The
FINANCIAL PLAN
2020/2025

As submitted to the Cabinet

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Michelle Drewery
Assistant Director Resources (S151 Officer)

The
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The FINANCIAL PLAN - 2020/2025

1 Executive Summary

1.1 As part of the council tax setting process the Council updates its longer term Financial Plan to take account of any changes in financial settlements, inflation on service costs and revised priorities of the administration.

1.2 In February 2020 the Council set out a Financial Plan for 2019/2024. The Plan reflected the continued significant financial challenges faced by the Council.

1.3 The Spending Round 2019 announcements saw a delay to the implementation of a number of local government funding reforms which were due to be implemented in 2020/21. The aim of these reforms are to move councils to be more self-financing and reduce reliance on central government grants. Along with the phasing out of Revenue Support Grant (RSG), Rural Services Delivery Grant (RSDG) and changes to the distribution of New Homes Bonus, there were also plans for a full reset of the business rates system and an announcement on the outcome of the review into relative needs and resources, i.e. the Fair Funding Review. Instead, Local Government received a one year financial settlement.

1.4 The outbreak of the Coronavirus pandemic (Covid-19) has had a significant impact globally with this country going into lockdown on 23rd March 2020 in order to limit the spread of the virus. Since then, there have been further restrictions and further periods of lockdown whilst Government try to limit the transmission of the virus. This has posed an unprecedented challenge to the UK economy. Consequently, there have been a number of government announcements since March adding further delays to the planned reforms whilst the country remains focused on responding to the pandemic. A summary of these announcements is set out as follows:

- Fair Funding Review and Business Rates Retention Scheme – in April 2020, the Secretary of State for MHCLG announced the Fair Funding Review and changes to the Business Rates Retention Scheme which were due to be implemented in April 2021 were to be postponed due to Covid 19. Whilst Central Government remain committed to review the funding framework to local government, no new date has been announced yet.

- Business Rates Revaluation – in July 2020, Government confirmed that the 2021 revaluation would not take place and it is expected that this is now likely to be 2023 with valuations to be based on property values as of 1 April 2021 which would reflect the impact of Covid-19 more closely.

- Spending Review 2020 – on 25 November 2020, the Chancellor of the Exchequer outlined plans for 2020/21 with a further one-year settlement for Local Government. The spending review also outlined other funding streams to support Local Government such as continuation of the current Sales, Fees and Charges Scheme (which refunds 75% of eligible income losses beyond a 5% threshold) for the first three months of 2021/22, further unringfenced grant to continue reducing council tax bills for those struggling to pay, additional resource funding to support rough sleepers and homelessness and a levelling up fund to invest in local infrastructure and will support economic recovery. It is not yet known what allocations the council will receive from each of these funding streams for 2021/22.

1.5 The provisional local government finance settlement for 2021/2022 was published on 17 December 2020. It did not contain many surprises as the announcements around the local government finance settlement for 2021/2022 had been outlined by the Chancellor in his Spending Round 2020 speech in November. It has been confirmed that the one-year settlement with RSG and Rural Services Delivery Grant (RSDG) will be paid for one year (2021/2022). It has been assumed within the Financial Plan that neither grant will be paid beyond 2021/2022. As the Council Tax Support to parishes was being funded from RSG this has also been continued for one more year (at £21k) and then not included beyond 2021/22.

1.6 There were also provisional allocations for other key features of the provisional settlement which included new funding to help to alleviate some of the pressures faced by local authorities such as a new Lower Tier Services Grant, Covid emergency funding (continuation of the unringfenced grant the council has received in the current financial year) and Local Council Tax Support Grant. Details of these allocations are set out in Section 3 of this report.

1.7 The Council can present a funded budget for three years of the medium term financial plan (see Appendix 1). However, the General Fund Balance will be depleted to the minimum reserve level in 2024/2025 and there remains an estimated budget gap of £4,099,800 which will need to be addressed. **Alongside this, there is also significant uncertainty from 2022/2023 onwards.** This is due to a combination of financial impact of the pandemic on the local economy and how long it will take to recover from this as well as the decision by Government to add further delay to the implementation of the reforms to the business rates retention scheme and the Fair Funding Review. The council is placed in a difficult position in being unable to determine with any certainty the future funding position beyond 2021/2022, which is a considerable downside risk.

1.8 The Government's focus is on Councils' 'core spending power' inclusive of locally generated resources. The core spending power analysis tables published by the Government for each Council assumes that Councils in the lowest quartile of Council Tax levels (which includes the Borough Council) will introduce the full £5 per annum per Band D dwelling Council Tax increase now permitted under the Council Tax Referendum Principles.

1.9 Norfolk authorities collectively opted to be part of a 50% Business Rates Retention Pooling arrangement for 2020/21 in order to be able to retain an amount of income from growth in business rates locally. Due to the significant uncertainties around business rates as a result of the pandemic, Norfolk authorities have opted not to continue with the Business Rates Pool arrangement for 2021/2022 and will review the position to determine whether it will reconvene for the 2022/2023 financial year.

1.10 In preparing the Financial Plan 2020/2025 assumptions for growth in business rates for 2021/2022 have been removed. There can be no guarantee that business growth will materialise as developers/businesses recover from the pandemic and changing market conditions, and there is also the added uncertainty of the Brexit arrangements as they now begin to unfold. The council has been fortunate to recognise increased levels of growth in recent years which are included in the financial plan. Whilst the assumptions have been made using the most up to date information available there is a significant level of risk, because of the external factors which are out of our control.

1.11 The current business rates retention scheme allows the authority to retain 100% of rates in respect of renewable energy. This is another area of considerable risk if the council loses this income as part of the Government reforms to local authority funding.

1.12 In recent years, the Council adopted a policy of seeking efficiencies and different ways of delivering services which produced significant levels of savings. A robust process to identify proposals to address the continuing budget deficit has been underway since the autumn 2015. Up to 2020/2021, we had achieved actual ongoing annual savings of £1.4m.

1.13 Due to the focus on responding to the pandemic, work was halted on securing the cost reduction/income generating targets identified as part of the budget setting process in February 2020. The actual annual savings achieved of £1.4m are now incorporated into the council's budgets and yet there still remains a budget gap going forward which increases each year of the plan. The budget gap may be even higher depending on the impact of the reforms to the Business Rates Retention scheme and the Fair Funding Review which would accelerate drawdown from reserve balances to the current estimates within the Plan. The delivery of the major corporate capital projects to generate additional/new income is vital in achieving the required budget savings. Past experience shows that it is important to gain savings as soon as possible. Work will be undertaken during the next few months to prepare a refreshed cost reduction and income generating programme with the objective of securing sufficient savings and income to close the budget gaps estimated in the plan.

1.14 The costs for Council services have been updated. In terms of expenditure a number of service budgets continue to be held at 2018/2019 levels i.e. no inflation has been applied in many budget areas and increases have been made only where known price increases have occurred. Growth items have only been included where there is a statutory requirement including minimum pay pledges.

1.15 With the outbreak of the pandemic, this has increased uncertainty in the current economic climate to estimate levels of income in certain services including planning, car parks and industrial estates which have all been significantly impacted during periods of lockdown and experiencing low levels of recovery in some areas. A cautious approach continues to be taken in projecting funding in future years.

1.16 Fees and charges have been reviewed as part of the estimates process and the general principle has previously been to increase charges in line with CPI projections. However, a pragmatic approach has been taken this year to review each charge individually and determine whether it is appropriate to apply an inflationary increase. Car parking charges were last increased in April 2018. The proposal is for no across-the-board inflationary increases in car park charges for the forthcoming year.

1.17 The Council has a planned approach for the use of the general fund balance. As in previous years the Council continues to make use of working balances and reserves to protect against volatile changes in the cost of services, receipt of income and more significantly funding levels from business rates growth. Whilst the plans holds working balances at the minimum level as stated in the Policy on Earmarked Reserves and General Fund Working Balance of the Council, there is a budget gap to address in 2024/2025.

1.18 The figures shown in the Financial Plan for 2020/2025 include a £4.50 per annum per Band D dwelling increase in council tax for each year of the plan. The overall £5 increase permitted under the Council Tax Referendum Principles includes the £4.50 per annum per Band D dwelling increase in council tax to cover the Borough expenditure and an increase of £0.50 per annum to cover the expenditure for special expenses.

1.19 The Financial Plan 2020/2025 (see Appendix 1) does show that the Council can present a funded budget for three years **but there is a budget gap in excess of £4m to address by 2024/2025**. The current general fund balances would be required to support the budget in the event that income levels are not achieved and/or delayed, whilst further cost reductions are made.

1.20 **There remains significant uncertainty and risk from 2022/2023.** As well as the impact from the pandemic on the council's finances, the council still awaits confirmation of the outcome of the reforms proposed by Government which include the Business Rates Retention Scheme and the Fair Funding Review which have also been delayed by a further year due to the pandemic. A business rates revaluation will now take place in 2023. There is concern that the re-set of the baseline may mean that the Council does not retain all the growth currently included in the Financial Plan. The Fair Funding Review will determine the starting point for resource allocations under any new Business Rates Retention scheme. This Council will continue to make strong representations for fair and transparent funding arrangements for local government, which take account of the particular pressures of rural authorities, and in the case of West Norfolk, the funding arrangements to address the flood and drainage responsibilities met through the internal drainage boards. The impact of these could mean the general fund depletes earlier than 2024/2025.

1.21 A summary of the recommendations in the report is shown below:

Recommendation 1
It is recommended that Council approve the revision to the budget for 2020/2021 as set out in the report.

Recommendation 2
It is recommended that Council to reaffirm the Policy on Earmarked Reserves and General Fund Working Balance and the maximum balances set for the reserves as noted in the report.

Recommendation 3
It is recommended that Council :

1) **Approves the budget of £21,731,380 for 2021/2022 and notes the projections for 2022/2023, 2023/2024 and 2024/2025.**

2) **Approves the level of Special Expenses for the Town/Parish Councils as detailed in the report.**

3) **Approves the Fees and Charges for 2021/2022 detailed in Appendix 3.**

4) **Approves a Band D council tax of £134.87 for 2021/2022**

Recommendation 4
It is recommended that Council approves a minimum requirement of the General Fund balance for 2021/2022 of £1,086,569.

The
REVENUE BUDGET
2020/2021

2 The Revenue Budget 2020/2021

2.1 The original budget 2020/2021 was approved by Council on the 27th February 2020. The S151 Officer has reviewed the budget during the year and sought approval for amendment to the budget provision as necessary in response to the financial impact of the pandemic outbreak.

2.2 Full details of the changes that have been made to the original budget were reported to Cabinet in September 2020. A further revision to the 2020/2021 budget is shown below and included in Appendix 1. The following table compares the position reported in September 2020 and the revised budget for the year 2020/2021, along with the variance which is explained in paragraph 2.4.

