The FINANCIAL PLAN 2017/2022

As submitted to the Cabinet

6 February 2018

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Executive Director - Finance Services (S151 Officer)

The FINANCIAL PLAN 2017/2022

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The FINANCIAL PLAN - 2017/2022

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 2017 the Council set out a Financial Plan for 2016/2021. The Plan reflected the continued significant financial challenges faced by the Council including the phasing out of Revenue Support Grant (RSG), changes to the distribution of New Homes Bonus, the impact of the Business Rates revaluation from 2017, a 100% Business Rates Retention Scheme from 2020 and a fair funding review.

1.3 The general election in May 2017 has added to the uncertainty for local government with no date set for the legislative changes required for the implementation of the 100% Business Rates Retention Scheme and the consultation process on the fair funding review only just underway.

1.4 The Council can present a balanced budget for 2018/2019 and a funded budget for the remaining years of the medium term financial plan to 2022 (see Appendix 1). **There is significant uncertainty from 2020/2021.** The impact of the implementation of a new Business Rates Retention scheme and the Fair Funding Review from 2020/2021 are still unknown, but there is considerable downside risk.

1.5 The provisional local government finance settlement announced by Government on 19 December 2017 confirms the third 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. As part of the recent settlement announcement additional RSDG has been provided in 2018/2019.

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.

1.7 In the provisional local government finance settlement announced on 19 December 2017 the Government approved 10 additional Business Rates Pilots for 2018/2019 unfortunately the pilot bid from Norfolk was unsuccessful. There will be a further opportunity to apply to pilot the business rates retention scheme as the Government has confirmed that it will continue to pilot the scheme in 2019/2020. The Norfolk pooling arrangements which include all Norfolk districts and the county council will however continue in 2018/2019.

1.8 The Government also announced that the aim is for local authorities to retain 75% of business rates from 2020/2021. This will be through incorporating existing grants into business rate retention including the Revenue Support Grant and local authorities will be able to keep that same share of growth on their baselines from 2020/2021 when the system is reset. We await further details of this announcement of a 75% scheme and what that means for the 100% scheme.

1.9 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.

1.10 The technical consultation 'Fair funding review: a review of relative needs and resources' opened on 19 December 2017 and closes on 12 March 2018. The consultation seeks views on the approach to measuring the relative needs of local authorities. The government is working towards an implementation date of 2020/2021. So from 2020/2021 business rates will be redistributed according to the outcome of the new needs assessment. It can be anticipated that there will be winners and losers as a result of the funding review.

1.11 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 2017/2022 assumptions have been made on continued growth in business rates for 2018/2019 and 2019/2020. 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.

1.12 The government consulted on further changes to the New Homes Bonus. The Minister announced as part of the provisional local government finance settlement that in the year ahead no new changes will be made to the way New Homes Bonus works.

1.13 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.

1.14 Work is underway to produce the changes required to deliver the savings identified, before 2020/21. 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 December 2017 we had achieved 44% of actual savings against the target for 2017/2018.

1.15 The costs of services of the Council have been updated. In terms of containing spending a number of service budgets have been held at 2017/2018 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.

1.16 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 2018/2022.

1.17 Fees and charges have been reviewed as part of the estimates process, car parking charges were last increased in April 2016 and it is proposed that these will be increase in April 2018.

1.18 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.

1.19 The figures shown in the Financial Plan for 2017/2022 include a £4.50 per annum per Band D dwelling increase in council tax for each year of the plan. 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.

1.20 The Financial Plan 2017/2022 (see Appendix 1) does show that the Council can present a funded 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.

1.21 Work has been underway during the current financial year on securing the cost reduction/income generating targets identified as part of the budget setting process in February 2017. The Financial Plan 2017/2022 includes all cost reduction savings that have been achieved to date as reported in the monthly monitoring reports to December 2017. 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.

1.22 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.

1.23 **The significant risk is from 2020/2021.** There is no date set for the legislative changes for the implementation of the 100% Business Rates Retention Scheme, and the recent announcement of a 75% scheme has added further uncertainty. The concern is that 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 any new Business Rates Retention scheme. The consultation 'Fair funding review: a review of relative needs and resources' closes on 12 March 2018. 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.

