

BRECKLAND COUNCIL

CABINET: 12 JANUARY 2010

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BUDGET SETTING REPORT - ESTIMATES 2010/11



EXECUTIVE SUMMARY:

- Breckland Precept requirement 2010/11 £2,724,574 (2009/10 £2,693,518) an increase of 1.2%
- Council tax increase 2010/11 0% (2009/10 3.35%)
- Council Tax band D 2010/11 £64.05 (2009/10 £64.05)
- Cost per week 2010/11 £1.23 (2009/10 £1.23) – most households will pay less than this
- Changes to fees and charges are proposed from 1st April 2010
- Grant settlement 2010/11 £11,309,066 (2009/10 £11,057,615)
- Special Expense Account 2010/11 £165,180 (2009/10 £148,030)
- An efficiency requirement is set at £167,980 (£455,910 October Draft report) to be delivered by opportunities for Shared Working and collaborative procurement

1. INTRODUCTION

- 1.1 This report outlines the 2010/11 revenue and capital estimates for the General Fund and the proposals for the setting of discretionary fees and charges. The purpose of the report is to ask Members to recommend the 2010/11 estimates to Council, and for Members to be advised on the outline financial position through to 2014/15.
- 1.2 The Local Government Act 2003 introduced a requirement that the Chief Financial Officer reports on the robustness of the budget. The estimates have been prepared in a prudent manner, although it should be recognised that there are a number of elements outside of the Council's control. These have been identified in section 17 of this report and would be mitigated through the budgeting monitoring and risk management processes of the Council.

2. ASSUMPTIONS

- 2.1 The estimates cover the period 2010/11 to 2014/15. Over this timescale it is important we make realistic assumptions as to how costs may rise or fall. The most significant assumptions are given below in table 1.
- 2.2 There is an assumption that revenue budgets will be used to deliver services during the year for which they are approved.
- 2.3 We have allowed for unavoidable growth on services, for example new statutory obligations and contractual inflation.
- 2.4 It is anticipated that service specific grants may reduce in value as part of a programme of public sector spending cuts. This assumption has led to our prudent approach in that where service delivery is dependent on specific grant we have only assumed continuation of grant where such notification has been received.
- 2.5 We have prepared the estimates on the understanding that appropriate service budgets were produced for 2009/10 which have then been adjusted to reflect the changing financial circumstances that the public sector is required to prepare for.
- 2.6 Our assumptions on the return on financial investments were remodelled during the consultation period to reflect the ever-changing financial markets. In addition we have received technical advice which clarified the position relating to the interest element of sums received on impaired Icelandic investments. This treatment has resulted in the interest element being credited to revenue which has increased the forecast interest receivable in the budgets, provided we are able to capitalise the impairment of the principal that was recognised in the accounts in 2008/09. Full details on the latest position on the Icelandic at risk investments are detailed in appendix 10 and are likely to change constantly during the coming months.

Table 1 - Statistical assumptions which influence the 5 year financial plan

| Assumption | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|------------------------------------|---------|---------------|---------|---------|---------|---------|
| General inflation | 0% | 0% | 0% | 0% | 0% | 0% |
| Pay costs increase (non ARP staff) | 1.55% | 0.325% | 0.325% | 1% | 1% | 1% |
| Full Time Equivalent Employees | 335.55 | 280.16 | 274.43 | 271.65 | 271.65 | 271.65 |
| Pension contribution rate | 18% | 20% | 21% | 22% | 23% | 24% |
| Return on cash investments | 3.90% | 2.78% | 3.04% | 4.32% | 4.03% | 4.50% |
| Staffing levels | 96% | 95% | 95% | 95% | 95% | 95% |

Note: The significant change in FTE's is partly due to the transfer of employees to Capita Symonds

3. 2009/10 OUTTURN

- 3.1 An assessment of the 2009/10 outturn will inform the reliance we can place on the baseline we use for setting the 2010/11 estimates. The table below shows the original budget and the key variances approved by Committee as at December 2009.

Table 2 – Assessment of the 2009/10 Outturn

| | £ | £ |
|---------------------------------------|-----------|------------|
| Original budget 2009/10 | | 14,139,180 |
| Efficiency requirement | | 280,465 |
| Salary efficiencies and reduced BPI | (426,480) | |
| Capita Symonds contract | (117,740) | |
| Miscellaneous | (82,846) | |
| Planning reduced income | 330,000 | |
| Land Charges reduced income | 45,000 | |
| Building control reduced income | 10,000 | |
| Subsidy increased income | (225,044) | |
| ARP funding from prior year surplus | (90,295) | |
| Additional funding for birds study | 124,000 | |
| Investment reduced income | 152,940 | |
| Outturn 2009/10 (as at December 2009) | | 14,139,180 |

- 3.2 Officers are forecasting a balanced outturn for 2009/10, however, along with budget underspends where we are able to control budgets tightly between now and March. It is proposed where a surplus does occur that it would be prudent to allocate this towards the 2010/11 efficiency target.

4. GRANT SETTLEMENT

- 4.1 The first 3 year settlement was announced in 2007 and covered the financial years 2008/09, 2009/10 and 2010/11. The settlement is made up of redistributed Non Domestic Rates and Revenue Support Grant. The Secretary of State has announced to the House of Commons the proposed Formula Grant for 2010/11 (on 26 November 09) and a consultation period has started before approval by Parliament. This proposed amount has not changed from the provisional allocations already allowed for in the budget.
- 4.2 For years beyond 2010/11 we have assumed zero growth for a 4 year period which in real terms represents a cut in public sector funding support from Central Government. The Chancellor's pre-budget report did not seek to provide sufficient detail to allow us to make a more informed judgement at this time. Clearly the anticipated national budget deficit will require us to prepare for a very different period of public sector funding. The Local Government Association's budget commentary is attached as appendix 2 to this final budget setting report.
- 4.3 It is unknown whether Government will choose to target Local Authority formula grant as a means of public sector spending cuts in the future, however it is quite clear there will be a further expectation for local authorities to work smarter and generate further efficiencies. The sensitivities of this are modelled within section 17 of this report.
- 4.4 Our base assumptions on the settlement are shown below,

