

BRECKLAND DISTRICT COUNCIL

Report of: Councillor Phillip Cowen, Executive Member Finance and Growth

To: Cabinet, 4 January 2021
Overview and Scrutiny, 14 January 2021

Author: Alison Chubbock, Chief Accountant

Subject: Draft Budget, Medium Term Plan and Capital Strategy

Purpose: To consider the draft capital and revenue budget estimates, the draft medium term financial plan and the draft capital strategy

Recommendation(s):

- 1) That the draft capital and revenue budget estimates, the draft medium term financial plan and the draft capital strategy are reviewed, in preparation for the final budget setting in February 2021.

1.0 BACKGROUND

- 1.1 We have put forward a balanced budget for 2021-22 which not only protects frontline services from cuts but will see a number of services enhanced – for example, our improved waste service, the recruitment of new officers focused on fly tipping, business support, Covid-compliance and support and animal welfare, and honouring our commitments to our climate change and vulnerability programmes. The pandemic has created some uncertainty in terms of levels of government funding, fees and charges income and investment returns we can expect, but we currently believe we can achieve all this without using core reserves if we increase annual council tax by £4.95 for a band D property, though most people in the district will see a smaller rise as around 75% of houses are bands A-C.
- 1.2 The appendices to this report outline the draft 2021-22 revenue and capital estimates for the General Fund, the proposals for the setting of discretionary fees and charges, the outline position through to 2024-25, the draft medium term financial plan and the draft 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 which also supports the Council's corporate objectives.

This draft budget accommodates the latest known position at the time of writing the report, however there remain estimates where final figures are not yet known.
- 1.3 This draft budget is presented to Cabinet and to Overview and Scrutiny for consideration. In addition, the budget will be available on the website for customers to view and provide feedback through to 21 January 2021. The final budget will be presented to Cabinet and Full Council in February 2021, incorporating final information (such as latest NNDR forecasts) along with the formal Council Tax setting report.
- 1.4 The Covid-19 pandemic has had a profound impact across the world. In setting this budget for the medium term we have had to make wider assumptions compared to previous years. The budget assumes for 2021-22 that impacts of Covid-19 remain with us

and therefore estimates for income have been reduced (i.e. fees and charges, NNDR, etc) and then levels are assumed to recover to more normal values from 2022-23 onwards. The budget assumes that the lower income levels and our additional cost pressures can be met from the one-off Government Covid grant in 2021-22 and staff can be redeployed as they are currently. The capital programme has been reduced to ensure deliverability within existing resources as well as affordability, whilst still meeting Member priorities.

Funding

- 1.5 The Spending Review 2021 on 25 November announced that we will receive a further one-year Settlement and the planned changes from the Fair Funding Review and 75% Business Rates retention have been delayed until at least April 2022.

The draft Local Government Settlement was announced on 17 December, confirming a one-year continuation of Revenue Support Grant (RSG) uplifted by inflation, a small increase to the Rural Services Delivery Grant (RSDG) for 2021-22 only, no inflationary increase to the Business Rates Multiplier, one further year of New Homes Bonus (a one-year allocation only with no future legacy payments) and a one-off Covid-19 grant. The draft Settlement also announced a new *Lower Tier Grant* totalling £168,620 for Breckland, at this stage this is not included in the draft budget until we have confirmation of whether it is a new grant or whether it is a replacement for other specific grants already included in our budgets.

Added to this, alongside the other significant funding changes and complexity, results in a budget with far higher levels of estimates than usual and therefore the actual budgets from 2022-23 onwards will almost certainly be different to these estimates. This draft budget provides a middle ground of funding assumptions.

- 1.6 **75% retained NNDR (effective April 2022)**

Currently it is expected that the new scheme will reset all growth so that authorities will receive a new baseline funding level with growth removed and other grants (such as RSG and RSDG) rolled in. It is not yet known how the additional 25% retention will be distributed between Counties, Districts and Fire and we are expecting that all NNDR growth will be reset (& therefore no longer retained by the authority with the growth). Therefore, NNDR income levels in this budget from 2022-23 onwards are based on an assumed baseline with all growth removed, with inflationary increases each year and an assumed amount of income returned from central funding.

Members 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. The risk is higher in this budget due to the unknown future impact of Covid-19 on businesses and the potential increase in empty properties and reduction in rates payable.

Alongside the 75% retention scheme an 'Alternative Methodology' is being worked on to update the Business Rates retention scheme to reduce the impact resulting from volatility such as appeals. Working groups have been set up nationally and continue to discuss the proposed model. It is expected this will come into force at the same time as the 75% retention scheme, but the working group are still discussing details of the major components of the scheme.

The Spending Review also confirmed that conclusions from the recent fundamental review of business rates would be published in Spring 2021. These conclusions will

shape future reforms to local government funding and may change the above assumptions.

1.7 Fair Funding Review (FFR) (effective April 2022)

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 been undertaken 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 a reduction of around £895k per year from the fair funding review and business rates reset and assumes this reduction will be transitioned over a 3-year period to smooth the effects.

1.8 New Homes Bonus (NHB)

We will receive an additional one-year allocation of NHB for 2021-22 due to delays in implementing any replacement scheme, however this will be one year only with no further legacy payments in future years.

