

# **The FINANCIAL PLAN 2016/2021**

**As submitted to the  
Cabinet**

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# The FINANCIAL PLAN 2016/2021

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## **The FINANCIAL PLAN - 2016/2021**

### **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 2016 the Council set out a Financial Plan for 2015/2020. The Plan reflected the significant financial challenges faced by the Council including the phasing out of Revenue Support Grant (RSG) over the course of this parliamentary term, changes to the distribution of New Homes Bonus, the impact of the Business Rates revaluation from 2017 and a 100% Business Rates Retention Scheme from 2020.
- 1.3 The Council can present a balanced budget for the period 2016-2021 (see Appendix 1) although there is still uncertainty in funding which is estimated to be received from New Homes Bonus and business rates growth in the period to 2020. **The significant risk is from 2020/2021.** The impact of the implementation of the new 100% Business Rates Retention scheme and the Fair Funding Review from 2020/2021 are unknown, but there is considerable downside risk. Whilst a substantial amount of work has already been undertaken to reduce costs and generate additional income future reiterations of the cost reduction programme will require income generating options previously not supported to be re-considered.
- 1.4 In last year's Spending Review the Government provided some financial certainty by offering councils the option to take up a four year settlement offer 2016-2020 subject to publishing an 'efficiency plan'. The Council took up the Government offer. The Secretary of State for Communities and Local Government announced as part of his statement on the provisional local government finance settlement delivered on 15 December 2016 that *'97% of councils have taken up the offer and met our expectations of reform by publishing a long term efficiency plan'*.
- 1.5 The provisional local government finance settlement announced by Government on 15 December 2016 confirms the second year of the 4 year offer. It should be noted that the 4 year offer only includes RSG and Rural Services Delivery Grant (RSDG). The ending of RSG has been clearly signaled and it is assumed that the Council will receive no RSG from 2020/2021. As with RSG it has also been assumed that the Council will receive no RSDG from 2020/2021

- 1.6 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 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. The additional Council Tax generated is included in the Government's calculation of a 0.4% increase in core spending power over the Spending Review period.
- 1.7 The baseline business rates funding allocation also announced on 15 December 2016 includes the impact of the Business Rates Revaluation 2017 and is broadly as anticipated in the current plan.
- 1.8 The Secretary of State also announced in the Autumn Statement that a Bill will be introduced into Parliament early in 2017 to provide the framework for the new 100% business rates retention scheme, with trials beginning later in the year. The revised arrangements for business rates retention will not provide this Council with funding to replace the reductions announced in RSG. Under the new arrangements there will still be a formula adjustment to redistribute business rates between two tier authorities and to address economic differences. There will also be a reset of the baseline funding and we do not know how much, if any of the growth will be retained from 2020. We await further details.
- 1.9 The Government is working with representatives of local government on a Fair Funding Review to *'thoroughly consider how to introduce a more up-to-date, more transparent and fairer needs assessment formula'*. The review is looking at all the services provided by local government and will determine the starting point for local authorities under the 100% business rate retention scheme. The Secretary of State announced that he would update on progress to Parliament early in 2017. It can be anticipated that there will be winners and losers as a result of the funding review.
- 1.10 Under the current business rates retention scheme the Council retains 40% of any net growth in the business rates achieved and 100% of any growth in business rates from Renewable Energy facilities. In preparing the Financial Plan 2016/2021 assumptions have been made on continued growth in business rates. There can however be no guarantee that business growth will materialise as developers/businesses will respond to changing market conditions, and the added uncertainty as the Brexit arrangements unfold. There is therefore a significant level of risk with this approach. If the anticipated projects do not progress as planned or are cancelled the growth will not be achieved.

- 1.11 The DCLG published its response to the consultation document on New Homes Bonus which has shaped allocations for New Homes Bonus in 2017/2018 and beyond. The savings of £240 million from the reform of the New Homes Bonus have been allocated to social care authorities through a new Adult Social Care Support Grant. The changes in the allocation of New Homes Bonus have resulted in an estimated reduction for this Council of £6.7m in funding from New Homes Bonus over the period 2017-2021.
- 1.12 The Council over recent years has adopted a policy of seeking efficiencies and different ways of delivering services producing significant levels of savings. A robust process to identify proposals to address the continuing budget deficit has been underway since the autumn 2015. In taking up the offer of a four year funding settlement the Council was required to publish an efficiency plan and monitor progress on delivery of savings.
- 1.13 Work is underway to produce the changes required to deliver the savings identified, before 2019/20. The work being completed, and therefore the savings being generated, are monitored closely and reported in the monthly monitoring reports. Where savings are achieved in advance of 2020/2021 these will be transferred to reserves to fund investment in major capital projects which will provide future revenue income. As at the end of November 2016 we had achieved 81% of actual savings against the target for 2016/2017.
- 1.14 The costs of services of the Council have been updated. In terms of containing spending a number of service budgets have been held at 2016/2017 levels 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 and the apprenticeship levy.
- 1.15 It remains difficult in the current economic climate to estimate levels of income in certain services including planning, car parks and industrial estates and a cautious approach has been taken in projecting forward into 2017/2021.
- 1.16 Fees and charges have been reviewed as part of the estimates process, car parking charges were increased last year and it is proposed that there will be no increase in 2017/2018 with current charges held for 1 April 2017.
- 1.17 The Council has a planned approach to 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. At no time does the Plan take working balances below the minimum level as stated in the Policy on Earmarked Reserves and General Fund Working Balance of the Council.

- 1.18 The figures shown in the Financial Plan for 2017/2021 include a £4 per annum per Band D dwelling increase in council tax for 2016/2017 with a £4.50 increase each year from 2018/2019. The increases are in line with the Council's published efficiency plan. The overall £5 increase permitted under the Council Tax Referendum Principles includes increases in special expenses and the Borough precept.
- 1.19 The Financial Plan 2016/2021 (see Appendix 1) does show that the Council can present a balanced budget. 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. The savings required by the end of the Financial Plan are £2.6m and may be even higher depending on the impact of the new 100% Business Rates Retention scheme and the Fair Funding Review.
- 1.20 The funding for the period to 2019/2020 is presented with a degree of certainty in respect of RSG and RSDG funding as the Council has taken up the 4 year offer. However there are still potential further changes to New Homes Bonus and uncertainty that the Business Rates growth included in the Plan does not come to fruition.
- 1.21 **The significant risk is from 2020/2021.** The detailed arrangements for the implementation of the new 100% 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 currently included in the Plan. The Fair Funding Review will determine the starting point under the new 100% Business Rates Retention scheme.

1.22 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 2016/2017 as set out in the report.**

**Recommendation 2**

**Council is recommended 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 £17,754,730 for 2017/2018 and notes the projections for 2018/2019, 2019/2020 and 2020/2021.**
- 2) Approves the level of Special Expenses for the Town/Parish Councils as detailed in the report.**
- 3) Approves the Fees and Charges 2017/2018 detailed in Appendix 4.**
- 4) Approves a Band D council tax of £116.87 for 2017/2018**

**Recommendation 4**

**Council is recommended to approve a minimum requirement of the General Fund balance for 2017/2018 of £887,737.**

**Reason for Decision**

**The Council is obliged to set a Budget Requirement and level of council tax before the beginning of a financial year commencing on 1 April.**

# **The REVENUE BUDGET 2016/2017**

## 2 The Revenue Budget 2016/2017

- 2.1 The original budget 2016/2017 was approved by Council on the 25 February 2016. Throughout the year the Assistant Director (S151 Officer) has monitored the budget and where necessary sought approval for additional budget provision.
- 2.2 A revision to the 2016/2017 Budget was approved at Cabinet on the 6 December 2016 when full details of the changes to the original budget reported in the monitoring reports to September 2016 were provided. The following table shows the revised budget for the year 2016/2017 set against the budget approved at the December 2016 Cabinet.