	Revised Budget 2020/2021 including July Budgetary Monitoring Report **£**	**October Budgetary Control Monitoring Report 2020/2021** **£**	**Report Variance** **£**
Central Services	2,929,170	2,859,970	(69,200)
Community & Partnerships	595,050	617,400	22,350
Companies & Housing Delivery	303,190	267,090	(36,100)
Environmental Planning	2,036,950	2,175,770	138,820
Operations & Commercial	3,991,330	2,678,090	(1,313,240)
Property & Projects	(1,199,340)	(1,410,510)	(211,170)
Regeneration Housing & Place	866,240	795,200	(71,040)
Resources	7,726,020	8,109,660	383,640
Chief Executive	303,350	303,350	0
Culture & Leisure	1,921,880	4,075,040	2,153,160
Financing Adjustment	1,691,090	1,762,980	71,890
Internal Drainage Boards	2,809,170	2,819,160	9,990
Council Tax Support to Parishes	20,970	20,970	0
Borough Spend	**23,995,070**	**25,074,170**	**1,079,100**
Contribution to balance from Emergency Covid Funding	(2,705,804)	(2,705,804)	0
Contribution to balance from sales, fees and charges (SFC) claim	(1,288,388)	(1,288,388)	0
Contribution to/(from) Balances	(663,158)	(1,742,258)	(1,079,100)

	Revised Budget 2020/2021 including July Budgetary Monitoring Report	October Budgetary Control Monitoring Report 2020/2021	Report Variance
Total Contribution to/(from) Balances	**(4,657,350)**	**(5,736,450)**	**(1,079,100)**
Borough Requirement	**19,337,720**	**19,337,720**	**0**

2.3 It should be noted that whilst borough requirement has increased to £21,432,950, there has been additional funding from Government to support the financial impact of the pandemic which results in a reduction in contribution from general fund balances of £1,016,130.

2.4 Since the report to Cabinet in September there have also been further adjustments to service provision costs and income. The table below gives details of the main changes.

	£
Estimate of financial support to Alive West Norfolk	2,000,000
HMRC VAT Reimbursement	153,370
Reduction in income from various services	133,710
Bank Charges budget amendment to reflect contract costs	125,430
Financing Adjustment	71,890
Increase in Audit Fees	29,260
Pollution Monitoring	25,310
Repair costs due to leaking roof on industrial unit	22,630
Medical cover for resorts (offset by saving in staffing costs)	16,110
Other Minor Variances	12,590
Additional storage costs (Elections)	12,500
Increase to Internal Drainage Board budget to reflect current levies	9,990
Revision to assumptions on car parking income against early assumptions around impact of Covid	(837,030)
Revision to assumptions for refuse and recycling income against early assumptions around impact of Covid	(461,090)
Increased rent from properties not previously included	(204,560)
Increased income from CCTV service provision	(18,020)

	£
Reduction in Service Level Agreements	(6,990)
Savings in Town Centre service delivery	(6,000)
Total	**1,079,100**

2.5 Any further variances between the revised budget and actual outturn for 2020/2021 will be shown in Monitoring Reports for the remainder of the financial year and in the Final Accounts Outturn Report in June 2021.

2.6 The net impact of the projected outturn 2020/2021, as detailed above, on the overall level of General Fund balance is as follows:

	£
Balance brought forward 1 April 2020 (subject to Audit of 2019/2020 Statement of Accounts)	9,998,740
Estimated Contribution from General Fund Balance (as per October 2020 budget monitoring report)	(3,641,220)
Projected General Fund Balance 31 March 2021	**6,357,520**

2.6 The Council is holding the General Fund balance at a high level to provide the Council a degree of protection in the current volatile environment. As in previous years the Council will make use of the balance in its Financial Plan over the next four years bringing it back to the minimum reserve level.

Recommendation 1

It is recommended that Council approve the revision to the Budget for 2020/2021 as set out in the report.

The
Financial Plan
2020/2025

3 The Financial Plan 2020/2025 - Funding

3.1 Revenue Support Grant (RSG) and Rural Services Delivery Grant (RSDG)

3.1.1 The financial year 2020/2021 was announced as a one-year Local Government Finance Settlement and it was expected that the Council would not receive RSG, nor RSDG from 2021/2022 onwards. However, as Government continues to focus on recovery from the pandemic, it was announced in the Spending Review in November 2020 that there would be a further one-year settlement, with both RSG and RSDG being paid for a further year. The provisional local government finance settlement announced by Government on 17 December 2020 confirmed the indicative allocations for the council.

3.1.2 The Government has confirmed a further delay to the fair funding review. However, there has been no confirmation of when this will be resumed. The outcome of the review would have set out plans for long-term reform and provided the council with some certainty over finances going forward. In the absence of any clarification, it is assumed that both RSG and RSDG grant income will not be included within the Financial Plan beyond 2021/22.

3.1.3 The RSG and RSDG funding that BCKLWN will receive is set out in the table below.

Receipt of Funding	RSG £	RSDG £
2020/2021	(624,620)	(470,700)
2021/2022*	(627,667)	(493,940)
2022/2023	0	0
2023/2024	0	0
2024/2025	0	0

*RSDG 2021/2022 is an estimated increase as provisional allocations have not been published at this time

3.2 Other Government Funding

3.2.1 In addition to RSG and RSDG, Government also announced additional funding to support local authorities through the pandemic as it recognizes there will be an ongoing impact in 2021/2022. The indicative allocations which are for one year only are set out below and included in the Financial Plan for 2021/2022 only:

Funding	£
Emergency Covid Funding (unringfenced)	922,550
Local Council Tax Support Grant	152,760
Lower Tier Services Grant	233,860
Total	**1,309,170**

3.3 Cost Reduction Savings/Income Generation Plan

3.3.1 The four year funding settlement offer required the council to publish an efficiency plan which was approved by on 29 September 2016. The four year funding settlement has now ended, however, as can be seen in the context of the Financial Plan for 2020-2025, there is still work to be done in identifying cost efficiencies and further opportunities to generate income for the council to address the budget gap estimated in future years.

3.3.2 In recent years, the Council adopted a policy of seeking efficiencies and different ways of delivering services which produced significant levels of savings. A robust process to identify proposals to address the continuing budget deficit has been underway since the autumn 2015. Up to 2020/2021, we had achieved actual ongoing annual savings of £1.4m.

3.3.3 Work during the current financial year on securing the cost reduction/income generating targets was halted due to the pandemic as resources were diverted to provide critical support to the community and local businesses through this period. It has now become necessary to revisit the cost reduction and income generation plan to establish whether the plans are still achievable in the current economic climate and to identify new initiatives to support the council's budget in future years of the financial plan.

3.3.4 The actual annual savings achieved of £1.4m are now incorporated into the council's budgets and yet there still remains a budget gap going forward which increases each year of the plan until 2024/2025 when the council will have depleted the General Fund balance to the minimum required level of 5% of the budget. The budget gap may be even higher depending on the impact of the reforms to the Business Rates Retention scheme and the Fair Funding Review which places a further risk that the reserve balances could be depleted earlier than anticipated in the plan.

3.3.5 The delivery of the major corporate capital projects to generate additional/new income is vital in achieving the required budget savings. Past experience shows that it is important to gain savings as soon as possible. Work will be undertaken during the next few months to prepare a refreshed cost reduction and income generating programme with the objective of securing sufficient savings and income to close the budget gaps estimated in the plan. This will include an assessment of the income streams from key projects including income streams derived from the delivery of 'Affordable' and Private rental properties housing the Councils wholly owned companies.

3.3.6 The Financial Plan is reliant upon drawing sums from the general fund working balance. The use of reserves is clearly a temporary measure which cannot be sustained. The Council will continue to work towards bringing spending in line with income in advance of 2024/2025 when general fund balance is estimated to be at the minimum required level of 5% of the budget.

3.4 Retained Business Rates

3.4.1 The baseline business rates funding allocation, announced on 17 December 2020 is below the amount that was anticipated in the current plan. The baseline business rates will usually increase annually in line with the increase in the business rates multiplier. However, Government have confirmed that they are applying a freeze on the business rates multiplier for 2021/2022. Instead, the council will receive compensation in lieu of this and is awaiting confirmation of the amount. It is therefore assumed that by taking this into account the allocation will be in line with expectations in the current plan.

3.4.2 Rateable Values (RVs) are reviewed and updated by the Valuation Office usually every 5 years, the last RVs came into effect on April 2017. The revaluation redistributes the rates burden and is nationally cost neutral. A transitional relief scheme spreads the cost (or benefit) of large increases and decreases in business rates bills at a revaluation.

3.4.3 Legislation had been introduced to bring forward the business rates revaluation to 2021/2022 and then every 3 years thereafter with the three-year revaluation system enabling a fairer reflection of rental values. However, in order to reduce uncertainty to businesses affected by the impacts of the pandemic, Government announced in May 2020 that the revaluation would be delayed until April 2023.

3.4.4 As part of the Coronavirus response in March 2020 the Chancellor announced several new and extended business rates reliefs for 2020/2021:

- A 100% discount for all eligible retail, hospitality and leisure businesses, regardless of their rateable value,
- A 100% discount for Ofsted registered nursery settings,
- The £1,500 continuation of the £1,500 discount for office space occupied by local newspapers to 31 March 2025.

3.4.5 The Council is part of the Norfolk business rates pool for 2020/21 which was forecast to deliver tangible benefits to the county as a whole. The financial benefit to Norfolk as a whole from the current 50% Business Rates retention was forecast to be around £6.8m representing the additional growth that would be retained locally and shared between the Districts and County Council. Due to the significant uncertainties around business rates as a result of the pandemic, Norfolk authorities have opted not to continue with the Business Rates Pool arrangement for 2021/2022 and will review the position to determine whether it will reconvene for the 2022/2023 financial year.

3.4.6 The Government was due to move to a 75% Business Rates Retention Scheme from 2021/2022. The council has previously participated and benefitted from a pilot scheme with the other Norfolk authorities. The scheme had already been delayed due to Brexit and is now being delayed again due to the pandemic. The expectation is that Government will consult with local authorities in the Summer period on further proposals going forward.

3.4.7 The baseline funding for 2021/2022 is the amount that was published on 17 December 2020 as part of the Provisional Local Government Finance Settlement for 2021/2022. The future 3 years of the medium-term financial plan 2022–2025 are calculated on the baseline business rates figure for 2021/2022 with an uplift based on estimated CPI increases (see Appendix 1).

3.4.8 Business rate assumptions included in the Financial Plan 2020/2025 is detailed in Appendix 1.

3.4.9 The implementation of reforms to the Business Rates Retention Scheme mean existing grants will be incorporated into business rate retention including the RSG and RSDG. The revised arrangements for business rates retention will not provide this Council with funding to replace the reductions announced in RSG. The review into relative needs and resources, the Fair Funding Review, will redistribute business rates. It can be anticipated that there will be winners and losers as a result of the funding review.

3.4.10 In preparing the Financial Plan 2020/2025 assumptions for growth in business rates for 2021/2022 have been removed. There can be no guarantee that business growth will materialise as developers and businesses recover from the pandemic and changing market conditions, and there is also the added uncertainty of the Brexit arrangements as they now begin to unfold. The council has been fortunate to recognise increased levels of growth in recent years which are included in the financial plan. Whilst the assumptions have been made using the most up to date information available there is still a significant level of risk, because of the external factors which are out of our control.

