

BRECKLAND DISTRICT COUNCIL

Report of: Councillor Philip Cowen, Executive Member Finance and Delivery

To: Full Council, 21 February 2019

(Author: Christine Marshall, Executive Director Commercialisation)

Subject: Budget, Medium Term Plan and Capital Strategy

Purpose: To approve the capital and revenue budget estimates and proposed Council Tax, the financial Medium Term Plan and the Capital Strategy

Recommendation(s):

- 1) The Breckland revenue estimates and parish special expenses for 2019-20 and outlined position through to 2022-23 (as set out in Appendix B and E) are approved.
- 2) The capital estimates and associated funding for 2019-20 and outline position through to 2022-23 (as set out in Appendix H) are approved.
- 3) The fees and charges shown at Appendix D and D2, for adoption on 1 April 2019 are approved.
- 4) The Council Tax is set at £88.83 for a Band D property in 2019-20 (a £4.95 per annum increase on 2018-19 levels).
- 5) The financial Medium Term Plan and associated staffing full time equivalents at Appendix A is approved.
- 6) The Capital Strategy at Appendix G is approved.
- 7) The Business Rates relief for retail business premises contained in the guidelines at appendix I is approved (this is offset by a Government grant).
- 8) The additional one off income generated from the 2019-20 75% Business Rates Pilot scheme is set aside, 50% in the growth and investment reserve to fund future feasibilities and funding applications and 50% to the General Fund (as detailed in paragraph 1.10).
- 9) To increase the establishment by 1.0 FTE (shared with SHDC at 60% BC and 40% SHDC) to create a post that adds capacity to support the Chief Executive and Directors at a senior level to move forward a number of strategic priorities and helps to identify the key impacts of emerging national and local policy on the organisation(s) from a corporate point of view, enabling effective mitigation as required (as detailed in paragraph 1.9).
- 10) That the full time equivalent is increased by 5.0 FTE in ARP as agreed at ARP Joint Committee on 4 December 2018 (as detailed in paragraph 1.9) where the costs are fully offset by additional income and shared between the other partners.

1.0 BACKGROUND

- 1.1 This budget accommodates the latest known position, the final Local Government Finance Settlement has been received with no changes from the draft figures and the financial forecasts for the business rate pilot have now been incorporated fully into the budget.

- 1.2 The appendices to this report outline the 2019-20 revenue, full time equivalent staffing and capital estimates for the General Fund, the proposals for the setting of discretionary fees and charges, the outline position through to 2022-23, the medium term financial plan and the capital strategy. The medium term financial plan sets out the framework within which the budget is to be set to ensure that it enables the Council to achieve its own corporate objectives. The capital strategy sets out the framework for capital budget setting and links to the Treasury Management Policy and Strategy.
- 1.3 The draft budget, medium term plan and capital strategy have been considered by Overview & Scrutiny Commission, they have also been available for consultation on the Council's website in advance of any Cabinet recommendations and formal Council decision. No formal responses were received from the public or business consultations.

Funding

- 1.4 2019-20 is the final year of the Government's four year Settlement. There are unprecedented levels of change planned for 2020-21 onwards and at this stage there is too little information to enable accurate forecasts in this budget.
- 1.5 75% retained NNDR
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. The levels of RSDG, RSG and baseline are also not yet known as these link to the Fair Funding Review. Therefore assumed 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.
- 1.6 Fair Funding Review (FFR)
This review 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. Early consultations have taken place by MHCLG, but there is insufficient information to make informed estimates to date. It is likely that any changes would be transitioned to manage the impact, so there would not be major impacts on Authorities (positive or negative) immediately.
This budget assumes no financial changes from this review, but as the budget currently has no reliance on RSG or NHB and is placing one off NNDR pilot income into reserves, the Council is very well placed to respond to funding reductions if they occur.
- 1.7 Spending Review (SR)
There are no details on what the outcome of this 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.
- 1.8 New Homes Bonus (NHB)
It is likely that the NHB will not exist in its current form after 19-20 but could be refreshed into an alternative reward funding stream. This budget includes reward income from 19-20 only, followed by the reducing legacy payments for the following 3 years. All the remaining NHB income is contributed into the Inclusive Growth reserve in this budget.

