

## Budget Setting Report and Financial Medium Term Plan 2022-23

This appendix is the combined budget estimates and medium term plan 2022-26. 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.

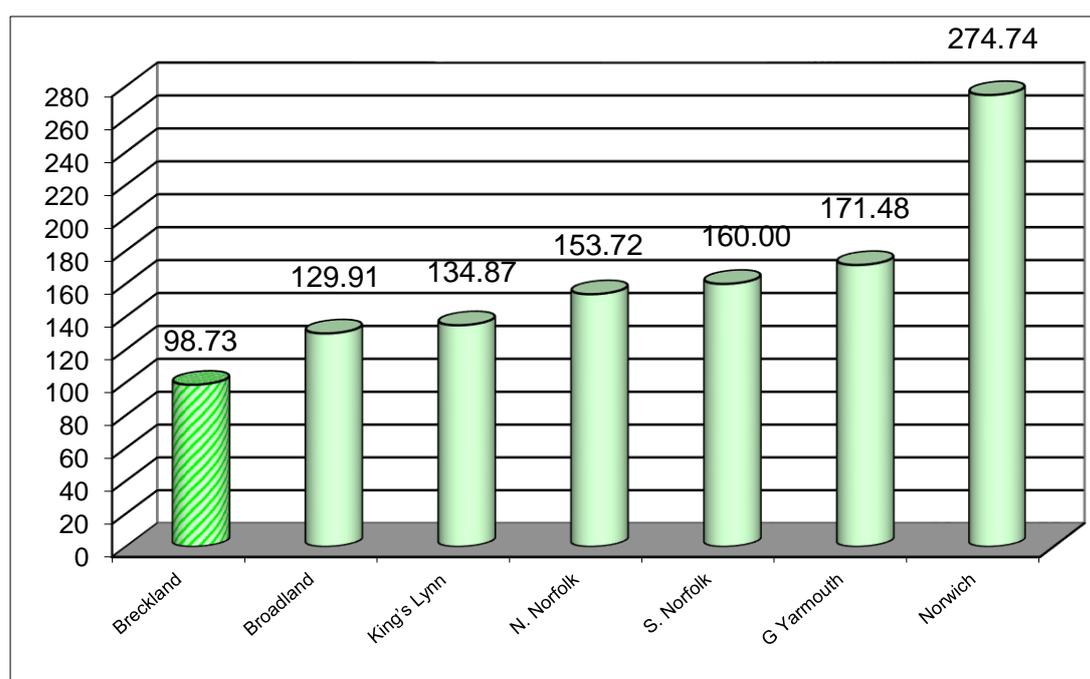
### 1. Budget Summary

The following table shows the headline figures relating to the budget estimates for 2022-23 compared to the 2021-22 position:

| Description                     | 2021-22    | 2022-23    | Increase/<br>(Decrease) |
|---------------------------------|------------|------------|-------------------------|
| Breckland precept requirement   | £4,388,183 | £4,668,856 | 6.4%                    |
| Council Tax Band D              | £98.73     | £103.68    | 5.0%                    |
| Retained NNDR (incl S31 grants) | £4,972,451 | £5,099,192 | 2.5%                    |
| Retained NNDR – Renewable       | £2,511,918 | £2,572,365 | 2.4%                    |
| Other non-ring fenced grants    | £1,504,369 | £1,627,362 | 8.2%                    |
| New Homes Bonus (NHB)           | £1,587,338 | £1,390,600 | (12.4%)                 |
| Special expenses account        | £85,725    | £88,989    | 3.8%                    |

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 £1.77 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 2021-22.