|  | <b>Budget<br/>2016/2017<br/>Cabinet 6<br/>December 2016</b> | <b>Revised Budget<br/>2016/2017<br/>November<br/>Budgetary<br/>Control<br/>Monitoring<br/>Report</b> |
|--|---|--|
|  | £   | £  |
| Corporate                                      | 1,569,830   | 1,745,270  |
| Democracy                                      | 1,280,110   | 1,251,880  |
| <b>Services Areas:</b>                         |   |  |
| Central and Community Services                 | 3,995,220   | 3,668,280  |
| Chief Executive                                | 4,327,550   | 4,318,850  |
| Commercial Services                            | 4,401,460   | 4,603,000  |
| Environment and Planning                       | 1,837,300   | 1,714,330  |
|  |   |  |
| Financing Adjustment                           | (4,160,150)   | (4,338,580)  |
| Internal Drainage Boards                       | 2,639,030   | 2,639,030  |
| Special Expenses                               | 8,060   | 8,060  |
| Council Tax Support to Parishes                | 95,870  | 95,870   |
| In year adjustments to retained business rates | (43,010)  | (43,010)   |
| <b>Borough Spend</b>                           | <b>15,951,270</b>   | <b>15,662,980</b>  |
|  |   |  |
| Reimbursement of lump sum pension payment      | 1,266,000   | 1,266,000  |
| Contribution to Balances                       | 1,230,290   | 1,518,580  |
|  |   |  |
| <b>Borough Requirement</b>                     | <b>18,447,560</b>   | <b>18,447,560</b>  |

- 2.3 The revised Borough Spend takes account of changes made to the service costs as detailed in the October and November 2016 Budget Monitoring Reports. The changes include; increased income of (£239,150) mainly planning income and Home Improvement Agency Fees and reduced expenditure of (£49,140) mainly due to lower utility costs offset by increased costs of refuse and recycling. The net change to the total Borough Spend is a decrease of (£288,290).
- 2.4 Any further variances between the revised budget and actual outturn for 2016/2017 will be shown in Monitoring Reports for the periods December 2016, January 2017, February 2017 and the final accounts in June 2017.
- 2.5 The net impact of the projected outturn 2016/2017, as detailed above, on the overall level of General Fund balance is as follows:

|   |                           |
|---|---------------------------|
|   | £                         |
| Balance brought forward 1 April 2016                | (5,735,034)               |
| Reimbursement of lump sum Pension Payment           | (1,266,000)               |
| Contribution to balances for 2016/2017              | <u>(1,518,580)</u>        |
| <b>Projected General Fund Balance 31 March 2017</b> | <b><u>(8,519,614)</u></b> |

- 2.6 The reimbursement of lump sum pension payment is the repayment to the General Fund of the early payment made to the Pension Fund that took place in 2014/2015. By paying the Norfolk Pensions Service £3,136,000 upfront in 2014/2015 the Council saved approximately £176,000 over the three years 2014/2017.
- 2.7 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 a lower level.

**Recommendation 1**

**It is recommended that Council approve the revision to the Budget for 2016/2017 as set out in the report.**

# **The Financial Plan 2017/2021**

### 3 The Financial Plan 2017/2021 - Funding

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

3.1.1 The provisional local government finance settlement announced by Government on 15 December 2016 confirms the second year of the 4 year offer. The ending of RSG has been clearly signaled and it is assumed that the Council will receive no RSG from 2020/2021.

3.1.2 The Rural Services Delivery Grant (RSDG) was also included as part of the four year offer and as with RSG it has been assumed that the Council will receive no RSDG from 2020/2021. If RSDG is to continue from 2020/2021 it is possible that this funding could be part of the 100% Business Rates Retention scheme. Future RSDG funding will be updated as the arrangements for 100% Business Rates Retention become known

3.1.3 The RSG and RSDG funding included in the Financial Plan 2016/2021 is set out in the table below.

|           | <b>RSG</b>  | <b>RSDG</b> |
|-----------|-------------|-------------|
|           | <b>£</b>    | <b>£</b>    |
| 2016/2017 | (2,770,260) | (459,970)   |
| 2017/2018 | (1,857,870) | (371,410)   |
| 2018/2019 | (1,270,380) | (285,700)   |
| 2019/2020 | (614,210)   | (371,410)   |
| 2020/2021 | 0           | 0           |

#### 3.2 Delivering the Efficiency Plan

3.2.1 In taking up the offer of a four year funding settlement the Council was required to publish an efficiency plan. The Council's efficiency plan was approved at Council on 29 September 2016 and this includes a focus on the following:

- Continue to examine all operational service areas to identify achievable revenue cost savings through delivering services in different ways, reductions in service level, increasing income and reviewing discretionary expenditure. Some of the identified areas include channel shift, joint and shared working arrangements and sharing office space.

- Identify capital investment opportunities to maximise the use of our assets, generate a revenue return, in excess of that achieved from traditional banking investments, promote housing development, increased council tax base and new homes bonus, promote local economic and business growth and increased business rates. Some of the identified areas include a major housing project, commercial investment and development, review of car parking strategy.
- As a lower quartile Council, increase Band D council tax by £5 per annum from 2017/2018 in line with government expectations.

3.2.2 In preparing the medium term Financial Plan 2015-2020 target savings were identified against the above areas as detailed in the table below.

|                             | <b>2016/2017<br/>Saving<br/>£</b> | <b>2017/2018<br/>Saving<br/>£</b> | <b>2018/2019<br/>Saving<br/>£</b> | <b>2019/2020<br/>Saving<br/>£</b> |
|-----------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Revenue                     | (365,920)                         | (751,410)                         | (944,450)                         | (972,130)                         |
| Corporate Projects          | (21,000)                          | (247,600)                         | (655,400)                         | (1,148,500)                       |
| Council Tax                 | 0                                 | (137,910)                         | (275,580)                         | (413,750)                         |
| <b>Total Target Savings</b> | <b>(386,920)</b>                  | <b>(1,136,920)</b>                | <b>(1,875,430)</b>                | <b>(2,534,380)</b>                |

3.2.3 Actual savings achieved and reported in the monitoring reports to the end of December 2016 are detailed in the following table:

| <b>Service Area</b>   | <b>2016/2017<br/>Saving £</b> | <b>2017/2018<br/>Saving £</b> | <b>2018/2019<br/>Saving £</b> | <b>2019/2020<br/>Saving £</b> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Council Tax:</b>   |                               |                               |                               |                               |
| Additional Council Tax income from the move to £5 increases                             | 0                             | (90,270)                      | (203,830)                     | (317,530)                     |
| <b>Total</b>  | <b>0</b>                      | <b>(90,270)</b>               | <b>(203,830)</b>              | <b>(317,530)</b>              |
| <b>Revenue Savings:</b>   |                               |                               |                               |                               |
| <b>December:</b>  |                               |                               |                               |                               |
| Insurance contract, tendered November 2016  | 0                             | (159,620)                     | (99,550)                      | (44,170)                      |
| Council Tax additional income from changes to empty/unfurnished/uninhabitable discounts | 0                             | (28,520)                      | (29,610)                      | (30,710)                      |
| <b>Total December</b>   | <b>0</b>                      | <b>(188,140)</b>              | <b>(129,160)</b>              | <b>(74,880)</b>               |