3.4.11 The current business rates retention scheme allows the authority to retain 100% of rates in respect of renewable energy. This is included in the Financial Plan with a value of £2,500,000 in 2021/2022. This is another area of considerable risk if the council loses this income as part of the Government reforms to local authority funding and will place the authority in a very difficult position to address this shortfall in addition to that already set out in the plan.

3.4.12 The current focus for the Government is on dealing with the implications of the pandemic and also Brexit and collectively these are causing significant uncertainty to local government. The announcement of a further delay to the implementation of the reforms to the Business Rates Retention Scheme was therefore not unexpected in the circumstances followed by confirmation of a one-year Local Government Finance Settlement for 2021/2022.

3.4.13 We have taken a prudent approach to additional growth for the future years of the financial plan as the impact of the implementation of a new system for business rates is still unclear and an element of growth may be removed when the review of relative needs and resources has been completed and the baseline is reset.

3.4.14 Collection Fund Surplus – Retained Business Rates

The council's Business Rates income for the year is based on an estimate made in January of the preceding financial year. The actual income is then calculated at the end of the financial year. The difference between the estimated income and the actual income produces a surplus (if the estimate was too low) or deficit (if the estimate was too high) on the Collection Fund. Movements in the business rates base, such as new and deleted properties, successful appeals and refunds all affect the estimate and the final outturn position.

The surplus or deficit on the Collection Fund is distributed amongst the major preceptors and a proportion will come back to the Council. There is currently no surplus included in the Financial Plan for business rates. This will be reviewed each year as more information becomes available on business rates funding.

3.5 New Homes Bonus

3.5.1 The government announced, as part of the Provisional Finance Settlement for 2021/2022, that it will retain the amount of the top slice of RSG at £622m to fund the New Homes Bonus scheme in 2021/22.

3.5.2 In addition to funding legacy payments associated with previous years' allocations, the Government has proposed a new round of allocations for 2021/2022 referred to as Year 11 payments. It was confirmed that year 11 payments will not attract any legacy commitments in future years.

3.5.3 In setting the Financial Plan 2020-2025 it has been assumed that funding of existing previous years' legacy payments will be made but no new funding allocations have been included beyond 2021/22.

3.5.4 The financial plan 2020/2025 includes the following for New Homes Bonus:

New Homes Bonus	£
2020/2021	(898,180)
2021/2022	(837,670)
2022/2023	(321,440)
2023/2024	0
2024/2025	0

3.6 Collection Fund Surplus – Council Tax

3.6.1 In setting council tax each year there is an assumption made on the level of collection that will be achieved. In addition new properties come into the tax base during the year and increase the tax base above that used in the Financial Plan. The additional council tax income achieved during the year is then distributed in the following year as a surplus on the Collection Fund. BCKLWN has been holding and distributing high Collection Fund surpluses and this has had a particular impact on Norfolk County Council. As a result of this it was agreed with the County Council that the tax base would be calculated on 100% collection rate from 2019/2020.

3.6.2 This approach should result in a distribution in-year of Collection Fund income and a minimal level of surpluses being held in the Collection Fund. Where the Collection Fund falls into a deficit position, this will be recovered from the precepting authorities in the following year and the collection rate assumptions for future budget setting will be reviewed.

3.6.3 In 2021/2022 a one-off repayment of £310,162 is due for an overpaid Collection Fund surplus relating to 2019/2020 and paid in 2020/2021. A small deficit of £35,067 is estimated as the borough council's share of the Collection Fund surplus/deficit for 2020/2021. Government has recently amended the regulations to allow this to be repaid over three years instead of one year. Therefore this will be repaid at £11,689 per year from 2021/2022 to 2023/2024. In future years, it is estimated that the Council can draw sums as detailed below.

Council Tax surplus	£
2020/2021	0
2021/2022	0
2022/2023	(25,000)
2023/2024	(25,000)
2024/2025	(25,000)

3.6.4 It is anticipated that the surplus contained in the Collection Fund and available from distribution will be reduced in future as the growth in the tax base is more accurately reflected in the tax base estimate and the period of volatility caused by coronavirus comes to an end.

3.7 Council Tax

3.7.1 Council Tax was introduced in April 1993 and is essentially a property tax based on the broad value of domestic properties. The Valuation Office Agency (VOA) is responsible for the valuation of all domestic properties in England and Wales. The VOA attributes each domestic property to one of eight bands – A to H. The bands relate to the estimated property value as at 1991 prices:

Band	Value £	Weighting of band
A	Up to £40,000	6/9ths
B	£40,001 – £52,000	7/9ths
C	£52,001 – £68,000	8/9ths
D	£68,001 – £88,000	9/9ths
E	£88,001 – £120,000	11/9ths
F	£120,001 – £160,000	13/9ths
G	£160,001 – £320,000	15/9ths
H	0ver £320,000	18/9ths

3.7.2 Although promised by past Governments there has not yet been a revaluation of the property bands. Council tax banding remains set at 1991 prices.

Council Tax Base

3.7.3 The Council Tax base is the estimated full-year equivalent number of liable dwellings in the Borough, expressed as an equivalent number of Band D dwellings with 2 or more liable adults. The calculation of the tax base is important in determining the overall level of Council Tax. The Council has a statutory duty to determine its tax base under the Local Government Finance Act 1992.

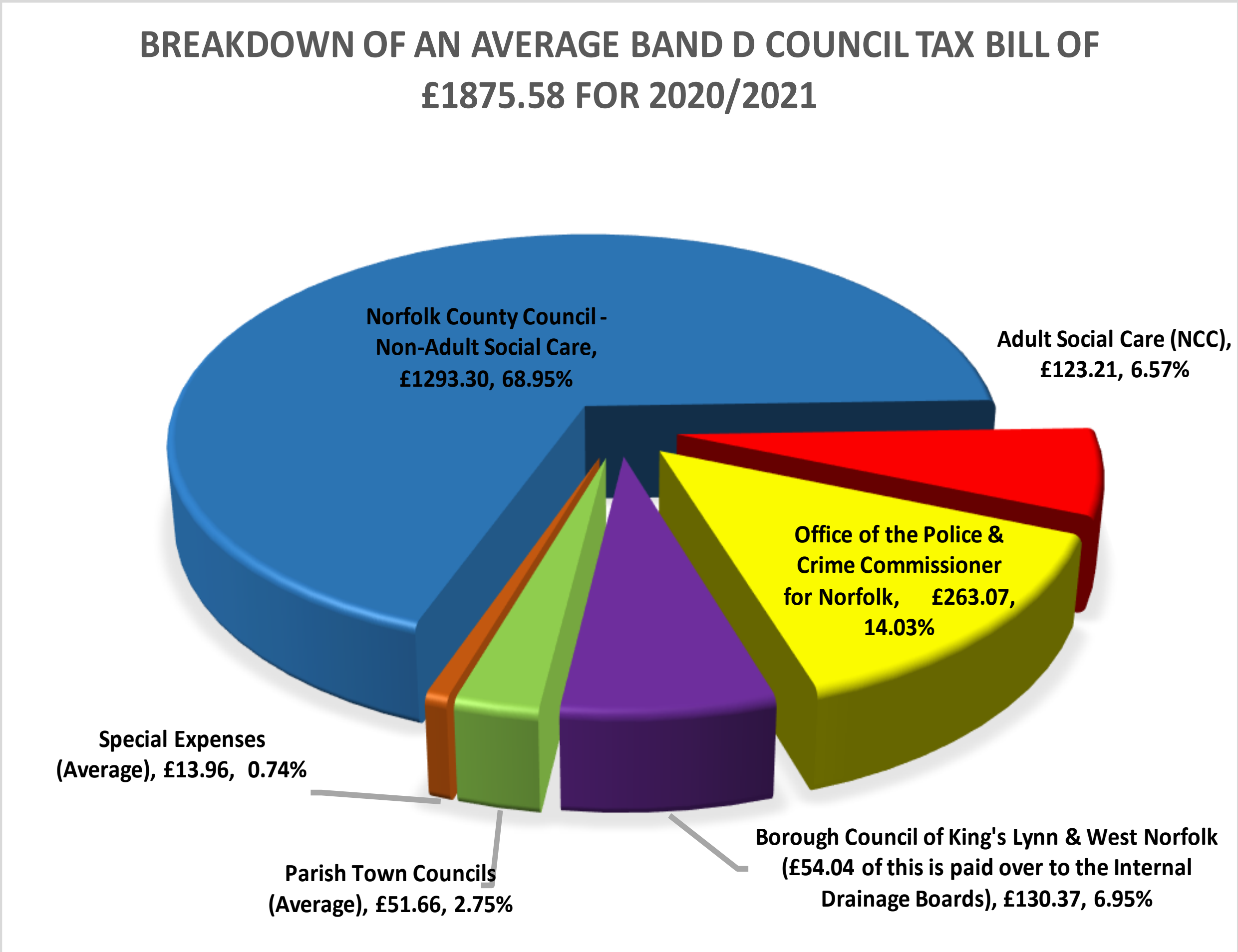
3.7.4 The calculation of the tax base for 2021/2022 takes into account changes resulting from the local council tax support scheme (which reduces the tax base). At the meeting on 21 January 2021 Council agreed the continuation of the existing scheme for 2021/2022 with the following minor changes to simplify administration and to keep it in line with other welfare reform amendments:

- Disregarding multiple changes in a customers' CTS entitlement and only change the CTS for an applicant on Universal Credit where the change is regarded as significant, and
- Reflect DWP changes to Housing Benefit to increase the additional earnings disregard to compensate for the emergency increase in Working Tax Credit and Universal Credit and prevent any potential reduction in entitlement.

3.7.5 The full tax base for 2020/2021 is 51,980. For 2021/2022 the tax base is assumed to increase by 68 Band D equivalent properties (based on the actual figures) and then for the subsequent years the assumption is that the tax base will rise by the equivalent of 300 Band D properties per annum.

3.7.6 **Council Tax 2020/2021**

The Borough Council element of the full council tax bill in 2020/2021 for a Band D property is £130.37 out of a total of £1,875.58 (including the average parish and special expenses charge). The following graph shows the separate elements of the bill and it is clear that of a Band D charge in 2020/2021 the Borough Council's charge forms a very small part of the bill (less than 7%) collected from every council tax payer.