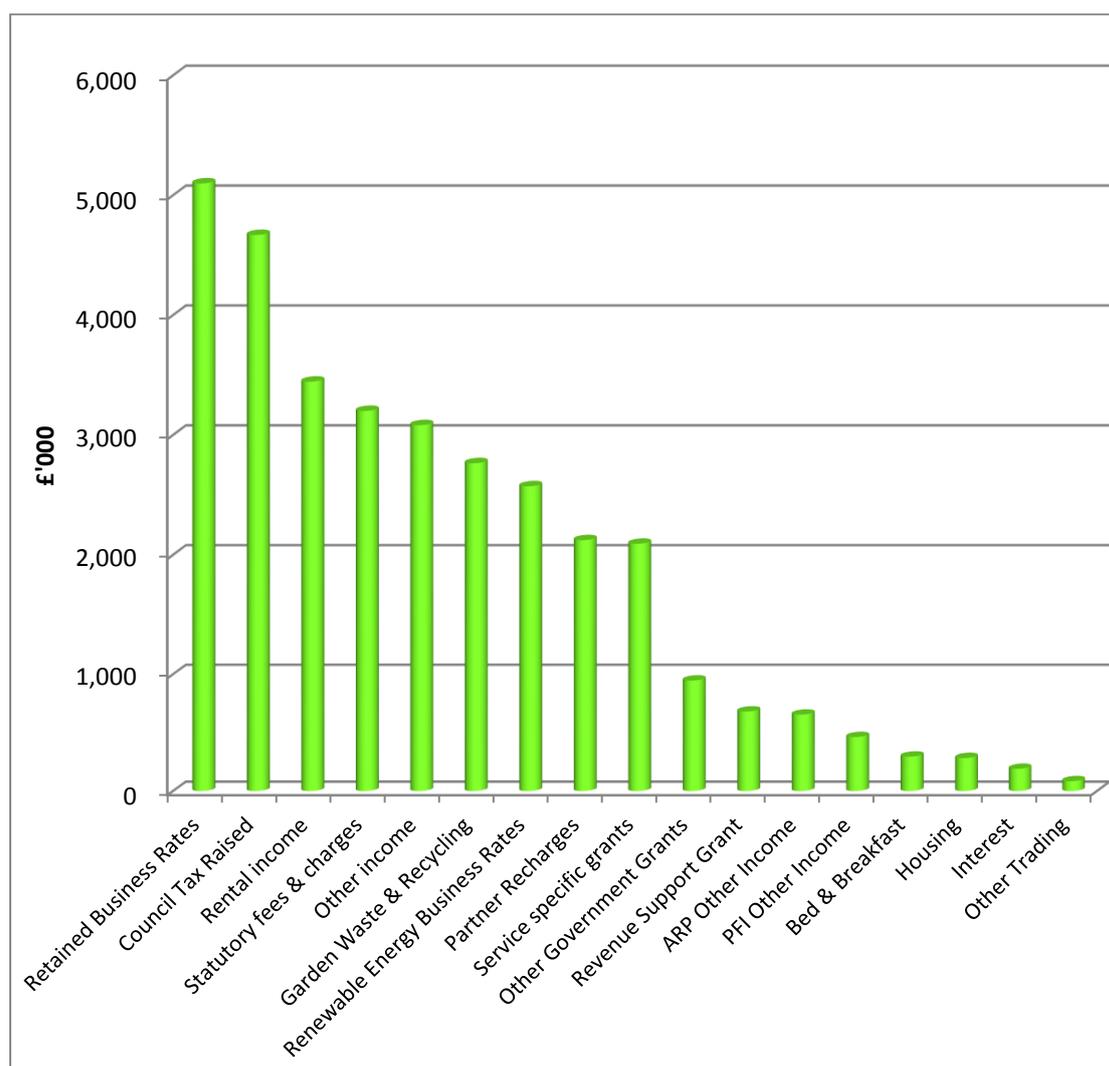


The following table details the Band D Council Tax levels for all precepting authorities over the last five years:

|         | <b>Norfolk<br/>County<br/>Council<br/>£</b> | <b>Norfolk<br/>Police<br/>Authority<br/>£</b> | <b>Breckland<br/>(Excl<br/>special<br/>expenses)<br/>£</b> | <b>Avge<br/>Parish<br/>£</b> | <b>Total<br/>£</b> | <b>Increase/<br/>(Decrease)<br/>%</b> |
|---------|---|---|--|------------------------------|--------------------|---------------------------------------|
| 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                                   |
| 2022-23 | tbc   | tbc   | tbc  | tbc                          | tbc                | tbc                                   |

The Government Spending Review assumes local authorities will increase Council Tax by the maximum available to reach their Core Spending Power, this budget provides for an annual council tax rise of £4.95 for 2022-23 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 2022-23.