1.24 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 2017/2018 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 £18,256,150 for 2018/2019 and notes the projections for 2019/2020, 2020/2021 and 2021/2022.**

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

3) **Approves the Fees and Charges 2018/2019 detailed in Appendix 5.**

4) **Approves a Band D council tax of £121.37 for 2018/2019**

Recommendation 4
Council is recommended to approve a minimum requirement of the General Fund balance for 2018/2019 of £912,808.

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
2017/2018

2 The Revenue Budget 2017/2018

2.1 The original budget 2017/2018 was approved by Council on the 23 February 2017. Throughout the year the Executive Director (S151 Officer) has monitored the budget and where necessary sought approval for additional budget provision.

2.2 A revision to the 2017/2018 Budget is attached in appendix 1 with full details of the changes to the original budget reported in the monitoring reports to December 2017. The following table shows the revised budget for the year 2017/2017.

	Revised Budget 2017/2018 December Budgetary Control Monitoring Report £
Corporate	2,396,580
Democracy	1,432,800
Services Areas:	
Central and Community Services	1,529,260
Chief Executive	1,515,230
Commercial Services	4,272,570
Environment and Planning	2,361,500
Finance Services	2,520,440
Financing Adjustment	1,764,990
Internal Drainage Boards	2,674,090
Council Tax Support to Parishes	64,230
Borough Spend	**20,531,690**
Reimbursement of lump sum pension payment	(2,932,000)
Contribution to Balances	200,880
Borough Requirement	***17,800,570**
In year adjustments to retained business rates	(45,840)

* The borough requirement is increased by £45,840. This is funded from the additional funding from retained business rates reported for 2017/2018,

2.3 The revised Borough Spend takes account of changes made to the service costs as detailed in the Budget December Reports.

2.4 Any further variances between the revised budget and actual outturn for 2017/2018 will be shown in Monitoring Reports for the periods January 2018, February 2018 and the final accounts in June 2018.

2.5 The net impact of the projected outturn 2017/2018, as detailed above, on the overall level of General Fund balance is as follows:

	£
Balance brought forward 1 April 2017	(8,745,316)
Lump sum Pension Payment	2,932,000
Contribution to balances for 2017/2018 (as per the December monitoring report)	(200,880)
Projected General Fund Balance 31 March 2018	**(6,014,196)**

2.6 The lump sum pension payment is the early payment made to the Pension Fund that took place in 2017/2018. By paying the Norfolk Pensions Service £4,250,000 upfront in 2017/2018 the Council saved approximately £261,000 over the three years 2017/2019.

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 2017/2018 as set out in the report.

The
Financial Plan
2018/2022

3 The Financial Plan 2018/2022 - 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 19 December 2017 confirms the third 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 Minister announced as part of the provisional local government finance settlement an increase in the Rural Service Delivery Grant of £15m for 2018/2019. RSDG was due to be reduced in next year. This has meant an additional £85,710 of RSDG funding.

3.1.4 The RSG and RDSG funding included in the Financial Plan 2017/2022 is set out in the table below.

	RSG	**RSDG**
	£	**£**
2017/2018	(1,857,870)	(371,410)
2018/2019	(1,270,380)	(371,410)
2019/2020	(614,210)	(371,410)
2020/2021	0	0
2021/2022	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.

