

BRECKLAND COUNCIL

CABINET: 11 JANUARY 2011

REPORT OF STEPHEN ASKEW, THE EXECUTIVE MEMBER FOR CORPORATE RESOURCES
(Author: Strategic Director in conjunction with the Head of Finance)

BUDGET SETTING REPORT - ESTIMATES 2011/12



EXECUTIVE SUMMARY:

- Breckland Precept requirement 2011/12 £2,770,058 (2010/11 £2,724,574) an increase of 1.67%
- Council tax increase 2011/12 0% (2010/11 0%)
- Council Tax band D 2011/12 £64.05 (2010/11 £64.05)
- Cost per week 2011/12 £1.23 (2010/11 £1.23) – most households will pay less than this
- Changes to fees and charges are proposed from 1st April 2011
- Grant settlement 2011/12 £9,302,252 (2010/11 £11,309,066)
- Special Expense Account 2011/12 £62,550 (2010/11 £165,180)
- The funding gap in 2011/12 £155,860 is met from a one-off contribution from the General Fund on the proviso that efficiencies are introduced in 2012/13 to cover this

1. INTRODUCTION

- 1.1 This report outlines the 2011/12 revenue and capital estimates for the General Fund and the proposals for the setting of discretionary fees and charges. The purpose of the report is to ask Members to recommend the 2011/12 estimates to Council, and for Members to be advised on the outline financial position through to 2015/16.
- 1.2 The Local Government Act 2003 introduced a requirement that the Chief Financial Officer reports on the robustness of the budget. The estimates have been prepared in a prudent manner, although it should be recognised that there are a number of elements outside of the Council's control. These have been identified in section 15 of this report and would be mitigated through the budgeting monitoring and risk management processes of the Council.

2. ASSUMPTIONS

- 2.1 The estimates cover the period 2011/12 to 2015/16. Over this timescale it is important we make realistic assumptions as to how costs may rise or fall. The most significant assumptions are given below in table 1.
- 2.2 There is an assumption that revenue budgets will be used to deliver services during the year for which they are approved.
- 2.3 We have allowed for unavoidable growth on services, for example new statutory obligations and contractual inflation, but have not allowed any increase for general inflation.
- 2.4 In preparing the budgets it was anticipated that service specific grants would reduce in value as part of a programme of public sector spending cuts announced in the Comprehensive Spending Review. This assumption has led to our prudent approach in that where service delivery is dependent on specific grant we have only assumed continuation of grant where such notification has been received.
- 2.5 The triennial pension fund valuation was carried out at the end of 2009/10. Proposals to stabilise future employer contributions have resulted in a shift from a composite rate covering current service provision and deficit recovery to a separation of the two elements. The current service cost will be covered by a percentage contribution based on pensionable payroll, and the deficit recovery by a cash sum contribution. The assumptions based on the actuary's valuation are set out in the table 1.
- 2.6 We have prepared the estimates on the understanding that appropriate service budgets were produced for 2010/11 which have then been adjusted to reflect the changing financial circumstances that the public sector is required to prepare for.
- 2.7 With interest rates continuing to remain at low levels, the return on cash investments remains relatively flat until 2012/13, when it is forecast that interest rates will begin to return to more "normal" levels of over 4%.

Table 1 - Statistical assumptions which influence the 5 year financial plan

Assumption	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
General inflation	0%	0%	0%	0%	0%	0%
Pay costs increase (non ARP staff)	0.325%	0.325%	0.325%	1.8%	3.2%	3.2%
Full Time Equivalent Employees	280.16	252.44	247.95	247.05	247.05	247.05
Pension contribution rate	20%	14.0%	14.0%	14.0%	14.0%	14.0%
Pension contribution lump sum	£0	£399k	£434k	£469k	£507k	£548k
Return on cash investments	2.78%	2.96%	3.48%	4.25%	4.82%	4.82%
Staffing levels	95%	95%	95%	95%	95%	95%

3. 2010/11 OUTTURN

- 3.1 An assessment of the 2010/11 outturn will inform the reliance we can place on the baseline we use for setting the 2011/12 estimates. The table below shows the original budget and the key variances as at September 2010.