## 2. 2022-23 Estimates

The table below shows the budget estimates for 2021-22 and 2022-23 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**.

|    |   | 2021-22<br>£        | 2022-23<br>£        | Variance<br>£    | Variance<br>% |
|----|---|---------------------|---------------------|------------------|---------------|
|    | Staffing Costs (BC & 3 <sup>rd</sup> Party) | 13,052,204          | 13,032,352          | (19,852)         | (0.2)         |
| 1  | Premises                                    | 1,618,824           | 1,481,215           | (137,609)        | (8.5)         |
| 2  | Transport                                   | 279,658             | 254,233             | (25,425)         | (9.1)         |
| 3  | Supplies & Services                         | 16,830,108          | 16,076,613          | (753,495)        | (4.5)         |
|    | Drainage board levies                       | 77,050              | 79,100              | 2,050            | 2.7           |
| 4  | Transfer Payments                           | 20,306,638          | 21,568,334          | 1,261,696        | 6.2           |
| 5  | Support services                            | 4,386,059           | 4,543,823           | 157,764          | 3.6           |
| 6  | Capital charges                             | 15,169,691          | 10,876,383          | (4,293,308)      | (28.3)        |
| 7  | Capital financing                           | (15,047,631)        | (10,032,713)        | (5,014,918)      | (33.3)        |
|    | <b>Total Expenditure</b>                    | <b>56,672,601</b>   | <b>57,879,340</b>   | <b>1,206,739</b> | <b>2.1</b>    |
|    |   |                     |                     |                  |               |
|    | Rents/service charges                       | (3,413,161)         | (3,445,278)         | (32,117)         | (0.9)         |
|    | Fees and charges                            | (5,256,147)         | (5,214,449)         | 41,698           | 0.8           |
| 8  | Grants                                      | (21,743,034)        | (23,003,431)        | (1,260,397)      | (5.8)         |
| 9  | Other                                       | (8,331,587)         | (7,925,482)         | 406,105          | 4.9           |
|    | <b>Total Income</b>                         | <b>(38,743,929)</b> | <b>(39,588,640)</b> | <b>(844,711)</b> | <b>(2.2)</b>  |
|    |   |                     |                     |                  |               |
| 10 | General Fund smoothing                      | 152,787             | 17,262              | (135,525)        | (88.7)        |
| 11 | Less trading units                          | (4,310,969)         | (4,449,679)         | (138,710)        | (3.2)         |
|    | <b>Budget Requirement</b>                   | <b>13,770,490</b>   | <b>13,858,283</b>   | <b>87,793</b>    | <b>0.6</b>    |

### Notes:

**1** – The decrease in premises costs is mainly a result of reduced occupation for ARP in Breckland House, Thetford.

**2** – Travel costs have reduced as a result of more virtual working.

**3** – Just under £500k of this relates to elections held in 2021-22 which are cyclical and one off covid related spend in 2021-22 which is not repeated in 2022-23.

**4** – Transfer Payment costs are Housing Benefit payments. These have increased as demand has increased and in addition as cases move across to Universal Credit (UC) we are unable to reclaim the full cost of Benefits from the DWP leading to higher costs to Breckland.

**5** – General annual increases in staffing costs and contractual inflation.

**6** – 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 7).

**7** – Capital Financing costs reflect the appropriations to and from reserves and the reversal of the capital charges figures and accounting entries (see note 6). These are items such as depreciation which is not a real charge to the Council Tax payer.

**8** – This mainly relates to the increased costs of Housing Benefit (see note 4).

**9** – Other income included the recharge of staffing costs to partners and has therefore reduced following reduced sharing arrangements.

**10** – This line is the effect of smoothing costs across years, it was higher in 2020-21 due to additional Covid grant provided carried into 2021-22 for spending.

**11** – Please see note 5.

### **3. Funding Assumptions**

Once again our budget planning is being undertaken in challenging circumstances with significant uncertainty continuing. We continue to face the service and financial implications resulting from the Covid-19 pandemic and it remains to be seen what the longer term impact will be on local government.