Revenue

1.9 The budget approved by Full Council in February 2018 provided a robust budget over the medium term, supported by the Transformation programme. Since this time additional cost pressures and approved growth have been identified, along with additional income and service budgets have been refreshed to produce this budget.

This budget provides the following:

- Continued non reliance on Revenue Support Grant (RSG) which will cease after 2019-20.
- No reliance on New Homes Bonus (NHB) funding which will be contributed into the Inclusive Growth reserve.
- No cuts to service delivery.
- A balanced budget over the medium term using 'mid point' assumptions for major funding sources (i.e. NNDR).
- Financial support in reserves for feasibilities which lead to growth and investment (Invest Breckland) (subject to release in line with the constitution) and protection for the General Fund.
- A strong financial position to manage any future changes from the Fair Funding Review or Spending Review, allowing time to put an appropriate program in place if this is required.

Staffing

The Medium Term Plan at Appendix A provides a breakdown of the 2019-20 budget compared to the current year's budget. The gross costs of staffing have increased in this table above the value you would usually expect to see here, however these additional costs are mostly offset by either additional income or from reserve funding (for fixed term roles).

True cost increases which impact the Council Tax include the effect of the 2% pay increase and incremental salary increases for staff, plus the costs of the pension deficit as determined by the Norfolk Pension Fund each year and other small changes such as standby payments for on-call staff (previously approved via Full Council).

Cost increases which are offset by income relate mainly to 5 ARP staff who would be employed directly by Breckland Council but are working across all 7 partners within ARP and costs are met in full through either Government grants or income/contributions from other Councils.

Temporary staff numbers have increased (i.e. in housing) as a result of Government grant funding which allows us to temporarily increase the staffing in that area through targeted funding.

The staffing structure for 2018-19 currently includes a one year fixed term secondment Senior Policy Officer role. This report requests to increase the establishment by 1 FTE (shared with SHDC at 60% BC and 40% SHDC) to create a post that adds capacity to support the Chief Executive and Directors at a senior level to move forward a number of strategic priorities and helps to identify the key impacts of emerging national and local policy on the organisation(s) from a corporate point of view, enabling effective mitigation as required.

1.10 Norfolk Councils have been successful in being awarded one of the 15 Retained NNDR 75% Pilot schemes for 2019-20. This funding will replace RSG and RSDG and early forecasts show this pilot could provide additional funding of around £7.7m to the whole of Norfolk, shared between all Norfolk authorities and a Joint Investment Fund. Breckland's

share of this forecast income is £559k as a one off amount, with the final value known at the end of 2019-20. This budget recommends setting this funding aside, 50% into the Growth & Investment Fund as a one off amount to fund feasibilities and funding applications (subject to the usual release approvals) which will lead to growth and investment spend which generates an ongoing return and 50% into the General Fund to help protect the Council against any short term budget pressures as a result of the Fair Funding Review effective from 2020-21.

- 1.11 Members should be aware that whilst this budget shows a stable financial position, we should bear in mind the risk of future large Business Rates appeals and the impact they may have on the budget and sensitivities shown in appendix F provide more detail on this. Where large value single properties have been rated during the year, these may challenge their rateable value and the income to the council may reduce. Funds are set aside in reserve if this is the case until next year when the outcome of any appeal would be known and the changes made in next year's budget setting.
- 1.12 The Local Government Act 2003 introduced a requirement that the Chief Financial Officer reports on the robustness of the budget. I am satisfied the estimates have been prepared in a prudent manner, although it is recognised that there are a number of elements outside of the Council's control and these are identified within the "risks" section of appendix A and will be mitigated through the budget monitoring and risk management processes of the Council. I can confirm there is no dependency on reserves to finance recurrent expenditure and appendix A gives details of the General Fund and earmarked reserve balances and movements, which I consider to be adequate for the purposes of the Council over the medium term.