Table 2 – Assessment of the 2010/11 Outturn

	£	£
Original budget 2010/11		14,392,320
Corporate Efficiency requirement		167,980
ICT Efficiency requirement		111,770
Budget Challenge Day efficiencies	(491,430)	
Salary efficiencies	(23,730)	
Car Park rate refunds	(40,260)	
Additional recycling income	(8,000)	
Licensing restructure	5,440	
Transfer to Reserve	278,230	
Outturn 2010/11 (as at September 2010)		14,392,320

- 3.2 As shown in table 2, the efficiency target for 2010/11 has been overachieved and this excess amount has been transferred to the Organisational Development Reserve and is available to be used for future business transformation requirements. As at September 2010, Officers are forecasting a balanced outturn for 2010/11. Cabinet approval is sought for the budget virements set out in appendix 8.
- 3.3 On 15 January 2010, Council agreed to release capital funding of £2.9m to enable the Thetford Enterprise Park (TEP) project to proceed, subject to due diligence. The capital sum included an allowance in respect of pre-incurred costs which were eligible to be capitalised or recovered through the project if the TEP project proceeded. The 2009-10 final accounts recognised the risk of not being able to capitalise or recover these costs should the project not proceed as a contingent liability. Breckland and the Crown are no longer working in collaboration to deliver TEP; hence there is a need to write off these costs.

Negotiations continue with the Crown and EEDA to determine the final position on abortive costs, but Cabinet are requested to recommend to Full Council to approve write off of these pre-incurred costs of a maximum of £754,675 to be funded from the Council's General Fund (current balance £4.8m).

4. GRANT SETTLEMENT

- 4.1 The Comprehensive Spending Review prepared local authorities for unprecedented cuts in central government funding, in particular the front loading of spending reductions. It also introduced a grant to assist councils in freezing council tax in 2011/12. The draft local government settlement was eventually announced on 13th December 2010. It is a two year settlement with no indication of years 3 & 4, so we have assumed that the cuts in future years will mirror the reductions announced in the CSR. The adjustment to the base 2010/11 grant, which forms the basis for calculating the 2011/12 settlement, amounted to £582k. This reduction includes the transfer of concessionary fares to county councils.
- 4.2 We have budgeted for a grant to cover a freeze in council tax for 2011/12, which amounts to £69,800 for the next two years, as announced in the CSR.
- 4.3 The headline reduction of 8.9% maximum reduction was based on a 'Revenue spending power' (RSP) formula which included parish council precepts, and therefore masks Breckland's actual reduction. A transition grant is paid to us to make up this shortfall in spending power. This amounts to £55k in 2011/12 alone, as we do not qualify in 2012/13.
- 4.4 The cash expected to be received in formula grant reduces by £1.9m in 2011/12 when compared to the 2010/11 settlement after taking into account transition grant and the grant to offset the freeze in council tax. This is the equivalent of an actual reduction in cash of 17.1%, although it must be remembered that we no longer will have responsibility for concessionary fares, so the reduction against the adjusted base figure is 13.8%. There is a further cash reduction between 2011/12 and 2012/13 of £1.1m, or around 11.4%.
- 4.5 Previously we were a 'ceiling' authority with the floors and ceilings damping formula taking funding away from us. Now we are in receipt of funding to keep us above the 'floor'.
- 4.6 Analysis of the special grants suggests that no Area Based Grant will be paid. To put this in context we have received £292,500 for this in the current year
- 4.7 A 'New Homes Bonus' is to be introduced in 2011/12. This will deliver additional funding back to local authorities as an encouragement to increase the housing supply. While the initial consultation indicates that significant levels of funding could be generated in future years, it would not be prudent to make any assumptions until the scheme is finalised in the New Year. This would be too late for 2011/12 precept setting, but should eventually be considered in next year's budget and medium term financial strategy. Therefore no allowance has been made in respect of this reward, this could be worth around £470k in 2011/12 based on the proposals set out in the consultation document and current forecasts for housing growth.

4.8 Our base assumptions on the settlement are shown below,

Table 3 – Grant Settlement

	2010/11 £	2011/12 £	2012/13 £	2013/14 £	2014/15 £	2015/16 £
NDR	9,927,129	7,066,445	6,290,378	6,233,764	5,884,674	6,014,137
RSG	1,381,937	2,180,646	1,941,158	1,923,688	1,815,961	1,855,912
Council Tax Freeze Grant	0	69,800	69,800	69,800	69,800	0
Transitional Grant	0	55,161	0	0	0	0
Homelessness Grant	0	141,470	141,470	0	0	0
Total	11,309,066	9,513,522	8,442,806	8,227,252	7,770,435	7,870,049
% +/-	2.27%	(15.88%)	(11.25%)	(2.55%)	(5.55%)	1.28%

5. COLLECTION FUND

- 5.1 Every year the Council is required to calculate the balance on its Collection Fund. It has been a target of the Medium Term Financial Strategy to have a zero balance, we recognise in changing economic circumstances this may be difficult hence the change to a minimal balance. Figures indicate a surplus of £0.79m. Breckland's share of this for 2011/12 would be approximately £58k.

