

BRECKLAND DISTRICT COUNCIL

Report of: Councillor Phillip Cowen, Executive Member for Finance, Revenues & Benefits

To: Cabinet, 10 January 2022
Overview and Scrutiny, 27 January 2022

Author: Alison Chubbock, Assistant Director Finance

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 2022.

1.0 BACKGROUND

1.1 We have put forward a balanced budget for 2022-23, despite these challenging times, which protects frontline services with core services maintained, continues investment in our corporate priorities and provides funding for future corporate initiatives. The budgets for 2023-24 and 2024-25 are also balanced, but this is dependent on the timing of future funding changes which is outside of our control. There is continued uncertainty in terms of levels of government funding, fees and charges income and unknown cost pressures (such as the Environment Bill), 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 2022-23 revenue and capital estimates for the General Fund, the proposals for the setting of discretionary fees and charges, the outline position through to 2025-26, 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 mid January 2021. The final budget will be presented to Cabinet and Full Council in February 2022, incorporating final information (such as latest NNDR forecasts) along with the formal Council Tax setting report.

1.4 The Covid-19 pandemic continues to impact across the world. The budget makes allowance for expected impacts that the pandemic may have on our services, spending and income levels where necessary.

1.5 **Funding**

The draft Local Government Settlement was announced on 16 December 2021. This was a one-year Settlement only and included:

- Revenue Support Grant (RSG) uplifted by inflation
- Rural Services Delivery Grant (RSDG) levels maintained
- One further year of New Homes Bonus (with no future legacy payments)
- No inflationary increase to the Business Rates Multiplier
- A continuation of the Lower Tier Services Grant (LTSG)
- A new Services Grant

There was no announcement regarding the allocation of grants announced in the Spending Review for Supporting Families or Cyber Security.

The new Services Grant is un-ringfenced and includes funding for increases such as National Insurance contributions and the National Living Wage. The LTSG provides damping to District Councils with a cash terms reduction in their Core Spending Power and compensates those authorities losing most from reductions in NHB and who gain the least from the new grant increases and Council Tax increases.

The draft Settlement did not provide any information on previously expected future funding changes but clearly signalled there would be more fundamental changes in future years. These changes when implemented are expected to redistribute funding under the Levelling Up agenda and could be based on Tax Base trends of Local Authorities rather than Band D Council Tax.

Being a one year Settlement and alongside the future unknown funding changes and complexity, results in a budget again with far higher levels of estimates than usual and therefore the actual budgets from 2023-24 onwards will almost certainly be different to these estimates. This draft budget provides a best estimate in the absence of further information.

1.6 **Retained Business Rates (NNDR)**

Previously it was anticipated a new 75% retained NNDR scheme would be introduced as part of future funding changes, however this is now in doubt based on the Government's Levelling Up agenda. We do however expect that future funding changes will reset NNDR growth so that authorities will receive a new baseline funding level with growth removed. NNDR growth is worth around £1,229k per year for Breckland and therefore when the reset occurs the impact on our budget will be up to this value, depending on whether growth is fully or partially reset.

This budget assumes NNDR growth is fully removed from 2025-26 and a new funding regime is in place by this date, however there is a significant risk that the NNDR reset will occur before this date and therefore the Council will continue to work on efficiencies.

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 if this is the case until future years when the outcome of any appeal would be known.

1.7 **Fair Funding Review (FFR)**

This review has been expected for some time, but with no final details being announced. The shape of future funding is now likely to be led by the Government's Levelling Up agenda, which makes future estimates for budgets more difficult with no details. This budget assumes a new funding regime is in place by 2025-26 alongside an NNDR reset, however there is a significant risk that changes will occur before this date, however changes from a new funding scheme are likely to be smoothed over the initial years.

1.8 **New Homes Bonus (NHB)**

We will receive an additional one-year allocation of NHB of £830k for 2022-23 due to delays in implementing any replacement scheme, however this will be one year only with no further legacy payments in future years.

Consultation has been undertaken by the Government to fundamentally change the NHB scheme, with the outcomes now likely to be implemented from 2023-24. Due to the uncertainty of the future of NHB our budgets include contribution of the New Homes Bonus funds into an Inclusive Growth Reserve.

1.9 **Council Tax**

The Spending Review, Settlement and Core Spending Power assumes that Local Authorities increase their Council Tax by the maximum allowed, for District Councils that is currently 2% or £5, whichever is the higher. Our Medium Term Financial Plan continues to assume Council Tax rises of £4.95 per year on a Band D property in order to protect services, however any change to Council Tax levels are discussed and consulted on each year, with only one year being set at a time.