Table 3 – Grant Settlement

| | 2009/10 £ | 2010/11 £ | 2011/12 £ | 2012/13 £ | 2013/14 £ | 2014/15 £ |
|-------|--------------|-------------------|--------------|--------------|--------------|--------------|
| NDR | 9,706,405 | 9,927,129 | 9,927,129 | 9,927,129 | 9,927,129 | 9,927,129 |
| RSG | 1,351,210 | 1,381,937 | 1,381,937 | 1,381,937 | 1,381,937 | 1,381,937 |
| Total | 11,057,615 | 11,309,066 | 11,309,066 | 11,309,066 | 11,309,066 | 11,309,066 |
| % + | 2.65% | 2.27% | 0.00% | 0.00% | 0.00% | 0.00% |

5. COLLECTION FUND

- 5.1 Every year the Council is required to calculate the balance on its Collection Fund. It has been a target of the Medium Term Financial Strategy to have a zero balance, we recognise in changing economic circumstances this may be difficult hence the change to a minimal balance. Figures indicate a deficit of £1.2m. Breckland's share of this for 2010/11 would be approximately £99,000.

Table 4 – Collection Fund

| 2009/10 £ | 2010/11 £ | 2011/12 £ | 2012/13 £ | 2013/14 £ | 2014/15 £ |
|--------------|---------------|--------------|--------------|--------------|--------------|
| (34,883) | 99,000 | 0 | 0 | 0 | 0 |

6. TAX BASE

6.1 The tax base assumptions are shown below (Number of Band D properties).

6.2 The tax base is assumed to rise by 0.50% from 2010/11 to 2011/12. For all future years a 1% increase has been forecast. For 2010/11 and future years, the tax base includes a non-collectable adjustment to take account of non payment of Council Tax.

Table 5 – Tax Base

| 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|---------|---------------|---------|---------|---------|---------|
| 42,051 | 42,538 | 42,750 | 43,178 | 43,610 | 44,046 |

6.3 The draft tax base for all parishes is shown in appendix 11.

7. 2009/10 ESTIMATES

7.1 The following table shows the estimates by type of expenditure/income split over the CIPFA standard classification. Notes are provided to inform upon budget variances. Details of the overall position are shown at Appendix 1.

Table 6 – Estimates by expenditure/income

| | | 2009/10 £ | 2010/11 £ | Variance £ | Variance % |
|----|----------------------------------|---------------------|---------------------|----------------|---------------|
| 1 | Employees | 11,543,090 | 8,722,110 | (2,820,980) | (24.44%) |
| 2 | Premises | 2,133,110 | 2,179,720 | 46,610 | 2.19% |
| 3 | Transport | 439,530 | 349,520 | (90,010) | (20.48%) |
| 4 | Supplies and Services | 14,687,510 | 14,637,840 | (49,670) | (0.34%) |
| 5 | Drainage Board Levies | 50,680 | 51,940 | 1,260 | 2.49% |
| 6 | Transfer Payments | 32,065,190 | 39,428,240 | 7,363,050 | 22.96% |
| 7 | Support Services | 5,145,740 | 4,617,270 | (528,470) | (10.27%) |
| 8 | Capital Charges | 1,240,660 | 1,861,950 | 621,290 | 50.08% |
| 9 | Capital Financing | (3,843,545) | (1,138,420) | 2,705,125 | 70.38% |
| | Total Expenditure | 63,461,965 | 70,710,170 | | |
| | | | | | |
| 10 | Rents | (2,686,420) | (2,631,760) | 54,660 | 2.03% |
| 11 | Fees and Charges | (2,913,410) | (2,981,560) | (68,150) | (2.34%) |
| 12 | Grants | (34,237,830) | (41,594,700) | (7,356,870) | (21.49%) |
| 13 | Other | (4,126,260) | (4,381,720) | (255,460) | (6.19%) |
| | Total Income | (43,963,920) | (51,589,740) | | |
| 14 | Growth Bids | 0 | 0 | | |
| 15 | Contingency/(Efficiency Savings) | (280,465) | (167,980) | 112,485 | |
| | Less Trading Units | (5,078,400) | (4,560,130) | 518,270 | |
| | Budget Requirement | 14,139,180 | 14,392,320 | 253,140 | |

Note 1 – Employee costs have reduced as fixed term posts come to an end and the transfer of employees to Capita Symonds. However, the pension contribution rate has risen to reflect a lower establishment.

Note 2 – Premises costs have risen as a result of increased grounds maintenance costs. Business rates have increased. Utility costs have reduced due to lower negotiated contract prices.

Note 3 – The reduction in transport costs reflects the transfer of employees to Capita Symonds.

Note 4 – The increases within Supplies and Services reflect contract inflation on major contracts (ie: Street Scene, Waste Collection) and the Supplies and Services figures now include the contract payment to Capita Symonds. In 2009/10, Match Funding grants were budgeted to be contributed from Reserves. The Authority's contribution payable under the Concessionary Bus Fares Scheme has significantly reduced following changes in legislation which have resulted in changes to the way the costs of the Norfolk Scheme are allocated to the District Councils.

Note 5 – Drainage Board levies include an inflation increase.

Note 6 – Transfer Payment costs are mostly Housing Benefit and Council Tax Benefit payments and an increase in claims has been assumed in this area due to the current economic climate. The increase is offset by income (see note 12).

Note 7 – Recharges for support services have reduced due to planned efficiencies in IT, HR and Finance totalling £175,000. In addition, income received from Capita for their use of some support services has reduced the total support services recharges to Breckland cost centres.

Note 8 – Capital charges have risen to reflect higher depreciation and additional deferred charges arising from the capital programme.

