Appendix A

Budget Setting Report and Financial Medium Term Plan 2014-15

This appendix is the combined budget estimates and medium term plan 2014-19. 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 2014-15 compared to the 2013-14 position:

Description	2013-14	2014-15	Increase/ (Decrease)
Breckland precept requirement	£2,593,111	£2,624,104	1.2%
Council Tax Band D	£69.03	£69.03	-
Band D cost per week	£1.33	£1.33	-
Grant settlement (excluding NNDR)	£5,199,226	£3,989,615	(23.3%)
Retained NNDR	£3,458,904	£3,365,110	(2.7%)
S31 grants in lieu of NNDR reliefs	-	£821,950	
Other non-ring fenced grants	£17,840	£26,240	47.1%
New Homes Bonus applied	£1,107,699	£1,594,559	44.0%
New Homes Bonus to Reserves	Nil	£67,750	
Special expenses account	£62,550	£63,190	1.0%
(Efficiency)/contingency requirement	£303,910	Nil	-

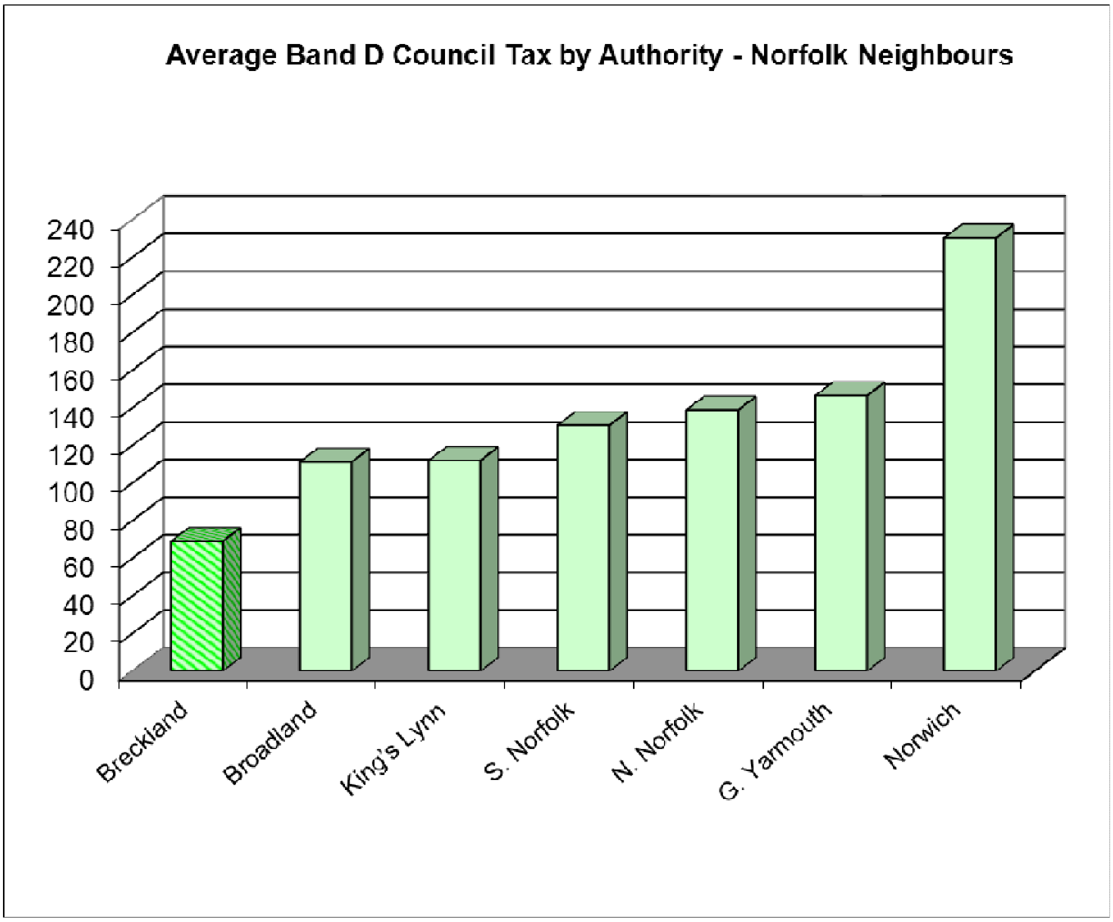
Of all the homes in the Breckland area, 77% are in bands A-C and 55% are in band A or B. Therefore the majority of homes pay less than £1.03 a week towards the District services we provide.

