Appendix A

Budget Setting Report and Financial Medium Term Plan 2021-22

This appendix is the combined budget estimates and medium term plan 2021-25. 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.

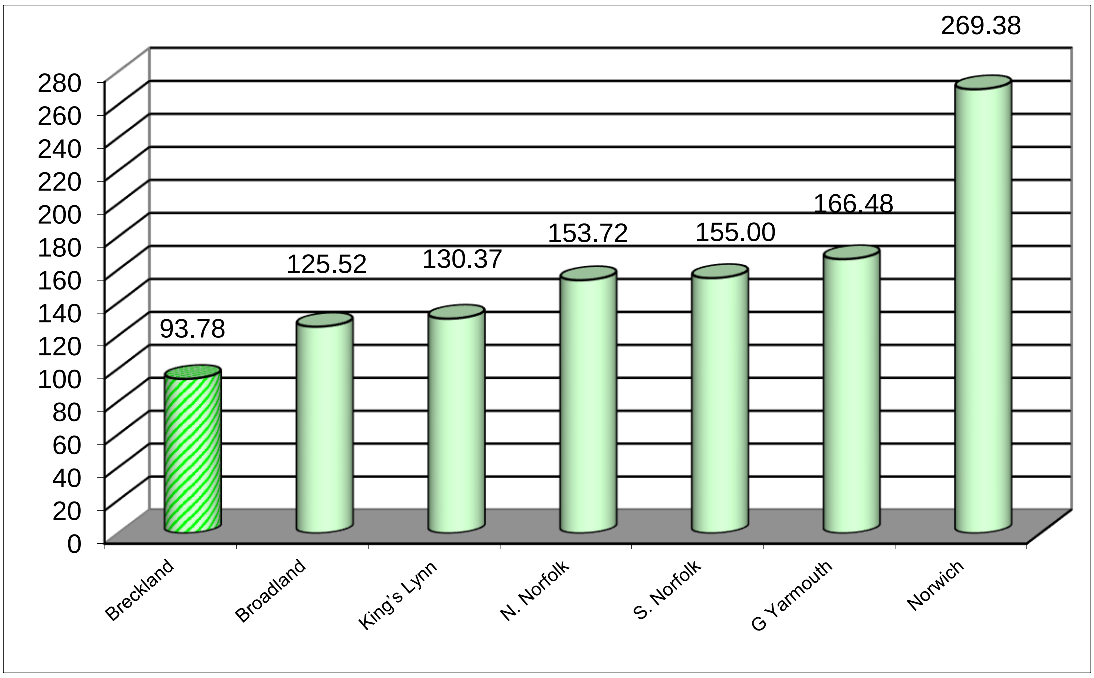
1. Budget Summary

The following table shows the headline figures relating to the budget estimates for 2021-22 compared to the 2020-21 position:

Description	2020-21	2020-21	Increase/ (Decrease)
Breckland precept requirement	£4,127,558	£4,388,183	6.3%
Council Tax Band D	£93.78	£98.73	5.3%
Contrib'n to growth & investment fund	£323,785	£-	(100%)
Retained NNDR (incl S31 grants)	£5,389,952	£4,972,451	(7.8%)
Retained NNDR – Renewable	£2,511,918	£2,511,918	-
Other non-ring fenced grants	£472,438	£1,532,238	224.3%
New Homes Bonus (NHB)	£2,041,959	£1,587,338	(22.2%)
NHB to Inclusive Growth Reserve	£1,318,174	£1,435,000	8.9%
Special expenses account	£82,775	£85,725	3.6%

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 will pay less than £1.69 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 authorities in 2020-21.