Capital

- 1.13 The draft capital programme for 2019-20 through to 22-23 is:

	19-20 to 22-23
Forecast Spend	£29,160k
Forecast Receipts	(£2,547k)
Forecast Funding	(£18,692k)
Net Spend	£7,921k
Forecast Capital Funding Available	(£2,850k)
Shortfall in Funding	£5,071k

This shows a borrowing requirement of just over £5 million, however, within this programme are two projects which are repaid through revenue over the course of time – waste contract vehicles and equipment £5m over 8 years and the Dereham Health Hub £1.6m over 8 years. If we take into account the repayment through revenue for these items the borrowing requirement would be £121k. Currently the budget makes no allowance for borrowing costs as we may be able to borrow from internal balances, however this will be re-visited in next years budgets when there is more certainty.

Due to the nature of some capital projects it can be common for large scale project timing to change over the medium term (for example there may be delays in planning permission, or utilities provision). This budget provides the best estimates of deliverability available at the time of production but as with any project, the programme will be flexed accordingly over the medium term.

2.0 OPTIONS

- 2.1 That recommendations 1 to 10 above are approved.

2.2 That amendments are made before recommendations 1 to 10 above are approved.

3.0 **REASONS FOR RECOMMENDATION(S)**

3.1 To comply with budgetary and policy framework.

4.0 **EXPECTED BENEFITS**

4.1 To set an affordable and balanced budget for 2019-20 which delivers on the Council's priorities.

5.0 **IMPLICATIONS**

In preparing this report, the report author has considered the likely implications of the decision - particularly in terms of Carbon Footprint / Environmental Issues; Constitutional & Legal; Contracts; Corporate Priorities; Crime & Disorder; Equality & Diversity/Human Rights; Financial; Health & Wellbeing; Reputation; Risk Management; Safeguarding; Staffing; Stakeholders/Consultation/Timescales; Transformation Programme; Other. Where the report author considers that there may be implications under one or more of these headings, these are identified below.

5.1 **Corporate Priorities**

5.1.1 The budget supports the Council's priorities and the final budget is considered alongside the Corporate Plan.

5.2 **Financial**

5.2.1 The report is of a financial nature and financial implications are covered within the report.

5.3 **Risk Management**

5.3.1 Risk has been considered and is included within the appendices.

5.4 **Stakeholders / Consultation / Timescales**

5.4.1 Consultation is included within the appendices.

5.5 **Transformation Programme**

5.5.1 The budget and transformation programme are intrinsically linked and information on the transformation programme is included as necessary within the report and appendices.

6.0 **WARDS/COMMUNITIES AFFECTED**

6.1 All

7.0 **ACRONYMS**

7.1 BC – Breckland Council

7.2 BPI – Basic Performance Increase

7.3 CIPFA – Chartered Institute of Public Finance and Accountancy

7.4 FTE – Full Time Equivalent

7.5 MHCLG – Ministry for Housing Communities & Local Government

7.6 LABV – Local Asset Backed Vehicle

7.7 NHB – New Homes Bonus

7.8 NNDR/NDR – National Non-Domestic Rates (Business Rates)

7.9 PFI – Private Finance Initiative

7.10 PRP – Performance Related Pay

- 7.11 RSG – Revenue Support Grant
- 7.12 RSDG – rural Services Delivery Grant
- 7.13 S31 – Section 31
- 7.14 SHDC – South Holland District Council
- 7.15 VFM – Value for Money

Background papers:- [See The Committee Report Guide for guidance on how to complete this section](#)

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Key Decision: Yes

Exempt Decision: No

This report refers to Mandatory and Discretionary Services

Appendices attached to this report:

Appendix A	Budget estimates and medium term financial plan
Appendix B	General Fund Summary
Appendix C	Tax Base
Appendix D & D2	Fees and charges
Appendix E	Reserves
Appendix F	Sensitivities
Appendix G	Capital Strategy
Appendix H	Capital Programme
Appendix I	Business Rates Retail Relief Guidance