Note 9 – Capital Financing costs reflect the appropriations to and from reserves and the reversal of the capital charges figures. The decrease in 2010/11 mirrors the lowering of the spend on match funding (see note 4). This is partly offset by an additional contribution to reserves, as the draft estimates include an appropriation of £195,000 to be used to fund the development of rural transport schemes. This has been enabled as a result of a reduction in Breckland's share of the concessionary bus fares scheme in Norfolk being reduced, although this has been partly offset by a reduction in central government funding for this service.

Note 10 – Rental income has decreased with lower assumptions used for occupancy rates within Offices and Commercial Property, which is prudent in the current economic climate.

Note 11 – Fees and Charges have been reviewed, these changes are detailed in section 9 of this report. There have been changes in volumes to reflect lower levels of activity.

Note 12 – Grant income has risen as a result of an increased forecast of benefit payments (see note 6).

Note 13 – Other income includes additional interest receivable from the Icelandic investments being reflected in the Income and Expenditure Account. Previously this had been transferred to the balance sheet in accordance with financial regulations. This treatment relies on the Council receiving approval to capitalise the impairment on investments in 2009/10.

Note 14 – Approved growth bids have been added into the mainstream budgets and un-approved bids have been removed from the budget.

Note 15 – Efficiency savings are required in 2010/11 and are to be delivered by opportunities for shared working and collaborative procurement. The budget presented to Cabinet in October showed a Breckland precept requirement of £14,391,540 with an efficiency requirement of £455,910. During the consultation period, changes have been made resulting in a reduced efficiency requirement. The table below details the main reasons for these changes.

| | |
|---|-----------------|
| Breckland efficiency requirement as at 27 October 2009 | £455,910 |
| Increased grant contribution to fund general election | (11,000) |
| Adjustment to challenge day efficiencies | 18,300 |
| Contact centre rental of The Guildhall | (3,050) |
| Future efficiencies in HR & Finance (Capita) | (62,470) |
| Reduced contribution to ARP (reference support services) | 30,340 |
| Approved growth bid Business Improvement Team | 6,810 |
| Additional interest receivable resulting from recent Icelandic guidance | (266,080) |
| Increase in tax base | (780) |
| Breckland efficiency requirement as at 12 January 2010 | £167,980 |

8. POLICY CHANGES

8.1 The 2010/11 budget position reflects the established policy and procedures of the Council. Several amendments to policy and procedures are recommended and are detailed within the report.

8.2 Firstly the Corporate Management Team were tasked with removing 10% of net controllable expenditure and thereby assisting with a sustainable and balanced budget against the backdrop of anticipated public sector spending cuts (as detailed in section 4). Table 7 below outlines how Service Managers and the Corporate Management Team have delivered this challenge. The budget cuts have come about through a thorough review of historic spend compared to budget, efficiencies in procurement costs, a review of discretionary budgets and a review of payroll costs. In particular Members may want to be reassured that the budget reductions will not directly impact on service delivery and where they do to what extent.

8.4 Table 7 – Budget Requirement Changes – Efficiencies and Pressures

| | |
|---|--------------|
| Original Budget Requirement 2010/11 | £14,550,300 |
| 10% Efficiency | £1,455,030 |
| Budget challenge day | (£465,820) |
| Reduction in Salaries – Cost of living and Restructures | (£463,190) |
| Community Transport | (£160,120) |
| Capita Symonds P&BC contract | (£191,845) |
| Miscellaneous | (£82,265) |
| PFI | (£64,260) |
| CCTV contract | (£27,530) |
| Efficiency Savings | (£1,455,030) |

8.5 A number of budget pressures, in particular in relation to income forecasts affected by the downturn in the economy, have been reflected in the 2010/11 budget. For example, the reduction in property development activity and house sales has led to a reduction of £306,000 in Development and Building Control, and Local Land Charges income. In response to legislative changes we have removed an income budget for the environmental search element relating to Local Land Charges. This is a precautionary measure and is subject to clarity being received on the legitimacy to charge at a national level.

8.6 In addition to property activity the economic downturn has also impacted other sources of income. Recycling credits have reduced by £120,000. The volumes of materials being collected have reduced. This is coupled with reduced demand for recycled materials impacting the market price that recycled materials can command. In contrast, the income earned from commercial property rents has held up remarkably well, with the budget forecast only being reduced by £37,000.

- 8.7 Bids from service areas for future revenue growth items have been received and analysed. One growth bid relating to the Business Improvement Team has been included within the proposed budgets. The remaining growth bids have not been included within the final budget and Service Managers will be required to re-prioritise their existing budgets in order to undertake any new work that is deemed to be a higher priority to the Council. In effect this approach will allow the realignment of budget to priorities whilst being within the parameters of an affordable budget.
- 8.8 Growth bids approved during the 2009/10 budget setting process are included at appendix 8, with information regarding the projects' progress to date. We have also included £39,000 for consultation as the budget had been reduced in the previous year below the level needed to meet statutory requirements. Audit fees have increased by £26,000, as the ARP Joint Committee is required to produce audited financial statements, and internal audit fees have risen in 2010/11 to reflect the number of audit days in the approved audit plan. An additional £182,000 has been incorporated in the base budget to address the establishment requirements for the Customer Contact Centre. This had been funded by growth bids in previous budget rounds. However, if the service is to be maintained, it needs to form part of the base budget. An additional £13,600 has been made available to investigate and implement business improvement efficiencies which will result in reductions in the costs of running services.
- 8.9 The delivery of the Council's priorities are attached to the business planning process of the Council. This year we are running the budget setting process and business planning process concurrently in order that the decisions we make over what we will do are fully resourced and prioritised. This budget report includes Appendix 3 which contains an example of a Service Team Plan for 2010/11 which explains what we aim to do with the proposed budget and further more what levels of performance can be expected.
- 8.10 The grant settlement for Housing Planning Delivery Grant for 2009/10 was confirmed during the budget consultation period and there is no change to the amount budgeted for. Currently it is assumed that we will not receive any grant funding for 2010/11, as consultation has not yet begun on this. Once an announcement is made on future Housing Planning Delivery Grant allocations, the Council could consider growth requests around delivery of the LDF.
- 8.11 An indicative item of £195,000 has been included in the draft budget to support the development of rural transport schemes. Further work needs to be undertaken in this area to establish a firm scheme and budget.