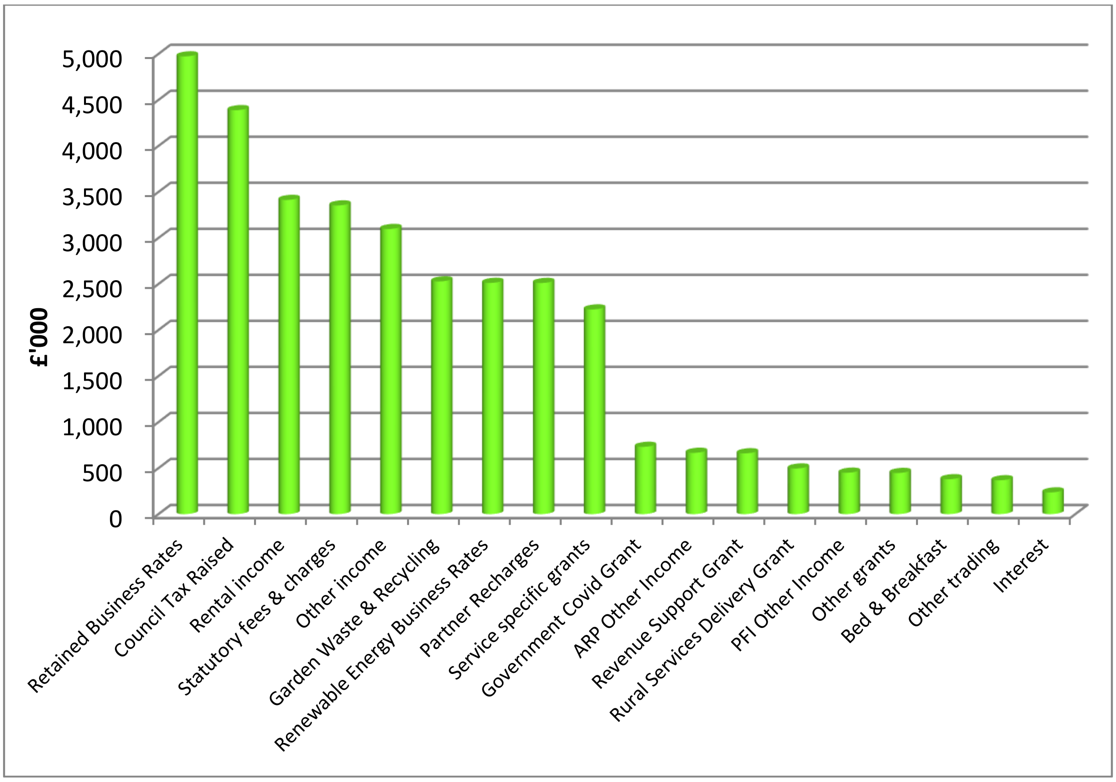


The following table details the Band D Council Tax levels for all precepting authorities over the last seven years:

	Norfolk County Council £	Norfolk Police Authority £	Breckland (Excl special expenses) £	Avge Parish £	Total £	Increase/ (Decrease) %
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	1,362.24	253.08	88.83	92.38	1,796.53	4.1
2020-21	1,416.51	263.07	93.78	96.76	1,870.12	4.1
2021-22	1,472.94	278.01	98.73	97.19	1,946.87	4.1

The budget report provides for an annual council tax rise of £4.95 for 2021-22 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 budgeted income sources for 2021-22.



2. 2021-22 Estimates

The table below shows the budget estimates for 2020-21 and 2021-22 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**.

		2020-21 £	2021-22 £	Variance £	Variance %
1	Staffing Costs (BC & 3rd Party)	13,180,147	13,052,204	(127,943)	(1.0)
2	Premises	2,502,606	1,618,824	(883,782)	(35.3)
3	Transport	416,735	279,658	(137,077)	(32.9)
4	Supplies & Services	16,553,074	16,830,108	277,034	1.7
	Drainage board levies	75,030	77,050	2,020	2.7
5	Transfer Payments	22,296,118	20,306,638	(1,989,480)	(8.9)
6	Support services	4,718,954	4,386,059	(332,895)	(7.1)
7	Capital charges	3,029,967	15,169,691	12,139,724	400.7
8	Capital financing	(3,224,285)	(15,047,631)	(11,823,346)	(366.7)
	Total Expenditure	**59,548,346**	**56,672,601**	**(2,875,745)**	**(4.8)**
	Rents/service charges	(3,305,680)	(3,413,161)	(107,481)	(3.3)
9	Fees and charges	(5,527,708)	(5,256,147)	271,561	4.9
10	Grants	(23,165,638)	(21,743,034)	1,422,604	6.1
11	Other	(8,671,535)	(8,331,587)	339,948	3.9
	Total Income	**(40,670,561)**	**(38,743,929)**	**1,926,632**	**4.7**
12	Efficiency target	(332,320)	152,787	485,107	146.0
	Less trading units	(4,608,014)	(4,310,969)	297,045	6.4
	Budget Requirement	**13,937,451**	**13,770,490**	**(166,961)**	**(1.2)**