| Service Area                                     | 2016/2017 Saving £ | 2017/2018 Saving £ | 2018/2019 Saving £ | 2019/2020 Saving £ |
|--|--------------------|--------------------|--------------------|--------------------|
| <b>November:</b>                                 |                    |                    |                    |                    |
| Benefits   | (1,120)            | (5,250)            | (5,080)            | (4,890)            |
| CIC  | (31,470)           | 0                  | 0                  | 0                  |
| Community Safety and Neighbourhood Nuisance      | (38,140)           | (55,250)           | (57,350)           | (59,530)           |
| Democratic Services                              | (28,220)           | (22,520)           | (22,780)           | (23,020)           |
| Development Control                              | (39,560)           | (40,970)           | (42,520)           | (44,150)           |
| ICT Services                                     | (10,370)           | (37,290)           | (37,290)           | (37,290)           |
| Internal Audit                                   | 0                  | (35,530)           | (36,740)           | (38,480)           |
| Kings Court Rent                                 | (5,300)            | (16,000)           | (16,000)           | (16,000)           |
| Planning   | (15,810)           | (26,190)           | (27,190)           | (28,220)           |
| Refuse   | (1,120)            | (6,470)            | (6,720)            | (6,970)            |
| <b>Total November</b>                            | <b>(171,110)</b>   | <b>(245,470)</b>   | <b>(251,670)</b>   | <b>(258,550)</b>   |
| <b>October:</b>                                  |                    |                    |                    |                    |
| King's Court                                     | (2,190)            | (2,250)            | (2,310)            | (2,370)            |
| ICT Services                                     | 0                  | (24,000)           | (24,000)           | (24,000)           |
| Policy and Partnership                           | (22,360)           | (30,070)           | (30,280)           | (30,500)           |
| Property Services                                | (5,880)            | (6,040)            | (6,210)            | (6,390)            |
| <b>Total October</b>                             | <b>(30,430)</b>    | <b>(62,360)</b>    | <b>(62,800)</b>    | <b>(63,260)</b>    |
| <b>September:</b>                                |                    |                    |                    |                    |
| Car Parking Operations                           | (20,000)           | (20,000)           | (20,000)           | (20,000)           |
| CCTV   | (22,000)           | (28,000)           | (28,700)           | (29,420)           |
| Civic Hospitality                                | (4,650)            | (4,650)            | (4,650)            | (4,650)            |
| Financial Services                               | (14,500)           | (16,060)           | (16,180)           | (16,310)           |
| Perform & Efficiency Team                        | (9,070)            | (9,320)            | (9,580)            | (9,850)            |
| <b>Total September</b>                           | <b>(70,220)</b>    | <b>(78,030)</b>    | <b>(79,110)</b>    | <b>(80,230)</b>    |
| <b>August:</b>                                   |                    |                    |                    |                    |
| Print Room                                       | (24,730)           | (70,860)           | (70,860)           | (70,860)           |
| <b>Total August</b>                              | <b>(24,730)</b>    | <b>(70,860)</b>    | <b>(70,860)</b>    | <b>(70,860)</b>    |
| <b>Total to Revenue Savings to December 2016</b> | <b>(296,490)</b>   | <b>(735,860)</b>   | <b>(797,430)</b>   | <b>(860,420)</b>   |

- 3.2.4 The savings achieved in advance of 2020/2021 as detailed above have been transferred to reserves to fund investment in major capital projects which will provide future revenue income.
- 3.2.5 The Local Property Investment Fund proposal as detailed in the Capital and Local Property Fund Strategy 2017-2021, see separate report on the Cabinet agenda, aims to generate a revenue return in excess of that achieved from traditional banking investments.
- 3.2.6 The on-going annual savings are included in the estimates from 2020/2021 and there is a shortfall of income/resources compared to spending in 2020/2021 of £2.6m.
- 3.2.7 The Financial Plan is reliant upon drawing sums from the working balance. The use of reserves is clearly a temporary measure and over the period of the Plan the Council will work toward bringing spending in line with income. **Savings already identified and yet to be achieved as detailed at 3.2.2 and 3.2.3 above total £1.6m and an additional £1m of income generation/savings will need to be identified to meet the target of £2.6m by April 2021.** This will need to be addressed in future reiterations of the cost reduction programme and will require revisiting some of the income generating proposals not previously supported. Past experience shows that it is important to gain savings as soon as possible.

### 3.3 Retained Business Rates

- 3.3.1 The baseline business rates funding allocation announced on 15 December 2016 includes the impact of the Business Rates Revaluation 2017. The overall Rateable Value (RV) for West Norfolk has increased by 2% and the tariff has been recalculated to mitigate the impact of the business rates revaluation. The baseline funding is broadly as anticipated in the current plan.
- 3.3.2 RVs are reviewed and updated by the Valuation Office usually every 5 years, the last RVs came into effect on April 2010 and the new values start from 1 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.
- 3.3.3 The headline impact on RVs are:
- Car parks – average rise of 50%
  - Decreases for Town Centre shops and banks and out of town superstores (including supermarkets)
  - Increases in out of town retail warehouses
  - Leisure premises (hotels, public houses, camping sites, museums, theatres) have seen double digit increases

3.3.4 The 2017 revaluation has resulted in an increase in the Council's business rates payable of £71,000 in 2017/2018, mainly due to increases of over 30% for car parks, cemeteries and the crematoria.

3.3.5 The baseline business rates will increase annually in line with the increase in the business rates multiplier. The new multipliers for 2017/2018 following the 2017 revaluation are (2016/2017 figures in brackets):

|   |   |               |
|---|---|---------------|
| Non-domestic rate multiplier                    | - | 47.9p (49.7p) |
| Non-domestic rate multiplier (small businesses) | - | 46.6p (48.4p) |

3.3.6 The baseline business rates funding included in the Financial Plan 2016/2021 is set out in the table below.

|           | £           |
|-----------|-------------|
| 2016/2017 | (5,025,480) |
| 2017/2018 | (5,128,080) |
| 2018/2019 | (5,293,060) |
| 2019/2020 | (5,481,340) |
| 2020/2021 | (5,645,780) |

3.3.7 Under the current business rates retention scheme the Council retains 40% of any net growth in the business rates achieved and 100% of any growth in business rates from Renewable Energy facilities. In preparing the Financial Plan 2016/2021 assumptions have been made on continued growth in business rates. There can however be no guarantee that business growth will materialise as developers/businesses will respond to changing market conditions, and the added uncertainty as the Brexit arrangements unfold. There is therefore a significant level of risk with this approach. If the anticipated projects do not progress as planned or are cancelled the growth will not be achieved.

3.3.8 The power station in King's Lynn logged an appeal against both the valuation list for 2005 and 2010. The appeal against the 2005 valuation list has now been concluded in favour of the Valuation Office and the appeals provision the Council had made in its accounts can now be returned to fund the revenue budget. The Financial Plan 2016/2021 includes a one off contribution of £580,000 in 2017/2018. The power station appeal against the 2010 valuation list is still outstanding.

3.3.9 The Secretary of State also announced in the Autumn Statement that a Bill will be introduced into Parliament early in 2017 to provide the framework for the new 100% business rates retention scheme, with trials beginning later in the year. The revised arrangements for business rates retention will not provide this Council with funding to replace the reductions announced in RSG. Under the new arrangements there will still be a formula adjustment to redistribute business rates between two tier authorities and to address economic differences. There will also be a reset of the baseline funding and we do not know how much, if any of the growth will be retained from 2020. We await further details.

3.3.10 The new 100% Business Rates Retention Scheme proposals announced by the Government:

- 100 per cent rates retention, by the sector as a whole, by the end of this Parliament
- Local authorities will keep rates growth, i.e. no levy
- Councils will be given new responsibilities to ensure reforms are 'fiscally neutral' and Revenue Support Grant (RSG) and other grants will be phased out
- All councils will be able to reduce the business rates multiplier. Combined authority mayors will be able to increase multiplier with LEP agreement, to fund new infrastructure
- A full review of the relative needs assessment methodology will take place

3.3.11 Timetable for introduction:

- July -September 2016 Open consultation on the approach to 100% business rates retention
- Early 2017 Legislation to be introduced to provide the framework for these reforms and more technical consultation on specific workings of the reformed system
- April 2017 Business rates retention pilots begin
- By end of the Parliament The new system is implemented

3.3.12 The consultation lists a number of grants and responsibilities which have been identified as a possible fit against the criteria for being funded through retained business rates including:

Revenue Support Grant  
Rural Services Delivery Grant  
Greater London Authority Transport Grant  
Public Health Grant  
Support for older people with care needs – including people who, under the current system, would be supported through Attendance Allowance  
Improved Better Care Fund  
Independent Living Fund  
Early Years  
Youth Justice  
Local Council Tax Support  
Administration Subsidy and Housing Benefit Pensioner Administration Subsidy

3.3.13 The system design will:

- Reward areas that grow their income from business rates and manage risk and volatility:
- Government proposes to have fixed 'reset' periods. Open questions about frequency and extent
- Need to agree how changes in income are managed between tiers of government
- Government has heard the concerns about managing successful appeals under the 50% system and is exploring what it can do to help manage the impact of appeals
- The new system will need to continue to help insulate local authorities against significant shocks: a safety net arrangement will still be required

3.3.14 The Government is working with representatives of local government on a Fair Funding Review to *'thoroughly consider how to introduce a more up-to-date, more transparent and fairer needs assessment formula'*. The review is looking at all the services provided by local government and will determine the starting point for local authorities under the 100% business rate retention scheme. The Secretary of State announced that he would update on progress to Parliament early in 2017. It can be anticipated that there will be winners and losers as a result of the funding review.