9. FEES AND CHARGES (excluding rents)

- 9.1 Income from fees and charges is an important source of revenue income for the Authority. Charges have a central role to play in service delivery, raising income, controlling access, responding to competition, funding investment and affecting public behaviour.
- 9.2 In 2008 there was a fundamental review of volumes of activity and the fees charged where the Authority has discretion. Service Managers reviewed and produced policy statements which gave rise to the current fees and charges. Clearly the trading position of the Council has changed over the last 12 months with a general slowdown in business caused by the downturn in the economy. Areas such as planning fees are now operating at a lower volume than in recent years. In 2009 Managers have focused on whether there has been an opportunity to increase fees where comparatively to other service providers the Breckland charge is low and whether there is a need to lower charges or review concessions where the recession has raised the need for increased community support. Clearly these objectives can be competing hence this year all proposed changes are backed up with the rationale for change. All fees and charges proposed for 2010/11 are shown at Appendix 4.
- 9.3 The main changes arising from the review are:
- An increase in Building Control fees following a benchmarking exercise comparing Breckland to other local service providers. This exercise has suggested that Breckland can increase fees and remain competitive.
 - Advertising space in Breckland Voice has been increased.
 - Further development of the Choice Based Lettings system has allowed the council to introduce charges to Landlords for membership and placements (Key Select).
 - Licensing fees have not been increased pending an internal review of the service.
 - The Council has stopped charging for the environmental data within search fees, until such time that further legal advice is received from the LGA.
- 9.4 It is also an observation of our budget and of our Medium Term Financial Strategy that there remains an opportunity to consider the introduction of charging for off street car parking. At this moment in time it is apparent that our nearest

neighbours do charge for such services. In addition the Council had a growth request to fund increased maintenance costs to ensure car parks across the district are fit for purpose. It is therefore suggested that this matter be fully evaluated to allow Members to consider the fit against their corporate priorities, financial planning requirements, requests from partner organisations and consultation feedback.

- 9.5 The budget presented does not include any income relating to CCTV, however this remains a potential income earning area and the budget holder will continue to progress work investigating this potential income.

10. RESERVES

10.1 In order to comply with the requirements of the Local Government Act 2003, the Authority should undertake a review of the level of reserves as part of annual budget preparation. Our Medium Term Financial Strategy states that a review of the Council's reserves is undertaken and reported to Cabinet for consideration. A review of the current position in respect of reserves has been undertaken, including a review of the current and future risk assessments. This has included an assessment of risk registers, pressures upon services, inflation and interest rates and any underwriting arrangements. The proposed budget does not require any long term support from balances, however the challenging circumstances around performance of Commercial Property, investment income at risk and specific contractual challenges has required us to undertake a robust sensitivity analysis should these events require us to draw upon balances. Whilst it is apparent these risks could be financially significant our reserves are healthy.

10.2 The following observations are made of our reserves;

- The PFI reserve is running at a low level however the anticipated costs of PFI are fully allowed for within the base budget and not now requiring support from reserves. With the planned benchmarking review in year 7 there is a possibility of increased or decreased costs which the Council will have to evaluate and respond to as necessary. There remain several contractual matters around the PFI arrangements that may or may not result in additional costs to the Council. Due to this uncertainty it is proposed our General Fund is maintained at its current level to provide protection from such one off events.
- The Council holds £2.01m at 1 April 2010 within a match funding reserve. The Council should ensure that it is able to support this level of investment and indeed whether the match funding scheme, being of a discretionary nature, remains value for money against the Council's own capital investment needs.
- The Organisational Development reserve stands at £1.74m in 2009/10 and is largely unallocated. It is proposed this money is used to assist the Council in the development of a shared services initiative. Such usage may cover feasibility, implementation and employment implications. The Council has been able to reduce its revenue costs following changes to the methodology for allocating the costs of the concessionary bus fares scheme within the county. This has enabled it to increase the contribution to this reserve from 2009/10 onwards in order to fund the development of rural transport schemes. Therefore at 2014/15 £1.17m of the balance of this reserve is earmarked for transport schemes.
- The Waste and Recycling reserve has built up to a healthy level during the initial years of the contract and now that the contract has reached the later years of the 10 year term, the funds are now being applied over the remaining years of the contract in line with predicted cost changes.

Table 8 - Summary of the proposed movement on General Balances

| £000's | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|--------|---------|--------------|---------|---------|---------|---------|
| B/fwd | 5,164 | 3,464 | 3,464 | 3,464 | 3,464 | 3,464 |
| In | - | - | - | - | - | - |
| Out | (1,700) | - | - | - | - | - |
| C/fwd | 3,464 | 3,464 | 3,464 | 3,464 | 3,464 | 3,464 |

Table 9 - Summary of the proposed movement on Specific Reserves

| £000's | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|--------|---------|----------------|---------|---------|---------|---------|
| B/fwd | 7,355 | 7,153 | 6,832 | 6,482 | 6,473 | 6,528 |
| In | 4,372 | 2,210 | 1,958 | 1,957 | 1,957 | 1,957 |
| Out | (4,574) | (2,531) | (2,308) | (1,966) | (1,902) | (1,846) |
| C/fwd | 7,153 | 6,832 | 6,482 | 6,473 | 6,528 | 6,639 |

- 10.3 Moving forward the General Fund balance stands at £3.5m which I believe to be prudent for this authority at this time.
- 10.4 Appendix 5 outlines the position statement on reserves. This shows the name of each specific reserve, the purpose for which it is held, the balance as at the 1st April 2010 throughout the financial plan, and the movements in and out.

