Appendix A

Budget Setting Report and Financial Medium Term Plan 2018-19

This appendix is the combined budget estimates and medium term plan 2018-22. 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 2018-19 compared to the 2017-18 position:

Description	2017-18	2018-19	Increase/ (Decrease)
Breckland precept requirement	£3,314,358	£3,590,567	8.33%
Council Tax Band D	£78.93	£83.88	6.27%
Band D cost per week	£1.52	£1.61	5.92%
Grant settlement (excluding NNDR)	£1,451,202	£1,070,950	(26.20%)
Income to investment fund	£655,986	£1,248,224	90.28%
Retained NNDR (incl S31 grants)	£4,426,286	£4,597,043	3.86%
Retained NNDR – Renewable	£413,975	£1,671,779	303.84%
Other non-ring fenced grants	£379,118	£291,629	(23.08%)
New Homes Bonus	£2,720,871	£2,411,070	(11.39%)
New Homes Bonus to Growth Fund	£720,871	£411,070	(42.98%)
New Homes Bonus to Reserves	-	£794,359	-
Special expenses account	£73,079	£76,466	4.63%

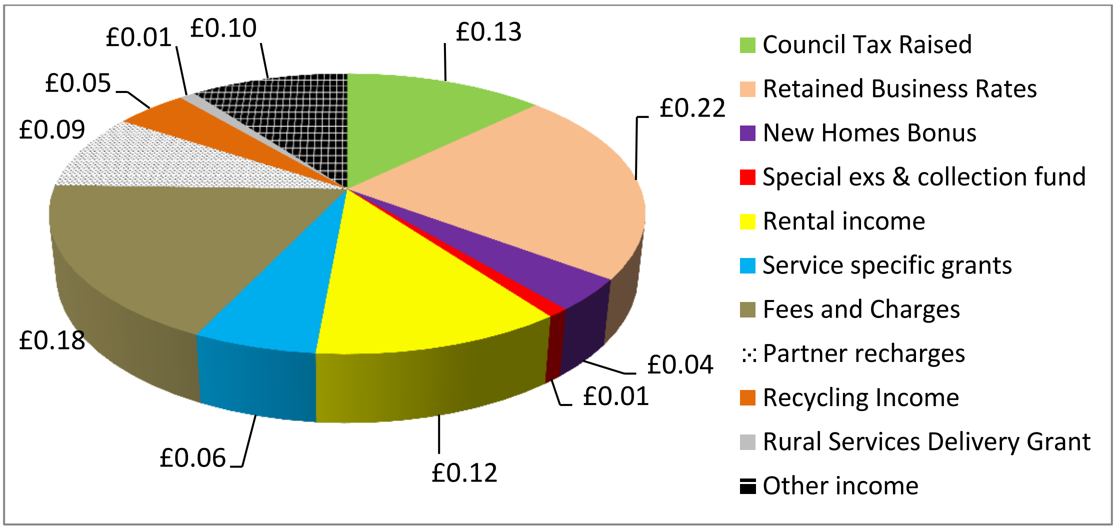
Of all the homes in the Breckland area, 77% are in bands A-C and 54% are in band A or B. Therefore the majority of homes pay less than £1.43 a week towards the District services we provide.

