

## **BRECKLAND DISTRICT COUNCIL**

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

**To:** Cabinet, 9 January 2023  
Overview & Scrutiny, 26 January 2023

**Author:** Alison Chubbock, Assistant Director Finance

**Subject:** Draft budget, medium term financial 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 2023.

### **1.0 BACKGROUND**

- 1.1 Local authorities across the UK are seeing significantly high demand for services. The economic shocks as a result of the war in Ukraine, post Covid recovery and labour shortages are resulting in high inflationary rises to costs and contracts and utilities costs as well as leading to higher demand for our services, particularly in our housing and revenues and benefits teams.

Despite these challenging times we have put forward a draft budget, balanced for two years, which protects frontline services with core services maintained, continued investment in our corporate priorities, future funding for corporate initiatives alongside significant investment and reallocation in the current financial year.

The draft budget for 2023-24 and 2024-25 are balanced subject to achieving our efficiencies targets however future years are likely to require additional savings, but this is dependent on the timing and quantum of future funding changes which is not yet confirmed. 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 2023-24 revenue and capital estimates for the General Fund, the proposals for the setting of discretionary fees and charges, the outline position through to 2026-27, 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.

The Autumn Statement on 17 November provided high level indications of funding principles with the detail provided in the provisional Local Government Finance Settlement, announced on 19 December.

- 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 2023. The final budget will be presented to Cabinet and Full Council in February 2023, incorporating final information (such as Government funding and the latest NNDR forecasts) along with the formal Council Tax setting report.

#### 1.4 **Funding**

The provisional Local Government Finance Settlement was announced on 19 December and included the following:

- Revenue Support Grant (RSG) increased by CPI
- Rural Services Delivery Grant (RSDG) as last year
- New Homes Bonus (NHB) confirmed for one more year
- Lower Tier Services Grant (LTSG) removed in full
- Services Grant reduced to remove additional funding for NI rise
- A new 3% funding guarantee grant for one year

The new 3% funding guarantee grant has given a boost to the funding for 2023-24 to reflect the significant inflationary and demand cost risks faced by local authorities currently. In this draft budget, elements of this grant have been allocated to reserve with no immediate decisions taken due to the short timeframe between the committee report deadline and the 19 December announcement. Between this report and the final budget report we will work up firmer proposals for the use of some of this grant to fund future programmes or services, this could be around areas such as PFI benchmarking, leisure sustainability spend, bringing the general fund above its minimum balance to protect against threats for next year or to prime a projects team (as recommended in the Peer review) to ensure projects and our evolve targets can be delivered.

The provisional Local Government Finance Settlement also gave some clarity on expected future funding changes, confirming these will not take place before 2025-26. These changes when implemented are expected to redistribute funding under the Levelling Up agenda.

With the future unknown funding changes and complexity this draft budget once again includes far higher levels of estimates than usual and therefore the actual budgets will likely be different to these estimates. This draft budget provides a best estimate in the absence of further information.

#### 1.5 **Retained Business Rates (NNDR)**

We continue to expect that future funding changes will reset NNDR growth in full so that authorities will receive a new baseline funding level with growth removed. NNDR growth is worth circa £1.3m 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 draft budget assumes NNDR growth is fully removed from 2025-26 and a new funding regime is in place by this date, however this date could be pushed back to 2026-27.

The final NNDR budget will be updated during January 2023 and included in the final budget report to committee in February, incorporating the latest information on appeals and income at the end of December 2022.

The Norfolk Business Rate Pool (BRP) is continuing into 2023-24 which means that income from growth in NNDR across Norfolk is retained in Norfolk to support economic regeneration and any income will be distributed on the same basis as the current MoU. The draft budget does not include any values from this Pool, any income would be received in 2024-25 and contributed to reserve for supporting economic regeneration in Breckland.

The Government has confirmed that the Retail Hospitality & Leisure (RHL) NNDR reliefs will continue into 2023-24 with the relief increased from the current 50% level to 75% for 2023-24. This relief will be fully funded by Government and will be actioned by ARP.

