Appendix A

Draft Budget Setting Report and Financial Medium Term Plan 2012-13

This appendix is the combined budget estimates and medium term plan 2012-17. The medium term plan is the link between the Corporate Plan, which sets out the aims and ambitions agreed with our partners, and the medium term financial plan which sets out the cost of what the Council is currently providing. The plan also establishes a set of financial policies and principles which provide a sound basis for maintaining the financial integrity of the Council over the medium term.

1. Budget Summary

The following table shows the headline figures relating to the budget estimates for 2012-13 compared to the 2011-12 position:

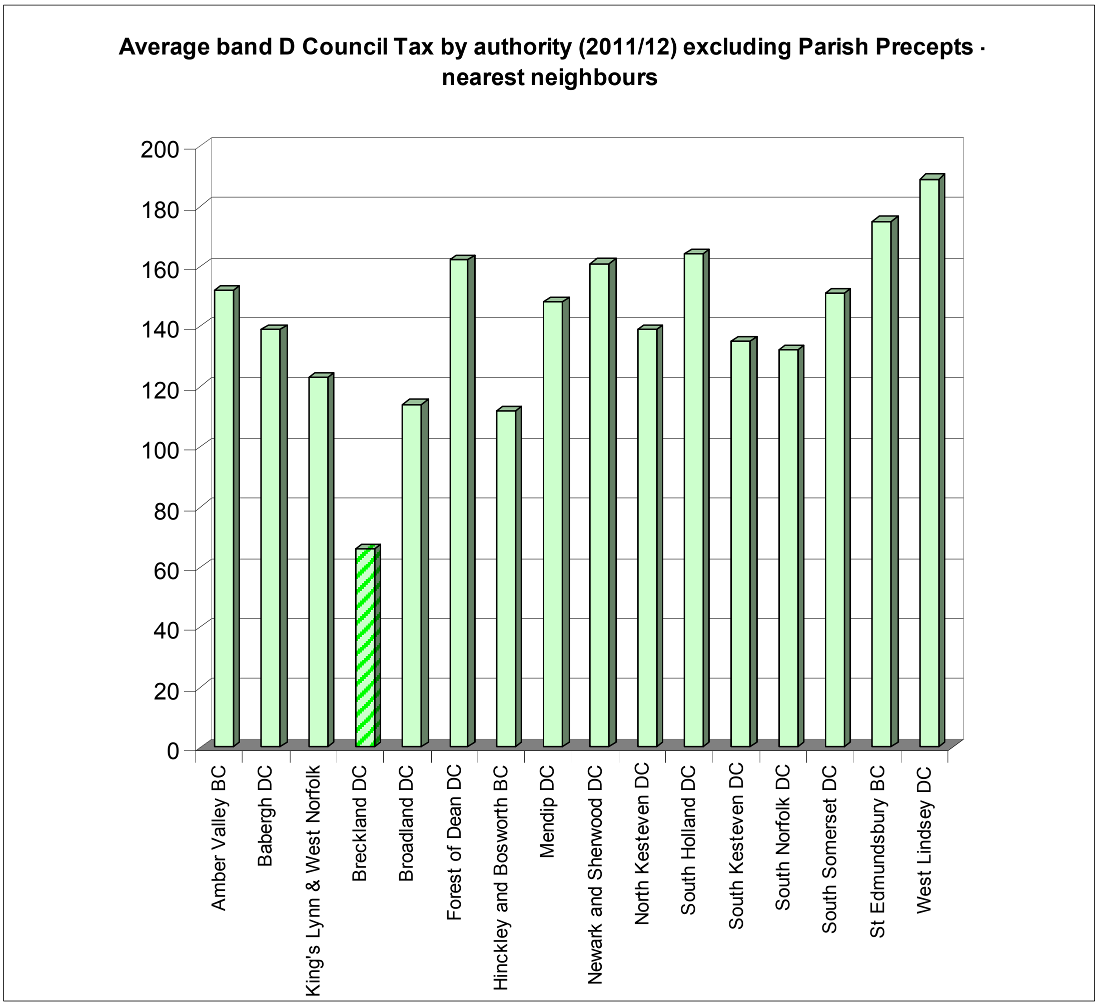
Description	2011-12	2012-13	Increase/ (Decrease)
Breckland precept requirement	£2,770,058	£2,794,824	0.9%
Council Tax Band D	£64.05	£64.05	0%
Band D cost per week	£1.23	£1.23	0%
Grant settlement	£9,519,608	£8,363,246	(12.2%)
Other non-ring fenced grants	£211,270	£285,100	34.9%
New Homes Bones applied	£-	£471,170	100%
Special expenses account	£62,550	£62,550	0%
(Efficiency)/contingency requirement	£61,496	-	

Of all the homes in the Breckland area, 69% are in bands A-C and 45% are in band A or B. Therefore the majority of homes pay less than £1.23 a week towards the District services we provide.