11. BUDGET REQUIREMENT

- 11.1 The proposed budget requirement and demand on Council Tax is illustrated below.

Table 10 – Budget Requirement

| | 2009/10 | 2010/11 |
|--------------------------|--------------|--------------|
| Budget requirement | 14,139,180 | 14,392,320 |
| Settlement | (11,057,615) | (11,309,066) |
| Area Based Grant | (197,200) | (292,500) |
| LABGI | (77,700) | 0 |
| Collection Fund | 34,883 | 99,000 |
| Special Expenses | (148,030) | (165,180) |
| Breckland Precept Demand | 2,693,518 | 2,724,574 |
| Tax base | 42,051 | 42,538 |
| Band D Council Tax | £64.05 | £64.05 |
| Percentage Increase | 3.35% | 0.00% |

11.2 The Council Tax percentage increase for 2010/11 will be 0.00% which was the aspirational target stated within Medium Term Financial Strategy.

12. FORWARD ESTIMATES

- 12.1 Outline estimates through to 2014/15 are shown at Appendix 1. In compiling these figures we have followed the assumptions recorded in Section 2 of the report and made specific adjustments to service budgets as and where Service Managers have advised of change over the medium term. These forward estimates allow for an aspirational Council Tax freeze for 2 further years followed by a return to increases in line with Consumer Prices Index assumptions.

Table 11 – Forward Estimates

| | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|---------------------------------|------------------|------------------|------------------|------------------|
| Budget requirement | 14,170,178 | 14,201,575 | 14,290,562 | 14,382,464 |
| Settlement | (11,309,066) | (11,309,070) | (11,309,070) | (11,309,070) |
| Area Based Grant | 0 | 0 | 0 | 0 |
| Collection Fund | 0 | 0 | 0 | 0 |
| Special Expenses | (122,870) | (126,750) | (126,750) | (126,750) |
| Breckland Precept Demand | 2,738,242 | 2,765,755 | 2,854,742 | 2,946,644 |
| Tax base | 42,750 | 43,178 | 43,610 | 44,046 |
| Band D Council Tax | £64.05 | £64.05 | £65.46 | £66.90 |
| Percentage Increase | 0.00% | 0.00% | 2.20% | 2.20% |

- 12.2 These forward estimates demonstrate a balanced and sustainable financial plan on the assumption that the authority is successful in delivering its efficiency targets, is able to contain payroll costs and the level of investment income returns back to “normal” levels. Further information on efficiencies is provided in section 15 of this report.
- 12.3 The special expense charge is made for the maintenance of lighting on public footpaths in the Dereham, Thetford, Watton and Bawdeswell. This is in addition to the precept raised by Breckland Council across the district. Attleborough and Swaffham have elected to be recharged directly for their public lighting costs, so it forms part of their own precept. Other parish councils maintain their own footpath lighting requirements and also manage this cost through their own precept.

12.4 The following table sets out the budget requirement for the five market towns and a parish who have lighting maintained by the council. Energy price budgets have reduced, but this will not necessarily feed through to the special expense until variances from previous years have worked through. Attleborough and Swaffham, who are charged directly for their share of the lighting costs will see these benefits immediately, as there is no delay caused by the precept setting process and matching outturn figures to the estimate.

Table 11 – Special Expense Public Lighting

| | Bawdeswell | Dereham | Thetford | Watton | Attleborough | Swaffham |
|---------------------------------|------------|------------|-------------|------------|--------------|------------|
| Street Lighting Amount Raised | £441.10 | £22,662.33 | £108,374.94 | £33,701.88 | - | - |
| 2010/11 Tax Base | 281.20 | 5973.00 | 6656.75 | 2438.75 | - | - |
| Band D Equivalent | £1.57 | £3.79 | £16.28 | £13.82 | - | - |
| 2009/10 Band D Comparison | £1.76 | £3.22 | £16.03 | £9.37 | - | - |
| Amount Charged Directly 2010/11 | - | - | - | - | £27,878.66 | £24,037.30 |

13. CONSULTATION

- 13.1 The budget consultation process for 2010/11 comprised of a number of elements. Firstly we have undertaken a survey with the Citizens Panel. We have asked about the level of council tax we should charge next year, and ways to fund other improvements to services. In addition we have sought views on residents' priorities for spending, against the headings in our Business Plan. Tracker questions are also asked on satisfaction with aspects of the Council's services.
- 13.2 Secondly we have carried out a business ratepayer's consultation event which is a statutory requirement. The council maintains its commitment to supporting businesses in the district, and is lobbying on behalf of these businesses to support their challenge to changes to the business rating system that has resulted in a number of significant increases in rateable values.
- 13.3 In addition to this we have taken the budgetary proposals through the Audit Committee to allow challenge from both a financial and governance viewpoint.
- 13.4 Finally, by bringing the budgetary proposals forward early in October, the period up until the 11th January 2010 has allowed for a lengthy period of consultation for any interested parties who may wish to challenge and review our income and expenditure plans and how they relate to both national and local priorities.
- 13.5 Feedback from these consultation exercises has helped shape the budget. This has resulted in this report submitting a supported budget proposal to Cabinet which is affordable, sustainable and aligned to the priorities of the Council. This budget is also supported by an Annual Delivery Plan informed by the consultation that demonstrates what the Council will deliver within the constraints of its annual budget.
- 13.6 Highlights from the budget priority survey are shown in Appendix 9 and include.
- Support for council tax to be set in order to maintain services. This has been achieved through the setting of a balanced and sustainable budget without any cuts to services.
 - Support for income generation from letting commercial property and working in partnership. This is being explored through looking at opportunities for shared working with other local authorities.