Notes:
1 – The decrease in employee costs is mainly due to reductions from fixed term roles which have ended alongside some planned efficiencies, offset by incremental and cost of living pay increases.
2 – The decrease relates to the new waste contract, all contract costs are now included within supplies & services and not within this line.
3 – Due to Covid-19 and planned new ways of working, mileage costs have reduced.
4 – This line includes the movement of waste contract costs from *Premises* offset by the savings generated from the contract and additional Covid related costs, alongside a reduction in temporary accommodation spend £379k (which is partly offset by reduced income) and lower grant and reserve funded spend compared to last year.
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 (see note 10).
6 – Reduced recharges relating to Customer Contact (because of the new waste contract) and ICT.
7 – This variance relates to changes in the capital programme compared to last year (large value grant funded power projects), 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 (see note 7). These are items such as depreciation which is not a real charge to the Council Tax payer.
9 – Covid-19 has had a negative impact on our fees and charges (particularly planning) however these reductions are partly offset by increases in garden waste and new income from trade waste. Income relating to temporary accommodation has also reduced, offsetting the reduced spend (see note 4).
10 – Reduced grant income resulting from lower Housing Benefit claims (see note 4).
11 – Reduced interest income from lower interest rates and finance lease changes.
12 – Efficiencies have been identified and included within service lines in 2021-22, with no further efficiency requirement and a small contribution back to the General Fund to bring it above the minimum balance.

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). The decrease in temporary staff in 21-22 relates mainly to grant funded posts in housing (awaiting outcome of service review).

	20/21	21/22	22/23	23/24
Breckland Permanent	277.34	280.13	280.13	280.13
SHDC recharge permanent	(17.13)	(16.84)	(16.84)	(16.84)
Breckland Temporary	20.99	11.39	2.39	0.00
SHDC recharge temporary	(1.40)	0.00	0.00	0.00
Total Breckland FTE	**279.80**	**274.68**	**265.68**	**263.29**

3. Funding Assumptions

Due to the Covid pandemic, the planned Fair Funding Review (which aims to simplify the system and provide an up to date assessment of needs and resources) and 75% Business Rates Retention have been delayed until at least 1 April 2022. This budget assumes these will occur and take effect from April 2022, with losses transitioned over a 3 year period, however these are assumptions and by no means certain.

The draft Settlement was announced on 17 December 2020, with a one-year continuation of Revenue Support Grant, a small increase to the Rural Services Delivery Grant for 2021-22, no increases to the Business Rates Multiplier, a one off new allocation of New Homes Bonus for 2021-22 only, a one off Covid-19 grant also for 2021-22 only and a new one off Lower Tier Grant totalling for 2021-22 only. The Covid grant of £730,869 will be utilised to offset budget pressures resulting from the Covid pandemic, which includes both costs of additional services and lost income from reductions, and will be held in reserves until fully utilised.

The Fair Funding Review and 75% Business Rates Retention scheme will see unprecedented levels of change for Local Government when they come into effect but there is currently little information in order to aid budget estimates. The Fair Funding Review will set our level of 'need' to provide a baseline funding level and this will be received from retained business rates, other grants such as Revenue Support Grant and the Rural Services Delivery Grant will no longer exist. 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. Whilst the Council is well placed to respond to funding changes after 2021-22 due to our savings plans included in this budget, the budgets from 2022-23 onwards are based on high levels of estimate and will be subject to change.

The retained business rates forecasts are based on forecast amounts collectable as of December 2020, which are then adjusted for local knowledge (i.e. appeals, charitable relief, etc), uplifted by an inflationary increase to allow for the increase in business rates multiplier each year and includes estimated effects of the Covid pandemic. There is no indication at this stage of whether Government initiatives in response to Covid, such as the retail reliefs, will continue into future years. This budget assumes a mid-case scenario for business rates income with a range of plus or minus £650k. 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. Business Rates remains an extremely volatile income source and even more so since the longer term effects of the Covid pandemic on our businesses is not known.

From 2022-23 the retained business rates scheme will become a 75% retained scheme. 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). Alongside this MHCLG are carrying out the Fair Funding Review to update the current 'needs' formula for local authorities, therefore assumed 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.

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 from 1 April 2022 in line with the 75% retention scheme, but the working group are still discussing details of the major components of the scheme.