The following table details the Band D Council Tax levels for all precepting authorities over the last eight years:

	Norfolk County Council £	Norfolk Police Authority £	Breckland (Excl special expenses) £	Parish £	Total £	Increase/ (Decrease) %
2004-05	929.70	138.69	56.84	39.86	1,165.09	6.9
2005-06	956.70	145.53	57.98	42.21	1,202.42	3.2
2006-07	1,004.40	154.17	59.14	46.37	1,264.08	5.1
2007-08	1,052.10	164.88	60.32	49.25	1,326.55	4.9
2008-09	1,091.52	178.56	61.98	52.15	1,384.21	4.4
2009-10	1,123.74	185.58	64.05	55.99	1,429.36	3.3
2010-11	1,145.07	191.16	64.05	57.37	1,457.65	2.0
2011-12	1,145.07	191.16	64.05	55.14	1,455.42	(0.2)

The Audit Commission compares us with our nearest neighbours (similar types of authority) – the following chart shows the average Band D Council Tax levels (excluding parish precepts) for 2011-12.



2. 2012-13 Estimates

The table below shows the budget estimates for 2011-12 and 2012-13 by type of expenditure/income split over the standard CIPFA classifications. Notes explaining the major variances between the two years are given below the table.
Full details of the overall position are shown at appendix B.

Note		2011-12 £	2012-13 £	Variance £	Variance %
1	Employees	8,583,900	8,104,270	(479,630)	(5.59)
2	Premises	2,180,260	2,382,170	201,910	9.26
3	Transport	355,860	303,800	(52,060)	(14.63)
	Supplies & Services	13,672,470	13,690,640	18,170	0.13
	Drainage board levies	53,530	52,780	(750)	(1.40)
4	Transfer payments	43,329,530	45,685,070	2,355,540	5.44
5	Support services	4,727,650	3,932,360	(795,290)	(16.82)
6	Capital charges	2,114,750	2,659,330	544,580	25.75
7	Capital financing	(2,279,580)	(2,262,010)	17,570	0.77
	Total Expenditure	**72,738,370**	**74,548,410**	**1,810,040**	**2.49**
8	Rents	(3,037,440)	(2,587,940)	449,500	14.80
	Fees and charges	(2,975,480)	(2,915,740)	59,740	2.01
9	Grants	(45,714,740)	(47,801,610)	(2,086,870)	(4.56)
10	Other	(3,782,090)	(5,381,390)	(1,599,300)	(42.29)
	Total Income	**(55,509,750)**	**(58,686,680)**	**(3,176,930)**	**(5.72)**
11	Growth bids	0	0	0	0
12	(Efficiency)/contingency	61,496	0	(61,496)	
	Less trading units	(4,668,760)	(3,873,580)	795,180	17.03
	Budget Requirement	**12,621,356**	**11,988,150**	**(633,206)**	**(5.02)**

Notes:

1 – Overall employee costs have decreased. This decrease has resulted from increased efficiencies made or forecast from restructuring of some departments.

2 – This variance is mainly a result of inflationary increases within the Serco and Street Lighting contracts.

3 – The reduction is mainly due to reduced staff car allowances resulting from the lower number of posts eligible for allowances, including the shared manager posts.

4 – Transfer Payment costs are mostly Housing Benefit and Council Tax Benefit payments, the increase is mostly offset by income (see note 10).

5 – This variance is due to a reduction in the cost of some support services, resulting from efficiencies made.

6 – Capital charges have risen as a result of the re-profiling of spend on Affordable Housing and Decent Homes Grants, however this is just profiling and the overall cost has not changed.

7 – Capital Financing costs reflect the appropriations to and from reserves and the reversal of the capital charges figures. The change in 2012-13 reflects the changes in capital charges and IAS19 entries and also, funding from reserves for one off costs.

8 – This decrease is mainly due to finance lease income on commercial properties resulting from a change in accounting treatment (see note 10).

9 – Grant income has risen as a result of an increased forecast of benefit payments (see note 4).

10 – The main increases are due to finance lease income on commercial properties resulting from a change in accounting treatment (previously included within rental

income), income relating to recharges to South Holland DC for the shared management structure and forecast future efficiency figures.
11 – No growth bids have been added to the budgets.
12 – No un-identified efficiency is required for 2012-13, however included within the budgets are forecast efficiencies from specific service areas of around £500k in total and these will need to be achieved during 2012-13 – full details are given in section 17 of this document.