### 3.4 New Homes Bonus

3.4.1 The DCLG published its response to the consultation document on New Homes Bonus which has shaped allocations for New Homes Bonus in 2017/2018 and beyond. The savings of £240 million from the reform of the New Homes Bonus have been allocated to social care authorities through a new Adult Social Care Support Grant. It is estimated that £13.2m in New Homes Bonus would have been received 2017-2021 before the changes to the allocation of New Homes Bonus were implemented. The revised estimated figures are £6.5m.

- The changes reduce the number of years payments are made from 6 years to 5 years in 2017/2018 and then to 4 years from 2018/2019 (for existing and future years allocations)
- No payments will be made on housing growth below 0.4% (the deadweight baseline) of the council tax base in each year. For BCKLWN this means New Homes Bonus for 2017/2018 was calculated on 186 Band D properties, that is growth of 431 Band D properties less 245 removed as deadweight. The Council's current capital plans for housing development are key in continuing to support the receipt of new homes bonus.
- The government has retained the option of making adjustment to the 0.4% baseline in future to reflect significant and unexpected housing growth.
- The Government decided not to remove New Homes Bonus for those districts that had yet to agree a local plan or for homes granted on appeal in 2017/2018. However the Government will be consulting further on the latter measure and examine in 2018/2019 withholding New Homes Bonus payment 'from local authorities that are not planning effectively, by making positive decisions on planning applications and delivering housing growth'.
- No change was made to the 80:20 allocation split between Districts and Counties.

- The financial impact on the BCKLWN medium term financial plan is detailed in the table below

| Financial Plan                  | Estimated New Homes Bonus |                |                |
|---------------------------------|---------------------------|----------------|----------------|
|                                 | 2017/2018                 | 2018/2019      | 2019/2020      |
|                                 | £                         | £              | £              |
| 2015/2020 Council February 2016 | (2,577,900)               | (1,633,900)    | (1,422,230)    |
| 2016/2021 Cabinet January 2017  | (2,410,950)               | (1,450,000)    | (1,304,000)    |
| Reduction                       | <u>166,950</u>            | <u>183,900</u> | <u>118,230</u> |

### 3.5 Collection Fund Surplus – Council Tax

3.5.1 In setting council tax each year there is an assumption made on the level of collection that will be achieved. In drawing up the council tax base for 2017/2018 the assumed collection rate is 97.5%. In past years the Revenues Services teams have achieved higher levels of collection thereby producing a surplus on the Collection Fund Account which is shared and used by the County Council, Police Authority and Council to offset future council tax increases. Any rate of collection achieved above the projection will produce surpluses on the Collection Fund of which a proportion will come back to the Council.

3.5.2 It is estimated that the Council can draw sums as detailed below.

|           | £         |
|-----------|-----------|
| 2016/2017 | (250,000) |
| 2017/2018 | (250,000) |
| 2018/2019 | (100,000) |
| 2019/2020 | (100,000) |
| 2020/2021 | (100,000) |

The draw in 2016/2017 and 2017/2018 is possible from the accumulated surplus generated in prior years. 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.

### 3.6 Council Tax

3.6.1 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:

| <b>Band</b> | <b>Value<br/>£</b>  | <b>Weighting of<br/>band</b> |
|-------------|---------------------|------------------------------|
| 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           | Over £320,000       | 18/9ths                      |

3.6.2 Although promised by past Governments there has yet to be a revaluation of the property bands. Council tax banding remains set at 1991 prices at present.

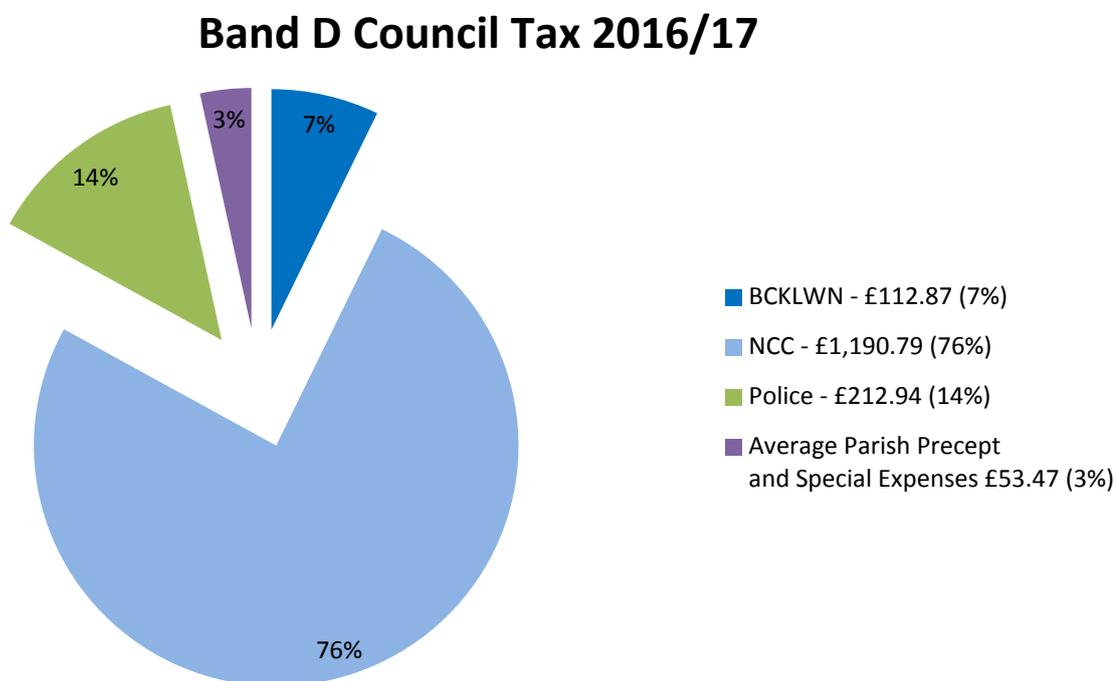
#### **Council Tax Base**

3.6.3 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. An Authority has a statutory obligation to determine its tax base under the Local Government Finance Act 1992.

3.6.4 The calculation of the tax base for 2017/2018 takes into account changes resulting from the local council tax support scheme (which reduces the tax base) and changes to discounts for empty/unfurnished/uninhabitable properties. The full tax base for 2017/2018 is 48,774. Future years show an assumption that the tax base will rise by the equivalent of 350 Band D properties per annum.

### 3.6.5 Council Tax 2016/2017

The Borough Council element of the full council tax bill in 2016/2017 for a Band D property is £112.87 out of a total of £1,570.07 (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 2016/2017 the Borough Council's charge forms a very small part of the bill (7%) collected from every council tax payer.