Table 4 – Collection Fund

2010/11 £	2011/12 £	2012/13 £	2013/14 £	2014/15 £	2015/16 £
99,000	(57,870)	0	0	0	0

6. TAX BASE

- 6.1 The tax base assumptions are shown below (Number of Band D properties).
- 6.2 The tax base is assumed to rise by 1.14% from 2011/12 to 2012/13. For all future years a 1.14% increase has been forecast.

Table 5 – Tax Base

2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
42,538	43,248	43,741	44,240	44,744	45,254

- 6.3 The draft tax base for all parishes is shown in appendix 7.

7. 2011/12 ESTIMATES

7.1 The following table shows the estimates by type of expenditure/income split over the CIPFA standard classification. Notes are provided to inform upon budget variances. Details of the overall position are shown at appendix 1.

Table 6 – Estimates by expenditure/income

Notes		2010/11 £	2011/12 £	Variance £	Variance %
1	Employees	8,722,110	8,583,900	(138,210)	(1.58%)
	Premises	2,179,720	2,180,260	540	0.02%
2	Transport	349,520	355,860	6,340	1.81%
3	Supplies and Services	14,637,840	13,672,470	(965,370)	(6.60%)
4	Drainage Board Levies	51,940	53,530	1,590	3.06%
5	Transfer Payments	39,428,240	43,329,530	3,901,290	9.89%
6	Support Services	4,617,270	4,727,650	110,380	2.39%
7	Capital Charges	1,861,950	2,114,750	252,800	13.58%
8	Capital Financing	(1,138,420)	(2,279,580)	(1,141,160)	(100.24%)
	Total Expenditure	70,710,170	72,738,370		
9	Rents	(2,631,760)	(3,037,440)	(405,680)	(15.41%)
	Fees and Charges	(2,981,560)	(2,975,480)	6,080	0.20%
10	Grants	(41,594,700)	(45,714,740)	(4,120,040)	(9.91%)
11	Other	(4,381,720)	(3,782,090)	599,630	13.68%
	Total Income	(51,589,740)	(55,509,750)		
	Growth Bids	0	0		
12	Contingency/(Efficiency Savings)	(167,980)	(155,860)	12,120	
	Less Trading Units	(4,560,130)	(4,668,760)	(108,630)	
	Budget Requirement	14,392,320	12,404,000	(1,988,320)	

Note 1 – Overall employee costs have decreased, however this line includes the effect of accounting entries for pensions (FRS17). If the movement in FRS17 entries from one year to the next is removed the real decrease in employee costs is £949k (10.88%)

Note 2 – The increase in transport costs is due to changes in car users and mileage.

Note 3 – This variance is due to various movements in costs shown in the table below:

Description	Increase/(Decrease)
PFI Accounting Treatment Changes	(£378,000)
ICT Contract and Software Support	(£317,000)
Concessionary Bus Fares	(£685,000)
One Offs (ie, LDF, Elections, REV Active etc)	£507,000
Reduced grants	(£40,000)
Other miscellaneous	(£52,000)

Note 4 – Drainage Board levies include an inflationary increase.

Note 5 – Transfer Payment costs are mostly Housing Benefit and Council Tax Benefit payments and an increase in claims has been assumed in this area due to the current economic climate. The increase is offset by income (see note 10).

Note 6 – Recharges for support services reflect increases in items such as salaries and contracts.

Note 7 – Capital charges have risen due to changes to the accounting treatment for the PFI contract, resulting in the assets being included on balance sheet.

Note 8 – Capital Financing costs reflect the appropriations to and from reserves and the reversal of the capital charges figures. The change in 2011/12 reflects the changes in capital charges and FRS17 entries and also, funding from reserves for one off costs.

Note 9 – Rental income forecasts have increased for certain commercial properties due to changes in the current economic environment and a new purchase has been made, resulting in higher rental forecasts overall.

Note 10 – Grant income has risen as a result of an increased forecast of benefit payments (see note 5).