The budget report recommends a freeze on council tax for 2014-15, which will allow the authority to draw Council Tax Freeze Grant from central government. For the purposes of the medium term plan it is proposed that the council tax is held at the same level for a further year, and that in 2016 and beyond a 2% inflationary increase is built in. Future levels will considered each year as the Budget and Medium Term Plan are updated. The levels of band D council tax for the district are set out in Appendix B.

The following table details the Band D Council Tax levels for all precepting authorities over the last eleven 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)
2012-13	1,145.07	196.92	64.05	57.68	1,463.72	0.6
2013-14	1,145.07	200.79	69.03	69.91	1,484.80	1.4
2014-15	1,145.07	204.75	69.03	tbc	tbc	tbc

The following chart shows the average Band D Council Tax levels (excluding parish precepts) for all Norfolk authorities in 2013-14.



2. 2014-15 Estimates

The table below shows the budget estimates for 2013-14 and 2014-15 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		2013-14 £	2014-15 £	Variance £	Variance %
1	Employees	8,157,650	8,662,050	504,400	6.2
2	Premises	2,258,080	2,341,720	83,640	3.7
3	Transport	375,850	271,380	(104,470)	(27.8)
4	Supplies & Services	13,509,910	14,474,520	964,610	7.1
	Drainage board levies	53,240	54,010	770	1.4
5	Transfer payments	35,621,550	36,906,030	1,284,480	3.6
6	Support services	3,326,570	3,655,920	329,350	9.9
7	Capital charges	2,148,840	2,126,500	(22,340)	(1.0)
8	Capital financing	(1,676,850)	(1,323,550)	353,300	21.1
	Total Expenditure	**63,774,840**	**67,168,580**	**3,393,740**	**5.3**
9	Rents	(2,433,630)	(2,543,540)	(109,910)	(4.5)
10	Fees and charges	(2,959,950)	(2,921,620)	38,330	1.3
11	Grants	(37,092,090)	(40,293,090)	(3,201,000)	(8.6)
12	Other	(5,914,110)	(5,270,760)	643,350	10.9
	Total Income	**(48,399,780)**	**(51,029,010)**	**(2,629,230)**	**(5.4)**
	Growth bids	0	0	-	-
	(Efficiency)/contingency	303,910	-	(303,910)	
	Less trading units	(3,265,000)	(3,400,400)	(135,400)	(4.1)
	Budget Requirement	**12,413,970**	**12,739,170**	**325,200**	**2.6**

Notes:

1 – The increase in employee costs has been offset by other budget entries. The increase of £290k relating to the LEP project is fully funded by grant income. The increase of £190k in the accounting entry for pensions is fully offset within the capital financing section.

2 – This increase relates to:

- A £20k increase in cyclical maintenance costs at the Business Centres which is fully offset by reserves;
- an increase in rates bills of £40k for the car parks, awaiting a rates challenge;
- inflationary increases in gas, electricity, rates and grounds maintenance contract

3 – This reduction reflects the changes to the lease car scheme generating savings of £50k and a reduction in direct travel costs for ARP, which is now paid directly by another partner.

4 – Whilst this line is showing an increase, these are offset by income elsewhere:

- Increased grants of £1,630k relating to the LEP project which are fully offset by income
- Efficiencies to be achieved of (£246k)
- Savings in the planning & building control contract of (£192k)
- Further efficiencies made in hired services (£70k), pest control contract (£54k), bed & breakfast payments (£55k) and insurance costs for lease cars.