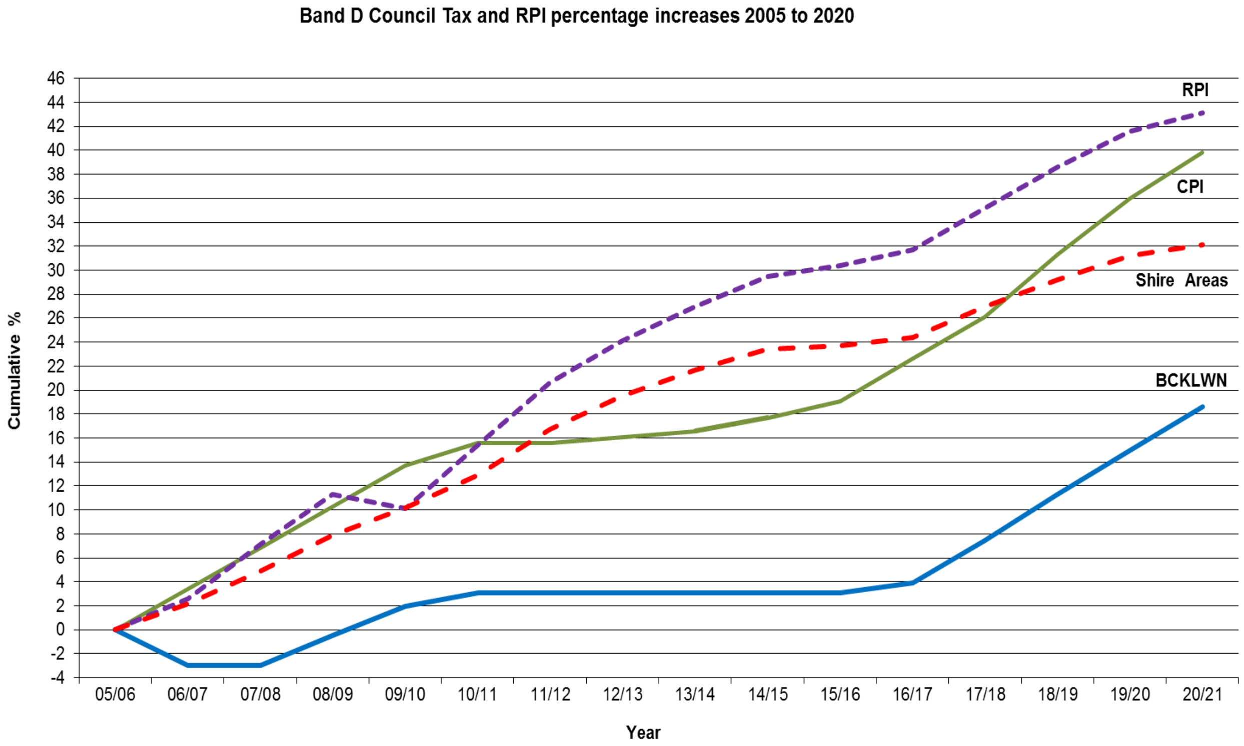


Council Tax Levels – Band D

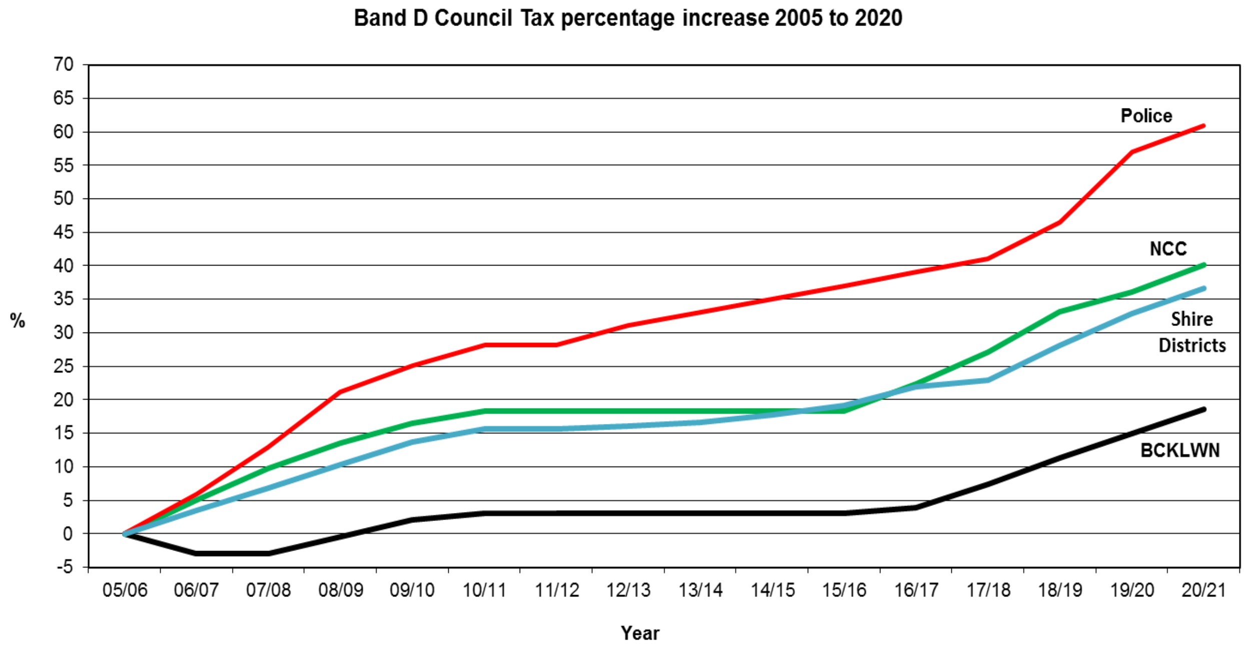
3.7.7 The table below shows the elements of a council tax Band D charge of £1,875.58 for 2020/2021.

Charging Authority	**2020/2021**	**2020/2021**
	£	**%**
Borough Council of Kings Lynn and West Norfolk	130.37	7.0
Parish and Special Expenses	65.63	3.5
Norfolk County Council	1,416.51	75.5
Norfolk Police Authority	263.07	14.0
Total	**1,875.58**	**100.0**

3.7.8 Over the period since April 2005 the Council has held council tax to a level where in 2020/2021 the cumulative increase in a Band D charge of £125.87 amounts to 18.6% above the 2005/2006 figure of £108.67. The average cumulative increase in council tax for shire areas in England over the same period 2005/2006 to 2020/2021 has been 39.8%. The Retail Price Index (RPI) has increased over that period (April 2005 to April 2020) by 43.1%. The Consumer Price Index (CPI) has increased by 32.1% over the same period. The Council's council tax increases have been lower than RPI, CPI and the average of shire districts throughout the whole period since 2005/2006.



3.7.9 The graph below shows how the various elements of the council tax bill in West Norfolk have increased over the period 2005/2006 to 2020/2021. The increase in the County Council precept for 2020/2021 includes the additional permitted increase for Adult Social Care. The increase in the Police Authority precept for 2020/2021 includes a 3.95% increase (£9.99) which was just below the maximum amount permitted of £10 for the year.



Council Tax 2021/2022 and Future Years

3.7.10 The Government focus is on Councils' 'core spending power' inclusive of locally generated resources. The core spending power analysis tables published by the Government for each Council assumes that Councils in the lowest quartile of Council Tax levels (which includes this Borough Council) will introduce the full £5 per annum per Band D dwelling Council Tax increase now permitted under the Council Tax Referendum Principles.

3.7.11 The 'Referendums Relating to Council Tax Increase (Principles) (England) Report 2021/2022' published on 17 December 2020 state that for the borough council the principles for 2021/2022 are:

The relevant basic amount of council tax of an authority is excessive if the authority's relevant basic amount of council tax for 2021/2022 is

(a) 2%, or more than 2%, greater than its relevant basic amount of council tax for 2020/2021; and

(b) more than £5 greater than its relevant basic amount of council tax for 2020/2021.

3.7.12 The figures shown in the Financial Plan for 2020/2025 include a £4.50 per annum per Band D dwelling increase in council tax for each year of the plan. The overall £5 increase permitted under the Council Tax Referendum Principles includes increases in special expenses and the Borough precept.

3.7.13 The proposed levels of council tax for 2021/2022 are:

Band	2021/2022
	£
A*	74.93
A	89.91
B	104.90
C	119.88
D	134.87
E	164.84
F	194.81
G	224.78
H	269.74

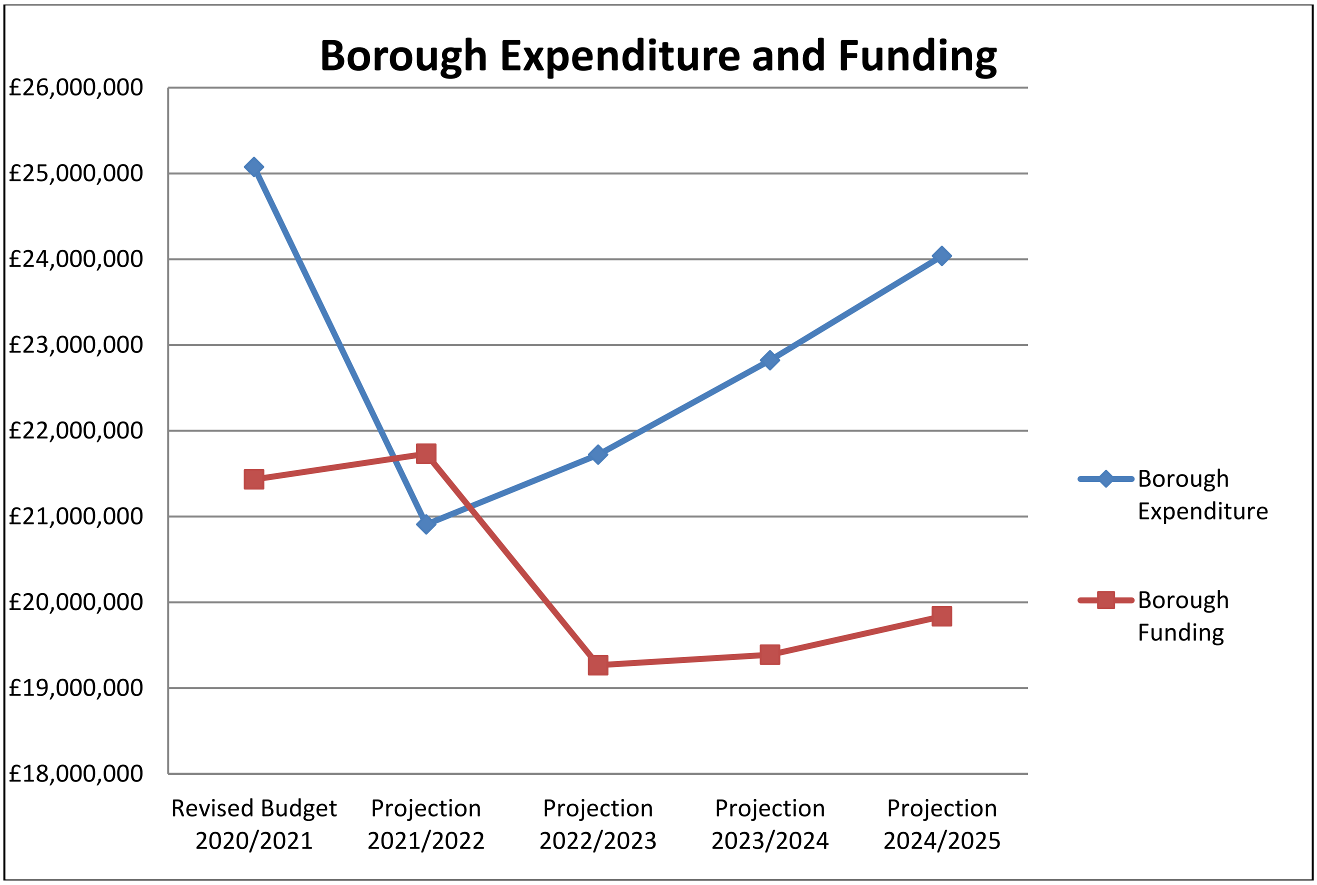
* The Council reduces the charge to a property classed as Band A to £74.93 per annum when it is eligible for Disabled relief.