- Importance of service provision for managing finances well, reducing crime, tackling anti-social behaviour and keeping the streets clean. The service levels for these areas have been maintained within this budget and joint working with the Police is currently being explored which will help with addressing crime and tackling anti-social behaviour.
- Support for initiatives that create quality job opportunities. Re-allocation of existing budgets in order to fund the REV-Active project will help to support the create and protect local jobs. In addition, the project will also seek to reduce carbon emissions within the District.

14. VALUE FOR MONEY

- 14.1 The Value for Money (VFM) agenda is about working more efficiently and effectively to deliver better public services which sustain and strengthen our communities; at each service level across the authority managers are required to demonstrate VFM. It is however, more than simply cuts in services and budgets; the response to the VFM agenda includes innovation in service delivery, investment in technology, rationalisation of back office functions, and organisational development. This requires the bringing together of cost and performance data from a variety of sources in order to establish and compare unit costs. This information has been captured on a VFM statement which will inform both the budget setting and budget scrutiny process. We want to make sure tax-payers in Breckland are getting VFM and that funds are available to improve front-line services to the community while ensuring the impact on council tax is contained.
- 14.2 This year we have responded to 'an area for improvement' as recognised under our Use of Resources inspection by undertaking a review of benchmarking data for our services. This allows the Council to assess the performance of its services in relation to similar organisations and perhaps suggest where we can learn from others or indeed help other public sector providers in the way they deliver their services. The information for this benchmarking will be provided from a number of sources where appropriate. Service Managers will provide indicators in the Service Plans that demonstrate how their service delivers value for money, SPARSE Rural Services Network provide analysis around a number of performance data sets as do the Audit Commission through their Value for Money Tool. Additionally we will be looking at benchmarking and further understanding costs and benefits of both contractual and non-contractual partnership working to ensure we maximise value for money to our tax-payers in these areas.

15. EFFICIENCY TARGETS

- 15.1 The draft budget recognises a challenging yet manageable position through the 5 year period of our financial plan. A key factor here being an assumption that investment income will return to a more “normal” level. The significance of this is that a 1% increase in base rates is worth around £270,000 per annum to the Council (at current balances levels). With the advent of the current levels of base rate we are able to demonstrate how hard Officers and Members have worked to set a budget for 2010/11. This work leads us to a level of efficiency that is needed to set a balanced budget of £167,980. This efficiency target will be delivered through shared services and collaborative procurement. It should be noted that the Council had an efficiency target of £280,465 to achieve during 2009-10 and this target has been achieved, therefore the efficiency target for 2010-11 should be achievable with the current culture and financial processes in place.
- 15.2 In addition the theoretical efficiency planning and monitoring regime for 2008/09 to 2010/11 aims for the public sector as a whole to make cash releasing efficiency savings of 10.3% by 2010/11 against the 2007/08 baseline expenditure figure (an additional 1% was added to the original efficiency target of 9.3% following the 2009 budget). The financial settlements for local authorities have been made with this in mind. The LGA pre-budget commentary report (shown at appendix 2) sets out a number of efficiency savings identified to come from local government, including;
- £550m from more efficient waste collection and disposal; reducing the burdens of inspection, assessment and reporting requirements across government; and reducing duplication and inefficiency between different tiers of government.
 - £180m from improvements to the administration of concessionary travel.
 - £340m from a variety of measures reducing regeneration spending.
 - £160m from clamping down on fraudulent access to social housing tenancies and rationalising CLG community programmes and ending time-limited schemes.
 - The Government is also proposing to save £300m by improving efficiency across the public sector, although there are no details relating to this currently.
- 15.3 There will be no specific efficiency targets for individual Councils except where these are negotiated as part of an LAA target. Formal assessment, monitoring and inspection may be at LAA/CAA (Local Area Agreement/Comprehensive Area Assessment) level, generating a need to monitor efficiencies on a partnership as well as an organisational basis. Councils are under no obligation to do so but can and probably should calculate their own baseline expenditure and target(s) to ensure each makes at least a proportionate contribution to the targets for the LAA as a whole.

- 15.4 The targets identified for Breckland are shown below along with the approach we hope will deliver these targets. Monitoring of council performance will be undertaken through a new national performance indicator, NI179 and will be reported to the community within our Council Tax leaflet.

Table 12 - Efficiency Targets

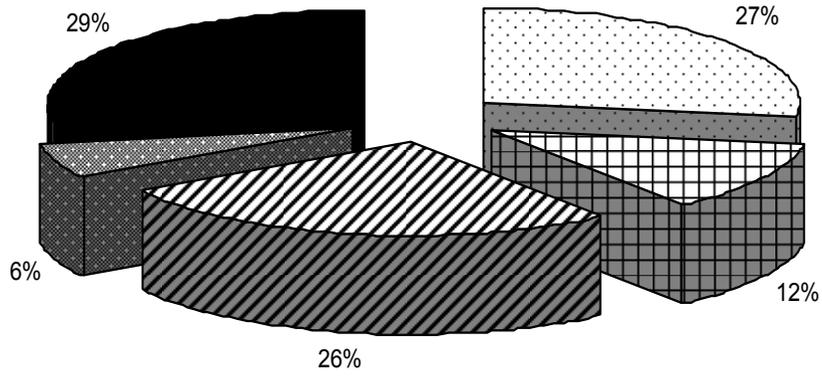
| | 2009/10 | 2010/11 |
|------------------------------------|------------|------------|
| Budget Efficiency Requirement | £280,465 | £167,980 |
| Theoretical Efficiency Requirement | £1,597,773 | £2,697,879 |
| NI179 Theoretical 10.3% Target | 6.1% | 10.3% |

- 15.5 Our approach to realising efficiencies will include the work of the Business Improvement Team, Procurement and contract opportunities and larger business transformation projects which may involve working in partnership through the sharing of services. The realisation of these efficiencies will be incorporated into the annual business planning process.
- 15.6 The delivery of these efficiencies are recognised as a key challenge to the authority.
- 15.7 Delivery of these cashable efficiencies will provide opportunity to limit Council Tax rises and redirect resources towards priority services.