5 – Transfer Payment costs are mostly Housing Benefit payments and these have increased, but are partly offset by increased income (see note 11).
6 – Support service recharges now include an additional area of recharge (customer contact centres) and therefore this is not a real increase.
7 – There is a small reduction in capital charges and these figures are fully reversed within the capital financing (see note 8).
8 – Capital Financing costs reflect the appropriations to and from reserves and the reversal of the capital charges figures. The change in 2014-15 reflects the changes in capital charges (see note 7) and also funding from reserves for one off costs.
9 – This increase is due to the purchase of an additional commercial property for rental during 2013-14, partly offset by reduced occupancy in other offices.
10 – Whilst many fees and charges have increased, these are offset by reductions in volumes in planning and building control (£33k) and bed & breakfast payments (£30k). This is further reduced by the cessation of the pest control service (£19k).
11 – Grant income has increased in two major areas to offset increases in spend, the LEP project (see notes 1 and 4) and housing benefits (see note 5).
12 – The decrease is due to efficiencies achieved and savings moved into other areas, lower investment interest as a result of lower returns as cash deposits held in Iceland are received back by the Council, and reduced forecast kerbside recycling credits.

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, water, 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 2014-15 budget is formally approved, future years are indicative only for both revenue and capital.

4. Funding Assumptions

In previous years we have received a government settlement for a set number of years giving the amount of funding receivable for those years, with our last allocation being 2012-13, however government funding has changed. Instead of receiving a fixed funding amount from government, from 1 April 2013 we have been reliant on a new model which is geared towards the local raising of funds. Changes to schemes in respect of non-domestic rates (NDR) and localised council tax reduction scheme (LCTRS) have brought a greater degree of risk and variability to the Council's funding.

Under the new scheme a proportion of NDR income is be retained by district and county councils through a system of top-ups and tariffs. The remaining NDR income is centralised by government and distributed back to local authorities through the formula grant process, thus allowing the government to retain a proportion of business rates centrally to meet public expenditure targets. This formula grant element has specific grants rolled into it that were previously identified separately (eg. the council tax freeze grant and the homelessness prevention grant). Whilst the headline figures of this scheme quote a 40% share of NDR income retained by district councils, in reality this is not the case. The tariff system reduces the NDR income retained by Breckland to a "baseline funding" figure calculated by government which is actually around 12.5% of the overall NDR income collected by the Council.
Any growth over and above the NDR income that Government has assumed for 2013-14 is shared between central and local government, with our local share equating to 20% of the total growth.

Whilst in the previous year we used the Government target figure for retained NDR, this year we have forecast collection amounts to set a budget for the amount the district council will retain. These forecasts are based on actual amounts collectable at January 2014 which are then adjusted for local knowledge (i.e. for appeals, charitable relief, etc) and uplifted by an inflationary increase to allow for the increase in NDR multiplier each year. This has generated additional income above the government baseline figure and has reduced the efficiency requirement in 2016-17 and beyond. Any surplus generated up to that point will be transferred into the Council Tax and Business Rates Reserve to provide further mitigation to the risks surrounding Business Rates income.

Norfolk authorities have applied to the Secretary of State to form a business rates pool for 2014-15 to ensure that a higher proportion of growth in business rates is retained in the county rather than being passed over to Central Government in the form of a tariff. This will be used to enhance economic development activity across the county.

Any new non-ring fenced grants or Section 31 grants or any continuation of grants which are not included in the budget (such as Community Right to Buy, etc) will be contributed into the Organisational Development Reserve for re-allocation as appropriate.

The ‘New Homes Bonus’ (NHB) is budgeted for six years from 2012-13 at the year one level of £471,170 and an additional £401,079 for 6 years from 2013-14 (as detailed in the 11-12 allocations). The year one and two NHB will be contributed to reserves in the year it is received and applied to the budget in the next year as detailed in **Appendix B**. Estimated NHB allocations for year three onwards are applied as funding in the year it is received, based on prior year averages. Forecasts of growth above these averages (if achieved) are contributed into an earmarked reserve.

The table below shows the level of budgeted central grants.

