Appendix A

Budget Setting Report and Financial Medium Term Plan 2019-20

This appendix is the combined budget estimates and medium term plan 2019-23. 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.

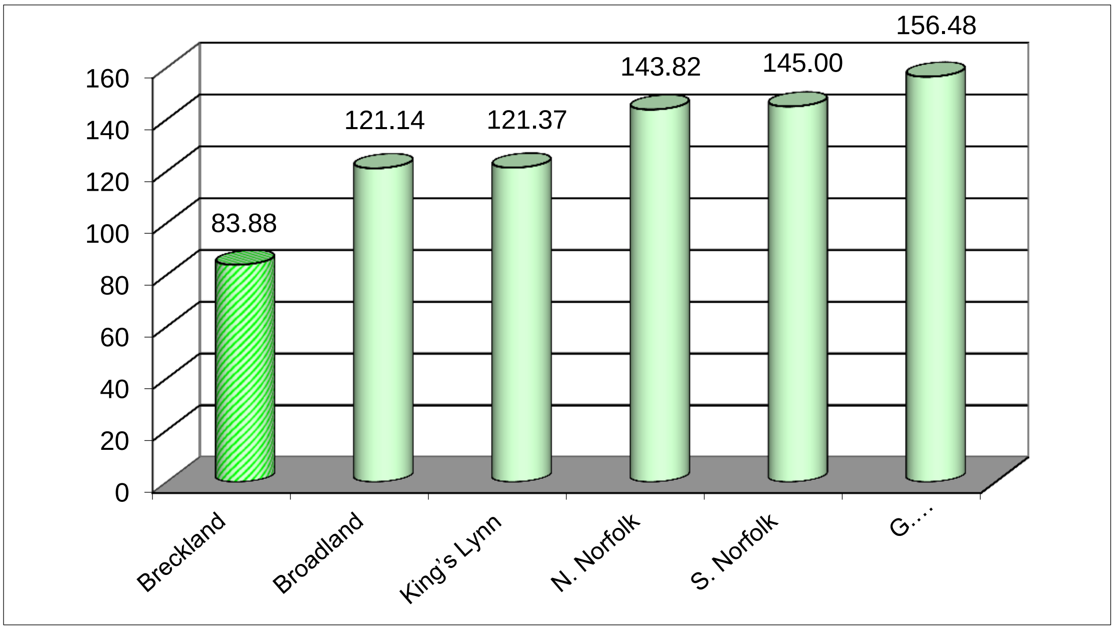
1. Budget Summary

The following table shows the headline figures relating to the budget estimates for 2019-20 compared to the 2018-19 position:

Description	2018-19	2019-20	Increase/ (Decrease)
Breckland precept requirement	£3,590,567	£3,851,234	7.26%
Council Tax Band D	£83.88	£88.83	5.90%
Revenue Support Grant	£1,070,950	£646,265	(39.65%)
Contrib'n to growth & investment fund	£1,248,224	£1,168,372	(6.39%)
Retained NNDR (incl S31 grants)	£5,301,721	£5,109,957	(0.04%)
Retained NNDR – Renewable	£1,740,344	£2,443,477	40.40%
Other non-ring fenced grants	£379,118	£379,118	-
New Homes Bonus (NHB)	£2,395,582	£2,106,418	(12.07%)
New Homes Bonus to Growth Fund	£411,070	£32,847	(92.00%)
NHB to Community Reserve	£1,785,946	£1,479,766	(17.14%)
Special expenses account	£76,466	£79,502	3.97%

Of all the homes in the Breckland area, 76% are in bands A-C and 54% are in band A or B. Therefore the majority of homes pay less than £1.52 a week towards the District services we provide.

The following chart shows the average Band D Council Tax levels (excluding parish precepts) for all Norfolk district and borough authorities in 2018-19.

