

## BRECKLAND DISTRICT COUNCIL

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

**To:** Full Council, 25 February 2021

**Author:** Alison Chubbock, Chief Accountant

**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 2021-22 and outlined position through to 2024-25 (as set out in Appendix B and E) are approved.
- 2) That the capital estimates and associated funding for 2020-21 and 2021-22 and outline position through to 2024-25 (as set out in Appendix H) are approved.
- 3) The fees and charges shown at Appendix D and D2, for adoption on 1 April 2021 are approved.
- 4) The Council Tax is set at £98.73 for a Band D property in 2021-22 (a £4.95 per annum increase on 2020-21 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.
- 7) To increase the permanent establishment by 2 FTE for 2 Digital roles (front end developer and back end developer) to provide stability and consistency enabling us to deliver our digital roadmap (as detailed in paragraph 1.11).
- 8) To set aside £65,000 for a Council Tax (S13A1c) hardship fund for 2021-22 and delegate finalisation of the policy to the Executive Member Finance & Growth and S151 Officer in conjunction with ARP (as detailed in paragraph 1.12).
- 9) That delegation be given to the Head of ARP and the S151 Officer to approve and implement any NNDR Reliefs announced in the Budget on 3 March 2021 providing they are fully funded by Government and are implemented in line with Government guidance.

### **1.0 BACKGROUND**

- 1.1 We have put forward a balanced budget for 2021-22 which not only protects frontline services from cuts but will see a number of services enhanced – for example, our improved waste service, the recruitment of new officers focused on fly tipping, business support, Covid-compliance and support and animal welfare, and honouring our commitments to our climate change and vulnerability programmes. The pandemic has

created some uncertainty in terms of levels of government funding, fees and charges income and investment returns we can expect, but we currently believe we can achieve all this without using core reserves if we increase annual council tax by £4.95 for a band D property, though most people in the district will see a smaller rise as around 75% of houses are bands A-C.

- 1.2 The appendices to this report outline the draft 2021-22 revenue and capital estimates for the General Fund, the proposals for the setting of discretionary fees and charges, the outline position through to 2024-25, the draft medium term financial plan and the draft 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.

The final confirmation of the Local Government Finance Settlement was received on 10 February 2021 and has not significantly changed from the draft values previously reported.

- 1.3 This 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. We received a handful of consultation responses from the public and business consultation, a summary of the main issues raised are below.

- Suggestion that Breckland start a food waste service (1)
- Do not raise Council Tax by 5.3% (3)
- Cut Council Tax levels (1)
- Do not invest in climate change (1)
- Agreement that the proposed Council Tax rise is necessary (1)
- Invest in independent local businesses (1)
- Provide business grants to businesses not registered for business rates (1)

There appeared however to be some confusion over the Council Tax rise, with many focusing on the percentage value rather than the £4.95, or responding about the overall Council Tax levels including other preceptors, or thinking the £98.73 was the increase rather than the total Council Tax.

Breckland are unable to change the Government business grant scheme or NNDR levels and are already offering grant funding for businesses not registered for business rates.

- 1.4 The Covid-19 pandemic has had a profound impact across the world. In setting this budget for the medium term we have had to make wider assumptions compared to previous years. The budget assumes for 2021-22 that impacts of Covid-19 remain with us and therefore estimates for income have been reduced (i.e. fees and charges, NNDR, etc) and then levels are assumed to recover to more normal values from 2022-23 onwards. The budget assumes that the lower income levels and our additional cost pressures can be met from the one-off Government Covid grant in 2021-22 and staff can be redeployed as they are currently. The capital programme has been reduced to ensure deliverability within existing resources as well as affordability, whilst still meeting Member priorities.

### **Funding**

- 1.5 The Spending Review 2021 on 25 November announced that we will receive a further one-year Settlement and the planned changes from the Fair Funding Review and 75% Business Rates retention have been delayed until at least April 2022.

Final confirmation of the Local Government Finance Settlement was received on 10 February 2021 and has not changed significantly from the draft values previously reported. These include a one-year continuation of Revenue Support Grant (RSG) uplifted by inflation, a small increase to the Rural Services Delivery Grant (RSDG) for 2021-22 only, no inflationary increase to the Business Rates Multiplier, one further year of New Homes Bonus (a one-year allocation only with no future legacy payments), a one-off Covid-19 grant and a new Lower Tier Grant totalling for 2021-22 only.

Added to this, 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 2022-23 onwards will almost certainly be different to these estimates. This draft budget provides a middle ground of funding assumptions.