3. Principles of Budget Preparation

The following principles have been used in the budget preparation process, in order to;

- Provide a consistent and authorised approach to the preparation of revenue and capital estimates
- Ensure estimates are prepared in line with available resources
- Ensure that estimates are prepared to reflect corporate priorities

Budget principles:

- Detailed working sheets are maintained for all budget headings and these are prepared by the budget manager, with the exception of *central* items.
- Central items are calculated by the accountancy team. The central items are: salaries, insurance, lease car and car allowances, support service recharges, capital accounting entries, interest paid and received, pensions, NI, special expenses, mobiles phones, overtime, gas, electricity, postages and Members allowances.
- The full effect of known pay awards is incorporated into the estimates and a provision made for future years, based on CMT guidance (taking into account any Central Government policies).
- Staffing estimates are prepared on the basis of approved staffing levels as provided by Human Resources. These estimates include an allowance for employers NI, superannuation contributions and lump sum amounts.
- Controllable expenditure is defined as expenditure on employees, premises (excluding business rates), transport, supplies and services, but excluding internal recharges.
- There will be no allowance for inflation, unless contractual or related to salaries.
- We seek to mitigate the impact on Council Tax from the consumption of capital resources. In effect all decisions should be made in the knowledge of the impact on investment income.
- We should seek additional scrutiny and challenge for accessing capital resources and ensure that the programme only reflects schemes that are sufficiently scoped to allow delivery.
- A review of fees and charges to ensure maximisation of income where consistent with policy.
- An acceptance that a viable budget was already created last year and we adjust it rather than recreate afresh.
- To set a balanced budget with no long term dependency on General Balances.
- To work towards a zero balance on the collection fund.
- Only the 2012-13 budget is formally approved, future years are indicative only for both revenue and capital.

4. Grant Settlement Assumptions

The Comprehensive Spending Review (CSR) 2010 gave a 2 year settlement (2011-12 and 2012-13) with no indication of future years, therefore we have assumed that the cuts in future years will mirror the reductions announced previously. The formula grant reduces by £1,156,362 in 2012-13 when compared to 2011-12. There is a further cash reduction of £75,269 (0.9%) between 2012-13 and 2013-14.

We have budgeted for the 'Council Tax Freeze' grant of £69,800 up to and including 2014-15 as awarded in the CSR 2010. We have also budgeted for an additional £70,180 for 2012-13 to 2015-16 which assumes the same scheme outline as announced in CSR 2010.

We have budgeted for the non-ring fenced 'Homelessness' grant of £141,470 in 2012-13, but not budgeted anything for this in future years.

Any new non-ring fenced grants or any continuation of grants which are not included in the budget will be contributed into the Organisational Development Reserve for re-allocation as appropriate.

The 'New Homes Bonus' is budgeted for four years from 2012-13 at the current level of £471,170 and an additional £401,079 for 3 years from 2013-14 (as detailed in the 11-12 allocations). Although this is a six year grant, it is assumed that after four years the grant will be funded from a reduction in RSG/NDR. There may be additional funding allocations in future years from this grant, however there is a limited budget allowance nationally and after this budget has been depleted, the grant will be funded from a reduction in RSG/NDR, therefore at this stage no additional grant has been assumed. The New Homes Bonus will be contributed to reserves in the year it is received and applied to the budget as detailed in Appendix B. Any additional payments received from government will be contributed into reserves in the short term until a decision is made for the use of the additional funding.

No changes have been made to the budgeted figures for the future changes around Council Tax Benefit (CTB) grant and the Business Rates retention scheme. These schemes are currently out to consultation and it is clear that the Government intend to implement them, but at this stage we do not know the impact until the final schemes are determined by Government. The risks associated with these schemes are detailed in the 'Risk' section of this report.

The table below shows the level of budgeted central grants.

	11-12 £m	**12-13 £m**	**13-14 £m**	**14-15 £m**	**15-16 £m**	**16-17 £m**
Local Gov't Settlement	9.520	**8.363**	8.288	7.824	7.988	8.156
Council Tax Freeze	0.070	**0.144**	0.074	0.074	-	-
Homelessness grant	0.141	**0.141**	-	-	-	-
New Homes Bonus	-	**0.471**	0.872	0.872	0.872	-
Total	£9.731	**£9.119m**	£9.234m	£8.770m	£8.860m	£8.156m
% +/(-)		**(6.29%)**	1.26%	(5.02%)	1.03%	(7.94%)

5. Collection Fund
Each year the Council is required to calculate the balance on its Collection Fund. In the current difficult economic climate the medium term plan target is to have a minimal balance on the Collection Fund, aspiring for a zero balance.