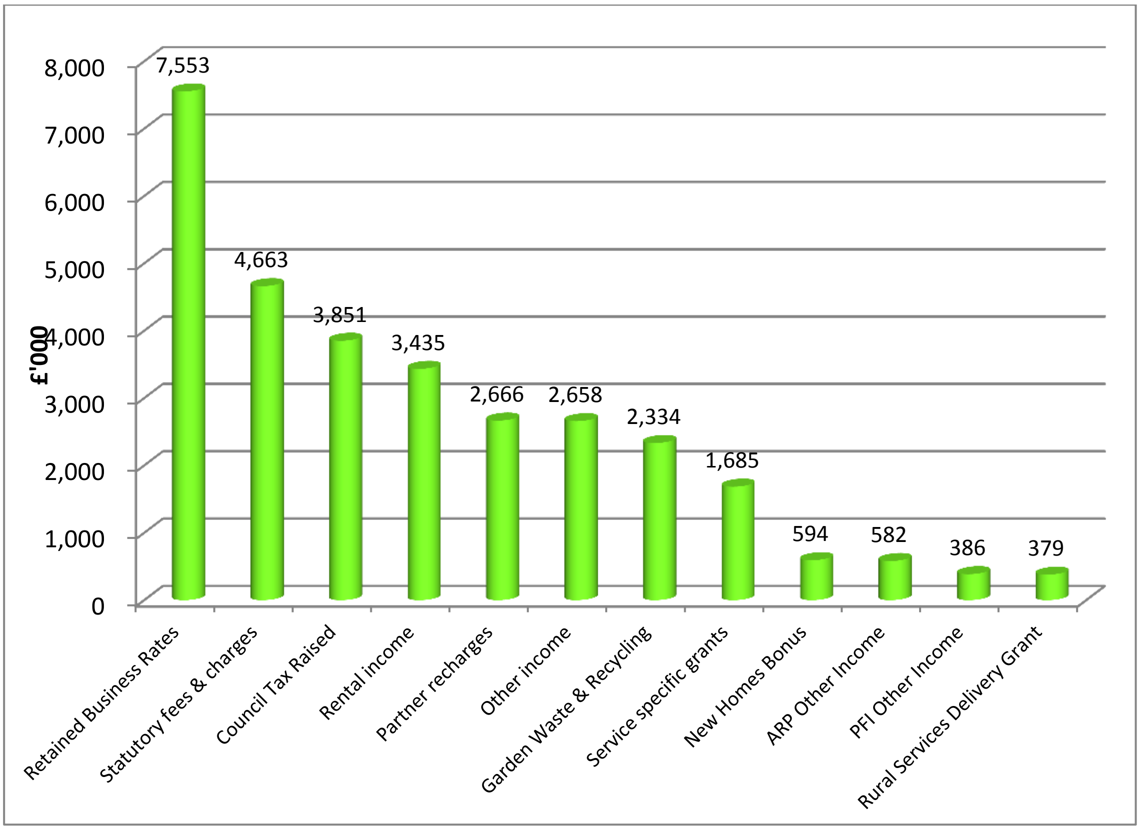


The following table details the Band D Council Tax levels for all precepting authorities over the last seven years:

	Norfolk County Council £	Norfolk Police Authority £	Breckland (Excl special expenses) £	Parish £	Total £	Increase/ (Decrease) %
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	85.46	1,629.50	4.5
2018-19	1,322.73	229.14	83.88	90.13	1,725.88	5.9
2019-20	Tbc	Tbc	88.83	Tbc	Tbc	tbc

The budget report provides for a council tax rise of £4.95 for 2019-20 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. The chart below details the income sources for 2019-20.



2. 2019-20 Estimates

The table below shows the budget estimates for 2018-19 and 2019-20 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**.

		2018-19 £	2019-20 £	Variance £	Variance %
1	Staffing Costs (BC & 3rd Party)	10,459,087	12,112,591	1,653,504	15.81
2	Premises	2,283,317	2,389,822	106,505	4.66
3	Transport	367,455	425,268	57,813	15.73
4	Supplies & Services	13,636,925	14,120,001	483,076	3.54
	Drainage board levies	80,700	81,989	1,289	1.60
5	Transfer Payments	28,679,677	27,941,753	(737,924)	(2.57)
6	Support services	4,570,837	5,086,543	515,706	11.28
7	Capital charges	3,478,877	3,219,080	(259,797)	(7.47)
8	Capital financing	(2,847,399)	(3,144,839)	(297,440)	10.45
	Total Expenditure	**60,709,476**	**62,232,208**	**1,522,732**	**2.51**
9	Rents/service charges	(3,281,284)	(3,434,708)	(153,424)	(4.68)
10	Fees and charges	(5,150,970)	(4,662,565)	488,405	9.48
11	Grants	(29,592,474)	(29,076,348)	516,126	1.74
12	Other	(6,613,255)	(7,992,288)	(1,379,033)	(20.85)
	Total Income	**(44,637,983)**	**(45,165,909)**	**(527,926)**	**(1.18)**
	Transformation	(43,828)	(144,753)	(100,925)	230.28
	Less trading units	(4,403,017)	(4,964,011)	(560,994)	(12.74)
	Budget Requirement	**11,624,648**	**11,957,535**		