Future consultation is expected to fundamentally change the NHB scheme, the consultation paper is expected to be published over the coming months with any outcome likely to be implemented from 2022-23. Due to the uncertainty of the future of NHB our budgets include contribution of the New Homes Bonus funds into an Inclusive Growth Reserve over the whole medium term to fund short term community based projects. The one off 'bonus' year for 2021-22 is being contributed to the General Fund to help protect against the potential changes from Fair Funding Review and future impact of Covid-19, if not required it can be moved back to the Inclusive Growth reserve.

Revenue

1.9 The budget approved by Full Council in February 2020 provided a balanced budget over the medium term, supported by an efficiency programme. The impact of the Covid-19 pandemic led to significant changes to delivery of services during 2020-21 as the Council adapted to respond (i.e. payment of grants to businesses, welfare telephone calls, hardship funds, food parcel deliveries, etc). A revised budget was produced and approved in September 2020 to ensure our resources were allocated where they were most needed. Despite this a new efficiency programme has been identified, alongside pre-existing efficiencies already in place and adapted, and is in progress to deliver a balanced budget for 2021-22 with no reductions to our service delivery.

The income and cost changes forecast have led to a revised efficiency requirement to balance the budget in future years, this value is still draft and will be finalised in the February Full Council report:

	2021-22	2022-23	2023-24	2024-25
Efficiency Required	-	£652k	£1,077k	£1,321k

Work has started to identify projects where these efficiencies can be achieved and proposals will be brought forward at the relevant times, with the aim to have an identified and timed work programme by April 2021.

The draft budget is based on the following principles:

- No reliance on legacy New Homes Bonus (NHB) funding which will be contributed into the Inclusive Growth reserve.
- No cuts to service delivery.
- Financial support in reserves for projects which lead to growth and investment or savings.
- A fair financial position to manage any future changes from the Fair Funding Review, allowing time to put an appropriate program in place if this is required.
- No future contributions into reserves to top them up, meaning once reserves have been depleted funding new initiatives will not be possible without grant funding or reductions elsewhere.

- 1.10 A thorough review of fees and charges has been carried out (revised levels can be seen at Appendix D) to ensure levels remain up to date and in line with the costs of delivering the services, but in reviewing these we have been mindful of the current economic fragility.

Details of the Medium Term Financial Plan are shown in Appendix A, with summary finance shown in Appendix B.

Capital

- 1.11 The draft capital programme for 2021-22 to 2024-25 is:

	21-22 to 24-25
Forecast Spend	£21,208k
Forecast Receipts	(£2,472k)
Forecast Funding	(£21,422k)
Net Spend	(£2,686k)
Forecast Capital Funding Shortfall	£3,337k
Shortfall in Funding	£651k

- 1.12 This shows a borrowing requirement of £651k over the medium term, however, this programme includes an annual repayment for waste contract vehicles and equipment of £625k per year for 8 years. If we take into account, the repayment through revenue for these items, the borrowing requirement would be nil. 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 regularly and costs included at the relevant time.
- 1.13 The capital forecasts currently show that there is little scope for further capital investment now without additional capital receipts being generated, revenue reserves being used, existing projects being removed from the programme or borrowing taking 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.

Sustainability

- 1.14 The Council is always mindful of proposals put forward by the MHCLG and intends to support all aspects of delivering the Government's 25 year national plan to improve the environment and all nationally set targets including targets for homes and vehicles.

The Council has declared a climate emergency and will deliver its sustainability strategy in Q4 2020-21. This will set out our strategy for becoming more sustainable and an initial work programme to deliver the outcomes outlined. Additional resource has been allocated in the form of a two-year fixed term Environment and Climate Change Officer post who will be responsible for delivering this. The Council is committed to reducing its impact on the environment by minimising its carbon footprint and is committed to working together with partners and local communities to improve the quality of public spaces to be cleaner, greener and safer.

2.0 **OPTIONS**

2.1 That the draft capital and revenue budget estimates, the draft medium term financial plan and the draft capital strategy are reviewed.

3.0 **REASONS FOR RECOMMENDATION(S)**

3.1 To comply with budgetary and policy framework and allow consultation with Members.

4.0 **EXPECTED BENEFITS**

4.1 To set an affordable and balanced budget for 21-22 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.

5.2 **Corporate Priorities**

5.2.1 The budget supports the Council's priorities.

5.3 **Financial**

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

5.8 **Risk Management**

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

5.9 **Stakeholders / Consultation / Timescales**

5.4.1 Consultation has been undertaken with the service managers and Directors for every budget and public consultation will be included in the final budget.

5.10 **Transformation Programme**

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

6.0 **WARDS/COMMUNITIES AFFECTED**

6.1 All

7.0 ACRONYMS

- 7.1 FFR – Fair Funding Review
- 7.2 MHCLG – Ministry of Housing, Communities and Local Government
- 7.3 NHB – New Homes Bonus
- 7.4 NNDR – National Non-Domestic Rates
- 7.5 PFI – Private Finance Initiative
- 7.6 RSDG – Rural Services Delivery Grant
- 7.7 RSG – Revenue Support Grant

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

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Key Decision: No

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