Figures indicate a surplus of £0.14m in total and Breckland's share of this for 2012-13 would be around £0.01m (surplus of £0.06m for 2011-12)

6. Tax Base
The tax base is assumed to rise by 1.09% from 2012-13 to 2013-14 (based on recent averages) and for all future years a 1.09% increase has also been forecast. The assumed figures are shown in section 7 of this report.

The tax base for all parishes is shown at appendix D.

7. Other Budget Assumptions
The budget estimates and medium term plan cover the period 2012-13 to 2016-17, over this timescale it is important that we make realistic assumptions as to how costs rise or fall. This section details the key assumptions made.
The key assumptions used are:

- Revenue budgets will be used to deliver services during the year for which they are approved.
- We will allow for unavoidable growth on services (i.e. new statutory obligations and contractual inflation) but will not allow any increase for general inflation.
- Estimates are prepared on the understanding that appropriate service budgets were produced for the previous year (2011-12) which will then be adjusted to reflect the changing financial circumstances that the public sector is required to prepare for.
- Where service delivery is dependent on a specific grant we will only assume continuation of the grant and expenditure where such notification has been received.

The key assumptions made for the setting of these budget estimates, which influence the five year financial plan are as follows:

	11-12	**12-13**	**13-14**	**14-15**	**15-16**	**16-17**
General inflation	0%	**0%**	0%	0%	0%	0%
Blended pay increase	0.325%	**0.325%**	1.325%	2.80%	4.30%	4.30%
ARP cost of living increase	0%	**0%**	1.00%	1.00%	2.50%	2.50%
Non ARP staffing salary level	95%	**95%**	95%	95%	95%	95%
ARP staffing salary level	95%	**97.5%**	97.5%	97.5%	97.5%	97.5%
Pension contribution rate	14%	**14%**	14%	14%	14%	14%
Pension lump sum cont'n	£399k	**£434k**	£469k	£504k	£539k	£574k
Return on cash investments	2.96%	**1.917%**	2.040%	2.886%	2.886%	2.886%
Tax base	43,248	**43,635**	44,111	44,591	45,077	45,569

- Details on the grant settlement and assumptions made are shown in the section above.
- No assumed savings from the potential joint working with Great Yarmouth Borough Council have been included in the budget at this stage

8. Future Developments

The following are areas which are currently under development or consultation which are likely to have an impact on the budget, but there is currently insufficient detail to include these in the main budget.

Business Rates Retention proposals – There is currently a consultation underway which proposes a new scheme of retention of Business Rates for Local Government from April 2013 to enable local authorities to retain a proportion of the Business Rates generated in their area. This will replace the current centralised distribution of Business Rates.

Council Tax Benefit (CTB) proposals – There is currently a consultation underway which proposes a new scheme for local authorities to run their own schemes to provide support for Council Tax in their area, to begin from April 2013. The proposal suggests there would be a 10% reduction in grants to local authorities, thereby requiring authorities to reduce their corresponding spend. This will replace the current system of a centralised scheme with a centralised grant based on the level of take up. It is expected that Local authorities will introduce local schemes to accommodate the shortfall in central government funding.

Weekly rubbish bin collections incentives – The Government is currently proposing to offer incentives to Local Authorities to enable them to re-instate weekly bin collections. This may put pressure onto Breckland to return to the weekly bin collection which may increase costs above the proposed incentives.

Second Homes Council Tax Discounts – There is potential for the current 2nd homes discount on Council Tax to be removed, with the expectation that Council Tax is reduced as a result of this additional income.

9. Strategy, Aspirations and Forward Projections

The Council's financial medium term strategy is shown below:

1) To manage a budget process that will make progress in re-directing and focusing the budget on corporate priorities and in doing so, recognise the intrinsic link between this strategy and the Capital Strategy and the Treasury Management strategy.
2) Adopt a corporate approach to budget preparation and continue to provide strong timely budget control.
3) Use sound modern financial systems procedures and principles and promote electronic record keeping and approval processes. Ensure financial performance reporting remains integrated with business planning.
4) Ensure there is a rigorous scrutiny of the financial planning process and work towards a more effective consultation process to engage the public and stakeholders.
5) Maintain balances and reserves that will provide for known risks and liabilities and provide capacity for managing peaks in expenditure.
6) Operate strategies on capital and external funding that supports the Council's corporate objectives and that supports the targets of our Local Area Agreement.
7) Undertake a risk assessment of material items of income and expenditure and report the risks to Members as part of the budget setting process (see section 15).
8) Manage and use our resources to deliver value for money and better sustainable outcomes for local people.