Note 11 – Other income includes; reduced investment income as a result of interest rates not recovering as anticipated last year; and contributions from ARP partners reducing as a result of reduced net overall partnership costs.

Note 12 – Efficiency savings are required in 2011/12. Please refer to section 13 of this report which gives more information on this area.

8. FEES AND CHARGES (excluding rents)

- 8.1 Income from fees and charges is an important source of revenue income for the Authority. Charges have a central role to play in service delivery, raising income, controlling access, responding to competition, funding investment and affecting public behaviour.
- 8.2 We have reviewed fees and charges and made changes where necessary to the level of fees and charges levied. We have also reviewed fees and charges in relation to changes in demand for services and have reflected these demand changes in the budgeted level of fees and charges income. All fees and charges proposed for 2011/12 are shown at appendix 2/2B.
- 8.3 The main changes arising from the review are:
- A change to the regulations for Building Control fees has been reflected in the fees and charges for this service.
 - Following an internal review of the licensing service, licensing fees have been amended accordingly.
- 8.4 The budget presented does not include any income relating to CCTV, however this remains a potential income earning area and the budget holder will continue to progress work investigating this potential income.

9. RESERVES

9.1 In order to comply with the requirements of the Local Government Act 2003, the Authority should undertake a review of the level of reserves as part of annual budget preparation. Our Medium Term Financial Strategy states that a review of the Council's reserves is carried out and reported to Cabinet for consideration. A review of the current position in respect of reserves has been undertaken, including a review of the current and future risk assessments. This has included an assessment of risk registers, pressures upon services, inflation and interest rates and any underwriting arrangements. The proposed budget does not require any long term support from balances, however the challenging circumstances around performance of Commercial Property, investment income at risk and specific contractual challenges has required us to undertake a robust sensitivity analysis should these events require us to draw upon balances. Whilst it is apparent these risks could be financially significant our reserves are healthy.

9.2 The following observations are made of our reserves;

- Pre-incurred costs associated with the TEP project (see section 3) are requested to be written down against the General Fund. It is also proposed that £196,060 be used to support the budget requirement in 2011/12 only, to allow the authority to continue to provide services while it puts in place the transformation plans required to meet the funding shortfall in 2012/13.
- The PFI reserve is running at a low level, however the anticipated costs of PFI are fully allowed for within the base budget and not now requiring support from reserves. With the planned benchmarking review in year 7 there is a possibility of increased or decreased costs which the Council will have to evaluate and respond to as necessary. There remain several contractual matters around the PFI arrangements that may or may not result in additional costs to the Council. Due to this uncertainty it is proposed our General Fund is maintained at a sufficient level to provide protection from such one off events.
- The Council holds £2.19m at 1 April 2010 within a match funding reserve. The Council should ensure that it is able to support this level of investment and indeed whether the match funding scheme, being of a discretionary nature, remains value for money against the Council's own capital investment needs.
- The Organisational Development reserve stands at £2.78m at 1 April 2010 and is largely unallocated. This reserve also holds the over achievement against the efficiency target which is available to be used for business continuity. It is envisaged that this reserve will continue to be used for the transformational activities that will be required to continue to drive revenue costs down. To this end in 2010/11 Council agreed to contribute £400k from this reserve to support the transformation required to form a single management team with South Holland District Council.
- The Waste and Recycling reserve was built up during the initial years of the contract from savings achieved against the previous contracts. Now that the contract has reached the later years of the 10 year term, the funds are being applied over the remaining years of the contract to smooth the effect of price changes.

Table 7 - Summary of the proposed movement on General Balances

£000's	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
B/fwd	4,817	4,067	4,067	4,067	4,067	4,067
In	-	-	-	-	-	-
Out	(750)	-	-	-	-	-
C/fwd	4,067	4,067	4,067	4,067	4,067	4,067

Table 8 - Summary of the proposed movement on Specific Reserves

£000's	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
B/fwd	7,859	7,010	6,273	6,054	5,894	5,916
In	1,265	2,229	2,226	2,214	2,214	2,214
Out	(2,114)	(2,966)	(2,445)	(2,374)	(2,192)	(2,225)
C/fwd	7,010	6,273	6,054	5,894	5,916	5,905

- 9.3 Moving forward the General Fund balance stands at £4.067m which I believe to be prudent for this authority at this time.
- 9.4 Appendix 3 outlines the position statement on reserves. This shows the name of each specific reserve, the purpose for which it is held, the balance as at the 1st April 2011 throughout the financial plan, and the movements in and out.
- 9.5 The Council's constitution does not specifically mention authority for approval of un-allocated amounts from earmarked reserves and it is also silent on grant income received. Therefore a suggested amendment to the constitution is shown at appendix 6, and is recommended for approval by full Council.

