

## BRECKLAND DISTRICT COUNCIL

**Report of:** Councillor Philip Cowen, Executive Member Finance Revenues and Benefits and Rob Walker, Deputy Chief Executive

**To:** Cabinet, 6 February 2023  
Full Council, 22 February 2023

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

**Subject:** Budget, Medium Term Financial Plan and Capital Strategy

**Purpose:** To approve the capital and revenue budget estimates and proposed Council Tax, the medium term financial plan and the capital strategy

### **Recommendation(s):**

#### **Recommend to FULL COUNCIL:**

- 1) That the Breckland revenue estimates and parish special expenses for 2023-24 and outlined position through to 2026-27 (as set out in Appendix B and E) are approved.
- 2) That the capital estimates and associated funding for 2023-24 and outline position through to 2032-33 (as set out in Appendix H) are approved.
- 3) That the fees and charges shown at Appendix D and D2, for adoption on 1 April 2023 are approved.
- 4) That the Council Tax is set at £108.63 for a Band D property in 2023-24 (a £4.95 per annum increase on 2022-23 levels).
- 5) That the medium-term financial plan at Appendix A is approved.
- 6) That the capital strategy at Appendix G is approved.
- 7) That with effect from 1 April 2024 (subject to the necessary legislation receiving Royal Assent in time) the Long-Term empty property premium for Council Tax is applied after 1 year and the Second Homes Council Tax premium of 100% is applied
- 8) That the Retail Hospitality & Leisure (RHL) NNDR relief and the Supporting Small Business (SSB) NNDR relief are approved for 2023-24 in line with Government guidelines and criteria.
- 9) That the following approach is adopted for the Council Tax Support Fund:
  - a) To apply the required reductions of up to £25 to all current LCTS claimants to their 2023-24 Council Tax bills in line with scheme guidance
  - b) To maximise the use of the fund by providing an additional top up payment of £12 to all current LCTS claimants to their 2023-24 Council Tax bills
  - c) To retain sufficient funding to provide additional S13A(1)(c) Exceptional Hardship Payment (EHP) funding and use this throughout 2023-24 to support new LCTS claimants with the same one off reduction to their 2023-24 Council Tax bills

## 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 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 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 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 for revenue and 2032-33 for capital, the medium term financial plan and the 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 budget accommodates the final position, the final Local Government Finance Settlement was received on 6 February 2023. Compared to the report to Cabinet, we saw increases in Rural Services Delivery Grant and the Services grant, but this was fully offset by a reduction in the 3% Funding Guarantee Grant.

- 1.3 The draft budget, medium term plan and capital strategy have been considered by Cabinet and Overview and Scrutiny Commission, they have also been available for public consultation on the Council's in advance of any Cabinet recommendations and formal Council decision. We received a small number responses from the public and business consultation, the key messages being:
- Higher banded homes are discriminated against compared to lower band homes through increased Council Tax charges. Please consider keeping the Council Tax increase at a flat rate for all bands.
  - Reserves should be used to absorb as much cost increases as possible to limit the impact on Council Tax rises, as this is just one of many other increases.

Since the draft budget was considered, a significant change in the Business Rates forecast income for 2023-24 and 2024-25 has come forward. This is a result of the change in rateable value from the national revaluation from 1 April 2023, alongside the effects of transitional relief for businesses. The forecast is for an additional circa £0.5m income for 2023-24 and £1m for 2024-25, future years are unchanged. Due to the timing of this forecast and the fact it is short term, for the purposes of this budget, these two amounts have been contributed into the Inclusive Growth reserve, so that considered decisions on their use to support Breckland can be made in future. Although this is a

significant increase to our income for these two years, the challenges to our budget from 2025-26 and beyond after the NNDR reset still remain.

#### 1.4 **Funding**

The final Local Government Finance Settlement was announced on 6 February 2023 and included the following:

- Revenue Support Grant (RSG) increased by CPI
- Rural Services Delivery Grant (RSDG) increased
- 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

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.

The 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 budget once again includes far higher levels of estimates than usual and therefore the actual budgets will likely be different to these estimates. This 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 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 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 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.

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.

#### **Business Rates Reliefs**

The Government has confirmed that the Retail Hospitality & Leisure (RHL) and the Supporting Small Business (SSB) NNDR reliefs will be extended into 2023-24. Local authorities are expected to use their discretionary relief powers (Section 47 of the Local Government Act 1988 as amended) to grant these reliefs in line with the relevant eligibility

criteria set out in government guidelines. The full costs of the reliefs will be fully funded by Government.

RHL and SSB reliefs are automatically applied to NNDR accounts without the need for business to apply. RHL relief is being increased from the current 50% relief to 75% relief with effect from 1 April 2023. The 75% reduction is applied after transitional and small business rates relief have been applied.