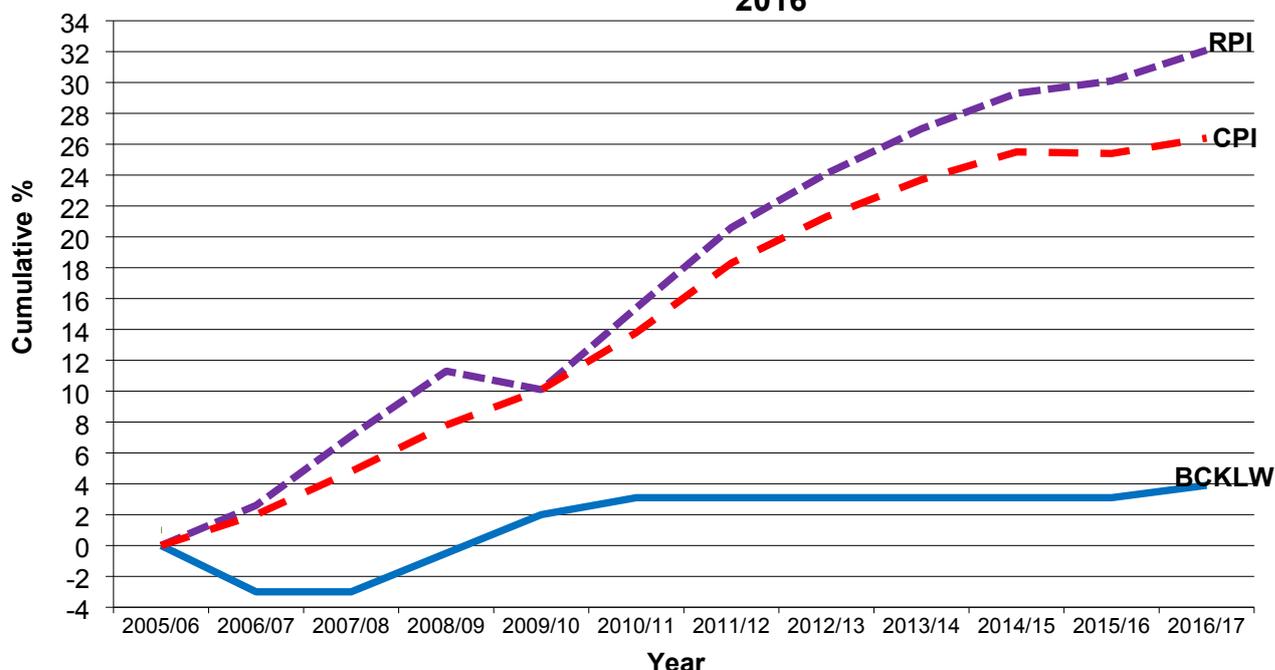
### Council Tax Levels – Band D

3.6.6 The table below shows the elements of a council tax Band D charge of £1,570.07 for 2016/2017.

| Charging Authority                             | 2016/2017 |
|--|-----------|
|  | £         |
| Borough Council of Kings Lynn and West Norfolk | 112.87    |
| Parish and Special Expenses                    | 53.47     |
| Norfolk County Council                         | 1,190.79  |
| Norfolk Police Authority                       | 212.94    |

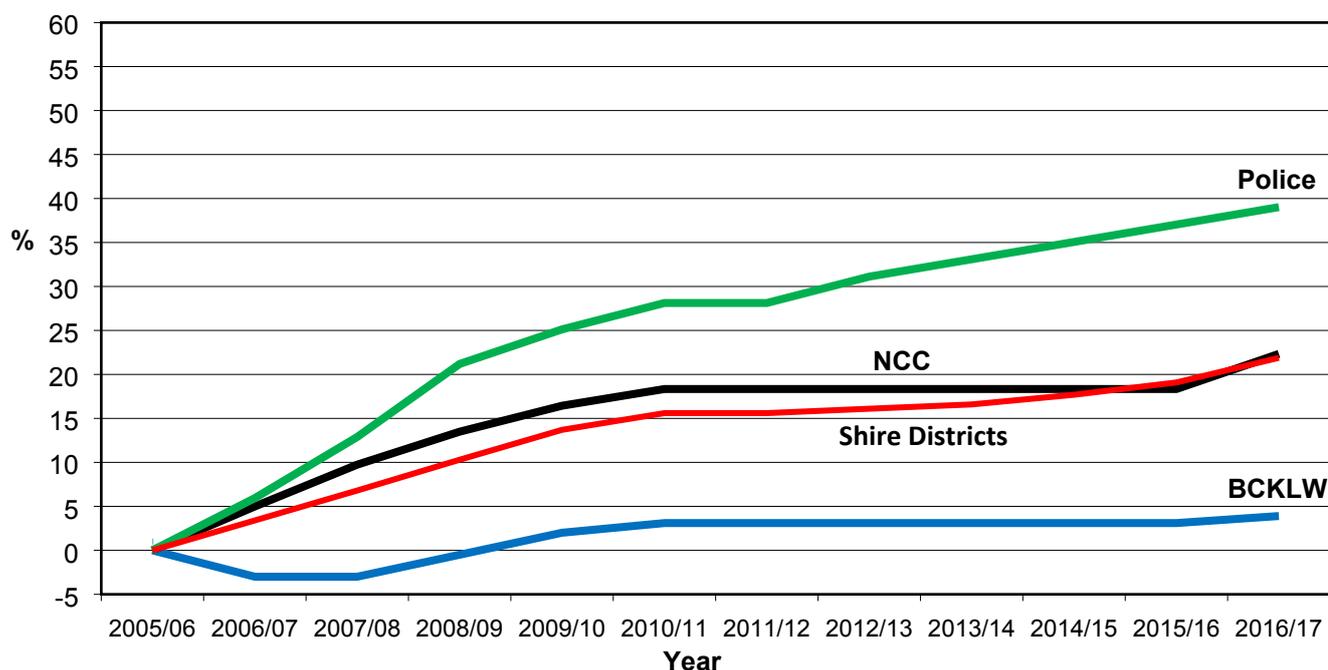
3.6.7 Over the period since April 2005 the Council has held council tax to a level where in 2016/2017 the cumulative increase in a Band D charge of £112.87 amounts to 3.9% above the 2005/2006 figure of £108.67. The average cumulative increase in council tax for shire districts areas in England over the same period 2005/2006 to 2016/2017 has been 21.9%. The Retail Price Index (RPI) has increased over that period (April 2005 to April 2016) by 32.1%. The Consumer Price Index (CPI) has increased by 26.4% over the same period. On all counts the Council has performed better. By holding down council tax the Council has absorbed the impact of inflation and not passed it on to its residents.

**Band D Council Tax and RPI percentage increases 2005 to 2016**



3.6.8 The graph below shows how the various elements of the council tax bill in West Norfolk have increased over the period 2005/2006 to 2016/2017. The 2016/2017 increase in the County Council precept for 2016/2017 includes the additional 2% permitted to be ring fenced for Adult Social Care. It can be clearly seen that whilst the Council has managed and delivered services whilst only imposing a very small increase in council tax over the period the same cannot be said for the County Council or Police Authority.

**Band D Council Tax percentage increase 2005 to 2016**



**Council Tax 2017/2018 and Future Years**

3.6.9 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 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. The additional Council Tax generated is included in the Government's calculation of a 0.4% increase in core spending power over the Spending Review period.

3.6.10 The figures shown in the Financial Plan for 2017/2021 include a £4 per annum per Band D dwelling increase in council tax for 2017/2018 with a £4.50 increase each year from 2018/2019. The increases are in line with the Council's published efficiency plan. The overall £5 increase permitted under the Council Tax Referendum Principles includes increases in special expenses and the Borough precept.

3.6.11 The proposed levels of council tax for 2017/2018 are:

| BAND | 2017/2018 | BAND | 2017/2018 |
|------|-----------|------|-----------|
|      | £         |      | £         |
| A*   | 77.91     | E    | 142.84    |
| B    | 90.90     | F    | 168.81    |
| C    | 103.88    | G    | 194.78    |
| D    | 116.87    | H    | 233.74    |

\* The Council reduces the charge to a property classed as Band A to £64.93 pa where it is eligible for Disabled relief.