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

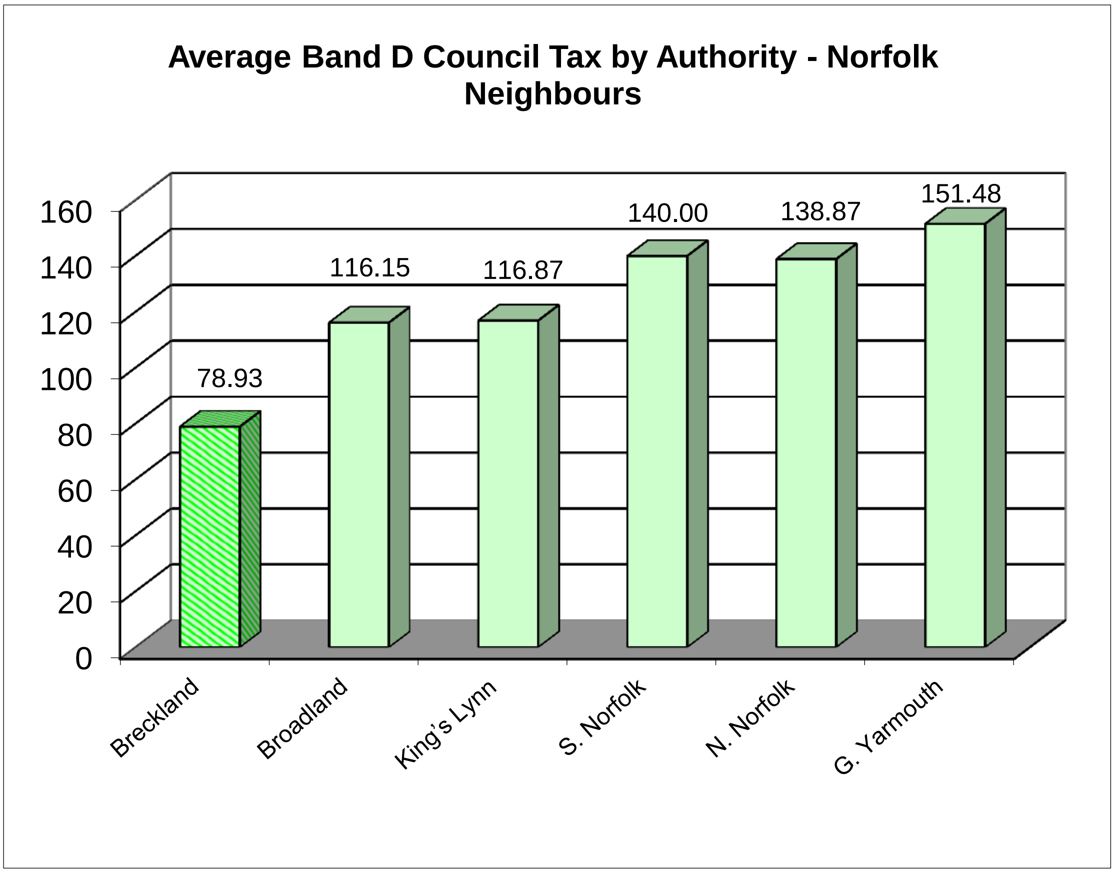
	Norfolk County Council £	Norfolk Police Authority £	Breckland (Excl special expenses) £	Parish £	Total £	Increase/ (Decrease) %
2008-09	1,091.52	178.56	61.98	52.15	1,384.21	4.4
2009-10	1,123.74	185.58	64.05	55.99	1,429.36	3.3
2010-11	1,145.07	191.16	64.05	57.37	1,457.65	2.0
2011-12	1,145.07	191.16	64.05	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	76.32	1,495.17	0.7
2015-16	1,145.07	208.80	69.03	76.99	1,499.89	0.3
2016-17	1,190.79	212.94	73.98	81.09	1,558.80	3.9
2017-18	1,247.94	217.17	78.93	83.93	1,627.97	4.4
2018-19	Tbc	Tbc	83.88	Tbc	Tbc	Tbc

The budget report provides for a council tax rise of £4.95 for 2018-19 and for the remainder of the medium term. Future levels will be considered each year as the Budget and Medium Term Plan are updated.

The council maximises its sources of funding to help keep the council tax at a low level. For every £1 spent by the Council (excluding Housing Benefit payments) it is funded from the income sources shown in the chart below.



The following chart shows the average Band D Council Tax levels (excluding parish precepts) for all Norfolk district and borough authorities in 2017-18.



2. 2017-18 Estimates

The table below shows the budget estimates for 2017-18 and 2018-19 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**.