	13-14 £m	**14-15 £m**	15-16 £m	16-17 £m	17-18 £m	18-19 £m
Local Gov’t Settlement	5.199	**3.989**	2.701	1.712	1.065	1.065
Retained Business Rates	3.459	**3.365**	4.250	4.386	4.544	4.707
S31 grants in lieu of NDR	-	**0.822**	-	-	-	-
Council Tax Freeze	-	**0.026**	0.052	0.026	-	-
New Homes Bonus	1.108	**1.595**	1.970	2.345	2.720	2.249
NHB to reserve	-	**0.068**	0.275	0.561	0.847	0.847
Total	£9.766	**£9.865**	£9.248	£9.030	£9.176	£8.868
% +/(-)		**1.0%**	(6.3%)	(2.4%)	**1.6%**	(3.4%)

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 deficit for Council Tax of £80k in total and Breckland’s share of this for 2014-15 would be around £7k (deficit of £310k for 2013-14).
For Business Rates a surplus of £484k is forecast in total and Breckland’s share of this for 2014-15 is £194k (before our levy payment on growth). This is the first year of the retained Business Rates.

6. Tax Base

The tax base is assumed to rise by 0.75% from 2014-15 to 2015-16, then 0.84% for the next year and thereafter (based on planning forecasts). The assumed figures are shown in section 7 of this report. The tax base for all parishes is shown at **appendix C**.

7. Other Budget Assumptions

The budget estimates and medium term plan cover the period 2014-15 to 2018-19, 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 (2013-14) 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:

	13-14	14-15	15-16	16-17	17-18	18-19
General inflation	0%	**0%**	0%	0%	0%	0%
Basic performance increase	1.00%	**1.00%**	1.00%	1.50%	1.50%	1.50%
PRP - Performing	0%	**0%**	0%	0%	0%	0%
PRP – Over achieving	0.50%	**0.50%**	0.50%	0.50%	0.50%	0.50%
PRP - Exceptional	1.00%	**1.00%**	1.00%	1.00%	1.00%	1.00%
Staffing salary level	96%	**97%**	98%	98%	98%	98%
ARP cost of living increase	1.00%	**1.00%**	1.00%	2.50%	2.50%	2.50%
ARP staffing salary level	97.5%	**97.5%**	97.5%	97.5%	97.5%	97.5%
Pension contribution rate	14%	**14%**	14%	14%	14%	14%
Pension lump sum cont'n	£469k	**£526k**	£586k	£666k	£666k	£666k
Return on cash investments	2.04%	**0.65%**	0.64%	0.93%	0.93%	0.93%
Tax base	37,565	**38,014**	38,299	38,622	38,946	39,273

- Details on the grant settlement and assumptions made are shown in section 4.

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.

The accounting standards relating to lease accounting are likely to change with effect from 2015-16. The potential effect of this change is that not all the income receivable by the Council for rentals (i.e. commercial property rental income) will be classified as revenue income, therefore reducing the income receivable by the Council. There may be mitigating treatment provided by CLG/CIPFA for what in effect is an additional cost pressure to the Council, however the full effects will not be known for some time yet.

Universal credit is due to be implemented shortly as part of a package of measures under the Welfare Reform Act. It will change the way that benefits (including Housing Benefits delivered by local authorities) are administered, but it is not yet clear what role local authorities will have in this administration. The future of universal credit and its impact on budgets is still un-quantifiable in budget terms.

Planned changes to the UK state pension scheme are likely to have the effect of increasing National Insurance contributions for employers from 2016-17 and additional budgetary provision will be required once the scheme details are known. This will increase employment costs and is likely to add pressure to contracts and supplies and services, adversely affecting future years efficiency requirements.

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

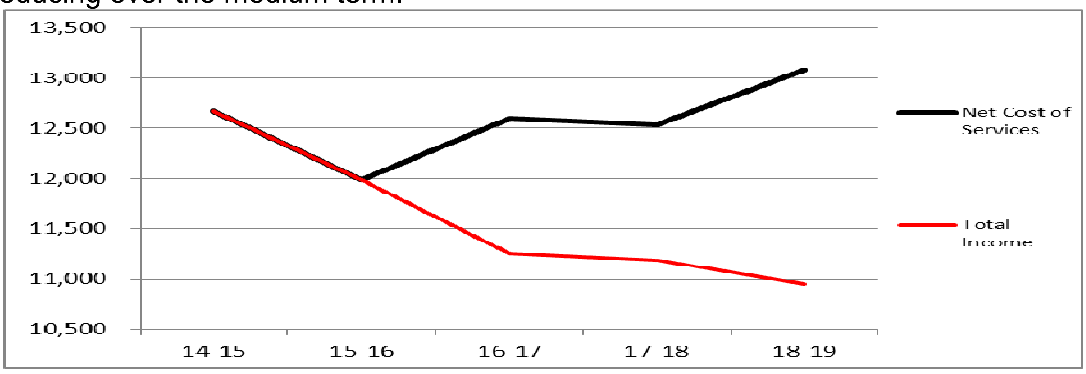
intrinsic link between this strategy and the Capital Strategy and the Treasury Management strategy.