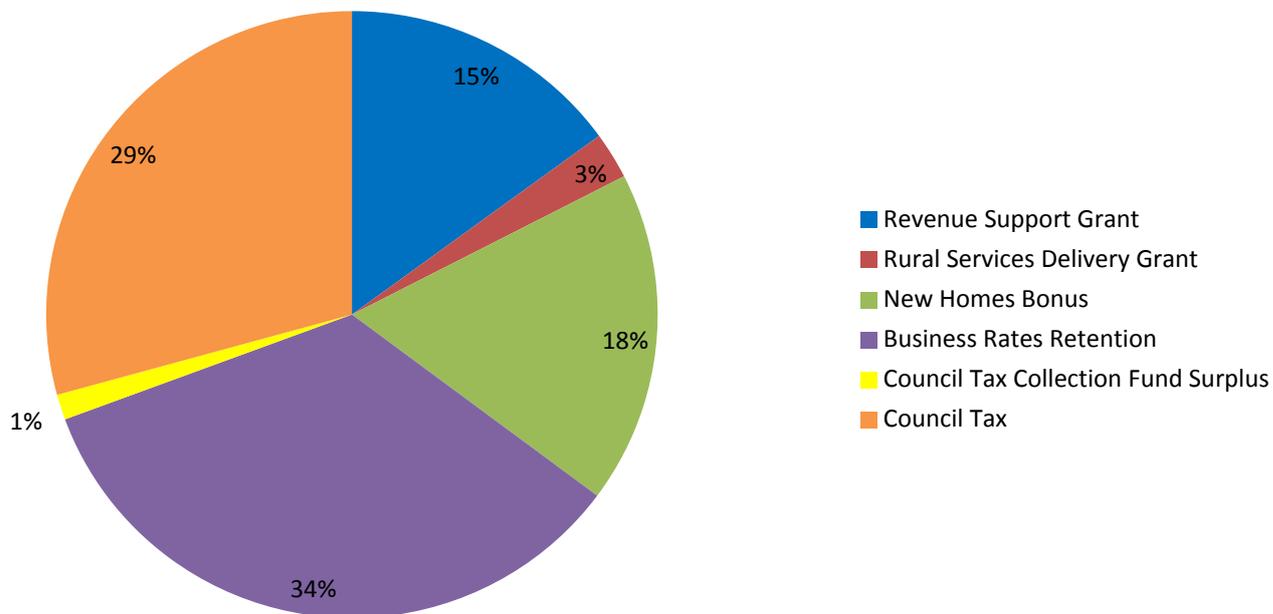
### 3.7 Overall Funding Position

3.7.1 The funding for the period to 2019/2020 is presented with a degree of certainty in respect of RSG and RSDG funding as the Council has taken up the 4 year offer. However there are still potential further changes to New Homes Bonus and uncertainty that the Business Rates growth included in the Plan does not come to fruition.

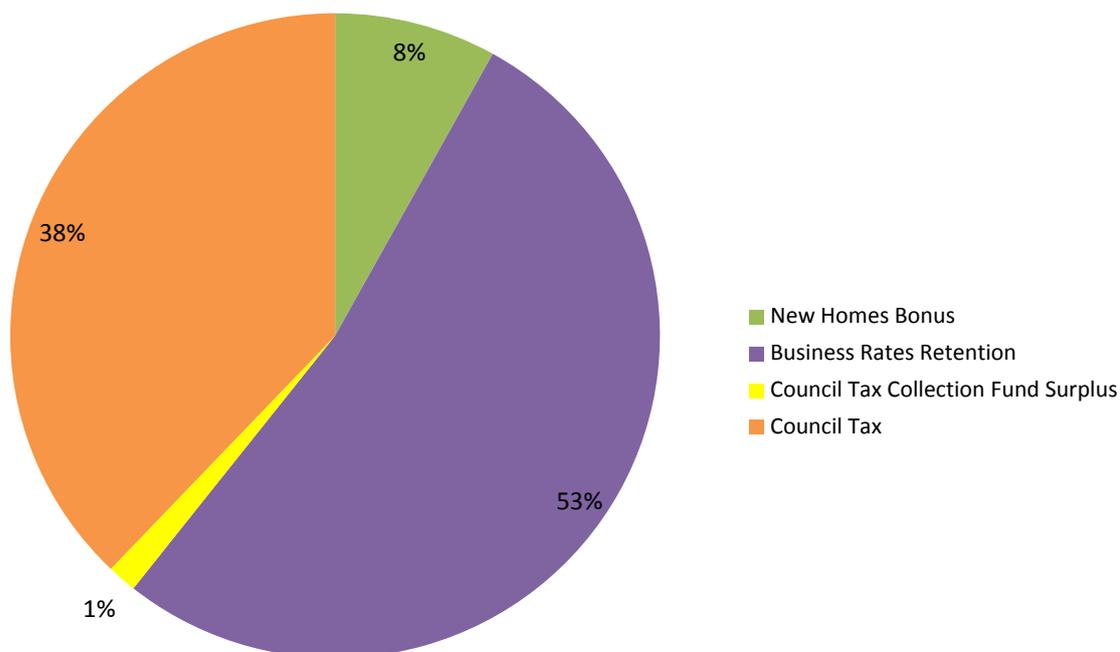
3.7.2 The significant risk is from 2020/2021. The detailed arrangements for the implementation of the new 100% Business Rates Retention scheme are not known and the re-set of the baseline may mean that the Council does not retain all the growth currently included in the Plan. The Fair Funding Review will determine the starting point under the new 100% Business Rates Retention scheme.

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

### Council Funding 2016/17



### Council Funding 2020/21



#### 4. Cost of Services

4.1 In order to set an annual budget and longer term financial plan it is necessary to strike a set of assumptions at a certain date. The Retail Price Index (RPI) inflation rate for September 2016 was 2.0% 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 increase 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 2017/2021 budget projections.

| <b>Inflation Assumptions</b> | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> |
|------------------------------|----------------|----------------|----------------|----------------|
|                              | %              | %              | %              | %              |
| Salaries (cost of living)    | 1.5            | 2.0            | 2.0            | 2.0            |
| General Inflation            | 0.0            | 0.0            | 0.0            | 0.0            |
| Business rates               | 1.2            | 2.8            | 2.6            | 2.2            |
| Electric (large sites)       | 9.0            | 9.0            | 9.0            | 9.0            |
| Gas                          | 11.0           | 11.0           | 11.0           | 11.0           |
| Water (unmeasured)           | 5.0            | 5.0            | 5.0            | 5.0            |

## 4.2 Changes to the Current Financial Plan

4.2.1 The projections for the years 2017/2018, 2018/2019 and 2019/2020 were revised as part of the Budget Monitoring Report to Cabinet on 6 December 2016. The table below updates those projections and shows how the revision of service costs has impacted on the Financial Plan.

| Financial Plan   | 2017/2018         | 2018/2019         | 2019/2020         |
|--|-------------------|-------------------|-------------------|
|  | £                 | £                 | £                 |
| <b>Budget Projection (Cabinet 6 December 2016)</b>   | <b>21,017,060</b> | <b>16,861,500</b> | <b>17,375,370</b> |
| Growth in Business Rates payable on Council properties - due to the revaluation  | 71,000            | 112,940           | 167,020           |
| Adjustments to the Refuse and Recycling contract which have been partly offset by additional income from the trade waist and composting services | 164,070           | 292,420           | 192,460           |
| Reduction in the estimate for the lump sum payment to Norfolk Pensions (2017/18 – 2019/20) deficit contribution                                  | (261,000)         | (86,000)          | (157,000)         |
| Financing Adjustment   | (449,030)         | 154,790           | 181,040           |
| Other movements  | 213,520           | (450,630)         | (76,940)          |
| <b>New Budget Projection</b>   | <b>20,755,620</b> | <b>16,885,020</b> | <b>17,681,950</b> |

4.2.2 The detailed service budgets of the Financial Plan 2017/2021 are shown at Appendix 2.

4.2.3 The projection for 2020/2021 has now been prepared. The main movements are shown in the table below:

|  | <b>2020/2021</b>  |
|--|-------------------|
|  | <b>£</b>          |
| <b>Borough Spend projection for 2019/2020</b>  | <b>17,734,060</b> |
| <u>The main changes to the Plan are:</u>   |                   |
| Savings achieved through the cost reduction programme  | (865,310)         |
| Pension deficit recovery payment to the Norfolk Pension fund.  | 1,717,000         |
| Reduction in Council Tax support to Parishes   | (20,970)          |
| Increase in Internal Drainage Board Levies   | 52,860            |
| Additional salaries contingency to cover the expected rise in minimum pay  | 143,210           |
| Adjustments to the Refuse and Recycling contract which have been partly offset by additional income from the trade waste and composting services | 125,500           |
| Financing Adjustment   | 869,320           |
| General inflation and other movements including inflation on salaries  | (186,870)         |
|  |                   |
| <b>New Budget Projection</b>   | <b>19,568,800</b> |

### 4.3 Fees and Charges 2017/2018

4.3.1 Income from charges for services helps to keep council tax at low levels. The Council agreed in January 2005 to delegate authority to the Executive Director of the appropriate service (in consultation with the Assistant Director - 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 2017/2018. (Appendix 3).