9) Set realistic targets for trading accounts and if services fail to achieve these they will be subject to a more fundamental review.
10) Aim for a minimum balance on the Collection Fund.
11) Prepare robust and realistic income and resource requirement plans for the next five years.
12) Promote take up of benefits and reliefs.
13) Maximise income collection.
14) Recognise our role in the community throughout and beyond the period of economic hardship by providing assistance to individuals, groups and businesses.

These strategies will be achieved through the working practices set by the relevant departments. The effectiveness of these strategies and the underlying principles can be monitored by key outputs such as:

- Annual audit letter
- Financial plan
- Council Tax leaflet
- Audit Committee reports
- Annual Governance Statement (AGS)
- Grants returns submitted to deadlines
- Governance and performance reports

The following detail the key forward projections for the Council:

- Council Tax levels will be increased in line with inflation (CPI), subject to the Council's ability to provide the necessary services to its community in light of Central Government grant cut backs.

10. 2011-12 Outturn

An assessment of the 2011-12 outturn will inform the reliance we can place on the baseline we use for setting the 2012-13 estimates. The table below shows the original budget and the key variances as at September 2011.

	£	**£**
Original budget 2011-12		**12,621,356**
Members Allowances	(10,000)	
Central training	(7,000)	
Additional forecast interest	(129,500)	
Street Cleansing contract	(40,000)	
Garden Waste income	(10,000)	
Other miscellaneous approved efficiencies	(48,500)	
Contribution to Reserve	245,000	
2011-12 forecast outturn		**12,621,356**

The forecast outturn for 2012-13 is an efficiency amount and it has been recommended that this amount is contributed to the Organisational Development Reserve to be contributed to the budgets in 2012-13, 2013-14 & 2014-15.

Appendix C details virements required in 2011-12 in order to allocate resources to priorities and to make the best use of the Council's available budget.

11. Budget Requirement and Forward Estimates
Outline estimates through to 2016-17 are shown in appendix B. In compiling these figures we have followed the assumptions shown in sections 4 and 7 of this appendix and made specific adjustments to service budgets as and where budget holders have advised of a change over the medium term.

These forward estimates demonstrate a balanced and sustainable financial plan, on the assumption that the Council is successful in delivering its efficiency targets, is able to contain payroll costs, inflation is in line with projections and the level of investment income returns back to 'normal' levels. Further information on efficiencies is given in section 17 of this appendix.

The special expenses charge shown in appendix B is made for the maintenance of lighting on public footpaths in Dereham, Thetford, Watton and Bawdeswell. This is in addition to the precept raised by the 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. These expenses are shown in the table below. Other parish councils maintain their own footpath lighting requirements and therefore manage this cost through their own precept.

	Bawde-swell	Dere-ham	Thet-ford	Watton	Attlebo-rough	Swaff-ham
Special Expense	£159	£10,838	£34,485	£17,070	-	-
2012-13 tax base	286.6	6,067.5	6,829.48	2,481.1	-	-
Band D equivalent	£0.56	£1.79	£5.05	£6.88	-	-
2011-12 band D	£0.56	£1.80	£5.10	£7.01	-	-
Direct charge 12-13	-	-	-	-	£35,711	£25,146

Energy price reductions and low light replacement levels in previous years led to one off reductions in 2011-12 for the four special expenses towns, however costs have now risen back to expected levels.

12. Fees and Charges
Income from fees and charges is an important source of revenue income for the Council. Charges have a central role to play in service delivery, raising income, controlling access, responding to competition, funding investment and affecting public behaviour.

As part of our overall income strategy we will seek to:
- Maximise the return from the Council's asset holdings
- Ensure that the yield from fees and charges matches the increase in base budget for services that levy fees and charges, otherwise the shortfall will fall upon the Council Tax payer
- Annually review fees and charges for discretionary services
- Ensure that statutory charges are implemented
- Monitor compliance with the corporate charging policy and corporate debt policy
- Set targets for income collection and level of arrears and monitor performance against these targets.
- Treat windfall income as a corporate resource
- Use enforcement remedies effectively
- Seek to minimise benefit subsidy losses

Fees and charges have been reviewed and changes made where necessary to the levels levied. Demand for services has also been reviewed and changes in demand have been reflected in the budgeted level of fees and charges income.