		2017-18 £	2018-19 £	Variance £	Variance %
1	Staffing Costs (BC & 3rd Party)	9,644,887	10,253,583	608,696	6.31
2	Premises	2,523,645	2,283,317	(240,328)	(9.52)
3	Transport	297,480	367,455	69,975	23.52
4	Supplies & Services	14,087,573	13,618,302	(469,271)	(3.33)
	Drainage board levies	79,390	80,700	1,310	1.65
5	Transfer Payments	32,538,678	28,679,677	(3,859,001)	(11.86)
6	Support services	3,920,949	4,575,208	654,259	16.69
7	Capital charges	2,273,928	3,478,877	1,204,949	52.99
8	Capital financing	(2,913,254)	(2,842,367)	70,887	2.43
	Total Expenditure	**62,453,276**	**60,494,752**	**(1,958,524)**	**(2.84)**
9	Rents/service charges	(2,994,590)	(3,235,634)	(241,044)	(8.05)
10	Fees and charges	(4,463,206)	(5,142,185)	(678,979)	(15.21)
11	Grants	(33,243,890)	(29,587,404)	3,656,486	10.85
12	Other	(6,388,133)	(6,592,131)	(203,998)	(3.19)
	Total Income	**(47,089,819)**	**(44,557,354)**	**2,532,465**	**5.38**
	Transformation	(132,844)	(83,828)	49,016	36.90
	Less trading units	(3,770,849)	(4,393,108)	(622,259)	(16.50)
	Budget Requirement	**11,459,764**	**11,460,462**		

Notes:
1 – The increase in employee costs is due to: an increase in pension payment of £140k resulting from the last triennial review, the result of services moving back in house and the costs moving away from supplies and services (such as ICT), reserve funded or fixed term roles (i.e. Delivery unit) and increased costs which are offset by income through more commercialisation (i.e. BTS and environmental health).
2 – The decrease relates to cyclical maintenance works at the Breckland Business Centres as 17-18 was a higher than average year of spend. This is fully offset by service charge income held in reserves.
3 – Increases relate to travel costs for shared staff and fixed term roles and the result of services moving back in house and the costs moving from supplies and services.
4 – This reduction is a combination of programmed efficiencies, services moving back in house and the costs moving to salaries away from this line (i.e. ICT, Legal) and reduced spend on grant funded projects compared to last year (i.e. Pride, Thetford Enterprise Park), all partly offset by inflationary increases to contract costs.
5 – Transfer Payment costs are Housing Benefit payments and these have reduced as claimant levels have reduced. The reduction is offset by reduced grant income.
6 – Increased support service costs as a result of additional deprecation charges within ICT due to recent investment in the service (this is reversed out through capital financing) and customer service centre costs moving to be internally rechargeable.
7 – This increase relates to changes in the capital programme compared to last year, 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 and accounting entries. These are items such as depreciation which is not a real charge to the Council Tax payer. The change in

2018-19 reflects the changes in capital charges (see note 7), revenue contributions to capital and also funding from reserves for one off costs.
9 – Changes to the way we budget (i.e. at a higher letting assumption) have led to increased income forecasts.
10 – Additional income relating to the expanding ARP Enforcement service of £326k plus increased planning and building control forecasts through the changes to the way we budget and commercialisation income from the Moving Forward transformation programme (i.e. Environmental Health and BTS).
11 – Reduced grant income resulting from lower Housing Benefit claims (see note 5).
12 – Increases relate to additional recharge income receivable by ARP and additional finance lease income from the Riverside cinema and hotel.

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 finance. The central items are: salaries, insurance, car allowances, support service recharges, capital accounting entries, interest paid and received, pensions, NI, special expenses, mobiles phones, overtime, utilities, 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 internally agreed assumptions (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 with 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 restate mid year with ongoing changes forming the basis of future years estimates.
- 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 2018-19 budget is formally approved, future years are indicative only for both revenue and capital for the purposes of medium term financial projections.

4. Funding Assumptions

Only a small amount of the Local Government Settlement is now received in the form of Revenue Support Grant (RSG). 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, in addition the Government have also announced their intention to phase out revenue support grant over the medium term. Changes to schemes in respect of business rates and the localised council tax reduction scheme (LCTRS) have brought a greater degree of risk and variability to the Council's funding. The budget assumes an accelerated reduced reliance on revenue support grant for the medium term, taking our reliance on revenue support grant to nil by 2018-19. An element of investment income received in each year above that which is required for services will be contributed to an investment and growth fund and invested in income generating assets to provide an on-going revenue return. The budgeted values are shown in the table on the following page, giving an additional total of £2.7m to the investment and growth fund over the medium term.

The rural services delivery grant was previously included within the revenue support grant, however the government have separated this grant out from 2016-17, recognising the additional pressures rural authorities face.