Notes:

1 – The increase in employee costs is due to: increases in pension costs resulting from the last triennial review, additional ARP employed staff whose costs are fully offset by income (these staff have been employed on a temporary basis previously and may have been employed by another partner authority), reserve funded or fixed term roles (i.e. Housing, Commercial Property, Programme Delivery) and an annual inflationary uplift for salaries plus incremental increases for staff..

2 – The increase is a result of additional rates costs for car parks, contract inflation for grounds maintenance and increase in landlord responsibility costs for our own buildings.

3 – Increases relate to increased travel allowance costs for shared staff.

4 – Annual inflationary increases for contracts (Leisure, Planning and Waste) are included in these values plus other costs which are offset by additional income or reserves such as; election costs, bulky waste, BTS and EPC certificates.

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 capital charges within ICT due to recent investment in the service and Broadband contribution (this is reversed out through capital financing).

7 – This variance 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 2019-20 reflects the changes in capital charges (see note 7), revenue contributions to capital and also funding from reserves for one off costs.

9 – Additional rental income is forecast which partly offsets the Commercial Property transformation target.

10 – Income relating to the ARP Enforcement service which relates to the other 6 partners is now shown under other income through changes to the way we budget (see note 12).

11 – Reduced grant income resulting from lower Housing Benefit claims (see note 5).
12 – Increases relate to additional recharge income receivable by ARP which offsets staff costs and ARP Enforcement income previously included in fees and charges (see note 10).

A significant proportion of the Councils costs are for staffing related costs, the table below details the permanent and temporary establishment Full Time Equivalents (FTEs) which are included in the budgeted costs (excluding agency staff).

	18/19	**19/20**	**20/21**	**21/22**
Breckland Permanent	270.47	267.30	267.30	267.30
SHDC recharge permanent	(14.30)	(14.15)	(14.15)	(14.15)
Breckland Temporary	9.00	15.00	10.00	0.00
SHDC recharge temporary	(1.70)	(2.40)	(1.00)	0.00
Total Breckland FTE	**263.47**	**265.75**	**262.15**	**253.15**

The increase in temporary staff in 19-20 relates to the graduate roles and the housing roles (funded by government grant).

3. Funding Assumptions

2019-20 is the final year of the 4 year local government settlement offer and the Government has clearly signalled that the Revenue Support Grant (RSG) will end. There are unprecedented levels of change planned for 2020-21 onwards, with little information to date in order to aid estimates. 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. Our budgets have removed reliance on RSG and New Homes Bonus over the medium term, which means the Council is well placed to respond to funding changes after 2019-20. This budget continues planned contributions to the investment and growth fund, the budgeted values are shown in the table over the page.

The rural services delivery grant (RSDG) was previously included within the revenue support grant, however the government separated this grant out from 2016-17, recognising the additional pressures rural authorities face. Whilst it is likely that the RSDG will not continue in its current form after 2019-20, it should be rolled into the retained business rates scheme, therefore this budget assumes a continuance of the value of RSDG, but is included within retained business rates.

Under the retained business rates scheme 50% 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. 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 for future years has been set based on the expected reduction resulting from the new *Check-Challenge-Appeal* process, but this is open to risk of increase/decrease in all years.