16. LINKING RESOURCES TO PRIORITIES

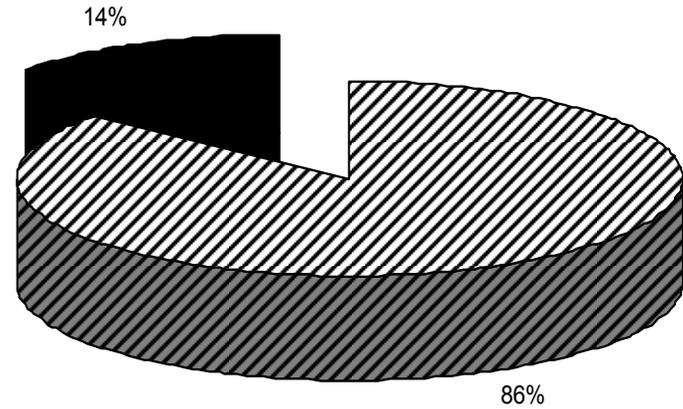
- 16.1 Our Medium Term Financial Strategy commits to ensure maximum resources are made available to deliver upon the agreed corporate priorities. As part of the 2010/11 budget setting process we have set a baseline to show how the resources will be allocated into these priority areas. It will then become an aspiration of the Council to manage and amend budgets to steadily increase funding available for the highest priorities. This in effect will be an output from meeting our efficiency targets and having the opportunity to redirect resources to areas of public importance without having to increase spending.
- 16.2 The charts over the page show our proposed service budgets for 2010/11 split between statutory and discretionary services and also by Council priorities.
- 16.3 Appendix 6 gives a breakdown of those services categorised as discretionary. These categorisations are a high level assessment made by Service Managers.
- 16.4 Members may also wish to review both statutory and discretionary services to look at the level of investment in those areas.

2009/10 Gross Expenditure by Priorities



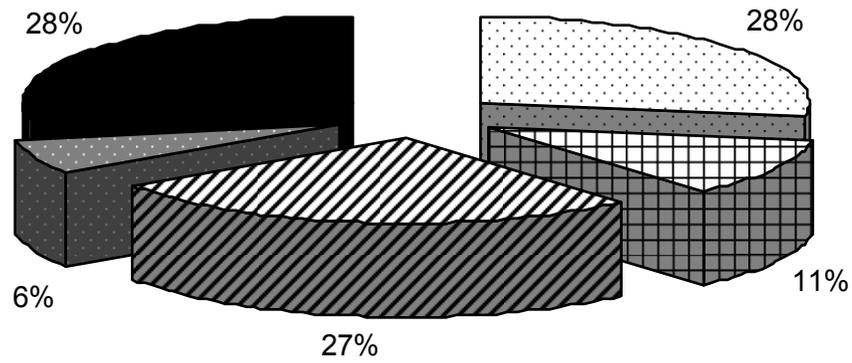
- Building Safer & Stronger Communities
- ▣ Environment
- ▤ Prosperous Communities
- ▥ Your Council, Your Services
- Entrepreneurial Council

2009/10 Gross Expenditure Statutory/Discretionary Split



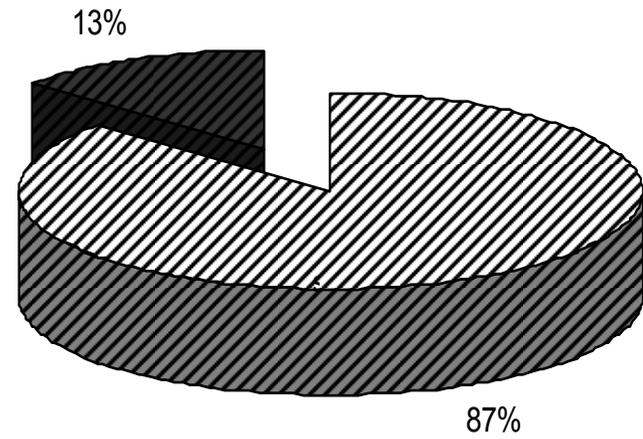
- ▤ Statutory
- Discretionary

2010/11 Gross Expenditure by Priorities



- Building Safer & Stronger Communities
- ▣ Environment
- ▤ Prosperous Communities
- ▥ Your Council, Your Services
- Entrepreneurial Council

2010/11 Gross Expenditure Statutory/Discretionary Split



- ▤ Statutory
- Discretionary

17. RISK AND SENSITIVITY

17.1 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 to it. It has a duty to take into account the demand for its services, and the effect upon council taxpayers of meeting those demands at varying levels of services. I have examined the budget proposals contained in this report, and believe that whilst the spending and service delivery proposals contained within are tighter than we have previously set, they are nevertheless achievable and deliverable given good management practices and sound financial and performance monitoring. I am satisfied that the requisite management processes exist within the Council to deliver this budget, and to identify and deal with any problems, which may unexpectedly arise throughout the year. We fully expect there to be a need to review these budgets before the start of the financial year in order that we can respond to as yet undefined financial risks. As an organisation we recognise a period of budgetary turbulence and we will use our financial management processes to identify options that will allow us to adjust our budgetary position as and when required.