Under the retained business rates scheme a proportion of business rates income is retained by district and county councils through a system of top-ups and tariffs. The remaining business rates 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. Whilst the headline figures of this scheme quote a 40% share of business rates income retained by district councils, in reality this is not the case. The tariff system reduces the business rates income retained by Breckland to a "baseline funding" figure calculated by government which is actually around 13% of the overall business rates income collected by the Council. Any growth over and above the business rates income that Government has assumed for the year is shared between central and local government, with our local share equating to 20% of the total growth.

The retained business rates forecasts are based on forecast amounts collectable following the 2017 revaluation process, 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 business rates multiplier each year. The level of appeals has been set at 1.5% to reflect the expected reduction resulting from the new 'Check-Challenge-Appeal' process, but this is open to risk of increase or decrease in all years.

Government intention is for the retained business rates scheme to become 100% retained at a local authority level from 2019-20 or 2020-21. Alongside this DCLG will be carrying out a 'Fair Funding Review' to update the current 'needs' formula for local authorities. There is little information at this stage to base future budgets on and therefore the budget and medium term plan is set on the assumption that any changes will be cost neutral to the council, however there is a risk that our funding could reduce or additional responsibilities will be passed across to councils.

All the Norfolk authorities have together presented a bid to DCLG to become a business rates pilot for 2018-19 and we are awaiting the outcome to see if the bid is successful. If successful Norfolk will keep all the business rates earned, with no share being passed to Central Government, with the additional income split between districts, county and a local economic development fund. Once the outcome is known the effects will be included in this budget report and medium term plan.

If the bid is un-successful, then the Norfolk business rates pool (formed in 2014-15) will be changed to include Great Yarmouth Borough Council meaning all the Norfolk authorities will be part of the Pool. Tariff that otherwise would be paid to Central Government is paid into the County pool. This pool will be used to supplement economic development activity throughout the county, supporting the work that the authorities are doing with the Local Enterprise Partnership (LEP).

Funding from central Government has become more complex in recent years, with additional smaller grants being notified to council's separately to the core local government Settlement. Any new non-ring fenced grants or Section 31 grants or any continuation of grants which are notified after Council approves the budget (such as Community Right to Buy, etc) will be contributed into the Organisational Development Reserve for re-allocation as appropriate.

Previously the new homes bonus (NHB) was budgeted for six years from 2012-13 at the year one level plus future years allocations. Consultation took place earlier last year which changed this scheme and significantly reduced the amount of reward funding provided to councils. The scheme now includes a baseline increase level at which point new homes bonus is only paid above this level of growth (currently 0.40%) and the amount is only paid for four years.
This year's local government finance settlement consultation is consulting on changes which:

- Increase the baseline level at which point new homes bonus is only paid above this level of growth from the current 0.4% level;
- Implementing a process which will mean no new homes bonus is paid on planning permissions granted on appeal.

Responses have been made to this consultation and once the outcome is known the budget and medium term plan will be updated accordingly. Some new homes bonus is required for delivery of services to new homes in the area, however any new homes bonus income received above that required will be contributed to a reserves. The investment and growth fund hold funds previously earmarked from the new homes bonus and this will be used to secure housing and employment growth, generating an on-going revenue return. This budget reduces the reliance on new homes bonus to £0.5m by the end of the medium term. The budgeted values are shown in the table below

The table below shows the level of budgeted central grants.

	17-18 £m	**18-19 £m**	**19-20 £m**	**20-21 £m**	**21-22 £m**
Local Gov't Settlement	(1.451)	**(1.071)**	(0.646)	-	-
Income cont'n to investment fund	0.656	**1.248**	1.168	0.324	-
Retained Business Rates NNDR	(3.542)	**(3.725)**	(3.847)	(3.985)	(4.065)
Retained NNDR - renewables	(0.414)	**(1.672)**	(1.727)	(1.782)	(1.818)
S31 grants in lieu of NDR	(0.884)	**(0.872)**	(0.900)	(0.932)	(0.951)
Rural Services Delivery grant	(0.379)	**(0.292)**	(0.379)	(0.379)	(0.379)
New Homes Bonus	(2.721)	**(2.411)**	(2.033)	(1.803)	(1.605)
NHB to growth fund	0.721	**0.411**	0.033	-	-
NHB to reserves	-	**0.794**	0.794	0.915	1.124
Total	(8.014)	**(7.590)**	(7.537)	(7.642)	(7.694)

NB: The funding streams may change from 19-20 or 20-21 following the fair funding review and 100% business rates retention, but these changes are not yet known.

