a middle ground of funding assumptions.

- 1.5 75% retained NNDR (effective April 2021)
Currently it is expected that the new scheme will reset all growth so that authorities will receive a new baseline funding level with growth removed and other grants (such as RSG and RSDG) rolled in. It is not yet known how the additional 25% retention will be distributed between Counties, Districts and Fire and we are expecting that all NNDR growth will be reset (no longer retained by the authority with the growth). Therefore, NNDR income levels in this budget from 2021-22 onwards are based on an assumed baseline with all growth removed, with inflationary increases each year and an assumed amount of income returned from central funding and the additional 25% share.

Alongside the 75% retention scheme an 'Alternative Methodology' is being worked on to update the Business Rates retention scheme to reduce the impact resulting from volatility such as appeals. Working groups have been set up nationally and continue to discuss the proposed model. It is expected this will come into force from 1 April 2021 in line with the 75% retention scheme, but the working group are still discussing details of the major components of the scheme.

- 1.6 Fair Funding Review (FFR) (effective April 2021)
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, allowing time for Authorities to plan. A major area of concern is the current proposal to assume a notional council tax income for every authority based on the national average, this would assume Breckland receives a far higher council tax income than we do due to our low council tax level and would reduce our funding level.

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 the Spending Review 2020 may be, however as the budget currently has no reliance on RSG or NHB, the Council is well placed to respond to funding reductions if they occur, however this is becoming increasingly challenging.

1.8 New Homes Bonus (NHB)
We are receiving an additional one-year allocation of NHB for 20-21 due to delays in implementing any replacement scheme, however this is for one year only with no further legacy payments in future years.

Future consultation is expected to fundamentally change the NHB scheme after 2020-21. Due to the uncertainty of the future of NHB our budgets include contribution of the New Homes Bonus funds into an Inclusive Growth Reserve over the whole medium term to fund short term community based projects. £400k from the one off 'bonus' year for 2020-21 is being contributed to the General Fund Reserve to help protect against the potential changes from Fair Funding Review, if not required it can be released for other projects in due course.

Revenue

1.9 The budget approved by Full Council in February 2019 provided a balanced 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.

Some of the cost pressures from 19-20 to 20-21 have been significant, the major areas included in the budget are:

- £458k – Pensions – range of factors including auto enrol and triennial review.
- £150k (rising to £330k in future years) – Workforce 20:20 proposals, due to committee in February 2020.
- £543k – Temporary accommodation and associated Housing Benefits impact.
- £489k – NNDR reset and scheme changes from 2021-22
- £253k - One off pressure in 20-21 relating to Business Rates Appeals
- £185k – Approved growth

The temporary accommodation costs are higher in 2020-21 and this budget utilises the additional one off RSG income to offset this pressure, this will continue to be closely monitored.

1.10 These significant cost pressures have led to an efficiency requirement to balance the budget:

	2020-21	2021-22	2022-23	2023-24
Efficiency Required	£529k	£1,155k	£1,190k	£1,211k

It is important to note that these values are estimates and due to the significant variables and unknowns within this budget these values will change.

For example, if Business Rates growth is not fully reset, as currently proposed, this would reduce the efficiency required from 2021-22. Similarly, a reduction in Business Rates appeals in the current year would create a credit in the Business Rates account which would reduce the efficiency required in 2020-21.

Work has already started to identify projects where these efficiencies can be achieved and proposals will be brought forward at the relevant times.

- 1.11 The budget is based on the following principles:
- No reliance on New Homes Bonus (NHB) funding.
 - No cuts to service delivery.
 - Financial support in reserves for feasibilities which lead to growth and investment (Invest Breckland) (subject to release in line with the constitution).
 - A good 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.

1.12 Staffing

The medium term plan at appendix A includes details of the temporary and permanent full time equivalents (FTE's) for the Council in section 2 (excluding agency staff). This budget does not make any requests for new staff.

This budget has been based on including the pay scale changes from the terms and conditions report being considered by Full Council on 23 February. If this report is not approved, then this budget will be amended by reducing the efficiency requirement in all years.

- 1.13 A thorough review of fees and charges has been carried out (revised levels can be seen at Appendix D) to ensure levels remain up to date and in line with the costs of delivering the services. These changes have funded general changes to costs (i.e. inflation, etc) but the changes are not significant enough to compensate for the looming changes from Business Rates.

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

- 1.14 Members should bear in mind the risk of future large Business Rates appeals and the impact they may have on the budget and sensitivities shown in appendix F provide more detail on this. Where large value single properties have been rated during the year, these may challenge their rateable value and the income to the council may reduce. Funds are set aside in reserve if this is the case until next year when the outcome of any appeal would be known and the changes made in next year's budget setting.

- 1.15 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 A 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 A 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.

Capital

- 1.16 The draft capital programme for 2020-21 to 2023-24 is:

	20-21 to 23-24
Forecast Spend	£36,108k
Forecast Receipts	(£2,896k)
Forecast Funding	(£27,643k)
Net Spend	£5,569k
Forecast Capital Funding Available	(£2,422k)
Shortfall in Funding	£3,147k

- 1.17 This shows a borrowing requirement of just over £3m over the medium term, however, this programme includes budget for purchase of waste contract vehicles and equipment of £5m and this will be repaid through revenue over 8 years. If we take into account the repayment through revenue for these items the borrowing requirement would be £22k. 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 regularly and costs included at the relevant time.
- 1.18 These capital forecasts currently show that there is no scope for further capital investment by 2020-21 unless additional capital receipts are generated, revenue reserves are used, existing projects are removed from the programme or borrowing takes place. 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.
- 1.19 Due to the nature of some capital projects it can be common for large scale project timing to change over the medium term (for example there may be delays in planning permission, or utilities provision). This budget provides the best estimates of deliverability available at the time of production but as with any project, the programme will be flexed accordingly over the medium term.

Sustainability

- 1.20 The Council is always mindful of proposals put forward by the MHCLG and intends to support all aspects of delivering the Government's 25-year national plan to improve the environment and all nationally set targets including targets for homes and vehicles.

The Council has declared a climate emergency and is in the process of developing a sustainability strategy that will set out our policy and actions in relation to creating a more sustainable organisation and community. The Council is committed to reducing its impact on the environment by minimising its carbon footprint and is committed to working together with partners and local communities to improve the quality of public spaces to be cleaner, greener and safer.

2.0 OPTIONS

- 2.1 That recommendations 1 to 6 above are approved.
- 2.2 That amendments are made before recommendations 1 to 6 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 20-21 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.

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, public and business consultation and Overview and Scrutiny Commission.

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 FFR – Fair Funding Review

7.2 FTE – Full Time Equivalents

7.3 MHCLG – Ministry of Housing, Communities and Local Government

7.4 NHB – New Homes Bonus

7.5 NNDR – National Non-Domestic Rates

7.6 PFI – Private Finance Initiative

7.7 RSDG – Rural Services Delivery Grant

7.8 RSG – Revenue Support Grant

7.9 SR – Spending Review

Background papers:-

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

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Key Decision: Yes

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