#### 1.6 **75% retained NNDR (effective April 2022)**

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 (& therefore no longer retained by the authority with the growth). Therefore, NNDR income levels in this budget from 2022-23 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.

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. The risk is higher in this budget due to the unknown future impact of Covid-19 on businesses and the potential increase in empty properties and reduction in rates payable.

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 at the same time as the 75% retention scheme, but the working group are still discussing details of the major components of the scheme.

The Spending Review also confirmed that conclusions from the recent fundamental review of business rates would be published in Spring 2021. These conclusions will shape future reforms to local government funding and may change the above assumptions.

#### 1.7 **Fair Funding Review (FFR) (effective April 2022)**

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 been undertaken 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 a reduction of around £895k per year from the fair funding review and business rates reset and assumes this reduction will be transitioned over a 3-year period to smooth the effects.

## 1.8 **New Homes Bonus (NHB)**

We will receive an additional one-year allocation of NHB for 2021-22 due to delays in implementing any replacement scheme, however this will be one year only with no further legacy payments in future years.

Future consultation is expected to change the NHB scheme, the consultation paper was published on 10 February (<https://www.gov.uk/government/consultations/the-future-of-the-new-homes-bonus-consultation/the-future-of-the-new-homes-bonus-consultation>) with any outcome likely to be implemented from 2022-23. 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. An element (£344k) of the one off 'bonus' year for 2021-22 is being contributed to the General Fund to help protect against the potential changes from Fair Funding Review and future impact of Covid-19.

## **Revenue**

1.9 The budget approved by Full Council in February 2020 provided a balanced budget over the medium term, supported by an efficiency programme. The impact of the Covid-19 pandemic led to significant changes to delivery of services during 2020-21 as the Council adapted to respond (i.e. payment of grants to businesses, welfare telephone calls, hardship funds, food parcel deliveries, etc). A revised budget was produced and approved in September 2020 to ensure our resources were allocated where they were most needed. Despite this a new efficiency programme has been identified, alongside pre-existing efficiencies already in place and adapted, and is in progress to deliver a balanced budget for 2021-22 with no reductions to our service delivery.

The income and cost changes forecast have led to a revised efficiency requirement to balance the budget in future years

|                     | <b>2021-22</b> | <b>2022-23</b> | <b>2023-24</b> | <b>2024-25</b> |
|---------------------|----------------|----------------|----------------|----------------|
| Efficiency Required | -              | £642k          | £1,081k        | £1,509k        |

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 as time progresses. For example, if Business Rates growth is not fully reset, as currently proposed, this would reduce the efficiency required from 2022-23. Similarly, a reduction in Business Rates appeals in the current year would create a credit in the Business Rates account which would also reduce the efficiency required.

Work has started to identify projects where these efficiencies can be achieved and proposals will be brought forward at the relevant times, with the aim to have an identified and timed work programme by quarter 1 of 2021-22.

The draft budget is based on the following principles:

- No reliance on legacy New Homes Bonus (NHB) funding which will be contributed into the Inclusive Growth reserve.
- No cuts to service delivery.
- Financial support in reserves for projects which lead to growth and investment or savings.
- A fair financial position to manage any future changes from the Fair Funding Review, allowing time to put an appropriate program in place if this is required.

- No future contributions into reserves to top them up, meaning once reserves have been depleted funding new initiatives will not be possible without grant funding or reductions elsewhere.

1.10 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, but in reviewing these we have been mindful of the current economic fragility.

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

1.11 Whilst setting the budget thought was given to fixed term temporary staff roles and in particular roles which may need to be continued to support our priorities. This budget includes the costs to move two Digital fixed term roles to permanent roles.

The request to move these two Digital FTC to Permanent (one front end developer and one back developer), is required to provide stability and consistency enabling us to deliver our Digital roadmap. This includes the business as usual maintenance, upgrades of our applications and the end to end delivery of a range of projects. Aligned with our ICT and Customer strategy, some of which was accelerated by the pandemic, our Digital interactions with residents, businesses and customers continues to grow – 4.5million pages viewed on our website during 2020 by 461,000 people. These roles are essential to ensure we can meet the ever increasing Digital demand and to enhance our users experience.

1.12 At January 2021 Overview and Scrutiny meeting a proposal was put forward to utilise part of the Government LCTS one off grant for 2021-22 to create a S13A1c hardship fund for Council Tax to provide exceptional hardship payments (EHP). This budget includes the set aside of £65,000 to create this hardship fund and work is underway with ARP to determine a policy which is fair and transparent, targets the affected working age LCTS residents (which supports Government intentions) and is workable to administer.