5. Collection Fund

Each year the Council is required to calculate the balance on its Collection Fund. The medium term plan target is to have a minimal balance on the Collection Fund, aspiring for a zero balance.

Figures indicate a surplus for Council Tax of £1,208k in total (taking 2016-17 balance and 2017-18 forecast) and Breckland's share of this for 2018-19 would be around £119k (surplus of £26k for 2016-17).
For Business Rates a small surplus is forecast of £213k in total and Breckland's share of this for 2018-19 would be around £85k (surplus of £32k for 2017-18).

6. Tax Base

The tax base is assumed to rise by 0.7% in future years, using forecasts based on current local plan. 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 2018-19 to 2021-22, 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 (2017-18) 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:

	17-18	**18-19**	**19-20**	**20-21**	**21-22**
Combined PRP and BPI	1.325%	**1.325%**	1.325%	1.325%	1.325%
Staffing salary level	96%	**96%**	96%	96%	96%
ARP cost of living increase	1.00%	**1.00%**	1.00%	1.00%	1.00%
ARP staffing salary level	97.5%	**97.5%**	97.5%	97.5%	97.5%
Pension contribution rate	14%	**14%**	14%	14%	14%
Pension lump sum cont'n	£816k	**£956k**	£1,102k	£1,248k	£1,394k
Return on cash investments	0.30%	**0.38%**	0.75%	1.00%	1.00%
Tax base	41,991	**42,806**	43,104	43,402	43,701

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 DWP has announced the Universal Credit (UC) full service roll out over the coming 12 months. This change will affect all working age customers who would otherwise make a claim for Housing Benefit, but it does not affect pensioners and largely does not affect our existing customers. The future of universal credit and its impact on budgets is still un-quantifiable in budget terms.

100% business rates retention by local authorities is planned for 2019-20 or 2020-21. This change will provide additional reward and risk to local authorities resulting from business rates income. Alongside this is the 'Fair Funding Review' which DCLG plan to undertake ready for the 100% retention scheme becoming live. At this early stage the detail of the scheme is still being worked on and therefore no changes are included in the budget.

Changes to the new homes bonus funding are proposed as part of the local government finance settlement 2018-19. The budget has been prepared based on current levels, however any changes to these will be updated when the changes area announced.

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 digital 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 14).
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 four 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
- Governance and Audit Committee reports
- Annual Governance Statement (AGS)
- Grants returns submitted to deadlines
- Governance and performance reports

With the aspiration to reduce reliance on revenue support grant, this results in further pressures to deliver savings from the transformation programme. Section 16 details the planned savings from the transformation programme over the medium term in order to balance the budget with a nil reliance on revenue support grant.

10. 2017-18 Outturn

An assessment of the 2017-18 out turn will inform the reliance we can place on the baseline we use for setting the 2018-19 estimates. Based on the position at the 30 September 2017, various pressures, transformation items and efficiencies have been identified, forecasting a small above budget out-turn as an overall result. Ongoing efficiencies and surpluses have been reflected in the medium term plan, along with the Star Chamber instant win items. The Council will continue to review the financial performance of its services throughout the year. In preparing the budgets for 2018-19 services have reflected the on-going pressures and efficiencies in their new budget estimates.

11. Budget Requirement and Forward Estimates

Outline estimates through to 2021-22 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 all years with no ongoing reliance on reserves and reduced reliance on grant funding. Section 16 gives further information on how the Council plans to achieve these efficiencies through a programme of efficiencies and growth and details what assumptions have been made on assumed efficiencies.

The special expenses charge shown in **appendix B** is made for the maintenance of footway lighting in Dereham, Thetford and Watton. 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.

	Dereham	Thetford	Watton	Attlebo-rough	Swaff-ham
Special Expense	£8,156	£52,341	£15,969	-	-
2018-19 tax base	5,601.2	6,326.3	2,555.0	-	-
Band D equivalent	£1.29	£7.32	£5.53	-	-
2017-18 band D	£1.60	£6.61	£5.77	-	-
Direct charge 18-19	-	-	-	£18,241	£14,578

The County Council manage the footway lighting on behalf of Breckland and the Towns and little 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.