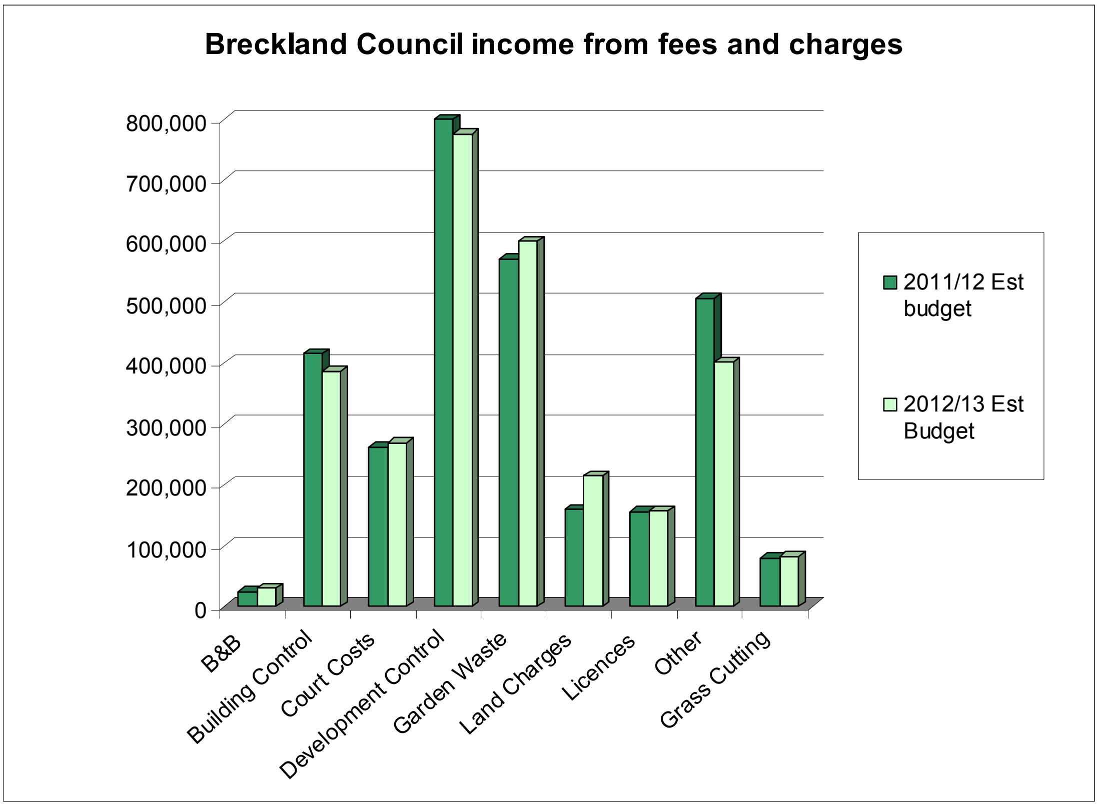
Appendix E details all the fees and charges and highlights the charges which are new or have changed since they were last approved.

The main changes of note are:

- New charges for additional wasp nest removal and removal from schools and residential homes
- New charges for bed bugs
- New charges for pest control abortive visits (free advice given by telephone)
- New charges for dog micro chipping
- New charges for Noise Penalties for domestic and commercial premises
- Variations to licensing charges following Licensing department review
- Variations to non domestic and clinical waste collection charges

As part of the budget process to set these fees and charges, an exercise has been undertaken to benchmark the Breckland charges against other nearby local authorities, to determine whether the levels set by Breckland are appropriate.

In total £2.9m is due from fees and charges in the 2012-13 budget. The chart below shows the main categories of budgeted fee income in 2012-13 (and 2011-12 for comparison).



13. Reserves and Balances

In order to comply with the requirements of the Local Government Act 2003, the Council should undertake a review of the level of reserves as part of the annual budget preparation. It is therefore a target of our medium term plan that a review of reserves is carried out and reported to Cabinet for consideration. The review will include a review of current and future risk assessments, including an assessment of risk registers, pressures upon services, inflation and interest rates and any underwriting arrangements.

Appendix F outlines the position statement on reserve balances. The proposed budget does not require any long term support from reserve 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 on balances. Whilst it is apparent these risks could be financially significant, our reserves are healthy. Moving forward the General Fund balance stands at £4.08m. The tables below give a summary of reserve movements:

General Fund	11-12 £m	12-13 £m	13-14 £m	14-15 £m	15-16 £m	16-17 £m
Brought forward	4.081	**4.081**	4.081	4.081	4.081	4.081
In	-	**-**	-	-	-	-
Out	-	**-**	-	-	-	-
Carried forward	4.081	**4.081**	4.081	4.081	4.081	4.081