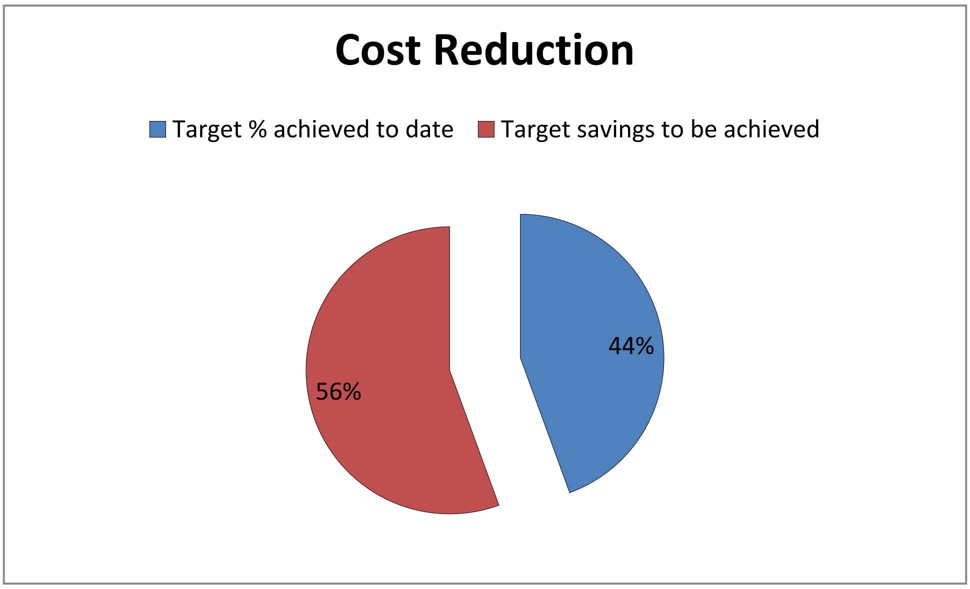
- As a lower quartile Council, increase Band D council tax by £5 per annum from 2017/2018 in line with government expectations.

3.2.2 Actual savings achieved and reported in the monitoring reports to the end of December 2017 are detailed in the following table

Service Area	2017/2018 Saving £	2018/2019 Saving £	2019/2020 Saving £	2020/2021 Saving £
Revenue				
October:				
Countryside Grants	1,800	1,800	1,800	1,800
Enterprise Works	6,250	6,490	6,740	7,000
Legal Services	6,950	14,770	15670	16,610
Revenues and Benefits – Staffing	15,190	0	0	0
Revenues and Benefits – Professional Fees	3,600	3,600	3,600	3,600
Training	-	20,000	20,000	20,000
Total October	**33,790**	**46,660**	**47,810**	**49,010**
September:				
Civic Functions	4,350	4,350	4,350	4,350
Licensing Salaries	7,580	7,870	8,170	8,480
Total September	**11,930**	**12,220**	**12,520**	**12,830**
August: In Bloom – Grounds	5,000	5,000	5,000	5,000
Heacham Depot	5,800	5,930	6,070	6,230
Total August	**10,800**	**10,930**	**11,070**	**11,230**
July: Countryside Grants	4,000	4,000	4,000	4,000
Management Fee – Leisure Services	21,420	-	-	-
Open Spaces	20,000	20,000	20,000	20,000
Total July	**45,420**	**24,000**	**24,000**	**24,000**

Service Area	2017/2018 Saving £	2018/2019 Saving £	2019/2020 Saving £	2020/2021 Saving £
June: Stop Issuing Cheques	3,550	3,550	3,550	3,550
Total June	**3,550**	**3,550**	**3,550**	**3,550**
Savings to Date	**105,490**	**97,360**	**98,950**	**100,620**
Adjusted target savings to be achieved (as per Management Team)	237,476	759,252	1,042,231	1,077,776
Variance (under) to Date	**(131,986)**	**(661,892)**	**(943,281)**	**(977,156)**

The chart below shows the savings to date of £105,490, as a comparative to the target savings to be achieved of £237,476.



Corporate Capital projects have savings achieved to date as detailed in the November report.

Corporate Project	2017/2018 Saving £	2018/2019 Saving £	2019/2020 Saving £	2020/2021 Saving £
Kings Court Redevelopment	-	230,000	230,000	230,000
Town Centre shops and Office	-	-	76,000	76,000
Total	**-**	**230,000**	**306,000**	**306,000**

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 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 2021/2022 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 above total £1m and an additional £1.6m of income generation/savings will need to be identified to meet the target of £2.6m by April 2022.** This will need to be addressed in future reiterations of the cost reduction programme. 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 19 December 2017 is broadly as anticipated in the current plan.

3.3.2 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. In the Autumn Statement 2017 the Chancellor announced that after the next revaluation future revaluations will take place every 3 years.

3.3.3 As part of the Autumn Statement 2017 the Chancellor brought forward the planned switch from RPI to CPI increases for business rates by two years to April 2018 and extended the discounts for pubs with a rateable value of less than £100,000 for one more year to March 2019.