10. BUDGET REQUIREMENT

10.1 The proposed budget requirement and demand on Council Tax is illustrated below.

Table 9 – Budget Requirement

	2010/11	2011/12
Budget requirement	14,392,320	12,404,000
Settlement	(11,309,066)	(9,302,252)
Area Based Grant	(292,500)	0
Homelessness Grant	0	(141,470)
Council Tax Freeze Grant	0	(69,800)
Collection Fund	99,000	(57,870)
Special Expenses	(165,180)	(62,550)
Breckland Precept Demand	(2,724,574)	(2,770,058)
Tax base	42,538	43,248
Band D Council Tax	£64.05	£64.05
Percentage Increase	0.00%	0.00%

10.2 The Council Tax percentage increase for 2011/12 will be 0.00% which is in line with Government Policy.

11. FORWARD ESTIMATES

- 11.1 Outline estimates through to 2015/16 are shown at appendix 1. In compiling these figures we have followed the assumptions recorded in Section 2 of the report and made specific adjustments to service budgets as and where Service Managers have advised of change over the medium term. These forward estimates allow for increases in line with inflation beyond 2011/12.

Table 10 – Forward Estimates

	2012/13	2013/14	2014/15	2015/16
Budget requirement	11,420,360	11,310,580	10,962,983	11,175,815
Settlement	(8,231,536)	(8,157,452)	(7,700,635)	(7,870,049)
Area Based Grant	0	0	0	0
Homelessness Grant	(141,470)	0	0	0
Council Tax Freeze Grant	(69,800)	(69,800)	(69,800)	0
Collection Fund	0	0	0	0
Special Expenses	(105,880)	(106,310)	(106,310)	(106,310)
Breckland Precept Demand	2,871,674	2,977,018	3,086,238	3,199,456
Tax base	43,741	44,240	44,744	45,254
Band D Council Tax	£65.65	£67.29	£68.97	£70.70
Percentage Increase	2.50%	2.50%	2.50%	2.50%

- 11.2 These forward estimates demonstrate a balanced and sustainable financial plan on the assumption that the authority is successful in delivering its efficiency targets, is able to contain payroll costs and the level of investment income returns back to “normal” levels. Further information on efficiencies is provided in section 13 of this report.
- 11.3 The special expense charge is made for the maintenance of lighting on public footpaths in the Dereham, Thetford, Watton and Bawdeswell. This is in addition to the precept raised by Breckland Council across the district. Attleborough and Swaffham have elected to be recharged directly for their public lighting costs, so it forms part of their own precept. Other parish councils maintain their own footpath lighting requirements and therefore manage this cost through their own precept.

11.4 The following table sets out the budget requirement for the five market towns and a parish who have lighting maintained by the council. Energy price reductions in the previous year have led to over recoveries of special grant. Adjusting for this in 2011/12 leads to a significant one-off reduction. However costs are forecast to increase to previous levels in future years. Attleborough and Swaffham, who are charged directly for their share of the lighting costs, have seen the reductions in the current year, as there is no delay caused by the precept setting process and matching outturn figures to the estimate.

Table 11 – Special Expense Public Lighting

	Bawdeswell	Dereham	Thetford	Watton	Attleborough	Swaffham
Street Lighting Amount Raised	£159.45	£10,838.76	£34,485.56	£17,069.95	-	-
2011/12 Tax Base	284.70	6,012.40	6,758.04	2,435.42	-	-
Band D Equivalent	£0.56	£1.80	£5.10	£7.01	-	-
2010/11 Band D Comparison	£1.57	£3.78	£16.28	£13.82	-	-
Amount Charged Directly 2011/12	-	-	-	-	£28,374.93	£23,780.90

12. CONSULTATION

- 12.1 In light of the Comprehensive Spending Review and uncertain distribution of grant settlement, it has made it difficult to consult in any detail, however, priority surveys have still been carried out to determine the services and council policies that public stakeholders most appreciate, and to help the Council with its future spending decisions. The Norfolk Citizens' Panel and Ipsos Mori have been commissioned to provide separate reports.
- 12.2 These reports can be found on the Council's website at:
http://www.breckland.gov.uk/budget_priorities_2010_-_with_cover_date_amends.pdf
- 12.3 We have carried out a business ratepayer's consultation event which is a statutory requirement.
- 12.4 In addition to this we have taken the high-level budgetary proposals and the likely impacts resulting from the CSR through the Audit committee to allow challenge from both a financial and governance viewpoint.
- 12.5 The future of the Norfolk Citizen's Panel is uncertain as each authority is considering its options. Therefore we may need to consider different ways to consult with our customer base in future years.