The government also launched a consultation in July on the potential of a capital values tax or online services tax to replace or supplement business rates. The review will consider all elements of the current system as well as exploring potential strengths and weaknesses of alternatives. Conclusions are expected to be published in Spring 2021 and will shape future reforms to local government funding and may change the above assumptions.

The new homes bonus (NHB) scheme has changed in recent years, significantly reducing the amount of reward funding provided to councils. In addition, future consultation is expected to change the NHB scheme, the consultation paper was published on 10 February (https://www.gov.uk/government/consultations/the-future-of-the-new-homes-bonus-consultation/the-future-of-the-new-homes-bonus-consultation) 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 Settlement has provided one additional year of NHB for 2021-22 of £509k, this has been partly utilised in 2021-22 and 2022-23 to offset other budget pressures resulting from Covid-19 with the remaining £161k contributed to reserve.

The table below shows the level of budgeted central grants.

	20-21 £'000	**21-22 £'000**	**22-23 £'000**	**23-24 £'000**	**24-25 £'000**
Revenue Support Grant	(657)	**(660)**	-	-	-
Income cont'n to investment fund	324	**-**	-	-	-
Retained Business Rates NNDR	(3,245)	**(3,017)**	(4,945)	(5,029)	(5,123)
Retained NNDR - renewables	(2,512)	**(2,512)**	(2,562)	(2,608)	(2,660)
S31 grants in lieu of NDR	(2,145)	**(1,955)**	-	-	-
Rural Services Delivery grant	(472)	**(496)**	-	-	-
New Homes Bonus (NHB)	(2,042)	**(1,587)**	(560)		-
NHB to general fund	400	**98**	250	-	-
NHB to inclusive growth reserve	1,318	**1,489**	310		-
Covid-19 grant	-	**(731)**	-	-	-
Other one off Gov't grants	-	**(347)**	-	-	-
Future funding transitions	-	**-**	(686)	(281)	-
Total	(9,031)	**(9,718)**	(8,193)	(7,918)	(7,783)

4. Collection Fund

Each year the Council is required to calculate the balance on its Collection Fund and our target is to have a minimal balance. 2020-21 has been an unprecedented year and therefore balances are not in line with other years, as a result of this Government has allowed for these deficits to be spread across 3 financial years to minimise the impact.

Figures indicate a deficit for Council Tax of £451k in total and Breckland's share of this for 2021-22 would be £45k, with a further £1k charged to the following 2 years.

For Business Rates there are two elements to the deficit this year. One element relates to lost income resulting from expanded reliefs provided in the Covid pandemic which totals around £14m with Breckland's share being £5.6m. This is fully funded from Government grants received and is not shown in the budget papers.
The second element is the true deficit and is forecast at £2,960k in total and Breckland's share of this for 2021-22 would be £412k, with a further £387k charged to the next 2 years. The Government is providing funding for 75% of irrecoverable Council Tax and Business Rates income in 2020-21, and the quarter 3 finance performance report includes a recommendation to hold this grant in reserves to help offset the deficit over the 3 years.

5. Tax Base

The tax base is assumed to rise 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 salary related.
- 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 2021-22 budget is formally approved, future years are indicative only for the purposes of medium term financial projections.

7. Other Budget Assumptions

The budget estimates and medium term plan cover the period 2021-22 to 2024-25, 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 circumstances that we are 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:

	20-21	**21-22**	**22-23**	**23-24**	**24-25**
Cost of living increase	2.00%	**2.00%**	2.00%	2.00%	2.00%
Staffing salary level	96%	**96%**	96%	96%	96%
ARP cost of living increase	2.00%	**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	£1,560k	**£1,692k**	£1,831k	£1,870k	£1,984k
Ret’n on cash investments	0.85%	**0.13%**	0.10%	0.10%	0.10%
Tax base	44,013.2	**44,446.3**	44,745.3	45,044.3	45,343.3

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 ongoing impact from the Covid pandemic on businesses and residents cannot be forecast with any certainty. This budget aims to take a balanced approach using mid-range estimates, but future years budgets will be subject to change as more evidence 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 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
- 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. 2020-21 Outturn

An assessment of the 2020-21 out turn will only partly inform the reliance we can place on the baseline we use for setting the 2021-22 estimates as this has been such an unprecedented year. In preparing the budgets for 2021-22 services have reflected known on-going pressures and efficiencies in their new budget estimates.