Specific Reserves	11-12 £m	12-13 £m	13-14 £m	14-15 £m	15-16 £m	16-17 £m
Brought forward	8,276	**6,075**	5,647	5,502	5,454	5,497
In	3,240	**2,061**	2,039	2,117	2,117	2,117
Out	(5,441)	**(2,489)**	(2,184)	(2,165)	(2,074)	(2,092)
Carried forward	6,075	**5,647**	5,502	5,454	5,497	5,522

These are the observations from the review of reserves for the 2012-13 budget:

- Although the PFI reserve is running at a low level, the anticipated costs of PFI are fully allowed for within the base budget. 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.
- The Council holds £1.764m at 1 October 2011 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 £3.81m at 1 April 2011 and is largely unallocated. It is envisaged that this reserve will continue to be used for transformational and invest to save initiatives that will be required to drive revenue costs down.
- The waste and recycling reserve was built up during the initial years of the contract from savings achieved against the previous contracts. Now the contract has reached the later years of the 10 year term, the funds are being applied over the later years of the contract to smooth the effect of price changes.
- All return from the investment in commercial properties will be contributed to the budget and therefore no additional sums are forecast to be contributed to the commercial property reserve (with the exception of earmarked

contributions for items such as roof & asphalt). This reserve is currently holding around £0.55m of un-allocated funding which will continue to be used to fund feasibilities relating to potential investment and/or disinvestment opportunities as detailed in the Asset Management Plan.

Due to the future developments around Council Tax Benefit (CTB) and Business Rates retention proposals (as detailed in Section 8) it is proposed that £2m is moved from the General Fund into an earmarked reserve (Council Tax and Business Rates Reserve) to cover potential pressures and/or timing pressures resulting from these changes. If Council accepts this proposal, this transfer will be reflected in the budget that is formally put forward for approval, leaving a General fund balance of £2.081m.

In setting the level of General Balances, consideration has been given to the adequacy of financial control, the overall financial position, medium-term financial plans and the strategic, operational and financial risks facing the Council. Following this review, it is proposed that the General Fund remains set at a minimum level of £2m.

14. Localism and Partnerships

Democratic Community Leadership - The Council is developing its response to new demands arising from the developing local Government agenda and particularly the implications of the agenda for place shaping, rural governance and community engagement. This is a corporate priority and community leadership is being tested with the creation of the Thetford Task Force. Further work is in hand to develop rural governance model(s) that are appropriate and effective across the district and underline the role of District Councillors as community leaders, which may have cost implications.

Strategic Service Delivery Partnerships - In recent years Breckland have entered into contractual arrangements for the delivery of core services. This process is continuing into 2012 and will require focus on both governance and performance of our partners to ensure effective service improvement for local residents.

15. Risk, Key Issues, Sensitivity and Monitoring

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. The Council has a duty to take into account the demand for its services and the effect on council tax payers of meeting those demands at varying levels of services. Given the good management practices and sound financial and performance monitoring delivered in the past, the Council has the platform and expertise to deliver a balanced budget.

The following table details the key risks and issues identified and how we intend to treat them.

Risk	Likeli-hood	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
Continuing reduction in property rental income	Medium	High	Asset management plan. Mitigation by diversification

Risk	Likeli-hood	Impact	Action
Changes to CTB grant reduced Central government subsidy. Increased caseload adds further cost pressure	High	High	Monitor developments & develop local scheme to meet reduced Central Gov't funding
Business rates retention proposals leave Council exposed to economic downturn	High	High	Monitor developments & reserve created to help with potential initial pressures/timing pressures
Impaired investment within Icelandic banks	Medium	Medium	Strong liaison with the Local Gov't Association and legal representatives
Pension fund deficit	Medium	Medium	Strong links with NCC pension fund Central Gov't measures to reduce public sector pension deficit
Additional bad debts as a result of economic circumstances	Medium	Medium	Pro-active debt management and pre-pay fee policies
Increased maintenance costs of ageing physical assets	Medium	Medium	Asset management plan. Pro-active rather than reactive maintenance programme
Contractors for the Council facing financial hardship or going into administration	Medium	Medium	Contingency plans in place and financial checks for new contracts
Inflation rises by more than budgeted projections	Medium	Medium	Budget assumptions kept up to date with most recent projections
Price increases resulting from contract re-tender	High	Medium	Vary the service specification within the affordability envelope
PFI contract price increases resulting from benchmarking	Medium	Medium	Robust challenge and use of experts
Big Society/Place budgets may create additional demands on core budget	Medium	Medium	Evaluate options for alternative service delivery using third sector organisations
Reducing available capital funding may mean that borrowing will be required at some point in the future	High	High	Continue to closely monitor the Councils CFR and communicate remaining balances to Members before decisions made
Future changes to accounting legislation by the International Accounting Standards Board (IASB) could mean rental income from Commercial Properties is classified as capital income as opposed to revenue income	Medium	High	Liaison with CIPFA & lobbying of CLG if necessary

Risk	Likeli-hood	Impact	Action
Ongoing negotiations around cost share with ARP partners could change the budgeted contribution to partnership costs	Medium	Low	Ongoing liaison between partners

In addition to the risks identified above we have calculated a sensitivity analysis of our key variables in order to quantify the potential financial impact. These sensitivities are shown in appendix G.