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 any partners.
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
- Audit Committee reports
- Annual Governance Statement (AGS)
- Grants returns submitted to deadlines
- Governance and performance reports

The graph below shows the cost pressures increasing and government funding reducing over the medium term.



10. 2013-14 Outturn

An assessment of the 2013-14 out turn will inform the reliance we can place on the baseline we use for setting the 2014-15 estimates. Based on the position at the 31 December 2013, various pressures and efficiencies have been identified, forecasting a below budget out-turn as a result of efficiencies achieved early. These efficiencies and surpluses will be transferred to reserves be used to provide resources for the efficiency projects and the transformation programme that will be necessary to close the longer term funding gap. The Council will continue to review the financial performance of its services throughout the year. In preparing the budgets for 2014-15 services have reflected the on-going pressures and efficiencies in their new budget estimates.

11. Budget Requirement and Forward Estimates

Outline estimates through to 2018-19 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 budget for 2014-15 and 2015-16, with further efficiencies required from 2016-17 onwards. Section 16 gives further information on how the Council plans to achieve these efficiencies through a programme of efficiencies and transformation.

The special expenses charge shown in **appendix B** is made for the maintenance of footway lighting 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 footway 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	£174	£4,821	£40,323	£9,041	-	-
2014-15 tax base	256.7	5,036.1	5,676.1	2,152.8	-	-
Band D equivalent	£0.68	£0.96	£7.10	£4.20	-	-
2013-14 band D	£0.94	£0.84	£7.26	£4.18	-	-
Direct charge 14-15	-	-	-	-	£17,838	£13,619

The County Council manage the footway lighting on behalf of Breckland and the Towns and no planned maintenance or replacements are taking place, only re-active maintenance and repair. This results in reductions to these footway lighting charges, however it also creates a risk of additional un-planned costs for any major reactive repairs and also the risk of breaching the level of council tax rise allowable in the future before a referendum is required. These are detailed further in the risk section. Discussions are taking place with the Town Councils regarding the options for future provision of footway lighting.

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.

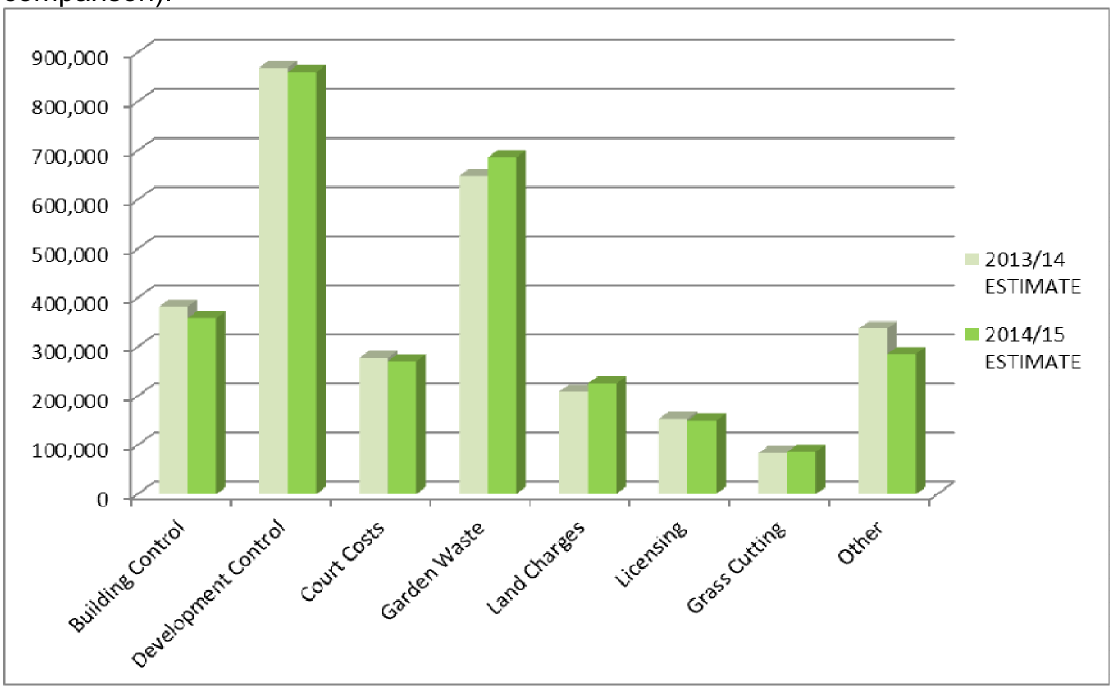
As part of our overall income strategy we will seek to:

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

In total £2.92m is due from fees and charges in the 2014-15 budget. The chart below shows the main categories of budgeted fee income in 2014-15 (and 2013-14 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 E 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 business rates retention, localised council tax support, 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 £2.61m.

The tables below give a summary of reserve movements:

General Fund	**13-14 £m**	**14-15 £m**	**15-16 £m**	**16-17 £m**	**17-18 £m**	**18-19 £m**
Brought forward	2.612	**2.916**	2.916	2.612	2.612	2.612
In	0.304	**-**	-	-	-	-
Out	-	**-**	(0.304)	-	-	-
Carried forward	2.916	**2.916**	2.612	2.612	2.612	2.612

Specific Reserves	**13-14 £m**	**14-15 £m**	**15-16 £m**	**16-17 £m**	**17-18 £m**	**18-19 £m**
Brought forward	10.736	**9.077**	9.264	9.169	9.641	10.022
In	2.847	**0.366**	0.718	0.622	0.908	0.908
Out	(4.506)	**(0.179)**	(0.813)	(0.150)	(0.527)	(0.421)
Carried forward	9.077	**9.264**	9.169	9.641	10.022	10.509

These are the observations from the review of reserves for the 2014-15 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 future years there is a possibility of increased or decreased costs which the Council will have to evaluate and respond to as necessary.
- The Council holds £1.63m of unallocated funds 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 £4.27m at 1 April 2013 and contains £1.87m of unallocated funds. 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 to achieve a balanced and sustainable budget over the longer term.
- 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, with 2013-14 being the final year of reserve use.
- 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 £0.46m of un-allocated funding which will continue to be used to fund feasibility studies relating to potential investment and/or disinvestment opportunities as detailed in the Asset Management Plan.

- A sum of around £2m is held in a Council Tax and Business Rates reserve to cover the potential pressures and/or timing pressures resulting from the changes from localisation of council tax benefit and funding from business rates retention from 1 April 2013 and the potential for successful back-dated appeals.

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. 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	Medium	Market advice and forecasting. Mitigation by diversification
Continuing reduction in property rental income	Medium	High	Asset management plan. Mitigation by diversification
Changes to CTB subsidy and localised scheme. Increased caseload and lower collection rates adds further cost pressure	High	High	Monitor throughout year to understand demand and collection rates and meet reduced Central Gov't funding. Reserve created to help with potential initial pressures/timing pressures.
Further changes to Government funding for benefits could reduce by up to 25% per year	High	High	Monitor developments when details are published and factor into future plans as necessary
Localised council tax reduction scheme results in the risk of tax base fluctuations which impacts on the council tax income collected	High	Medium	Monitor throughout year to understand levels. Reserve created to help with potential initial pressures/timing pressures.
Business rates retention scheme leaves Council exposed to economic downturn, reduced income from appeals and reduced income as schools transfer to academies.	High	High	Monitor throughout year & reserve created to help with potential initial pressures/timing pressures