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.

#### 1.6 **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 and we would expect any change in funding to have the financial effects smoothed over the earlier years.

#### 1.7 **New Homes Bonus (NHB)**

A further year one year of NHB of £749k with no legacy payments in future years, which is contributed into the Inclusive Growth Reserve for investment in corporate priorities.

Consultation has been undertaken by the Government to fundamentally change the NHB scheme, with the outcomes not yet known. Due to the uncertainty of the future of NHB our budgets include contribution of the New Homes Bonus funds into reserve.

#### 1.8 **Council Tax**

The provisional Local Government finance Settlement gave details of the Council Tax limits before a referendum is required, for District Councils this is 3% 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 help 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.

#### 1.9 **Revenue and Efficiency**

The budget approved by Full Council in February 2022 provided a balanced budget over the medium term, supported by a new efficiency programme alongside pre-existing efficiencies already in place and adapted. This continues and is in progress to deliver a balanced budget for 2023-24 and 2024-25 with service levels maintained.

Changes to the way Breckland works and national economic changes have led to a revised efficiency requirement to balance the budget in future years. This value will continue to be adapted and updated as projects develop:

	2023-24	2024-25	2025-26	2026-27
Projects in progress	£199k	£274k	£379k	£379k
Evolve programme	£150k	£1,450k	£1,930k	£1,930k
Potential future gap	-	-	£512k	£939k

The Evolve Programme includes:

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

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 £20k to the Council Tax Hardship Fund introduced in 2021-22.

1.10 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 included in the budget are:

- The Environment Bill – potential impact of between £1,500k to £3,500k per year if no funding is provided to offset new costs or lost income
- Recovery of Housing Benefit as more customers transition to Universal Credit
- Benchmarking review within our PFI scheme (with effect from April 2024)
- Any impact of national refugees requiring housing in our area

1.11 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.

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

#### 1.12 Capital

The draft capital programme for 2023-24 to 2032-33 is:

	23-24 to 32-33
Forecast Spend	£39,464k
Forecast Receipts	(£24,605k)
Forecast Funding	(£23,488k)
<b>Net Spend</b>	<b>(£8,629k)</b>
Opening Deficit on Capital April 2023	£6,607k
Movement in PFI Liability	(£4,281k)
<b>Closing Deficit/(Surplus) on Capital 2033</b>	<b>(£6,303k)</b>

- 1.13 The 10 year budget shows an overall net surplus in funding of £6,303k, which is subject to capital receipts being realised as forecast. If we exclude the capital loans to Breckland Bridge (as these are repaid in a short timeframe) then the capital programme has a surplus of funds in all years except 2024-25, full details are shown in the capital strategy at Appendix G. Currently the budget makes no allowance for borrowing costs, however this will be re-visited regularly and costs included at the relevant time.

## 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 2023-24 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 and supports the priority of Breckland 2035.

### 5.2 **Corporate Priorities**

- 5.2.1 The budget supports the Council's priorities.

### 5.5 **Financial**

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

### 5.6 **Risk Management**

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

### 5.7 **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 CPI – Consumer Price Index
- 7.2 DLUHC – Department for Levelling Up, Housing and Communities
- 7.3 DWP – Department for Work and Pensions
- 7.4 FFR – Fair Funding Review
- 7.5 LTSG – Lower Tier Services Grant
- 7.6 MoU – Memorandum of Understanding
- 7.7 NHB – New Homes Bonus
- 7.8 NI – National Insurance
- 7.9 NNDR – National Non-Domestic Rates
- 7.10 PFI – Private Finance Initiative
- 7.11 RSDG – Rural Services Delivery Grant
- 7.12 RSG – Revenue Support Grant

---

### Background papers:-

---

#### **Lead Contact Officer**

Name and Post: Alison Chubbock, Assistant Director Finance  
Telephone Number: 07967 325037  
Email: alison.chubbock@breckland.gov.uk

**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