3.8 Overall Funding Position

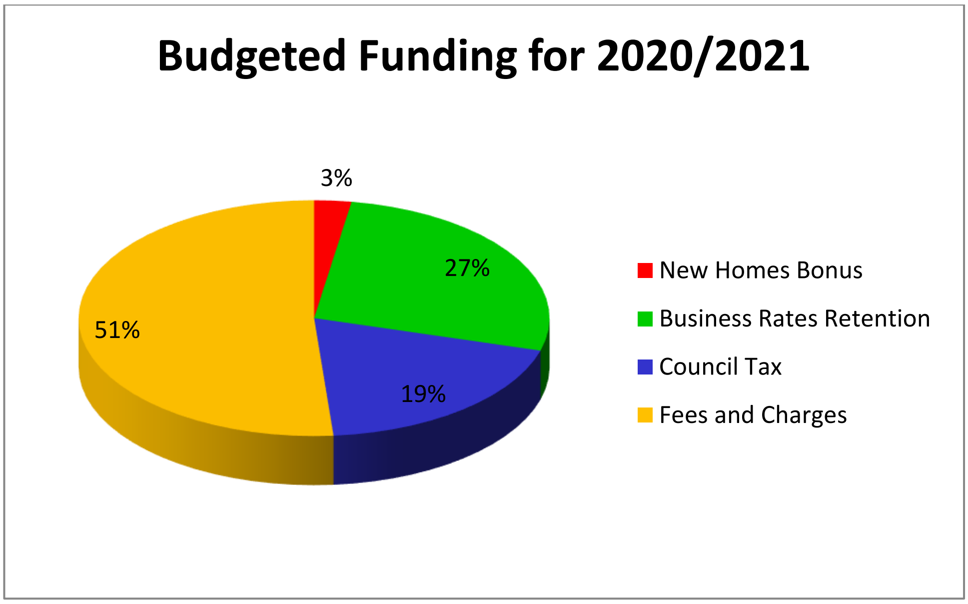
3.8.1 The RSG and RSDG funding for the period to 2021/2022 is presented with a degree of certainty as the Government announced as part of the Spending Review 2020 in November 2020 that there would be a one year settlement followed by Provisional Local Government Finance Settlement on 17 December 2020 with both RSG and RSDG being paid for a further year (2021/2022) at 2020/2021 levels plus a small increase. However, there is still concern over whether the forecast Business Rates growth levels included in the Plan will be held at those levels or not.

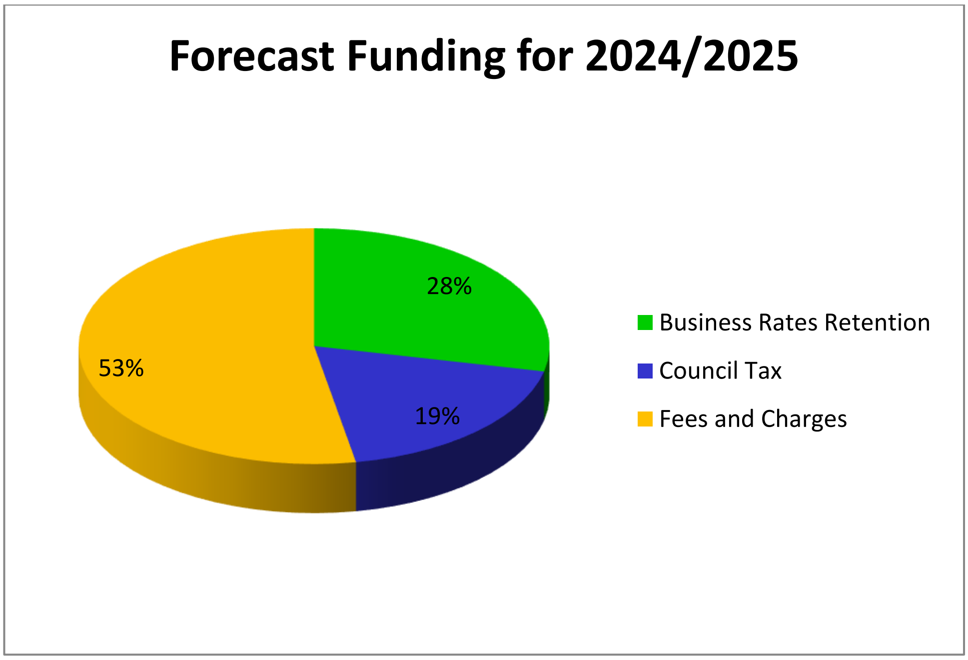
3.8.2 The significant risk is from 2022/2023. The reforms to the Business Rates Retention scheme have been delayed further due to the pandemic. These were to be introduced in 2021/2022 and a revised date is yet to be confirmed. Detailed arrangements for the implementation of the reforms are still unknown. Alongside this there was also to be a re-set of the business rates baseline where the implication is that the Council does not retain all the growth currently included within the Financial Plan. The Fair Funding Review will set a new funding baseline for the new Business Rates Retention scheme. It will be based on a redesigned needs assessment methodology.

3.8.3 The graph below shows how the gap between expenditure and funding is forecast to widen over the period of the Financial Plan.



3.8.4 A comparison of the overall funding streams is shown in the following diagrams:





4. Cost of Services

4.1 In order to set an annual budget and longer term financial plan it is necessary to make some assumptions at a certain date. The Retail Price Index (RPI) and Consumer Price Index (CPI) inflation rate for August 2021 were both at 0.5%.

These and future projections of inflation rates published at that date have been used as a guideline for budget purposes. Wherever possible, reduced levels or zero increases for inflation have been applied to expenditure budgets with an aim to reduce ongoing service costs. Where there are known increases in costs such as utilities and contracts fixed to price indices then the appropriate inflation factor has been applied. The following assumptions have been made with respect to the 2020/2025 budget projections.

Inflation Assumptions	2021/2022 %	2022/2023 %	2023/2024 %	2024/2025 %
Salaries (cost of living)	2.5	2.5	2.5	2.5
General Inflation	0.0	0.0	0.0	0.0
Business rates	0.7	2.0	2.0	2.0
Electricity price	5.0	5.0	5.0	5.0
Gas	6.0	5.0	5.0	5.0
Water (unmeasured)	2.0	2.0	2.0	2.0

4.2 Changes to the Current Financial Plan

4.2.1 The projections for the years 2021/2022, 2022/2023 and 2023/2024 were revised as part of developing the new Financial Plan. The table below updates those projections and shows how the revision of service costs has impacted on the Financial Plan.

Financial Plan	2021/2022 £	2022/2023 £	2023/2024 £
Budget Projection - Monitoring October 2020	**18,319,260**	**19,021,020**	**21,766,660**
Net adjustments as part of developing the 2020/21 to 2024/25 Financial Plan.	2,588,360	2,697,840	1,052,770
New Budget Projection	**20,907,620**	**21,718,860**	**22,819,430**

4.2.2 The detailed service budgets of the Financial Plan 2020/2025 are shown at Appendix 2.

4.2.3 The projection for 2024/2025 has now been prepared. The main movements are shown in the table below:

	2024/2025
	£
Borough Spend projection for 2023/2024	**22,819,430**
The main changes to the Plan are:	
Increase in Internal Drainage Board Levies	59,840
Inflation on salary costs	819,430
Reduction in interest on investments	104,480
Increase in rates on Council premises	49,000
Estimated increase in pension deficit recovery payment to Norfolk Pension Fund	60,340
Increase in Utility costs	67,280
Council Tax Support costs	19,060
Other net movements	37,210
New Budget Projection for 2024/2025	**24,036,070**

4.3 Fees and Charges 2021/2022

4.3.1 Income from charges for services supports Council expenditure. The Council agreed in January 2005 to delegate authority to the Executive Director of the appropriate service (in consultation with the S151 Officer), the relevant portfolio holder and the Leader) to vary charges having regard to market conditions and the Council's policy framework. This combined approach has been adopted in setting the charges for 2021/2022. (Appendix 3).

4.3.2 There have been no increases in car park charges since April 2018. In 2019 a 3-hours-for-the-price-of-2-hours promotion (first introduced in 2011) was withdrawn where those paying for 2 hours parking on the short-term, resort and multi-storey car parks were given an additional free hour. The pricing structure of up to 2 hours and up to 3 hours was reinstated. Long-term car parks were not affected. The proposal is for no across-the-board inflationary increases in car park charges for the forthcoming year.

4.3.3 In all other service areas the fees and charges have been increased on average by %, the projected inflation level by April 2021.

4.4 Corporate Business Plan, Service Plans and Investment

4.4.1 In January 2020 the Cabinet approved a refresh and update of the Corporate Business Plan 2020/2024 which sets out the priorities for the administration. The Financial Plan reflects the aims of the Council;

- Focusing on delivery
- Delivering growth in the economy and with local housing
- Protecting and enhancing the environment including tackling climate change
- Improving social mobility and inclusion
- Creating and maintaining good quality places that make a positive difference to people's lives
- Helping to improve the health and wellbeing of our communities

4.4.2 Service areas within the Council not only contribute toward the Business Plan but also have their own ambitions and targets which are reflected in the Financial Plan and budgets for 2020/2025.

4.4.3 Some of the key areas of investment included in the Financial Plan are as follows:

Focusing on delivery

The Council is actively seeking business with other local organisations to produce additional income or share costs of management/service provision. Arrangements currently include:

- Management of car parking, CCTV and care and repair services.
- The council is in the process of reviewing its existing SLA with Eastlaw in respect of legal services and will be reporting back to Cabinet later in 2021.
- The shared internal audit manager arrangement with Fenland District Council is also under review and will be report back to Cabinet later in 2021.
- Shared accommodation, the DWP Job Centre Plus and West Norfolk Clinical Commissioning Group are accommodated within King's Court, reducing costs for all organisations and encouraging support for town centre businesses.
- Provision of procurement support to Boston Borough Council.

The council will continue with plans to further enhance provision of digital services to customers, businesses and visitors to the Borough. We are committed to:

- Designing services that best meet the needs of citizens
- Ensure technology is an enabler, not a barrier to service improvements
- Challenge our software suppliers to offer flexibility and partnership working to achieve the best results
- Protect citizens privacy and security
- Deliver better value for money
- Eradicate duplication of effort across departments

- the MHCLG's 'Digital Declaration' which affirms our commitment to providing value for money and efficient services. Working with local authority partners to collaborate and develop common building blocks which can be utilised across local authorities. This is an ambitious project which requires both culture and technology shift. The council has made considerable progress in its digital journey over the last four years and will continue to work to improve our digital offer'. This is evidenced in the range of online application and payment processes available through our website.