Risk	Likeli-hood	Impact	Action
Impaired investment within Icelandic banks	Medium	Low	Close liaison with the Local Gov't Association and legal representatives.
Pension fund deficit	Medium	Medium	Close links with NCC pension fund Central Gov't measures to reduce public sector pension deficit
New Homes Bonus grant income less than budgeted due to growth levels lower than anticipated	Medium	High	Review levels each year to ensure estimate is as accurate as possible
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. Consider including in LABV arrangement
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	Low	Medium	Budget assumptions kept up to date with most recent projections
Price increases resulting from contract re-tender	Medium	Medium	Vary the service specification within the affordability envelope
PFI contract price increases resulting from benchmarking	Medium	Medium	Robust challenge and use of experts
Reducing available capital funding may mean that borrowing will be required at some point in the future	High	High	Continue to closely monitor the Council's CFR and communicate remaining balances to Members before decisions made. Use of revenue funding to support capital schemes and consider use of LABV
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
Future costs which are recharged through the special expenses rise as a result of reactive repairs, which would increase the Council Tax to a level above that which requires a referendum	High	Medium	Consider methods to smooth the effects of future costs. Look at alternatives to the special expenses levy.
Legislation changes regarding major planning applications timeframe of 26 weeks could result in lost income (up to £200k) to the council through lateness of applications	Medium	Medium	Liaison with legal and planning contractors to reduce process time and spread risk to the council
Changes to the pension scheme for auto-enrolment may increase the costs to the council	Medium	Medium	Detailed communication to staff. Factor costs into budgets once able to forecast more accurately
Extension of internal drainage board (IDB) activities increases drainage board levies beyond our control	Low	Medium	Liaison with IDB. Consider methods to smooth the effects of future costs
S106 contributions from developers (i.e. contribution of a building) increase the ongoing costs to the council to run the asset	Low	Medium	Review of proposed S106's which are contributions of a non-monetary form
Government policy is not issued in time for budget and council tax to be agreed at Cabinet	High	Medium	Cabinet to keep abreast of government announcement and to change recommendation to Council accordingly, with the budget shortfall being funded from the General Fund balance at this stage

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 F**.

15. Consultation, Timetable and Links to Other Strategies

Information from the "Could We, Should We" consultation is being used to help with the transformation programme to deliver efficiencies to meet the growing funding gap.

The draft budget was put out to consultation on the website and invited commentary from key stakeholders.

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.

16. 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 2013-14 was set last year, the Council forecast a budget surplus position for 2013-14, providing planned efficiency targets were achieved and a budget gap over the medium term of circa £3m. Detailed efficiency plans made for 2013-14 are in progress and the majority of schemes have been implemented and achieved the necessary savings. These have already been factored into the base budget reported. However there are some schemes remaining to be implemented and these efficiencies have been included within the budget and will continue to be monitored to ensure the plan is delivered and any additional/shortfall in efficiencies are highlighted to enable changes to be made where necessary. In addition to these planned savings any efficiencies for future years have been identified and implemented early, resulting in a larger surplus in 13-14 than originally forecast and a reduced budget gap over the medium term from £3m down to £2.1m. This 13-14 surplus will be used to fund the budget gap in 2014-15 and 2015-16 to give time for the transformation programme to be implemented.

There is huge potential to generate income locally to offset the reduction in central government funding. Government policy is to encourage local authorities to generate growth within their areas through house building and retention of Business Rates. Prudent assumptions for New Homes Bonus have been factored into the budget based on averages and information obtained from the planning system. However nothing has been factored in for Business Rates growth (except for RPI increases to the multiplier rate) as there has been a fundamental change in Business Rates collection and the authority needs to be certain that it will be able to collect the baseline amount the Government expects us to.

Beyond 2015-16 a funding gap has been identified and a programme of efficiencies is being finalised to address the authority's funding needs. The council is also initiating a business support services cultural and functional transformation project to produce a draft transformation plan for adoption in the new year.

17. 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 H**. 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 through the performance system.

Capital resources are diminishing over time, the capital strategy details this position fully in section 3.4. The forecasts currently show that there is little scope for further capital investment in the existing capital programme by 2015-16 unless additional capital receipts are generated, revenue reserves are used or borrowing takes place. There are also in-sufficient resources to fund the “wish list” of capital projects. The capital programme currently includes budget for projects which may form part of the council’s LABV project, however until this project is further developed it is not known definitively which capital programme items will be included. Therefore the need for borrowing will be further addressed in 2014-15 when the LABV project stages have progressed. 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.