SSB relief is being implemented to assist ratepayers following the 2023 revaluation. Any business that was in receipt of small business rate relief (SBRR) prior to 1 April 2023 and who lost part or all of that relief following the revaluation will have their NNDR bill increase limited to a maximum of £600 per annum.

#### 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)**

We will receive a further 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 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 **Second Homes Premium and Long Term Empty Property Premium**

The Levelling Up and Regeneration Bill (Section 72) will give Billing authorities the opportunity to charge the long-term empty premium after 1 year, rather than the current 2 years from 1 April 2024 using their discretionary powers. The long-term empty premium for this length of time is currently 100%.

In addition to this the Levelling Up and Regeneration Bill (Section 73) gives Billing authorities the power to charge 100% premium on dwellings occupied periodically (second homes). To be able to charge this premium the Billing Authority needs to make a determination at least one year before the beginning of the financial year to which the change relates.

Both of these changes require the Levelling Up and Regeneration Bill to receive Royal Assent prior to 1 April 2023 to allow Billing Authorities to enact their powers.

The intention of these changes is to encourage more homes into productive use, rather than to raise revenues.

## 1.10 Council Tax Support Scheme

Alongside the provisional Local Government Finance Settlement in December 2022, the Government announced £100m of additional funding for local authorities to support the most vulnerable households in England.

The Government expects local authorities to use the majority of the funding allocations to reduce Council Tax bills for current working and pension age Local Council Tax Support (LCTS) claimants by up to £25. Councils can then use their remaining allocation as they see fit and determine their own local approach to further support vulnerable households with Council Tax bills. The Council is expected to deliver this using discretionary powers under S13A(1)(c) of the Local Government Finance Act 1992.

Breckland has been allocated £213,105 in funding and propose to adopt the following approach:

- a) To apply the required reductions of up to £25 to all current LCTS claimants to their 2023-24 Council Tax bills in line with scheme guidance;
- b) To maximise the use of the fund by providing an additional top up payment of £12 to all current LCTS claimants to their 2023-24 Council Tax bills;
- c) To retain sufficient funding to provide additional S13A(1)(c) Exceptional Hardship Payment (EHP) funding and use this throughout 2023-24 to support new LCTS claimants with the same one-off reduction to their 2023-24 Council Tax bills.

Support will also continue to be available for those who may be economically vulnerable but just outside of the income threshold for LCTS eligibility through the allocation of S13A(1)(c) awards directly to their Council Tax bills via a separate non-LCTS claim form route. The Council will monitor spend regularly as part of the monitoring requirements and encourage take up of EHP to help maximise funding.

## 1.11 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	£1,256k	£1,606k	£1,606k
Potential future gap	-	-	£790k	£1,251k

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 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.

Since the draft budget was considered in January, we have identified funding for 2 years for a new projects team, funded partly from efficiencies and partly from reserves. This was an area highlighted in the recent Peer Review, recommending additional resource. The team will support all corporate projects, including the Evolve programme, as well as service projects and will provide learning to service areas to enable better project consideration, management and support in future. The service will be reviewed after two years to consider success and future funding if required.

- 1.12 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

- 1.13 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.

- 1.14 The Local Government Act 2003 introduced a requirement that the Chief Financial Officer reports on the robustness of the budget. I am satisfied the estimates have been prepared in a prudent manner, although it is recognised that there are a number of elements outside of the Council's control and these are identified within the risks section of appendix A and will be mitigated through the budget monitoring and risk management processes of the Council.
- I can confirm there is no dependency on reserves to finance recurrent expenditure and appendix A and E gives details of the General Fund and earmarked reserve balances and movements, which I consider to be adequate for the purposes of the Council over the medium term.

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

	<b>23-24 to 32-33</b>
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>

- 1.16 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.
- 4.2 To support businesses through the granting of NNDR reliefs and support bringing homes back into use through discretionary council tax powers.
- 4.3 To support economically vulnerable households through maximising the Government Council Tax Support Fund and our EHP fund.

## 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 took place between 23 December 2022 and 22 January 2023.

## 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 EHP - Exceptional Hardship Payment
- 7.5 FFR – Fair Funding Review
- 7.6 LCTS – Local Council Tax Support
- 7.7 LTSG – Lower Tier Services Grant
- 7.8 MoU – Memorandum of Understanding
- 7.9 NHB – New Homes Bonus
- 7.10 NI – National Insurance
- 7.11 NNDR – National Non-Domestic Rates
- 7.12 PFI – Private Finance Initiative
- 7.13 RHL – Retail Hospitality and Leisure
- 7.14 RSDG – Rural Services Delivery Grant
- 7.15 RSG – Revenue Support Grant
- 7.16 SSB – Supporting Small Business

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### 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