- 4.3.2 Car parking charges were increased last year and it is proposed that there will be no increase in 2017/2018 with current charges held for 1 April 2017.
- 4.3.3 The charge for the brown bin composting service will increase from £47 to £52 from 1 April 2017.
- 4.3.4 Cremation fees will be increased by £12.50 in both 2017/2018 and 2018/2019.
- 4.3.5 In all other service areas the fees and charges have been increased on average by 1.2%.
- 4.3.6 The revised leisure arrangements put into place in July 2014 means that Alive Leisure, the new charitable company, now sets fees and charges for the various facilities in 2017/2018.
- 4.3.7 In November 2012 the Government approved an increase in planning fees of 15% but as yet no notification has been received of any future increases. This being the case no further price increase has been included in the Plan.

#### **4.4 Corporate Business Plan, Service Plans and Investment**

- 4.4.1 In January 2016 the Cabinet approved a refresh and update of the Corporate Business Plan 2015/2020 which sets out the priorities for the administration. The Financial Plan reflects the aims of the Council;
- Provide important local services within our available resources
  - Drive local economic and housing growth
  - Work with our communities to ensure they remain clean and safe
  - Celebrate our local heritage and culture
  - Stand up for local interests within our region.
  - Work with our partners on important services for the borough
- 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 2015/2020.
- 4.4.3 Some of the key areas of investment included in the Financial Plan are as follows:

*Provide important local services within our available resources*

- The Council is actively seeking business with other local organisations to produce additional income or share costs of management/service provision. Car parking management, shared accommodation are prime examples of projects with partners.

*Drive local economic and housing growth*

- The Council has partnered the County Council in a joint venture to build up to 155 units of housing to help stimulate the local economy. Work is nearing completion on phase 2 of the joint venture with the majority of the 54 units sold or sale agreed. Phase 3 is due to commence early in 2017/2018.
- The Council has also approved a major housing development in King's Lynn on land it owns which will deliver up to 600 additional housing units and the first phase at Marsh Lane in King's Lynn is underway. A new access road has been completed.
- The regeneration programme is the prime objective of the Council and the level of investment in the capital programme remains high. The development of the Enterprise Zone at the Nar Ouse Regeneration Area is a key scheme for the Council in partnership with the New Anglia Local Enterprise Partnership.

*Work with our communities to ensure they remain clean and safe*

- The Council secured funding to launch a new initiative to increase recycling rates and contamination levels which commenced in April 2016.

*Celebrate our local heritage and culture*

- Following on from the success of town centre promotions in 2016, the Plan includes budget provision to continue to support a major programme of events and activities throughout the year.
- A scheme to rejuvenate the use of the St Georges Guildhall Complex is being developed with a £2.7m bid for capital funding being made to the Heritage Lottery Fund and the outcome of the funding application is due in March 2017.

*Stand up for local interests within our region*

- The Council will continue to lobby strongly for much needed improvements to both the King's Lynn to King's Cross rail service and the A47 and A10 roads.

*Work with our partners on important services for the borough*

- The Council will continue to work actively with Norfolk County Council and local schools to support the Improving Educational Attainment Programme. It will also work with health and social care partners to further develop the LILY initiative.

## 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 the Corporate Performance Panel.

## 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 paybill.

4.6.2 The Council has maintained restraint over the paybill through the level of pay increases awarded over the past few years.

|           |  |
|-----------|--|
| 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                                |

4.6.3 The Financial Plan 2016/2021 includes within each service area provision for pay awards of 1.5% 2017/2018 and 2% in each year thereafter. 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 by 2020. The National Pay Award for 2016 agreed a 2 year settlement for the minimum hourly rate, increasing the rate to £7.52 in April 2016 and £7.78 from April 2017. The Council agreed to increase its minimum hourly rate in line with the National Pay Award for 2016/2017 and 2017/2018. The Financial Plan 2016/2021 includes budget provision to meet the statutory increases. No details have been provided on the phasing of these proposals.

## 4.7 Financing Adjustment

4.7.1 The Financing Adjustment is an account used in local government to budget for interest earned on investment and interest paid on debt. The account also contains the reversal of depreciation charges and charges for revenue expenditure funded from capital under statute (REFCUS) eg 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.

4.7.2 The reason for the change in the credit on the Financing Adjustment from the current figures in the Plan to the revised figures can be attributed to the following as detailed in the table.

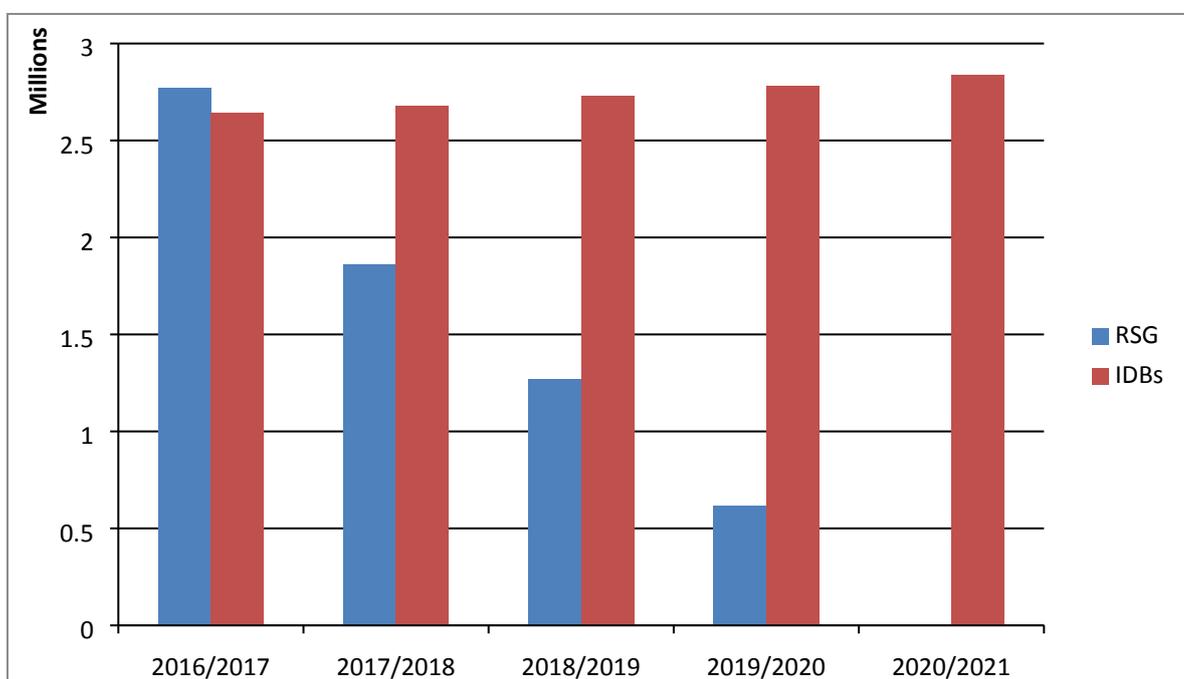
|  | 2017/2018          | 2018/2019          | 2019/2020          | 2020/2021          |
|--|--------------------|--------------------|--------------------|--------------------|
|  | £                  | £                  | £                  | £                  |
| <b>Revised Budget (Cabinet on 6 December 2016)</b>   | <b>(3,510,150)</b> | <b>(3,525,940)</b> | <b>(3,533,270)</b> | <b>(3,352,230)</b> |
| <b>Revised Depreciation calculation.</b>   | (163,610)          | (163,610)          | (163,610)          | 0                  |
| <b>Revised internal interest charges reflecting capital expenditure financed from unsupported borrowing under the Prudential Framework.</b>                                  | (43,750)           | (10,720)           | (26,110)           | 3,650              |
| <b>Increase in interest received on investments in line with the current levels of return and no anticipated significant increase in projected levels of interest rates.</b> | (14,850)           | (14,880)           | (14,910)           | 0                  |
| <b>Revised REFCUS calculation.</b>   | (226,820)          | 344,000            | 385,670            | (869,320)          |
| <b>Revised Projections</b>   | <b>(3,959,180)</b> | <b>(3,371,150)</b> | <b>(3,352,230)</b> | <b>(4,217,900)</b> |

**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 a 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 £2,678,670 for 2017/2018 are based on 2016/2017 actual costs plus an allowance for inflation. (Appendix 4)

4.8.2 The chart below shows the RSG funding compared to IDB 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, dog bins emptying, 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 These arrangements continue to apply in 2017/2018 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 £64,230 to award to parishes to help to mitigate the impact on the level of council tax set by the local council.
- 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. Included in the scheme where the Council benefits from the growth of business rates by retaining an element of the income, there also lays the risk of losing funding due to the removal from or 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.