The pandemic has resulted in a step-change in attitudes towards digital services. The council will need to understand those changes and how they can be harnessed and incorporated into a new strategy to further the expansion of our digital services and make accessing services easier to our customers. This will include a review in the use of technologies such as chat bots and virtual assistants which can provide services 24 hours a day and seven days a week.

<u>Delivering growth in the economy and with local housing</u>

This is a significant aspect of investment in our Financial Plan.

The regeneration programme is the prime objective of the Council and the level of investment in the capital programme remains high. Key schemes for the Council are the development of the Enterprise Zone at the Nar Ouse Regeneration Area, a scheme being undertaken in partnership with the New Anglia Local Enterprise Partnership (LEP); and the One Public Estate programme in Hunstanton.

Planning Permission for the Enterprise Zone has now been secured, and we have tendered contracts for the construction of some speculative build offices and light industrial units working with New Anglia Local Enterprise Partnership on funding. Design and construction for the secondary road infrastructure and drainage infrastructure is being developed by our consultant partners Norfolk County Council, and these works will be tendered through the Eastern Highways Alliance Framework Contract arrangement. Negotiations are on-going with potential occupiers of the speculative units and with local businesses that are keen to acquire sites for their own development and occupation

One Public Estate programme has contributed to the feasibility work and planning application for the Bus Station and Library site in Hunstanton which has now been approved. We continue to work with Norfolk County Council colleagues in the re-provision of the library function as part of this overall development.

In addition to the above, further design and feasibility work will be commissioned to look at other proposals for development identified within the Hunstanton Southern Seafront Master-planning exercise undertaken by Hemingway Design.

A comprehensive Town Investment Plan (TIP) has been produced with key stakeholders and a Town Deal Board (established under the process instigated by the Government

Towns Fund initiative). This includes a 5-21 year vision for the town and identifies a number of key interventions that will help drive economic growth and help ensure that King's Lynn adapts to the changing role of the high street. The TIP and other key strategic studies that have/will flow from it including the Local Walking and Cycling Infrastructure Plan and the Public Realm Action Plan will help evidence and shape the case for public investment – including from Towns Fund, and potentially the Levelling up Fund, and UK Shared Prosperity Fund.

The Council's major housing scheme has moved forward according to schedule. Orchard Close (Marsh Lane) is now complete with all 130 units sold. Dewside (Lynnsport 4/5) is also complete again with all units disposed of. Cowper Place (Lynnsport 3) is currently in the construction phase and is due to complete by 31 March 2021. All 54 units have been reserved.

The joint venture with Norfolk County Council has progressed with phases 1 to 3 complete with only 1 unit remaining to complete.

The council's Registered Provider of Social Housing, West Norfolk Housing Company has now acquired 24 affordable homes with a further 6 due to be acquired by the end of 2020/21. These are made up of 24 rental homes which have been leased to Broadland Housing Association and 6 shared ownership homes.

Work to increase the supply of quality long term private rented sector accommodation in the borough is progressing via the council's wholly owned company, West Norfolk Property Limited (WNPL). A total of 26 homes on the council's Lynn sport sites will be acquired by WNPL before the end of March 2021. These homes will be let at market rents on long term (3 year) tenancies to meet a demand for good quality secure rented accommodation in King's Lynn.

Accelerated Construction Programme - The Council in conjunction with Homes England is progressing five sites that are within the Councils control under this programme. The grant has been secured on a per scheme basis. Each site has its own tailored funding package. In return for grant there are requirements around the pace of construction i.e. utilising Modern Methods of Construction (MMC) and delivery timescales. There will be 639 new homes delivered across the five sites.

The Council continues to develop and implement new policy and practice in relation to the requirements of the Self-build and Custom Housebuilding Act 2015. At the National Build It Awards, the Borough Council of King's Lynn & West Norfolk won the Best Council for Self or Custom Builders Award 2019. The next stage in delivering the strategy is delivering a council owned site, to create opportunities for people to commission their own home. A demand assessment and early community engagement was undertaken in 2019/2020. The task group identified a suitable site in Stoke Ferry – a decision will be made later this year.

<u>Protecting and enhancing the environment including tackling climate change</u>

The Council signed the Courtauld Agreement and is committed to the following:

- Work with others to identify and develop good practices in engaging with others.
- Engage with residents and colleagues to enable changes in consumption habits - for example deliver 'Love Food Hate Waste' messages.
- Report annually to WRAP on what has been done to engage with residents.

An annual carbon audit procedure has been developed to monitor the Council's carbon emissions. This will help inform a separate strategy and action plan to reduce the Council's carbon emissions to net zero by 2050. In October 2020, a Council Climate Change Policy was adopted, which sets out the Councils' approach to tackling climate change and therefore, informs future Council activities. The Council is following a broadly phased approach to its climate change work. Phase 1 focuses on reducing the Council's corporate emissions and then phase 2 looks at how the Council can help reduce District emissions. The Council will work on phase 2 simultaneous to phase 1, as and when opportunities arise.

A programme of work, known as Re:fit to reduce the Council's energy costs and carbon emissions from across its estate commenced in 2019. A second Re:fit is being investigated including the potential to access Government funding to further reduce the Council's carbon emissions.

The Council's chief executive chairs the Norfolk Climate Change Partnership, a Norfolk-wide partnership with the goal to encourage collaborative work to address climate change.

The Council continues to support work on the Coastal Management Plan which details what works are required to mitigate coastal erosion to Hunstanton Cliff and review what works are need to Hunstanton's Sea Defences going forward.

Improving social mobility and inclusion

The Council continues to deliver a programme of apprenticeships for staff across a range of disciplines and qualification levels. The introduction of the apprenticeship levy and apprenticeship targets from 2018 have been successfully met, and we are continuing to explore new opportunities to provide apprenticeships across all Council services.

Learning Catalysts continue to provide effective support and guidance to parents at a number of schools. The Council is engaged with Norfolk-wide activities on inclusive growth. This work aims to ensure all communities in Norfolk have opportunities to contribute to and benefit from economic growth and regeneration. This will enable every individual in Norfolk has access to education, skills and opportunities to help them to fulfil their potential and have productive, healthy, independent lives.

Creating and maintaining good quality places that make a positive difference to people's lives

Consultation took place on the Southern Seafront Masterplan options appraisal. Consultation feedback was collated and a draft options report produced by Hemingway Design. The wayfinding and signage project for the seafront, funded by the 'Coastal Revival Fund' was planned to commence in late Spring 2020. However, progress has been delayed whilst the effects of the Covid 19 pandemic were felt across the tourism sectors. The draft report will now be revisited and amended to reflect the environment in which the area now finds itself. Work on this will recommence in February 2021. The coastal revival funded project for Wayfinding and signage centred around a community led event which was unable and remains unable to take place. As such, the fund will now be used for its core aim of improving signage and seafront aesthetics along the promenade area. The Hunstanton Prosperity Coastal Community Team will be reviewing and progressing the project when practically possible.

Work on the development of the Sail the Wash offer fully funded by the Coastal Community fund has continued to progress despite the current climate. Capital works in King's Lynn and website development have taken place and it is hoped to launch both the facilities and marketing in March 2021 (restrictions permitting). Capital works remain to be completed at Sutton Bridge which is part of the wider project and are scheduled for completion in June 2021.

Helping to improve the health and wellbeing of our communities

The Council has taken an active role in the 'West Norfolk Early Help Hub' along with other partners, in order to identify and address issues with young people to prevent escalation to social care level.

The Council has used the flexibility within the enhanced Better Care Fund / Disabled Facilities Grant (BCF/DFG) allocation and the Integrated Housing Adaptations Team (IHAT) approach to support and assist vulnerable people in the borough.

Working with Norfolk County Council (NCC) the Council has helped facilitate new housing solutions for people currently being accommodated in expensive inappropriate residential care. This includes people with learning difficulties, enduring mental health problems, and Housing with Care for elderly people.

We are working with our partners, particularly the NHS to deal with Inequalities. Inequalities reduce life expectancy and have potentially led to increased Covid 19 death rates so we must look to tackle these.

4.5 Performance Indicators

4.5.1 The Council has adopted a number of local indicators that cover various service areas and are considered to be representative measures on the performance of the Council in the key areas. The indicators are reported regularly to all Panels.

4.6 Staffing Plan

4.6.1 A key issue in the Financial Plan remains the control of staffing levels. The Council has set its permanent establishment at a level which in effect acts as a 'cap' on the permanent staffing levels and approval for additional posts is only given if a compensating reduction in the establishment can be offered or if the posts are required to meet new commercially funded operations where there is a clear business benefit to the borough council. Control on staffing is also monitored through the level of the payroll.

4.6.2 The Council has maintained restraint over the payroll through the level of pay increases awarded over the past few years as can be demonstrated in the table below.

2009/2010	0%
2010/2011	1%
2011/2012	0%
2012/2013	0%
2013/2014	1%
2014/2015	1% and £7.00 per hour minimum
2015/2016	1% (1.5% for pay grade below £21,500) and £7.20 per hour minimum
2016/2017	1% and minimum pay £7.52 per hour
2017/2018	1% and minimum pay £7.78 per hour
2018/2019	2% and minimum pay £8.50 per hour
2019/2020	2% and minimum pay £9.00 per hour
2020/2021	2.5% and minimum pay £9.20 per hour

4.6.3 The Financial Plan 2020/2025 includes within each service area a contingency of 2.5% in each year to address any pay issues. The level of increase will be subject to separate reports to Council each year.

4.6.4 The Government has made pay pledges to increase the minimum hourly rate from £7.20 in April 2016 to £9.20. The National Employers pay deal for the period 1 April 2020 to 31 March 2021 included increases the minimum hourly rate from £9.00 in April 2019 to £9.20 from April 2020. The Council pay policy in previous years has been to increase its minimum hourly rate in line with the National Pay Award. This was continued for 2020/2021. The outcome of the National Employees pay request for 2020/2021 was an increase of 2.75% which was 0.25% above the increase approved by Council. However, for 2021/2022 Government have indicated a pay freeze for local government. Any national pay award decisions will be considered in setting future years' pay awards.

4.7 Financing Adjustment

4.7.1 The Financing Adjustment is an account used to budget for interest earned on investment and interest paid on debt. The account also contains charges for revenue expenditure funded from capital under statute (REFCUS) e.g. the cost of disabled facilities grants, although considered to be capital items are charged to revenue as part of the Cost of Services. These adjustments ensure that depreciation and REFCUS charges that are simply 'book entries' meant to properly show the 'true' cost of a service, are not passed on to the council taxpayer.

	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
	£	£	£	£	£
Unsupported Borrowing	(194,690)	(226,250)	(230,840)	(157,300)	(155,210)
External Interest Payments	410,500	392,000	392,000	392,000	392,000
External Interest Receipts	(397,710)	(434,780)	(442,530)	(326,690)	(222,210)
Minimum Revenue Provision	373,650	398,130	404,600	476,730	476,730
REFCUS	1,571,230	1,774,840	1,774,840	1,774,840	1774,840
TOTAL	**1,762,980**	**1,903,940**	**1,898,070**	**2,159,580**	**2,266,150**

Interest rates are expected to remain at current low levels for some time. This has an impact on both interest paid on borrowing and our investment income. The future of the timing of increases in rates remains uncertain in the current economic climate. Any changes in rates that affect the financing adjustment will continue to be monitored and updated during the year in the monthly monitoring reports.