11. Budget Requirement and Forward Estimates

Outline estimates through to 2024-25 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.

The budget for 2021-22 shows a balanced position, partly due to the additional funding expected as a one off but also as a result of planned efficiency savings incorporated into the budget to be delivered. However due to significant cost pressures arising from the new funding schemes (75% Business Rates and Fair Funding Review) the budget includes an estimated efficiency requirement for future years:

	2021-22	2022-23	2023-24	2024-25
Efficiencies in progress	£504k	£652k	£796k	£796k
Efficiency Required	-	£642k	£1,081k	£1,509k

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	£9,683.02	£47,759.15	£19,449.75	-	-
2021-22 tax base	5,685.0	6,454.4	2,753.3	-	-
Band D equivalent	£1.70	£7.40	£7.06	-	-
2020-21 band D	£1.66	£7.00	£7.13	-	-
Direct charge 21-22	-	-	-	£21,768	£17,380

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.

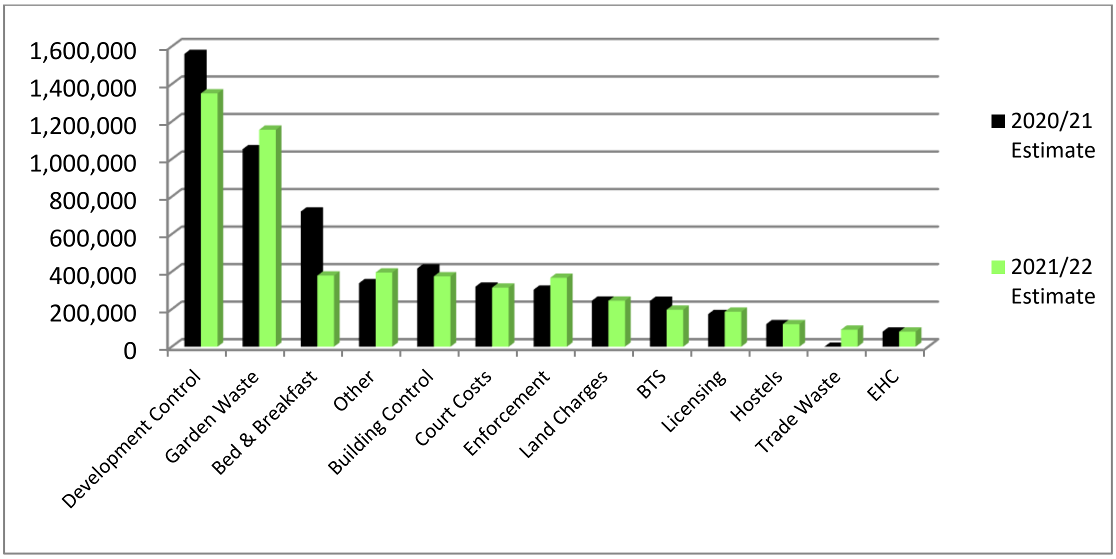
As part of our overall income strategy we will seek to:

- 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 £5,256k is due from fees and charges in the 2021-22 budget. The chart below shows the main categories of budgeted fee income in 2021-22 and 2020-21 for comparison.



In addition to fees and charges the council has also invested £45,486k 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 £2,748k in 2021-22, excluding service charges, offices rental and finance lease adjustments (£2.7m in 2020-21).

13. Reserves and Balances

The authority carried out a review of its reserves and balances during 2020-21 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 and reliance on Commercial Property income has required us to undertake a robust sensitivity analysis should these events require us to draw on balances.

Reserve balances were utilised to a greater extent during 2020-21 due to the Covid pandemic, using balances which were allocated to protect from un-budgeted pressures. Whilst these risks could still be significant, our reserves still have available balances should we need to draw on them. Moving forward the General Fund balance is maintained at £2,654k.