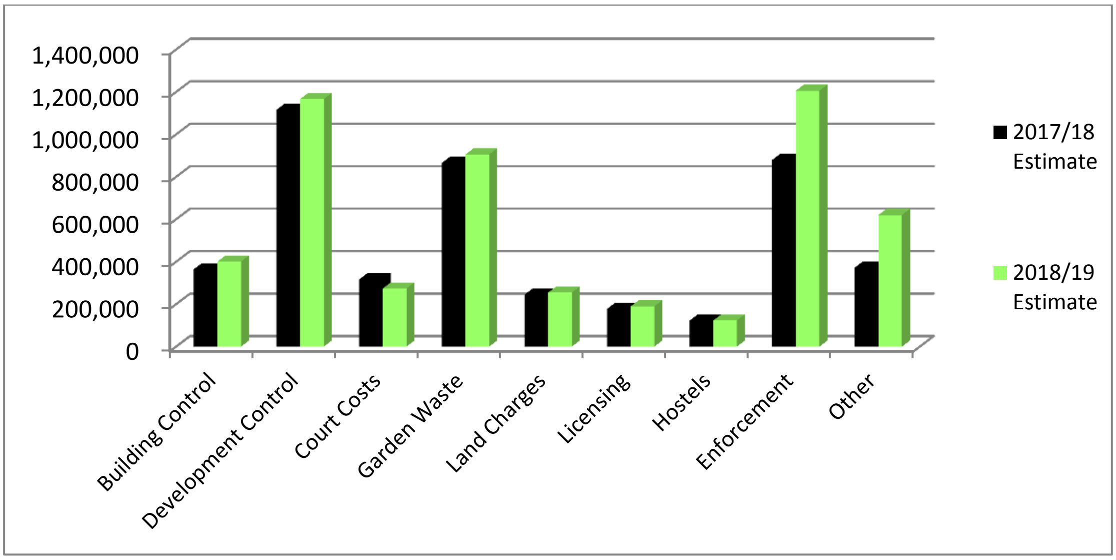
As part of our overall income strategy we will seek to:

- 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 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 and D2 details all the fees and charges and highlights the charges which are new or have changed since they were last approved.

In total £5.1m is due from fees and charges in the 2018-19 budget. The chart below shows the main categories of budgeted fee income in 2018-19 (and 2017-18 for comparison).



In addition to fees and charges the council has also invested £25m in commercial properties, plus our new investment in Thetford Riverside (completed in 2016). It uses the rent from these properties to support the delivery of front line services. Income from commercial property rent is estimated at £2.6m in 2018-19, excluding service charges, offices rental and finance lease adjustments (£2.6m in 2017-18).

13. Reserves and Balances

The authority carried out a review of its reserves and balances during 2017-18 and the finding and recommendations from this are incorporated into this budget.

Appendix E outlines the position statement on reserve balances. The proposed budget does not require any long term support from reserve balances, however the economic circumstances around business rates retention, localised council tax support, high performance of Commercial Property, investment income 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 is maintained at £2.851m.

The tables below give a summary of reserve movements:

General Fund	17-18 £m	18-19 £m	19-20 £m	20-21 £m	21-22 £m
Brought forward	2.851	**2.851**	2.851	2.851	2.851
In	-	**-**	-	-	-
Out	-	**-**	-	-	-
Carried forward	2.851	**2.851**	2.851	2.851	2.851

Specific Reserves	17-18 £m	18-19 £m	19-20 £m	20-21 £m	21-22 £m
Brought forward	14.607	**10.290**	10.980	9.665	7.953
In	3.175	**2.639**	2.118	1.181	0.857
Out	(7.492)	**(1.949)**	(3.433)	(2.893)	(3.337)
Carried forward	10.290	**10.980**	9.665	7.953	5.473

These are the observations from the review of reserves for the 2017-18 budget:

- The organisational development reserve contains £0.25m of unallocated funds which will be used for invest to save initiatives that will be required to drive revenue costs down to achieve a balanced and sustainable budget over the longer term.
- An un-allocated sum of £1.7m is held in a Revenue & Benefits 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 and the potential for successful back-dated appeals. This reserve also holds some renewable energy business rates which may be re-allocated at a later date, dependent on the certainty of the income.
- The growth and investment fund will be used to either purchase assets or to secure housing and employment growth generating an on-going revenue return.