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

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.

The retained business rates estimates are based on forecast amounts collectable as of October 2021, 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 from the Covid pandemic. 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.

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. This is a key risk area for Breckland as the value is significant, the draft budget assumes a full reset occurs by 2025-26 but this could happen earlier.

The Fair Funding 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. 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.

The new homes bonus (NHB) scheme has changed in recent years, significantly reducing the amount of reward funding provided to councils. The Government carried out consultation on the future of this scheme earlier in 2021, but the results have not been announced at the time of this report. Due to the uncertainty of the future of NHB our budgets assume just one years legacy payment which is contributed into an Inclusive Growth Reserve to fund our corporate priorities.

The table below shows the level of budgeted central grants.

|                               | <b>21-22</b><br><b>£'000</b> | <b>22-23</b><br><b>£'000</b> | <b>23-24</b><br><b>£'000</b> | <b>24-25</b><br><b>£'000</b> | <b>25-26</b><br><b>£'000</b> |
|-------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Revenue Support Grant         | (660)                        | (681)                        | (660)                        | (660)                        | -                            |
| Retained Business Rates NNDR  | (3,017)                      | (3,131)                      | (3,283)                      | (3,352)                      | (4,503)                      |
| Retained NNDR - renewables    | (2,512)                      | (2,572)                      | (2,626)                      | (2,681)                      | (2,754)                      |
| S31 grants in lieu of NDR     | (1,955)                      | (1,968)                      | -                            | -                            | -                            |
| Rural Services Delivery grant | (496)                        | (496)                        | (496)                        | (496)                        | -                            |
| New Homes Bonus (NHB)         | (1,587)                      | (1,391)                      | -                            | -                            | -                            |
| Covid-19 grant                | (731)                        | -                            | -                            | -                            | -                            |
| Other one off Gov't grants    | (347)                        | (450)                        | (220)                        | (220)                        | -                            |
| Future funding transitions    | -                            | -                            | -                            | -                            | (660)                        |
| <b>Total</b>                  | <b>(9,718)</b>               | <b>(10,689)</b>              | <b>(7,285)</b>               | <b>(7,409)</b>               | <b>(7,917)</b>               |

#### **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 was an unprecedented year and therefore balances were not in line with other years and as a result of this Government has allowed for these deficits to be spread across 3 financial years (2021-22 to 2023-24) to smooth the impact.

Figures indicate a surplus for Council Tax of £221k in total and Breckland's share of this for 2022-23 would be £20k, with a further £1k charged for one further year.

For Business Rates there were two elements to the deficit for last year and this year. One element relates to lost income resulting from expanded reliefs provided in the Covid pandemic which totals around £17m with Breckland's share being £6.8m. This is mostly funded from Government grants received with minimal impact to Breckland.

The second element is the true surplus and is forecast at £421k in total and Breckland's share of this for 2022-23 would be £168k.

#### **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, mobile 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.
- 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 2022-23 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 2022-23 to 2025-26, 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:

|                             | <b>21-22</b> | <b>22-23</b>    | <b>23-24</b> | <b>24-25</b> | <b>25-26</b> |
|-----------------------------|--------------|-----------------|--------------|--------------|--------------|
| Cost of living increase     | 2.00%        | <b>2.00%</b>    | 2.00%        | 2.00%        | 2.00%        |
| Staffing salary level       | 96%          | <b>96%</b>      | 96%          | 96%          | 96%          |
| ARP cost of living increase | 2.00%        | <b>2.00%</b>    | 2.00%        | 2.00%        | 2.00%        |
| ARP staffing salary level   | 97.5%        | <b>97.5%</b>    | 97.5%        | 97.5%        | 97.5%        |
| Pension contribution rate   | 14%          | <b>14%</b>      | 14%          | 14%          | 14%          |
| Pension lump sum cont'n     | £1,692k      | <b>£1,831k</b>  | £1,970k      | £2,109k      | £2,109k      |
| Ret'n on cash investments   | 0.85%        | <b>0.25%</b>    | 0.56%        | 0.56%        | 0.56%        |
| Tax base                    | 44,446.3     | <b>45,031.4</b> | 45,330.4     | 45,629.4     | 45,928.4     |

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 Business Rates reset/retention, the Fair Funding Review, the Spending Review and New Homes Bonus, which are subject to significant uncertainty in terms of value and timing currently.