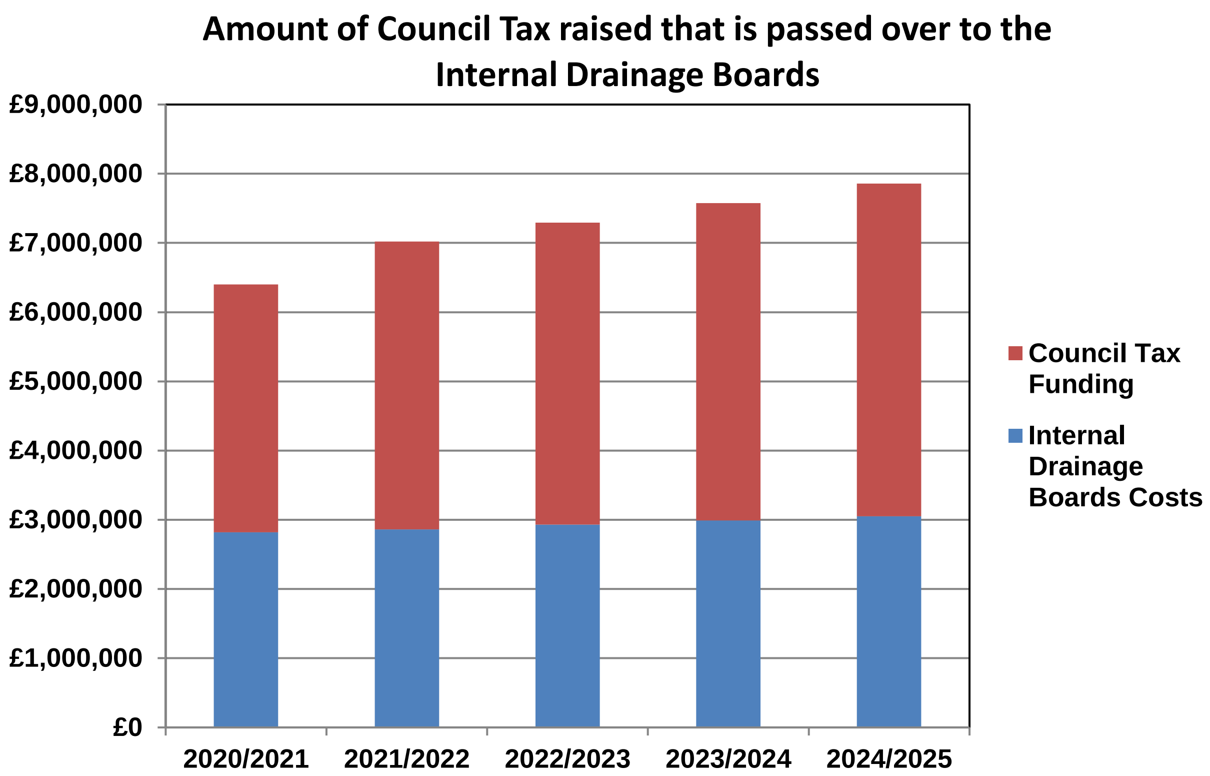
4.8 Internal Drainage Boards

4.8.1 Internal Drainage Boards (IDB) levies are paid by the Council to the various Boards. The levies count as spending of the Council, but no contribution is made by Government as part of the financial settlement. **Any increase in the levies does have an impact on the council tax payer who picks up the residual costs**. Clearly with the significant reductions in RSG any increase in IDB levies in future will have to be met from council tax or cost savings. The budget of £2,863,330 for 2021/2022 is based on estimated increases (as discussed with Drainage Boards) of between 0% to 2% for inflation (Drainage Boards have yet to confirm the precept to the Council for 2021/2022). These precepts are listed in Appendix 4.

4.8.2 The following shows how much of the council tax to be collected by the authority (based on Council Tax Band D charge) is estimated to be paid across to Internal Drainage Boards in 2021/2022:

	2021/2022	2021/2022
	£	%
Borough Council	79.86	59%
Internal Drainage Boards	55.01	41%
Total	**134.87**	**100%**

The chart below shows the Council Tax funding compared to Internal Drainage Boards costs.



4.9 Special Expenses / Council Tax Support to Parishes

4.9.1 The Local Government Finance Act 1992 stipulates that any expenses incurred by the authority in performing in a part of its area a function performed elsewhere by a parish council are the authority's special expenses, unless a resolution of the authority to the contrary effect is in force. Special expenses are charged across a number of towns and parishes for closed churchyards, footway lighting, community halls, emptying of dog bins, playing fields and open spaces.

4.9.2 In 2013 changes made by Government on the arrangements for the payment of benefit for local council tax support through the reduction in council tax base had an impact on the level of both parish/town precepts and special expenses charges that could be made on the council tax bill.

4.9.3 The impact of those new arrangements meant that for most parishes/towns the council tax bases were reduced. In the event that the level of spend on a precept or special expenses remained at the same level this would cause an increase in a Band D charge. The Government identified part of the formula funding paid to the Borough Council as assistance toward reducing the impact of such an increase in council tax at parish level and expected the Council to distribute the funds to parish/town councils and by reducing the charges for special expenses.

4.9.4 Due to the announcement of the one year settlement, these arrangements will continue to apply in 2021/2022 where the council tax base of the parishes and town councils are affected by the reduction in tax base dependent upon the types and mix of claimants in each ward. The Borough Council has set aside a sum of £21,212 toward parishes to help to mitigate the impact on the level of council tax set by the local council. However, it should be noted that this will be the last year of grant and no funding will be provided from 2022/2023 onwards.

4.9.5 Details of the revised costs to be set for each parish/town currently subject to special expenses together with the grant awarded to offset the impact on a Band D charge are shown at Appendix 5.

4.10 General Fund Balance and Reserves

4.10.1 Over the past years the Council has held its general fund working balance higher than usual to provide for time to properly assess the impact of service reviews to offset the reductions in the formula grant. The use of balances to assist in a planned and measured response to the reduction in Government grants and poor economic environment has proved to be very effective.

4.10.2 The introduction of the new formula funding/business rates retention scheme in 2013/2014 transferred a significant risk from central Government to the Council. The scheme allowed the Council to benefit from the growth of business rates by retaining an element of the income; however it also introduced the risk of losing funding if there was any reduction in the business rates list. In the event of a major ratepayer closing its business or appealing for a reduction in rates payable then the Council will have to bear the loss of rates income, which it had not before.

4.10.3 The Plan requires a drawdown from balances from 2022/2023 in order to "balance the budget". However, in 2024/2025, whilst the estimated balance will be reduced to £1,196,753 which is the minimum reserve requirement (i.e. 5% of the Council's budget requirement), there remains an estimated budget gap of £4,099,790 which needs to be addressed.

	2020/2021 £	2021/2022 £	2022/2023 £	2023/2024 £	2024/2025 £
(Contribution)/Draw from Balances to balance the budget	3,641,220	(823,760)	2,451,650	3,431,870	101,020*

*Reduces balance to minimum reserve level but leaves budget gap as set out in the plan.

4.10.4 Whilst it is good working practice and part of risk management to hold reserves to cushion the impact of unforeseen events and as a means to building up funds to meet known or predicted requirements, there are costs associated with holding levels of funds. Although these funds are used to deal with uneven cashflow, invested or used instead of borrowing and they therefore bring in income or avoid the cost of interest charges, they serve no other purpose if they remain unused over long periods of time. Council tax should not be set to establish significant sums of money that sit on a balance sheet and do not serve the public in any other way. This means that the levels of holdings should be properly justified.

4.10.5 The operation of the General Fund working balance does support the Financial Plan and the level of council tax throughout and is reduced at the end of that period to just above the minimum level required to be held.

4.10.6 For the other reserves, their use and demands on the accounts are regularly monitored. Any adjustments that could be made without raising a level of risk to the financial standing of the Council would be reported as necessary.

4.10.7 The Council's Policy on Earmarked Reserves and General Fund Balance is reviewed annually as part of the Budget report to Council and sets out why reserves are held and the minimum and maximum acceptable levels of the accounts.

4.10.8 Budget monitoring reports throughout the year include updates on budget variations, action to be taken and notes any movements on the general fund balances and earmarked reserves. The Policy on Earmarked Reserves and General Fund Balance is attached at Appendix 6.

Recommendation 2

Council is recommended to reaffirm the Policy on Earmarked Reserves and General Fund Balance and the maximum balances set for the reserves as noted in the report.

4.11 Budget Requirement 2021/2022

4.11.1 The Borough Requirement is a figure that comes from the total net costs of spending on services plus Internal Drainage Board levies less the credits for the Financing Adjustment and plus the costs of special expenses and council tax support to parish councils. The final part of the calculation is the addition for any transfer to or from reserves and the use of general fund balances.

4.11.2 In 2021/2022 the Budget Requirement for the Council is £21,731,380. This sum is to be met from Government Formula Funding, Business Rates growth retention, New Homes Bonus, any Collection Fund surplus and Council Tax. This results in a contribution to reserves of £823,760.

5 Parish Precepts

5.1 Parish and Town Councils within the borough request the Council to collect Council Tax on their behalf and pay over the sums requested as a Parish Precept. The total of the precepts must be added to the Council's budget but it is shown separately on Council Tax bills.

5.2 In 2018 the government announced that they would defer the setting of referendum principles for town and parish councils for 3 years. This is subject to the sector taking all available steps to mitigate the need for Council Tax increases and the government seeing clear evidence of restraint in the increases set by the sector as a whole. In 2020/2021, the average Band D parish precept increased by 4% which is the lowest increase in parish precept since 2012/2013 but remains above the rate of inflation. The Government has proposed to continue with no referendum principle for 2021/2022 but will review the level of increase set by parishes in 2021/2022 when considering next year's settlement.

6 Full Council Tax 2021/2022

6.1 In order to calculate the full Council Tax for 2021/2022 it will be necessary to add the County Council, Police Authority and parish precept requirements to the Council's element as previously shown.