1.10 **Revenue and Efficiency**

The budget approved by Full Council in February 2021 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 and the effects are continuing. 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 2022-23 and beyond with service levels maintained or enhanced.

Changes to the way Breckland works and economic changes have led to a revised efficiency requirement to balance the budget in future years. Many efficiencies are well underway and are included in the budget and we have created our new Evolve Programme to deliver future targets, this value will continue to be adapted and updated as projects develop:

	2022-23	2023-24	2024-25	2025-26
Projects in progress	£459k	£677k	£692k	£692k
Evolve Programme	£25k	£250k	£1,050k	£1,050k

The Evolve Programme includes:

- Contracts reviews and back office ways of working
- Alternative housing model
- Solar/Renewable energy opportunities
- Community Interest Company models

This programme has a higher target than required over the first 3 years in order to prepare ourselves for the forthcoming changes to funding and NNDR and the other potential financial risks which we are facing.

The draft budget is based on the following principles:

- Removed reliance on New Homes Bonus (NHB) funding.
- All service delivery maintained (no cuts).
- Continued investment in our priorities of Thriving Places, Breckland 2035, Working Smarter and Inspiring Communities
- Financial support in reserves for projects which lead to growth and investment or savings.
- An achievable efficiencies programme to help manage the future funding changes and other financial risks.
- Contribution of £35k to the Council Tax Hardship Fund introduced in 2021-22.
- No future contributions into reserves or to capital to top up, meaning once depleted funding new initiatives will require new grant funding or re-allocation from elsewhere.

1.11 As with all Local Authorities we are facing significant financial risks in the future, where we have some certainty on the value and timing, these are included in the draft budget, however there remain areas which cannot yet be fully quantified in terms of timing or financial impact. The main areas not fully included in the budget are:

- NNDR reset – potential impact of up to £1,229k per year (included in 2025-26)
- The Environment Bill – potential impact of between £1,500k to £3,500k per year
- Recovery of Housing Benefit as more customer transition to Universal Credit
- Benchmarking review within our PFI scheme

1.12 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.

1.13 **Capital**

The draft capital programme for 2022-23 to 2025-26 is:

	22-23 to 25-26
Forecast Spend	£18,689k
Forecast Receipts	(£3,397k)
Forecast Funding	(£12,522k)
Net Spend	£2,770k

1.14 The budget shows a borrowing requirement 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 is nil. Currently the budget makes no allowance for borrowing costs as we budget to borrow from internal balances, however this will be re-visited regularly and costs included at the relevant time.

1.15 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 continues to 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 unsupported borrowing whilst it still has reasonable capital receipt resources available.

1.16 **Sustainability**

The Council is always mindful of proposals put forward by the DLUHC and intends to support all aspects of delivering the Government's 25 year national plan to improve the environment and all nationally set targets.

The Council has declared a climate emergency in September 2019, has agreed its 'Breckland 2035 Sustainability Strategy' and has set a date on 2035 to be NetZero as an organisation. It has set aside £525,000 from reserves to help mitigate its own environmental impacts as well as enabling the wider Breckland Community to take action for itself. It will also take existing resources to look at how it decarbonises its procurement activities and use regulatory powers to influence clean growth and environment protection.

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.

2.2 Do nothing.

3.0 **REASONS FOR RECOMMENDATION(S)**

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

4.0 **EXPECTED BENEFITS**

4.1 To set an affordable and balanced budget for 2022-23 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; Data Protection; Equality & Diversity/Human Rights; Financial; Health & Wellbeing; Reputation; Risk Management; Safeguarding; Staffing; Stakeholders/Consultation/Timescales; Other. Where the report author considers that there may be implications under one or more of these headings, these are identified below.

5.1 **Carbon Footprint / Environmental Issues**

5.1.1 The budget supports investment in our sustainability programme.

5.2 **Corporate Priorities**

5.2.1 The budget supports the Council's priorities.

5.3 **Financial**

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

5.4 **Risk Management**

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

5.5 **Stakeholders / Consultation / Timescales**

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

6.0 **WARDS/COMMUNITIES AFFECTED**

6.1 All.

7.0 **ACRONYMS**

7.1 DLUHC – Department for Levelling Up, Housing and Communities

7.2 DWP – Department for Work and Pensions

7.3 FFR – Fair Funding Review

7.4 LTSG – Lower Tier Services Grant

7.5 NHB – New Homes Bonus

7.6 NNDR – National Non-Domestic Rates

7.7 PFI – Private Finance Initiative

7.8 RSDG – Rural Services Delivery Grant

7.9 RSG – Revenue Support Grant

Background papers:-

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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