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.

The Environment Bill proposes fundamental changes to the way which waste services operate and are charged for. There are likely to be significant financial impacts if this Bill comes into force and it is not yet known what new burdens funding will be provided to support the required changes. The proposed budget does not include any allowance for these changes as there is insufficient information on timing, requirements and funding to make realistic assumptions for budgeting.

### **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 scrutiny of the financial planning process and a 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) Aim for a minimum balance on the Collection Fund.
- 10) Prepare robust and realistic income and resource requirement plans for the next four years.
- 11) Promote take up of benefits and reliefs.
- 12) Maximise income collection and grant funding.
- 13) Recognise our role in the community 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 evolve programme over the medium term in order to balance the budget and support our corporate priorities.

#### **10. 2021-22 Outturn**

An assessment of the 2021-22 out turn will partly inform the reliance we can place on the baseline we use for setting the 2022-23 estimates, with some adjustments for Covid-19 pandemic related costs/income. In preparing the budgets for 2022-23 services have reflected known on-going pressures and efficiencies in their new budget estimates.

#### **11. Budget Requirement and Forward Estimates**

Outline estimates through to 2025-26 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 2022-23 shows a balanced position. However due to future cost pressures the budget includes an estimated efficiency requirement for future years supported by our Evolve programme to bridge this gap:

|                      | <b>2022-23</b> | <b>2023-24</b> | <b>2024-25</b> | <b>2025-26</b> |
|----------------------|----------------|----------------|----------------|----------------|
| Projects in progress | £459k          | £677k          | £692k          | £692k          |
| Evolve programme     | £25k           | £250k          | £1,050k        | £1,050k        |

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     | Attleborough | Swaffham |
|---------------------|-----------|------------|------------|--------------|----------|
| Special Expense     | £9,867.37 | £50,094.07 | £20,194.46 | -            | -        |
| 2022-23 tax base    | 5,748.6   | 6,466.3    | 2,812.1    | -            | -        |
| Band D equivalent   | £1.72     | £7.75      | £7.18      | -            | -        |
| 2021-22 band D      | £1.70     | £7.40      | £7.06      | -            | -        |
| Direct charge 21-22 | -         | -          | -          | £18,673      | £14,930  |

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.

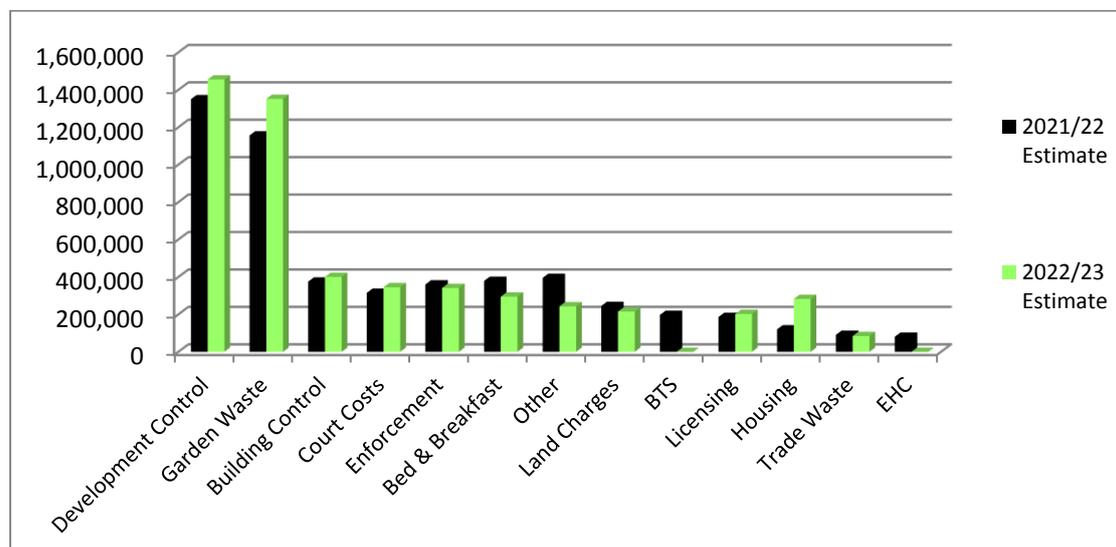
As part of our overall income strategy we will seek to:

- 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 £5,214k is due from fees and charges in the 2022-23 budget. The chart below shows the main categories of budgeted fee income in 2022-23 and 2021-22 for comparison.