4.10.3 The Plan requires draws from balances for each year of the Plan thereby "balancing the budget" in all of the years of the Financial Plan. There are additional transfers to/from balances in respect of the reimbursement of the lump sum pension payment. Savings can be made by making a lump sum pension fund stabilisation payment for three as against an annual contribution. As at 31 March 2021 the estimated balances will be reduced to £2,523,394 which will be above the minimum requirement of £847,416.

|           | <b>(Contribution)/Draw<br/>from Balances for<br/>Reimbursement of<br/>Lump Sum Pension<br/>Payment<br/>£</b> | <b>(Contribution)/Draw<br/>from Balances to<br/>balance the budget<br/>£</b> |
|-----------|--|--|
| 2017/2018 | 2,932,000  | 68,890   |
| 2018/2019 | (1,415,000)  | 1,222,360  |
| 2019/2020 | (1,517,000)  | 2,084,480  |
| 2020/2021 | 0  | 2,620,490  |

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 to prevent temporary 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.

- 4.10.6 As far as the other reserves are concerned the use and demands on the accounts are regularly monitored and 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 2017/2018**

- 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 2017/2018 the Budget Requirement for the Council is £17,754,730. This sum is to be met from Government Formula Funding, Business Rates growth Retention, New Homes Bonus, any Collection Fund surplus and council tax.

**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 The Government has announced that they will not be introducing referendum principles for parish and town councils, a proposal that they consulted on as part of the summer technical consultation on the 2017/18 settlement. They will keep the level of precepts set by town and parish councils under review and may introduce referendum principles in the future.

## **6 Full Council Tax 2017/2018**

- 6.1 In order to calculate the full Council Tax for 2017/2018 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 of £17,754,730 for 2017/2018 and notes the projections for 2018/2019, 2019/2020 and 2020/2021.**
- 2) Approves the level of Special Expenses for the Town/Parish Councils as detailed in the report.**
- 3) Approves the Fees and Charges 2017/2018 detailed in Appendix 4.**
- 4) Approves a Band D council tax of £116.87 for 2017/2018**

## 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 2016/2021. The projected position for the period of the Financial Plan will be as follows:

|  | 2016/2017        | 2017/2018        | 2018/2019        | 2019/2020        | 2020/2021        |
|--|------------------|------------------|------------------|------------------|------------------|
|  | £                | £                | £                | £                | £                |
| <b>Balance b/f</b>                             | 5,735,034        | 8,519,614        | 5,518,724        | 5,711,364        | 5,143,884        |
| Reimbursement of lump sum Pension Payment      | 1,266,000        | (2,932,000)      | 1,415,000        | 1,517,000        | 0                |
| Estimated Contribution to/(Draw from) Balances | 1,518,580        | (68,890)         | (1,222,360)      | (2,084,480)      | (2,620,490)      |
|  |                  |                  |                  |                  |                  |
| <b>Balance c/f</b>                             | <b>8,519,614</b> | <b>5,518,724</b> | <b>5,711,364</b> | <b>5,143,884</b> | <b>2,523,394</b> |
| <b>Minimum requirement</b>                     |                  |                  |                  |                  |                  |
| 5% of Budget Requirement                       | 922,378          | 887,737          | 853,883          | 855,724          | 847,416          |
| Balance Required                               | 922,378          | 887,737          | 853,883          | 855,724          | 847,416          |

7.2 Section 25 of the Local Government Act 2003 requires the Assistant Director - (S151 Officer) as part of the Council Tax setting process to comment as to the adequacy of the Council's Balances.

7.3 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 and adding the Authority's Bellwin allocation.

7.4 The projected General Fund balances held by the Council are in the opinion of the S151 Officer (Assistant Director) adequate for the Council's operational needs.

### Recommendation 4

**Council is recommended to approve a minimum requirement of the General Fund balance for 2017/2018 of £887,737.**

## **8 Prudential Framework**

- 8.1 Under a Prudential Framework local authorities are responsible for the self-regulation of their borrowing and capital investment plans, although the Government has reserve powers to set borrowing limits for local authorities which would override locally determined limits. The key objectives of the Prudential Code are to ensure that the capital investment plans of the Council are affordable, prudent and sustainable.
- 8.2 In order to demonstrate the affordability of the Council's financial strategy, under the Prudential Framework the Council is required to address the revenue implications of all capital investment decisions and most importantly the impact on the future level of Council Tax.
- 8.3 The Council in its Capital Programme 2016/2021 has budgeted to fund £3.1m of capital schemes from unsupported borrowing (under the Prudential Framework) where it can demonstrate that financial savings can be achieved by outright purchase of equipment, as opposed to the use of an operating lease and the payment of an annual lease. The cost of borrowing and the revenue implications are included within this budget and is considered to be affordable and within the limits of the treasury management prudential indicators set under the Treasury Management Strategy.

## **9 "Robustness" of Budget**

- 9.1 Under Section 25 of the Local Government Act 2003 the Assistant Director – (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 2016/2021 is no exception.
- 9.2 The funding for the period to 2019/2020 is presented with a degree of certainty in respect of RSG and RSDG funding as the Council has taken up the 4 year offer. However there are still potential further changes to New Homes Bonus and uncertainty that the Business Rates growth included in the Plan does not come to fruition.
- 9.3 The significant risk is from 2020/2021. The detailed arrangements for the implementation of the new 100% 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 currently included in the Plan. The Fair Funding Review will determine the starting point under the new 100% Business Rates Retention scheme.

- 9.4 The Council's delivery of its efficiency plan will be key in containing costs and generating additional income as the Council moves towards a position of funding based on locally generated resources and the end of RSG.
- 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 Chief Financial Officer the level of General Fund balances held over the period are above minimal levels and adequate for the purposes of the Council. 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.
- 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 income driven like 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 £42,700.

Past experience shows that the risk from these service areas, whilst significant in financial terms, can be dealt with through good budgeting techniques, sound financial management 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 sound monitoring of spend and corrective action being taken. In the event that costs cannot be contained then the working balances come into play. Past experience shows that the risk is not significant, although it remains important to monitor the situation.

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.

**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 slow economic recovery and Brexit on income/service costs and capital receipts, the implementation of the new 100% Business Rates Retention Scheme and the Fair Funding 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.

**Business Rates Growth** – The Financial Plan includes assumptions that business rates growth will be achieved. The estimated business rates growth presents a significant level of risk. If the anticipated projects do not progress as planned or are cancelled the growth will not be achieved. The estimated impact of business rates growth included in the Financial Plan 2016/2021 is £1.3m in 2016/2017 (including £0.8m of retained renewable energy business rates) growing to £3.3m in 2020/2021 (including £2.3m of retained renewable energy business rates). By 2020/2021 the estimated business rates growth is a 59% increase on the baseline funding. 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 100% Business Rates Retention Scheme in 2020.

**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 met with representatives of the business and voluntary sector community on 17 January 2017 to canvass their opinions. Notes of the meeting are available.
- 10.2 Staff briefings will be held on 25 and 27 January 2017. 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 Cabinet.
- 10.3 As part of the budget process a briefing session for all Councillors has been arranged for 26 January 2017.

### 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.

Lorraine Gore  
Assistant Director (S151 Officer)

### Access to Information

Cabinet Reports  
Financial Plan 2015-2020  
Capital Programme 2015-2020  
Monthly Monitoring Reports 2016/2017

Financial Sustainability Plan 2016-2020  
[https://www.west-norfolk.gov.uk/info/20160/budgets\\_and\\_spending/511/efficiency\\_plan\\_2016-2020](https://www.west-norfolk.gov.uk/info/20160/budgets_and_spending/511/efficiency_plan_2016-2020)

Finance Settlement  
<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2017-to-2018>