13. VALUE FOR MONEY AND THE EFFICIENCY REQUIREMENT

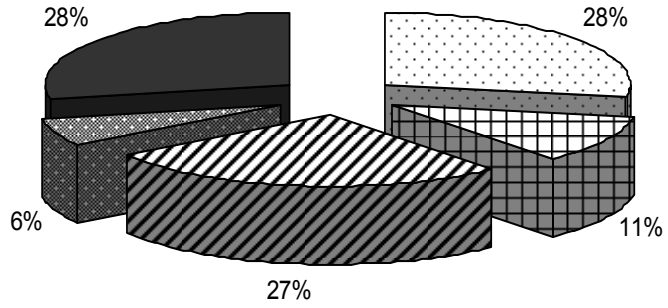
- 13.1 The significant reduction in central funding for local authorities has brought the value for money issue to the forefront for all public services. Despite the abandonment of the Comprehensive Area Assessment authorities are still required to demonstrate VFM. It is, however, more than simply cuts in services and budgets; the response to the VFM agenda 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 maintain front-line services to the community while ensuring the impact on council tax is contained.
- 13.2 Breckland started this financial year needing to find an efficiency of £167,980 to balance the budget. It achieved this target and managed to increase reserves by £278,230 by taking measures detailed in section 3. It has already put in place measures to further reduce revenue expenditure this year and future years without impacting front-line services by:
- Expansion of the revenues and benefits partnership to introduce a new partner from April 2011;
 - Bring the ICT service in-house to save on contract costs and to provide more flexibility in future with partnership working;
 - Acquisition of commercial properties that generate revenue streams in excess of what it could earn from the money markets;
 - Sharing a Chief Executive with South Holland District Council;
 - Introduction of a shared management team with South Holland District Council;
 - Review any staff vacancies when they arise and reorganise work to accommodate lower resource levels;
 - Review contracts and third party grant payments to ensure that they continue to support the Council's priorities.
- 13.3 Despite these measures and prudent assumptions through the budget setting stage, the reduction in central funding has still left the authority with a shortfall of £155,860 needed to set a balanced budget in 2011/12. To continue to maintain services and resilience in the establishment during a period of transition it is proposed that this shortfall is covered by the General Fund for one year only. This means that ongoing revenue savings will be found in 2012/13 to ensure that there is no ongoing reliance on support from the General Fund.
- 13.4 The efficiency requirement rises to £1,335,090 in 2012/13. This will require a more fundamental review of the services and the way the authority organises them. It is proposed that work on this commences as soon as the new management structure is put in place. All options for further transformation of services and more effective working and procurement will be considered.

13.5 The delivery of these efficiencies is recognised as a key challenge to the authority, but it is one that is shared with all other authorities, so the opportunities for collaborative working is likely to increase.

14. LINKING RESOURCES TO PRIORITIES

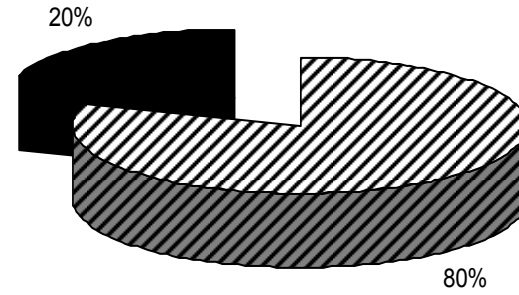
- 14.1 Our Medium Term Financial Strategy commits to ensure maximum resources are made available to deliver upon the agreed corporate priorities. As part of the 2011/12 budget setting process we have set a baseline to show how the resources will be allocated into these priority areas.
- 14.2 The charts over the page show our proposed service budgets for 2011/12 split between statutory and discretionary services and also by Council priorities.
- 14.3 Appendix 4 gives a breakdown of those services categorised as discretionary. These categorisations are a high level assessment made during value for money reviews carried out during 2010/11 and information gathered for budget setting during 2009/10.
- 14.4 Members may also wish to review both statutory and discretionary services to look at the level of investment in those areas to inform future decisions.