From 2019-20 the retained business rates scheme will become a 75% retained scheme. Currently it is expected that the new scheme will include the existing Business Rates retention baseline income plus Rural Services Delivery Grant (RSDG) and any remaining Revenue Support Grant (RSG) plus the Section 31 grants currently received (which compensate for national NNDR discounts such as Small Business Rates Relief). It is not yet known how the additional 25% retention will be distributed between Counties, Districts and Fire, nor is it known how much of the NNDR growth Authorities may retain. Alongside this MHCLG will be carrying out a Fair Funding Review to update the current 'needs' formula for local authorities , therefore the levels of RSDG, RSG and baseline are not yet known as these will link to the Fair Funding Review. Therefore assumed NNDR income levels in this budget include the Business Rates retention baseline income plus Rural Services Delivery Grant plus Section 31 grants plus 50% growth retained and no additional income from the 25% share.

The Government is carrying out a Fair Funding Review (FFR) which will set new baseline funding allocations for all Local Authorities and aims to simplify the existing system and provide an up to date assessment of Authorities relative needs and resources. This means that retained NNDR will be redistributed according to the outcomes of a new 'needs' formula. Early consultations have taken place by MHCLG, but there is insufficient information to make informed estimates to date. It is expected that any changes will be transitioned over 3 to 5 years, so there will not be major impacts on Authorities (positive or negative) immediately.

There are no details on what the outcome of the Spending Review may be, however as the budget currently has no reliance on RSG or NHB, the Council is very well placed to respond to funding reductions if they occur.

There is little information at this stage on the outcomes of the Fair Funding Review or the Spending Review, which means the budgets from 2020-21 onwards are based on high levels of estimate and will be subject to change.

The Norfolk business rates pool which includes all the Norfolk authorities is continuing. 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). Norfolk authorities have submitted a bid for a 75% Business Rates pilot but the outcome is not known, so at this stage nothing is included in the budget.

The new homes bonus (NHB) scheme has changed in recent years, significantly reducing the amount of reward funding provided to councils. Consultation is underway for 2019-20 to raise the 'baseline' of 0.4% which will mean reward is only paid above this level of growth. In addition future consultation is expected to fundamentally change the NHB scheme after 2019-20 and may link the scheme to the new Housing Delivery Test. Due to the uncertainty of the future of NHB our budgets include contribution of the New Homes Bonus funds into a Communities Reserve over the whole medium term to fund short term community based projects.

The table below shows the level of budgeted central grants.

	18-19 £'000	19-20 £'000	20-21 £'000	21-22 £'000	22-23 £'000
Revenue Support Grant	(1,071)	**(646)**	-	-	-
Income cont'n to investment fund	1,248	**1,168**	324	-	-
Retained Business Rates NNDR	(3,705)	**(3,594)**	(6,295)	(6,427)	(6,562)
Retained NNDR - renewables	(1,740)	**(2,443)**	(2,492)	(2,545)	(2,598)
S31 grants in lieu of NDR	(1,596)	**(1,515)**	-	-	-
Rural Services Delivery grant	(379)	**(379)**	-	-	-
New Homes Bonus	(2,396)	**(2,106)**	(1,465)	(876)	(411)
NHB to growth fund	411	**33**	-	-	-
NHB to communities reserve	1,786	**1,480**	1,140	876	411
Total	(7,442)	**(8,002)**	(8,788)	(8,972)	(9,160)

4. 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 £402k in total and Breckland's share of this for 2019-20 would be around £40k.
For Business Rates a deficit is forecast of £1,682k in total and Breckland's share of this for 2019-20 would be around £673k, offset by a renewable energy surplus of £655k giving an overall deficit of £18k.

5. Tax Base

The tax base is assumed to rise by 1.3% in the next 2 years and then by 0.7% in future years. The assumed figures are shown in section 7 of this report. The tax base for all parishes is shown at **appendix C**.

6. 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 include: 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 2019-20 budget is formally approved, future years are indicative only for both revenue and capital for the purposes of medium term financial projections.

7. Other Budget Assumptions

The budget estimates and medium term plan cover the period 2019-20 to 2022-23, 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 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:

	18-19	**19-20**	**20-21**	**21-22**	**22-23**
Cost of living increase	2.325%	**2.00%**	2.00%	2.00%	2.00%
Staffing salary level	96%	**96%**	96%	96%	96%
ARP cost of living increase	1.00%	**2.00%**	2.00%	2.00%	2.00%
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	£956k	**£1,102k**	£1,248k	£1,394k	£1,540k
Ret’n on cash investments	0.50%	**0.95%**	1.38%	1.55%	1.55%
Tax base	42,806	**43,355.1**	43,935.1	44,234.1	44,533.1

Details on the grant settlement and assumptions made are shown in section 3.