Recommendation 3

It is recommended that Council :

1) **Approves the budget requirement of £21,731,380 for 2021/2022 and notes the projections for 2022/2023, 2023/2024 and 2024/2025.**

2) **Approves the level of Special Expenses for the Town/Parish Councils as detailed in the report.**

3) **Approves the Fees and Charges 2021/2022 detailed in Appendix 3.**

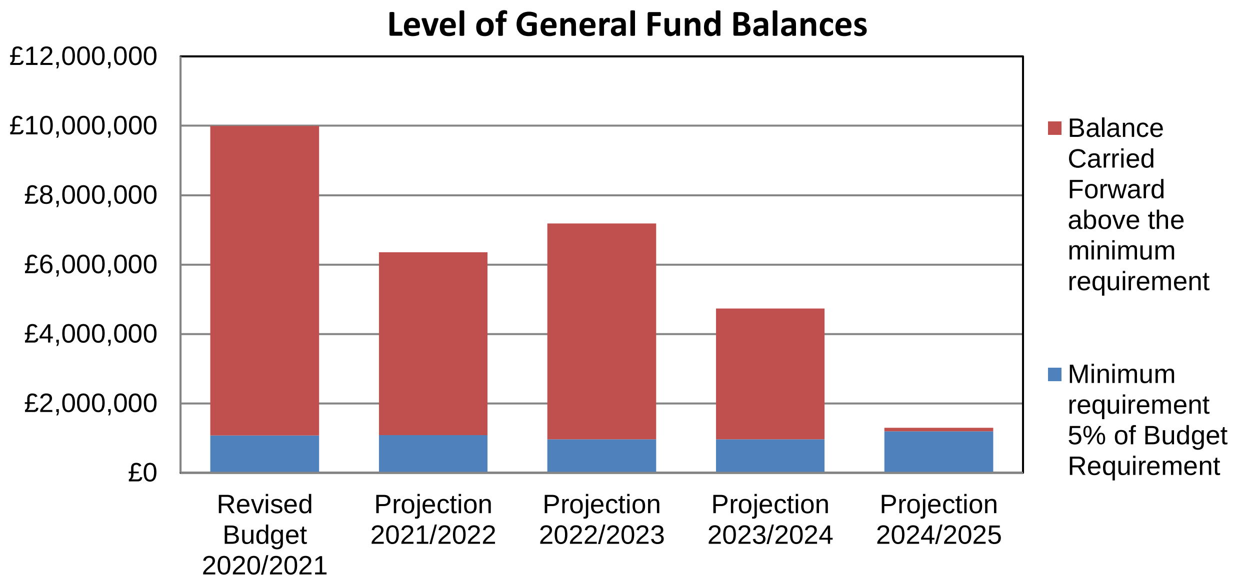
4) **Approves a Band D council tax of £134.87 for 2021/2022**

7 General Fund Financial Overview

7.1 This part of the report deals with the Council's General Fund balance based on the proposed Financial Plan 2020/2025. The projected position for the period of the Financial Plan will be as follows:

	2020/2021 £	2021/2022 £	2022/2023 £	2023/2024 £	2024/2025 £
Balance brought forward	**9,998,740**	**6,357,520**	**7,181,280**	**4,729,630**	**1,297,760**
Adjustments (October Monitoring)	(3,641,220)				
Estimated Contribution To/(From) General Fund Balance		823,760	(2,451,650)	(3,431,870)	(101,010)
Balance carried forward	**6,357,520**	**7,181,280**	**4,729,630**	**1,297,760**	**1,196,750**
Minimum Requirement:					
5% of Budget Requirement (Balance Required)	**1,071,648**	**1,086,569**	**963,361**	**969,378**	**1,196,753**

7.2 The chart below shows how the General Fund Balances are used over the period of the Financial Plan with the balance held just above the minimum level required at the end of 2024/2025.



7.3 Section 25 of the Local Government Act 2003 requires the S151 Officer, as part of the Council Tax setting process, to comment as to the adequacy of the Council's Balances.

7.4 The General Fund balance remains above the minimum level required for all years in the Plan. The minimum requirement is calculated by taking 5% of the Budget Requirement.

7.5 The projected General Fund balances held by the Council are in the opinion of the S151 Officer adequate for the Council's operational needs until 2024/2025. Target savings will need to be identified and achieved prior to 2024/2025 to address the estimated budget gap and mitigate potential risk and uncertainty around levels of Government funding going forward.

Recommendation 4

Council is recommended to approve a minimum requirement of the General Fund balance for 2021/2022 of £1,086,569.

8 Capital Strategy

8.1 The CIPFA revised 2017 Prudential and Treasury Management Code now requires all local authorities to prepare a Capital Strategy which will provide the following;

- A high level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- An overview of how the associated risk is managed
- The implications for future financial sustainability.

8.2 The Capital Strategy aims to complement other key documents such as the MTFS, the Asset Management Plan, the Council's Strategic Plan, and Treasury Management Strategy, etc. by defining the approach, structure and governance for the effective management of the Council's capital investment needs and ambitions.

8.3 The Strategy is presented separately to Cabinet on 2 February 2021. The core categories include:

- Governance process;
- Knowledge, awareness and skills;
- Strategy (asset management, service asset planning, commercial property investment);
- Technical property (valuations, leases);
- Technical finance (sensitivity analysis, risk assessment, borrowing,

depreciation and componentisation).

9 "Robustness" of Budget

9.1 Under Section 25 of the Local Government Act 2003 S151 Officer must report as to the robustness of the estimates included within the budget. There are within any projection of budgets over a five year period a number of assumptions that are made, some of which will have a level of risk against them, and the Financial Plan 2020/2025 is no exception.

9.2 The funding for 2021/2022 is presented with a degree of certainty in respect of RSG and RSDG funding as the Government has announced that it will continue to be paid for one further year i.e. 2021/2022. There are also some new one off grants that have been announced. However, there remains uncertainty that levels of business rates funding included in the Plan does not come to fruition.

9.3 There is significant risk from 2022/2023 onwards. The detailed arrangements for the implementation of the new Business Rates Retention scheme are not known and the re-set of the baseline may mean that the Council does not retain all the growth that has been achieved and is currently included in the Plan. The continuation of 100% retention of rates from renewable energy is also factored into the plan which may change. The Fair Funding Review will determine the starting point under the new Business Rates Retention scheme. The Plan does not include any additional growth in future years due to the level of uncertainty and risk around business rates funding but also because of increased uncertainty from the impacts of both the pandemic and Brexit on the economy.

9.4 The Council's delivery of target savings will be key in containing or reducing costs and generating additional income as the Council moves towards a position of funding based on locally generated resources rather than receiving RSG as it comes to an end.

9.5 The safety net of the level of working balances provides for a degree of comfort and robustness and in the opinion of the S151 Officer the level of General Fund balances held over the period are above minimum levels and adequate for the purposes of the Council for the period up to 2023/2024. From 2024/2025 there is a significant budget gap that needs to be addressed. As noted, there are a number of operational and financial risks facing the Council that could possibly impact on the level of General Fund balances held which result in balances depleting earlier than anticipated.

9.5 The main risks facing the Council are as follows:

Operational Risks – There will always be an element of risk in the robustness of estimates where many services are demand led. This level of risk is especially heightened during this period of uncertainty in the economy. This is particularly the case where large or volatile budgets exist – mainly the income driven budgets e.g. planning, industrial rents and car parking fees. These services produce high levels of income and a 1% reduction in the car parks estimates can produce a variance of circa £50,000.

Past experience shows that the risk from these service areas, whilst significant in financial terms, can be dealt with through good budget management which quickly identifies any potential issues and enables prompt corrective action to be taken and where necessary the use of balances. However, in this period of the Plan there is a degree of uncertainty as to how easy it will be to compensate for lost income in the event that the projections are not met. The performance on budgets is included in monthly monitoring reports to management and members and in the event that action is necessary approval can be gained quickly.

General Economic Risks – Assumptions on inflation made within the budget are detailed in the report. Where inflation factors rise above the assumed levels there will be an impact on the budget. The risk can be reduced through strong budget monitoring of spend and corrective action being taken. In the event that costs cannot be contained then the working balances come into play.

There is a risk to the budget from the changes in interest rates, especially in the current economic climate. Any significant changes to interest rates by the Bank of England Monetary Policy Committee to control inflation would in turn influence the interest paid on the Council's investments and borrowings. There is a degree of offsetting on our temporary and daily cashflow borrowing and lending but there remains a risk that there could be an imbalance between rates of borrowing and investment and the Council could suffer a net increase in costs. The risk is reduced through good debt management practices and monitoring of the markets and budget position. Interest rates in the financial plan are low which reflect the forecasts in the current economic climate.

Brexit – The exit from the European Union took place on 31 January 2020 and a trade deal was finally agreed which took effect on 1 January 2021. There remains uncertainty on what the impact will be on the Council's budget. Updates on any emerging impacts will be reported as part of the budget monitoring process.

Capital Schemes, Partnerships and Contracts – The Council will always be subject to general financial risks inherent within large capital schemes, major outsourcing arrangements and partnership arrangements. The risks can be reduced through the existence of good governance arrangements, active participation in the schemes, sound project management and constant monitoring of the risks.

Business Continuity – In terms of risk management there are a number of issues that present a risk to the Council all of which are included in the Corporate Risk Register. A number of the most highly rated risks are concerned with finance – the impact of the current pandemic (see separate paragraph), slow economic recovery and Brexit on income/service costs and capital receipts, the implementation of the new Business Rates Retention Scheme and the Fair Funding Review and the difficulties involved with achieving savings targets to deliver the efficiency plan. All of these issues have been considered and appropriate action taken to reduce the risk to the Council.

Pandemic (Covid-19) – The outbreak of the pandemic and lockdown late in March 2020 has had a significant impact on delivery of the council's services and finances as the council has prioritised on recovery and response to the pandemic. As the country continues in its efforts to control the outbreak, the risks and uncertainties around recovery continue into 2021/2022 and beyond. These risks will continue to be monitored and reported to management and members so that any decisions can be acted on quickly.

Business Rates Growth – The Financial Plan includes growth that has been achieved to date. There is no assumption for increased growth in the plan as this currently presents a significant level of risk. There is a risk that an element of the growth will be removed as part of the baseline re-set with the implementation of the new Business Rates Retention Scheme arrangements which have currently been delayed by Government. There is also concern that some of the business rates generated from renewable energy will also be withdrawn under the new scheme. These are currently retained at 100% so presents considerable risk if any or all of this is removed. These risks will continue to be monitored and reported to management and members as information on new arrangements for the scheme emerge.

Legislation – There are always risks associated with changes in legislation. For example, changes to VAT rules could have significant impact on the Financial Plan of the Council. There is little that can be done to mitigate legal risks other than to continue to be aware of the potential changes and act accordingly.

10 Consultation

10.1 The Council will meet with representatives of the business and voluntary sector community on 22 January 2021 to seek their opinions. Draft notes of the meeting will be made available to Cabinet on 2 February 2021.

10.2 Staff briefings will be held during February 2021. This report will be made available to staff and comments will be sought. Trade union representatives will also be sent a copy of the report. Any comments arising as a result of the consultation process will be reported to Council.

10.3 As part of the budget process a joint Panel Meeting will be held on 26 January 2021 and the draft minutes from the meeting will be presented to Cabinet on 2 February 2021.

Acknowledgement

The preparation of this budget has only been possible after considerable effort, research and co-operation of many officers from all sections of the Council.

Michelle Drewery
Assistant Director Resources (S151 Officer)

Access to Information

Cabinet Reports
Financial Plan 2019-2024
Capital Programme 2019-2024 and 2020-2025
Revised Estimate (July 2020) & Monitoring Reports 2020/2021

Finance Settlement
The suite of supporting documents for the provisional local government finance settlement 2021/2022 can be found by clicking on the following link:

Provisional Local Government Finance Settlement 2021/2022 - GOV.UK