2010/11 Gross Expenditure by Priorities



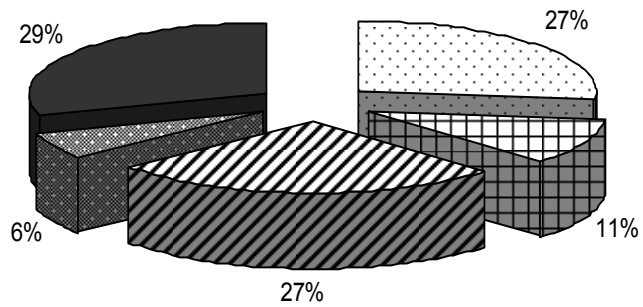
- Building Safer & Stronger Communities
- ▣ Environment
- ▤ Prosperous Communities
- ▥ Your Council, Your Services
- Entrepreneurial Council

2010/11 Gross Expenditure Statutory/Discretionary Split



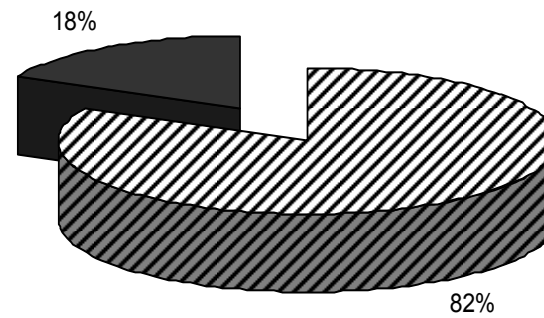
- ▤ Statutory
- Discretionary

2011/12 Gross Expenditure by Priorities



- Building Safer & Stronger Communities
- ▣ Environment
- ▤ Prosperous Communities
- ▥ Your Council, Your Services
- Entrepreneurial Council

2011/12 Gross Expenditure Statutory/Discretionary Split



- ▤ Statutory
- Discretionary

15. RISK AND SENSITIVITY

- 15.1 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 to it. It has a duty to take into account the demand for its services, and the effect upon council taxpayers of meeting those demands at varying levels of services. The most significant risks result from the magnitude of the front-loaded funding cuts. Given the good management practices and sound financial and performance monitoring delivered in the past, Breckland has the platform and expertise to deliver a balanced budget. We fully expect there to be a need to review these budgets before the start of the financial year in order that we can respond to as yet undefined financial risks. As an organisation we recognise a period of budgetary turbulence and we will use our financial management processes to identify options that will allow us to adjust our budgetary position as and when required.
- 15.2 The following table shows the key risks and how we intend to treat them through our risk management practices.

Table 12 - Key Risks

Risk	Likelihood	Impact	Action
Low income levels from fees and charges	Medium	Medium	Revise spending plans
Continuation of low interest rates	High	High	Market advice and forecasting. Mitigation by diversification
Pension fund deficit	Medium	Medium	Strong links with Norfolk CC Pension Fund
Efficiency targets	High	High	Robust efficiency plans, including shared services
Inability to determine new Homes Reward funding	Medium	Medium	Exclude any income streams from spending plans until the scheme is finalised and housing building projections are validated.
Impaired investment within Icelandic banks	Medium	Medium	Strong liaison with the Local Government Association and LA's legal representatives
Contractors for the Council facing financial hardship or going into administration	Medium	Medium	Contingency plans in place and financial checks for new contracts
Additional bad debts as a result of economic circumstances	Medium	Medium	Pro-active debt management and pre-pay fee policies.
Increased annual maintenance costs of ageing physical assets	Medium	Medium	Move towards a pro active rather than reactive maintenance programme

Risk	Likelihood	Impact	Action
Price increases resulting from contract re-tender	High	Medium	Vary the service specification within the affordability envelop
Big Society/Place Budgets may create additional demands on core budget	Medium	Medium	Evaluate the options for alternative service delivery using the third sector organisations
Housing Benefit CTB grant ceases after 2011/12	Medium	High	Determine the likelihood of this risk event at the earliest opportunity. This is linked to the Universal Credit risk.
Local authority benefits administration is transferred to the DWP following the white paper on the Universal Credit	Medium	High	Study progress and report regularly to Joint Committee
Inflation rises by more than budgeted projections	Medium	Medium	Budget assumptions kept up to date with most recent projections

15.3 In addition to the risks identified we have calculated a sensitivity analysis of our key variables. Firstly we have looked at the sensitivity around base rate and return on cash investments, secondly the sensitivity around our Government Settlement and lastly the sensitivity around the proposed New Homes Bonus. The following tables show the sensitivity analysis relating to these areas.