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 funding assumptions (section 3) detail the significant future changes arising from 75% Business Rates retention, the Fair Funding Review, the Spending Review and New Homes Bonus and how this budget places the Council strongly to respond to these changes in future years.

The next Pension triennial review is for 2020-21 and this will change pension contribution levels and set the past deficit fixed sum. Currently the budget continues to assume that the past deficit fixed sum increases by the same levels as in the 2016-17 triennial valuation.

A new waste contract is currently being tendered ready for 2020-21. The budget assumes that this contract will be delivered within the existing financial framework and budgets will be updated as more information becomes available.

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

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. 2018-19 Outturn

An assessment of the 2018-19 out turn will inform the reliance we can place on the baseline we use for setting the 2019-20 estimates. Based on the position at the 30 September 2018, 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. The Council will continue to review the financial performance of its services throughout the year. In preparing the budgets for 2019-20 services have reflected the on-going pressures and efficiencies in their new budget estimates.

11. Budget Requirement and Forward Estimates

Outline estimates through to 2022-23 are shown in **appendix B**. In compiling these figures we have followed the assumptions shown in sections 3 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	£9,076	£43,102	£18,490	-	-
2019-20 tax base	5,673.4	6,393.5	2,607.2	-	-
Band D equivalent	£1.60	£6.74	£7.09	-	-
2018-19 band D	£1.29	£7.32	£5.53	-	-
Direct charge 19-20	-	-	-	£19,132	£15,291

The County Council manage the footway lighting on behalf of Breckland and the Towns and Breckland Council has a planned replacement programme.

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.

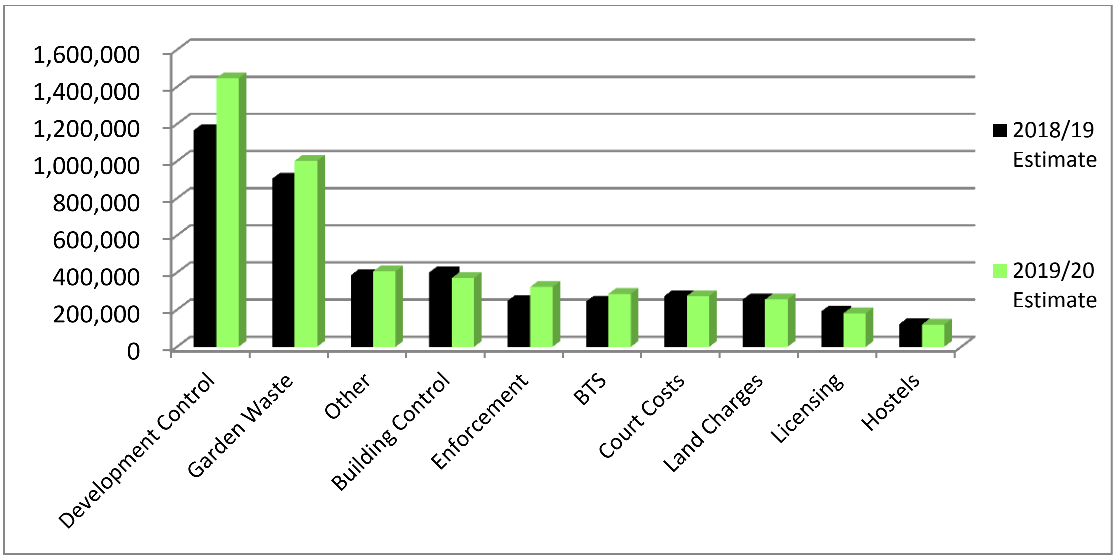
As part of our overall income strategy we will seek to:

- 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.
- 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 £4,663k is due from fees and charges in the 2019-20 budget. The chart below shows the main categories of budgeted fee income in 2019-20 and 2018-19 for comparison.