16. Consultation, Timetable and Links to Other Strategies

The initial draft of the budget was available on the website and a Business Ratepayers consultation event was held on 28 November 2011, feedback from these has been included within this final budget.

It is important to have clear and agreed timetables for the budget process so that statutory requirements are met. Each year a timetable will be agreed with CMT prior to the start of the process (i.e. around May each year).

The Council has adopted a corporate risk management strategy and financial risk management is integrated into the Council's overall management and decision making processes. This ensures a robust and well integrated risk management programme, which will help the Council to identify and manage key strategic risks facing it, in pursuit of its corporate objectives.

A new Performance Framework has been developed to manage delivery of the new priorities described in the councils Corporate Plan 2011 - 2015. The annual business planning process will run alongside the budget setting process to ensure an integrated approach of performance and finance.

17. Value for Money and the Efficiency Requirement

The recent significant reductions in central funding for local authorities and un-certainty relating to future years funding has brought the value for money (VFM) issue to the forefront for all public services and all authorities are required to demonstrate VFM. VFM is more than simply cuts to services and/or budgets, it 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 provide front-line services to the community while ensuring the impact on council tax is contained.

When the indicative budget for 2012-13 was set last year, the Council forecast the need to find an efficiency of £1.3m for 2012-13. Further pressures (i.e. interest rates not increasing as forecast and reducing Commercial Property income) have put further pressure on finding these efficiency savings. Measures have been put in place to deliver this efficiency requirement without impacting front line services by:

- Additional efficiencies from the new shared management team with South Holland Council
- Reviewing staff vacancies when they arise and re-organising work to accommodate lower resource levels
- Using a zero based budgeting approach to deliver further savings within the ICT service once it returned in house
- Review and/or re-tender of contracts to ensure they continue to offer VFM and support the Council's priorities

- Restructuring of departments to allow flexibility and new ways of working with lower resource levels
- Business improvement reviews of identified areas to improve efficiencies and working between the two Councils
- Review of supplies and services budgets
- Investment in commercial opportunities to generate additional revenue funds

The following are areas which will be prioritised to deliver the forecast efficiencies which have been incorporated within the budgets:

- Further review of contracts and income generation
- Continuation of service reviews
- Reviews of systems and processes
- Restructures and efficiencies from back office support services
- Expansion of Rev-Active
- Further explore new areas of fees and charges for existing services

The officers have drawn up detailed efficiency plans that have enabled the Council to produce a balanced budget in the next two years and contribute to reducing costs on an ongoing basis. This will be used as a monitoring document to ensure the plan is delivered and any additional/shortfall in efficiencies are highlighted to enable changes to be made where necessary. Some schemes will require policy changes and variations to service delivery, therefore reports will be brought forward to Council as necessary.

In the medium term (2014-15 and beyond) it is clear that further efficiencies will be required in order to sustain the Council's budget. Additional schemes are being worked on to eliminate this deficit and these will be brought forward for decisions in due course.

18. Capital Estimates

The capital programme has been created to meet the priorities of the Council and it is fully funded. The schemes and associated funding are set out in appendix I. Each scheme is supported by a capital bid form, formulated where appropriate after the consideration of options. The cash flow implications of all schemes and the impact on revenue have been included within the revenue budgets. The joint preparation of both a capital and revenue budget should ensure a sustainable position for the Council.

The capital programme contains both annualised projects to be delivered in year and larger projects that will span more than one financial 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 be monitored by the Business Improvement Sub Committee.

The budgeted capital programme includes capital costs of £6.5m and related capital funding of £0.191m for the Thetford Riverside Regeneration project. The revenue budget includes the effect of lost interest resulting from this investment. A separate report is being presented to Cabinet and Full Council before this project is formally approved, however due to the large size and value of the project it has been included in the budgets at this stage based on the estimated figures detailed in the separate report.

The Council does not currently have any borrowing requirement to fund its capital programme, however capital resources are diminishing over time. The capital strategy details this position fully, however forecasts to the end of 2016-17 currently show a balance of £0.83m remaining for capital funding (the Capital Financing Requirement – CFR). Therefore prioritisation of capital projects in the future will be key to the best use of the Council's resources.