Table 13 - Base rate and return on cash investments sensitivity

Average rate of return	Average cash balance				
%	£9.50m	£14.50m	£19.50m	£24.5m	£29.50m
Annual investment income (£'s)					
0.96	91,265	139,299	187,333	235,367	283,401
1.96	186,332	284,402	382,471	480,541	578,611
2.96	281,400	429,505	577,610	725,715	873,820
3.96	376,467	574,608	772,749	970,889	1,169,030
4.96	471,535	719,711	967,887	1,216,063	1,464,239

Table 14 – Settlement sensitivity

% change	Annual settlement (£'s)	Annual movement (£'s)
-10.00%	8,372,027	(930,225)
-5.00%	8,837,139	(465,113)
0%	9,302,252	0
+5.00%	9,767,365	465,113
+10.00%	10,232,477	930,225

Table 15 – New Homes Bonus Sensitivity

% Receivable by BC	2011/12	2012/13	2013/14
80%	471,170	942,340	1,413,510
70%	412,274	824,548	1,236,822
60%	353,378	706,756	1,060,134
50%	294,482	588,964	883,446

The figures in table 15 are based on the October 2009 to October 2010 levels of homes, however the delivery of this number of houses each year is dependent on the economic environment.

16. CAPITAL PROGRAMME

- 16.1 The Capital Programme has been created to meet the priorities of the Council. It is a programme that is fully funded. The schemes are set out in appendix 5.
- 16.2 Each scheme is supported by a Capital bid form, formulated where appropriate after the consideration of options.
- 16.3 The Cash flow implications of all schemes and the impact on revenue have been included within the revenue budgets over the four year programme.
- 16.4 It should be noted the joint preparation of both a Revenue and Capital Programme should ensure a sustainable financial position for Breckland Council.
- 16.5 The table below details the proposed capital spend for the authority.

Table 16 – Capital Spend

Description	2011/12	2012/13	2013/14	2014/15
Proposed programme	1,576,838	1,269,822	1,022,693	835,000

- 16.6 The programme contains both annualised projects to be delivered in year and larger projects that will span more than one 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 then be monitored by the Capital Programme Working Group.
- 16.7 In recognition that the Council will need to react to opportunities of funding and joint working as and when they arise, it is anticipated the capital programme will be subject to additional schemes as and when they meet the criteria stated in 16.6. This is particularly pertinent with the recent decision to share management with South Holland District Council, and capital funding will no doubt be required to develop the most efficient infrastructure to support the two authorities.

17. OPTIONS

17.1 There are no alternative budget options presented, however Cabinet are able to make amendments before recommendation to Full Council.

18. REASONS FOR RECOMMENDATION

18.1 To comply with the budgetary and policy framework.

19. RECOMMENDATIONS

- 19.1 That the Breckland revenue estimates and parish special expenses for 2011/12 and outline position through to 2015/16 are recommended to Full Council.
- 19.2 That the capital estimates and associated funding for 2011/12 and outline position through to 2015/16 are recommended to Full Council.
- 19.3 That the revised capital estimates and associated funding for 2010/11 are recommended to Full Council.
- 19.4 That the fees and charges shown at appendix 2/2B, for adoption 1st April 2011, are recommended to Full Council.
- 19.5 Recommend to Full Council that Council Tax for a band D property in 2011/12 is set at £64.05.
- 19.6 Recommend to Full Council that the changes to the Constitution for Reserves & Grants (detailed in appendix 6) are adopted.
- 19.7 Recommend to Full Council that up to £754,675 of the pre-incurred costs (detailed in section 3) relating to TEP be written off to the General Fund.
- 19.8 To approve the budget virements set out in appendix 8.

Appendices:

- 1 Summary by Expenditure – Overall Position
- 2 Fees and charges
- 2B Building Regulation Charges
- 3 Reserve Statement
- 4 Statutory and Discretionary Split by Service Area
- 5 Capital Programme
- 6 Constitution changes
- 7 Tax Base
- 8 Virements