In addition to fees and charges the council has also invested £36,224k in commercial properties. It uses the rent from these properties to support the delivery of front line services. Gross income from commercial property rent is estimated at £3,435k in 2019-20, excluding service charges, offices rental and finance lease adjustments (£2.6m in 2018-19).

13. Reserves and Balances

The authority carried out a review of its reserves and balances during 2018-19 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, reliance on Commercial Property income, 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 £2.669m.

The tables below give a summary of reserve movements:

General Fund	**19-20 £'000**	**20-21 £'000**	**21-22 £'000**	**22-23 £'000**	**23-24 £'000**
Brought forward	(2,669)	**(2,669)**	(2,669)	(2,669)	(2,669)
In	-	**-**	-	-	-
Out	-	**-**	-	-	-
Carried forward	(2,669)	**(2,669)**	(2,669)	(2,669)	(2,669)

Specific Reserves	**19-20 £'000**	**20-21 £'000**	**21-22 £'000**	**22-23 £'000**	**23-24 £'000**
Brought forward	(14,834)	**(11,666)**	(12,302)	(13,231)	(11,991)
In	(4,893)	**(3,779)**	(2,400)	(1,812)	(1,347)
Out	8,061	**3,143**	1,471	3,052	1,254
Carried forward	(11,666)	**(12,302)**	(13,231)	(11,991)	(12,084)

These are the observations from the review of reserves for the 2018-19 budget:

- The organisational development reserve contains only £41k of unallocated funds to use for invest to save initiatives that will drive revenue costs down. Therefore any general unallocated amounts in other reserves will be consolidated in the organisational development reserve to increase this balance.
- An un-allocated sum of £1,169k is held in a Revenue & Benefits reserve to cover the potential pressures and/or timing pressures resulting from the Housing Benefit or 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 or build assets or to secure housing, business rates or employment growth generating an on-going revenue return.
- The communities reserve holds the new homes bonus funding which is not required to deliver services. The 2018-19 balance has been allocated to projects and the 2019-20 balance will be allocated in the new financial year.

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 £2,500k.

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**
Lack of clarity for funding levels past 19-20 and Spending Review 2019	High	Medium	Prudent budget set to provide best estimate. Transitional arrangements likely to be implemented
Fair Funding Review could take into account actual levels of commercial income as well as Council Tax income	Medium	Medium	Prudent budget set to provide best estimate. Transitional arrangements likely to be implemented
The current levels of Housing Benefit Overpayments debt could be at risk following the transfer to Universal Credit	Medium	Medium	National lobbying is taking place on this matter and some could be mitigated through the use of the revenues & benefits reserve
If major asset sale(s) in poorer performing assets don't take place, risk of lower income levels in future	Medium	High	Reserve funding can be utilised in the short term. Legal support to resolve longer term if required.
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).	Medium	Medium	Monitor throughout year & reserve created to help with potential initial pressures/timing pressures
Increased maintenance costs of ageing physical assets	Low	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

Risk	Likeli-hood	Impact	Action
Inflation rises by more than budgeted projections	Low	Low	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	Medium	Medium	Vary the service specification within the affordability envelope
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
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 and a notional borrowing requirement 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	Medium	Medium	Consider methods to smooth the effects of future costs. Look at alternatives to the special expenses levy.
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
Reductions/removal of recycling credits received	Medium	Low	Adjust costs to offset lost income

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 was 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 to Full council 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 significant and ongoing 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 and digitalisation, 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.

The Council has produced the Moving Forward transformation programme, with a year 4 (19-20) efficiency of £2,319k, of which £1,896k (82%) has been delivered. This programme has been refreshed as part of this years budget and phase 2 projects have been added and the current budget includes the following amounts which are either due to be delivered through the transformation programme or have been delivered:

	18-19 £'000	19-20 £'000	20-21 £'000	21-22 £'000
Removed from budgets/achieved	(1,717)	(1,896)	(1,862)	(1,891)
Remaining targets	(229)	(322)	(559)	(607)
Phase 2 new targets	(24)	(101)	(341)	(341)
TOTAL	**(1,970)**	**(2,319)**	**(2,762)**	**(2,839)**

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 5. 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.