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 £2.5m.

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
Additional bad debts as a result of economic circumstances	Low	Low	Pro-active debt management and pre-pay fee policies
Low income levels from fees and charges	Low	Medium	Revise spending plans
Continuation of low interest rates	Medium	Medium	Market advice and forecasting. Mitigation by diversification
A reduction in property rental income	Low	Medium	Asset management plan. Mitigation by diversification
Business rates retention scheme leaves Council exposed to economic downturn, reduced income from appeals (including back dated appeals) and reduced income as schools transfer to academies.	Medium	Medium	Monitor throughout year & reserve created to help with potential initial pressures/timing pressures
New Homes Bonus grant income less than budgeted due to changes to Government policy resulting from the consultation	High	Low	Review levels each year to ensure estimate is as accurate as possible & mitigate amount used for services
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, going into administration or novating contracts to other suppliers	Medium	Medium	Contingency plans in place, financial checks for new contracts, wording in contracts to protect the Council from novation to alternative suppliers
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, particularly the Waste Collection and street cleansing contract (due to be renewed from 2020-21)	Medium	Medium	Vary the service specification within the affordability envelope

Risk	Likeli-hood	Impact	Action
Net budget of the Housing Benefit claims is costlier than budgeted if error threshold breached	Medium	Low	Use of reserve to fund any in year additional costs/income shortfall
Reduction in S106 funding resulting from changes to legislation	Medium	Low	Maximise use of S106 where this is available
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
Reduced available capital funding meaning that borrowing will be required for future projects	High	Medium	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 use of LABV where appropriate. Dis-investment in poorer performing assets to re-invest
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.
Business rates revaluations in 2017 and re-basing in 2020 could reduce the Council's retained NNDR income through increased appeals	Medium	Medium	Use of reserve if necessary to provide 1-2 years funding whilst savings identified
Transformation programme is not delivered to the expected time frames	Low	Medium	Continued monitoring & reporting and programme delivery manager in place
Brexit negotiations & trade deals impact on the levels of NNDR income & Housing Benefits demand	Medium	Low	Reserve to manage potential fall to NNDR safety net levels

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

This draft budget will be put out to consultation to Overview & Scrutiny Committee and on the website, inviting commentary from key stakeholders. Feedback received from this consultation will be considered and incorporated into the budget papers where necessary.

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 the executive management team prior to the start of the process (i.e. around July 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. The annual business planning process will run alongside the budget setting process to ensure an integrated approach of performance and finance and ensure that resources are made available to deliver the revised corporate plan.

16. Value for Money and the Efficiency Requirement

The recent significant reductions in central funding for local authorities and uncertainty 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 budget was set last year, the Council produced the Moving Forward transformation programme alongside the budget, with a final efficiency of £2.472m to be delivered. This programme has been refreshed as part of this years budget and the current budget includes the following amounts which are either due to be delivered through the transformation programme or have been delivered:

	17-18 £'000	**18-19 £'000**	**19-20 £'000**	**20-21 £'000**	**21-22 £'000**
Digitalisation	(27)	(28)	(28)	(28)	(28)
Commercialisation & procurement	(911)	(1,083)	(1,211)	(1,236)	(1,236)
Organisational Design	(257)	(612)	(937)	(937)	(937)
Return on investment/growth fund	(34)	(43)	(127)	(240)	(320)
Aligning public services	(61)	(81)	(81)	(81)	(81)
TOTAL	**(1,290)**	**(1,847)**	**(2,384)**	**(2,522)**	**(2,602)**

17. Capital Estimates

The capital programme has been created to meet the priorities of the Council. 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. These capital budgets will be reviewed and challenged during the consultation period with final schemes included in the final budget.

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.

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 2020-21 unless additional capital receipts are generated, revenue reserves are used, existing projects are removed from the programme or further borrowing takes place.   Prioritisation of capital projects in the future will be key to the best use of the Council's resources. Any future decision on borrowing for capital projects would only be supported if the business case for the projects does not place additional cost pressure on the tax payer through the council tax charge. The council would not undertake any un-supported borrowing whilst it still has reasonable capital receipt resources available.