17.2 The following table shows the key risks and how we intend to treat them through our risk management practices.

Table 13 - Key Risks

| Risk | Likelihood | Impact | Action |
|---|------------|--------|---|
| Reduced public sector funding from Central Government | High | High | Liaise with LGA and make prudent budget assumptions that are capable of being revised |
| Low income levels from fees and charges | Medium | Medium | Revise spending plans |
| Continuation of low interest rates | High | High | Market advice and forecasting. Mitigation by diversification |
| Pension fund deficit | Medium | Medium | Strong links with Norfolk CC Pension Fund |
| Efficiency targets | High | Medium | Robust efficiency plans, including shared services |
| Impaired investment within Icelandic banks | High | High | Strong liaison with the Local Government Association (see appendix 10) |
| Disproportionate loss of Government funding for Concessionary Bus Fares | Low | Medium | Liaison with the scheme administrator before transfer to County Council in 2011/12 |
| Risk | Likelihood | Impact | Action |

| | | | |
|--|--------|--------|--|
| Change in guidance relating to Icelandic interest income resulting in reduced revenue income | Medium | High | Continued CIPFA guidance. Apply to CLG to capitalise the impairment. |
| Increased costs of ICT provision following contract termination | Low | Low | A new way of service delivery will be central to the Council's efficiency agenda |
| A loss of matched funding support from project partners | High | Medium | Ensure projects only proceed once firm and binding commitments are received |
| Additional bad debts as a result of economic circumstances | High | Medium | Pro-active debt management and pre-pay fee policies. |
| Increased annual maintenance costs of ageing physical assets | Medium | Medium | Move towards a pro active rather than reactive maintenance programme |
| Additional benefits anticipated from strategic contracts not being delivered | Medium | Low | Greater liaison and monitoring with and of our partners |
| Inflation rises by more than budgeted projections | Medium | Medium | Budget assumptions kept up to date with most recent projections |
| Third party contributions are contingent upon the delivery of Thetford Enterprise Park Project | High | Low | Ongoing governance of all external funding agreements |

17.3 In addition to the risks identified we have calculated a sensitivity analysis of two key variables. Firstly we have looked at the sensitivity around our Government Settlement and secondly the sensitivity around base rate and return on cash investments. The following tables show the sensitivity analysis relating to these two areas.

Table 14 - Base rate and return on cash investments sensitivity

| Average rate of return | Average cash balance | | | | |
|---------------------------------------|----------------------|-----------|-----------|-----------|-----------|
| % | £17m | £22m | £27m | £32m | £37m |
| Annual investment income (£'s) | | | | | |
| 0.78 | 132,365 | 171,296 | 210,227 | 249,158 | 288,089 |
| 1.78 | 302,064 | 390,906 | 479,748 | 568,591 | 657,433 |
| 2.78 | 471,763 | 610,516 | 749,270 | 888,024 | 1,026,777 |
| 3.78 | 641,461 | 830,126 | 1,018,792 | 1,207,457 | 1,396,122 |
| 4.78 | 811,160 | 1,049,737 | 1,288,313 | 1,526,890 | 1,765,466 |

Table 15 – Settlement sensitivity

| Settlement | | |
|------------|-------------------------|------------------------|
| % change | Annual settlement (£'s) | Annual Reduction (£'s) |
| -20.00% | 9,047,253 | 2,261,813 |
| -10.00% | 10,178,159 | 1,130,907 |
| -5.00% | 10,743,613 | 565,453 |
| -2.50% | 11,026,339 | 282,727 |
| 0% | 11,309,066 | 0 |

18. CAPITAL PROGRAMME

- 18.1 The Capital Programme has been created to meet the priorities of the Council. It is a programme that is fully funded. The schemes are set out in Appendix 7.
- 18.2 Each scheme is supported by a Capital bid form, formulated where appropriate after the consideration of options.
- 18.3 The Cash flow implications of all schemes and the impact on revenue have been included within the revenue budgets over the five year programme.
- 18.4 It should be noted the joint preparation of both a Five Year Revenue and Capital Programme should ensure a sustainable financial position for Breckland Council.
- 18.5 The table below details the proposed capital spend for the authority.

Table 16 – Capital Spend

| Description | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|--------------------|-----------|-----------|-----------|---------|---------|
| Proposed programme | 4,194,710 | 1,206,755 | 1,206,755 | 840,000 | 835,000 |

- 18.6 The programme contains both annualised projects to be delivered in year and larger projects that will span more than one year. If a new project is to be included within the capital programme it must be more than an idea. As a minimum criteria, costs, timescales, funding agreements, governance arrangements, risks and outcomes will be clearly specified for all named projects. The delivery of the capital programme will then be monitored by the Capital Programme Working Group.
- 18.7 In recognition that the Council will need to react to opportunities of funding and joint working as and when they arise, it is anticipated the capital programme will be subject to additional schemes as and when they meet the criteria stated in 18.6.
- 18.8 In addition to this capital programme, the Council are also acting as the accountable body for the various Moving Thetford Forward Project. The capital projects being carried out as part of this scheme are shown at appendix 7B. These are shown separately to the Council's main capital programme as these projects are being led and delivered by other organisations. Any projects being led & delivered by Breckland are included in appendix 7.

19. OPTIONS

- 19.1 There are no alternative options presented, however Cabinet are able to make amendments before recommendation to Full Council.

20. REASONS FOR RECOMMENDATION

20.1 To comply with the budgetary and policy framework.

21. RECOMMENDATIONS

- 21.1 That the Breckland revenue estimates and parish special expenses for 2010/11 and outline position through to 2014/15 are recommended to Full Council.
- 21.2 That the capital estimates and associated funding for 2010/11 and outline position through to 2014/15 are recommended to Full Council.
- 21.3 That the fees and charges shown at appendix 4, for adoption 1st April 2010, are recommended to Full Council.
- 21.4 Recommend to Full Council that Council Tax for a band D property in 2010/11 is set at £64.05.

Appendices:

- 1 Summary by Expenditure – Overall Position
- 2 Local Government Association pre budget report commentary
- 3 Example of a draft summary Service Team Plans 2010/11
- 4 Fees and charges
- 4b Building Regulations Fees and Charges
- 5 Reserve Statement
- 6 Statutory and Discretionary Split by Service Area
- 7 Capital Programme
- 7B Moving Thetford Forward Capital Projects
- 8 Progress on Growth Bids Budget 2009/10
- 9 Budget Priorities Survey
- 10 Icelandic investments update
- 11 Draft tax base for Parishes