In addition to fees and charges the council has also invested over £45m 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 £2,841k in 2022-23, excluding service charges, offices rental and finance lease adjustments (£2.7m in 2021-22).

### **13. Reserves and Balances**

The authority carried out a review of its reserves and balances during 2021-22 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 Covid-19 pandemic, the future of business rates retention and other financial risks has required us to undertake a sensitivity analysis should these events require us to draw on balances.

Whilst these future 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 above the minimum balance of £2,500k.

The following table give a summary of the general fund reserve movements:

| <b>General Fund</b> | <b>21-22<br/>£'000</b> | <b>22-23<br/>£'000</b> | <b>23-24<br/>£'000</b> | <b>24-25<br/>£'000</b> | <b>24-25<br/>£'000</b> |
|---------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Brought forward     | (2,849)                | (2,649)                | (2,691)                | (2,580)                | (3,088)                |
| In                  | -                      | (42)                   | -                      | (508)                  | -                      |
| Out                 | 200                    | -                      | 111                    | -                      | 508                    |
| Carried forward     | (2,649)                | (2,691)                | (2,580)                | (3,088)                | (2,580)                |

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 used at a later date (i.e. elections).
- An available sum of £1,836k 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. This reserve is also used to smooth the accounting effects of levy payments in one year offset by surplus in the future year.
- 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.
- The inclusive growth reserve holds the new homes bonus funding and the balances will be allocated in each financial year for priority projects.
- Amounts relating to capital replacement/maintenance have been centralised into a new major replacements reserve
- 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. Each year this will be revisited with the aim to top up reserves for priority projects or capital spend 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. For full details on risks, please refer to our risk register and our quarterly risks reported to Governance and Audit committee.

The following table details the key budget risks and issues identified and how we intend to mitigate them:

| <b>Risk</b>   | <b>Likelihood</b> | <b>Impact</b> | <b>Mitigation</b>   |
|---|-------------------|---------------|---|
| Cost pressures or changes to services as a result of the Covid-19 pandemic lead to financial pressures to the Council | Medium            | Low           | Continued financial monitoring in year. Budget moved to areas of greatest need if required.         |
| Lack of clarity for funding levels past 22-23 from the Fair Funding Review & retained/ reset business rates           | High              | Medium        | Budget set to provide best estimate. Transitional arrangements likely to be implemented.            |
| Proposed Environment Bill changes to waste services creates significant financial pressures                           | High              | Medium        | Continue lobbying for new burdens funding to cover the additional costs.                            |
| 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  |
| 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.            |
| A reduction in property rental income from economic downturn, Covid-19 or change in market behaviour                  | Medium            | 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            | Low           | 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.                       |

| <b>Risk</b>   | <b>Likelihood</b> | <b>Impact</b> | <b>Mitigation</b>   |
|---|-------------------|---------------|---|
| Inflation rises by more than budgeted projections   | Medium            | 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 | Low               | Medium        | Contingency plans in place, financial checks for new contracts, wording in contracts to protect the Council from novation to alternative suppliers  |
| 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 evolve programme 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  |
| 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.<br>Use of revenue funding to support capital schemes where appropriate.<br>Dis-investment in poorer performing assets to re-invest |

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 is put out to consultation to Overview & Scrutiny Commission and on the website, inviting commentary from key stakeholders. Feedback received from this consultation will be 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 is agreed with the corporate 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 uncertainty 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 our Evolve programme to continually deliver efficiency and innovation throughout the medium term financial plan.

#### **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 continue to diminish 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 unless additional capital receipts are generated, additional grant funding is received, 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.