The following tables give a summary of reserve movements:

General Fund	**20-21 £'000**	**21-22 £'000**	**22-23 £'000**	**23-24 £'000**	**24-25 £'000**
Brought forward	(2,500)	**(2,501)**	(2,654)	(2,654)	(2,654)
In	(1)	**(153)**	-	-	-
Out	-	**-**	-	-	-
Carried forward	(2,501)	**(2,654)**	(2,654)	(2,654)	(2,654)

Specific Reserves	**20-21 £'000**	**21-22 £'000**	**22-23 £'000**	**23-24 £'000**	**24-25 £'000**
Brought forward	(14,696)	**(11,329)**	(10,392)	(9,874)	(8,303)
In	(4,361)	**(2,637)**	(988)	(430)	(346)
Out	7,728	**3,574**	1,506	2,001	233
Carried forward	(11,329)	**(10,392)**	(9,874)	(8,303)	(8,416)

These are the observations from the review of reserves for this budget:

- The organisational development reserve contains a very low amount of unallocated funds to use for invest to save initiatives that will drive revenue costs down. Therefore, any general unallocated amounts and amounts no longer required in other reserves have been consolidated in the organisational development reserve to increase funds available. This reserve also includes specific contributions into reserve each year which will be allocated at a later date.
- An un-allocated sum of £1,736k is held in a Revenue & Benefits reserve to cover the potential pressures and/or timing pressures resulting from Housing Benefit or business rates retention volatility. Previously this reserve included addition of £307k per year from business rates income, however due to this income reducing the reserve no longer has any top up budgeted.
- The growth and investment fund will be used for projects which generate at least a 4% ongoing return, for example through either purchase or build of assets, to secure housing or business rates or employment growth generating or other revenue saving projects. To support driving forward the efficiencies needed to balance the budget an allocation of £200k for 2022-23 and 2023-24 has been incorporated into the budget.
- The inclusive growth reserve holds the new homes bonus funding and the balances will be allocated in each financial year.
- There are no budgeted plans to top up these reserves in future years, which will lead to difficulties in financing future projects unless grant funding is achieved. When the budget is set next year and the effects of Covid-19 on the Council are better understood this will be revisited with the aim to top up reserves where budget allows.

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**
Cost pressures or changes to services as a result of the Covid-19 pandemic lead to financial pressures to the Council	Medium	Medium	Continued financial monitoring in year. Allocation of Covid-19 grants to areas with the greatest needs.
Lack of clarity for funding levels past 21-22 from the Fair Funding Review & retained business rates	High	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	Medium	Reserve funding can be utilised in the short term. Legal support to resolve longer term if required
Low income levels from fees and charges	Medium	Medium	Revise spending plans
Continuation of low interest rates	High	Medium	Market advice and forecasting. Mitigation by diversification
A reduction in property rental income from economic downturn, Covid-19 or change in market behaviour	High	Medium	Asset management plan. Mitigation by diversification. Buffer fund.
Business rates retention scheme leaves Council exposed to reduced income from economic downturn or 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.
Inflation rises by more than budgeted projections	Low	Medium	Budget assumptions kept up to date with most recent projections
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
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
Savings are not delivered to the expected time frames or new efficiencies are not identified.	Low	Medium	Continued monitoring & reporting and programme delivery manager in place
Risk that renewable energy NNDR income may not remain 100% retained by Breckland	Low	High	Continued monitoring and responding to consultations.
Reductions in recycling credits received	Low	Low	Adjust costs to offset lost income
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.
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
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

The draft budget was put out to consultation to Overview & Scrutiny Commission and on the website, inviting commentary from key stakeholders. Feedback received from this consultation has been considered and incorporated into the final 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 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 current budget includes an efficiency requirement which will be identified over the coming months on top of the £796k already in progress and included within service lines in the budget:

	21-22 £'000	22-23 £'000	23-24 £'000	24-25 £'000
New target – to be identified	(-)	(642)	(1,081)	(1,509)

It is important to note that the new target to be identified is based on best estimates at this stage, the values required will change each year once more information is available on key areas such as the Fair Funding Review and Business Rates Retention and will also be affected by Business Rates appeals. The requirement will be closely monitored.

17. Capital Estimates

The capital programme has been created to meet the priorities of the Council and has been adjusted this year to ensure deliverability without the need to borrow and within existing staff resources. The schemes and associated funding are set out in **appendix H**. Each scheme is supported by a capital bid form, formulated where appropriate after the consideration of options. The cash flow implications of all schemes and the impact on revenue have been included within the revenue budgets. The joint preparation of both a capital and revenue budget should ensure a sustainable position for the Council.

The capital programme contains both annualised projects to be delivered in year and larger projects that will span more than one financial year. If a new project is to be included within the capital programme it must be more than an idea. As a minimum criterion, costs, timescales, funding agreements, governance arrangements, risks and outcomes will be clearly specified for all named projects.

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 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.