Early work suggests that the best approach would be when we receive or solicit an application for Discretionary Housing Payment (DHP) for Housing Benefit or Universal Credit that we simultaneously consider an exceptional hardship payment for council tax arrears without the need for a separate claim. The same means tested approach would be applied as currently used in the DHP. Recovery staff would consider an EHP as an early intervention measure with the aim to prevent debt growing.

The main risk of a hardship fund is it is very difficult to forecast demand/spend, so it may be prudent to set a maximum value for any one award in order to avoid exhausting the fund too early. Some modelling work will be undertaken to inform what a maximum value could be set at if required.

To allow time for the policy to be fully worked up and modelling to be undertaken this report requests delegation of the final policy to the Executive Member Finance & Growth and the S151 Officer in conjunction with ARP.

1.13 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

- 1.14 The draft capital programme for 2021-22 to 2023-24 is:

|   | <b>21-22 to 23-24</b> |
|---|-----------------------|
| Forecast Spend                              | £24,053k              |
| Forecast Receipts                           | (£4,218k)             |
| Forecast Funding                            | (£21,506k)            |
| <b>Net Spend</b>                            | <b>(£1,671k)</b>      |
| Forecast Capital Funding Shortfall 31.03.21 | £3,193k               |
| <b>Shortfall in Funding</b>                 | <b>£1,522k</b>        |

- 1.15 This shows a borrowing requirement of £1,522k over the medium term, however, this programme includes an annual repayment for waste contract vehicles and equipment of £625k per year for 8 years. If we take into account, the repayment through revenue for these items, the borrowing requirement would be nil. 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.
- 1.16 The capital forecasts currently show that there is little scope for further capital investment now without additional capital receipts being generated, revenue reserves being used, existing projects being removed from the programme or borrowing taking 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.

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

- 1.17 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 will deliver its sustainability strategy in Q4 2020-21. This will set out our strategy for becoming more sustainable and an initial work programme to deliver the outcomes outlined. Additional resource has been allocated in the form of a two-year fixed term Environment and Climate Change Officer post who will be responsible for delivering this. 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.

## **Budget Statement - 3 March 2021**

- 1.18 A ministerial statement was announced on 3 February 2021 which stated:  
*Local Government is responsible for the administration of non-domestic rates in England. As part of this function, billing authorities will shortly begin preparing to issue annual rates bills to businesses. Nevertheless, as authorities will be aware, my right honourable friend the Chancellor of the Exchequer will make the Budget Statement on 3 March 2021. The Budget will set out the next phase of the Government's plans to tackle the virus, protect jobs and support business. Billing authorities in England should therefore consider issuing business rates bills after the Chancellor has set out his plan at the Budget.*

*The Government recognises the crucial work local authorities continue to do to support the pandemic response; by their taking this action, it believes it is in the public interest to avoid any potential confusion for businesses and to avoid the cost of having to re-bill businesses in light of any measures that may be included in the Budget.*

This statement suggests that there may be NNDR reliefs announced in the Budget Statement and therefore this report includes a recommendation to delegate the approval and implementation of any reliefs announced in the Budget statement provided they are fully funded by Government grants.

### **2.0 OPTIONS**

2.1 That recommendations 1 to 9 above are approved.

2.2 That amendments are made before recommendations 1 to 9 above are approved.

2.3 That some of the recommendations 1 to 9 are approved.

### **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 21-22 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.

#### **5.2 Corporate Priorities**

5.2.1 The budget supports the Council's priorities and the budget implications of the revised corporate plan will be considered alongside the plan.

#### **5.3 Financial**

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

#### **5.8 Risk Management**

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

**5.9 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.

**5.10 Transformation Programme**

5.5.1 The budget and transformation programme are intrinsically linked and information efficiencies are included as necessary within the report and appendices.

**6.0 WARDS/COMMUNITIES AFFECTED**

6.1 All

**7.0 ACRONYMS**

7.1 ARP – Anglia Revenues Partnership

7.2 FFR – Fair Funding Review

7.3 LCTS – Local Council tax Support

7.4 MHCLG – Ministry of Housing, Communities and Local Government

7.5 NHB – New Homes Bonus

7.6 NNDR – National Non-Domestic Rates

7.7 PFI – Private Finance Initiative

7.8 RSDG – Rural Services Delivery Grant

7.9 RSG – Revenue Support Grant

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

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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