3.3.4 The baseline business rates will increase annually in line with the increase in the business rates multiplier. The provisional new multipliers for 2018/2019 are as follows (2017/2018 figures in brackets):

Non-domestic rate multiplier	-	49.3p (47.9p)
Non-domestic rate multiplier (small businesses)	-	48.0p (46.6p)

3.3.5 The baseline business rates funding included in the Financial Plan 2017/2022 is set out in the table below.

	£
2017/2018	(5,128,080)
2018/2019	(5,282,140)
2019/2020	(5,399,300)
2020/2021	(5,523,480)
2021/2022	(5,678,130)

3.3.6 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 2017/2022 assumptions have been made on continued growth in business rates for 2018/2019 and 2019/2020. 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.

3.3.7 The general election in May 2017 has added to the uncertainty for local government with no date set for the legislative changes required for the implementation of the 100% Business Rates Retention Scheme.

3.3.8 For the final two years of the plan we have taken a very prudent approach to additional growth as the impact of the implementation of a new system for business rates is not clear and an element of the growth may be removed when the review of relative needs and resources has been completed and the baseline is reset.

3.3.9 In the provisional local government finance settlement announced on 19 December 2017 the Government approved 10 additional Business Rates Pilots for 2018/2019 unfortunately the pilot bid from Norfolk was unsuccessful. There will be a further opportunity to apply to pilot the business rates retention scheme as the Government has confirmed that it will continue to pilot the scheme in 2019/2020. The Norfolk pooling arrangements which include all Norfolk districts and the county council will however continue in 2018/2019.

3.3.10 The Government also announced that the aim is for local authorities to retain 75% of business rates from 2020/2021. This will be through incorporating existing grants into business rate retention including the Revenue Support Grant and local authorities will be able to keep that same share of growth on their baselines from 2020/2021 when the system is reset. We await further details of this announcement of a 75% scheme and what that means for the 100% scheme.

3.3.11 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.

3.3.12 The outstanding appeal by the power station in King's Lynn against the 2010 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 funding is reflected in Financial Plan within the business rates collection fund surplus.

3.3.13 The technical consultation 'Fair funding review: a review of relative needs and resources' opened on 19 December 2017 and closes on 12 March 2018. The consultation seeks views on the approach to measuring the relative needs of local authorities:

'The fair funding review will set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources, using the best available evidence.

We are considering a wide range of options for developing an updated funding formula by looking again at the factors that drive costs for local authorities.

This consultation focuses specifically on potential approaches that have been identified to measure the relative needs of local authorities.'

The consultation document can be found through the following link:
https://www.gov.uk/government/consultations/fair-funding-review-a-review-of-relative-needs-and-resources

The terms of reference for the fair funding review state:

The review will:

- *set new baseline funding allocations for local authorities,*
- *deliver an up-to-date assessment of the relative needs of local authorities. The Government has been clear that there will continue to be redistribution of business rates between local authorities to take account of relative needs; the review will determine what the redistribution should be,*
- *examine the relative resources of local authorities. The Government will take a fresh look at how council tax income should be taken into account when redistributing business rates at local government finance settlements, and willalso consider other potential sources of income available to councils,*
- *focus initially on the services currently funded through the local government finance settlement, and*
- *be developed through close collaboration with local government to seek views on the right approach. Alongside on-going engagement with the sector and formal consultation, we plan to publish a series of technical papers to ensure that local authorities are well sighted on our progress. This will include careful consideration of transitional arrangements to ensure any changes in funding are introduced in a manageable way.*
- *determine the starting point for local authorities under the 100% business rate retention scheme.*

The government is working towards an implementation date of 2020/2021. So from 2020/2021 business rates will be redistributed according to the outcome of the new needs assessment.

3.3.14 Collection Fund Surplus – Retained Business Rates

In setting Retained Business Rates each year there is an assumption made on the level of collection that will be achieved. In drawing up the NNDR tax base for 2018/2019 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. 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.

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

	£
2017/2018	0
2018/2019	(1,457,750)*
2019/2020	(344,560)*
2020/2021	(200,000)
2021/2022	(200,000)

*The increased draw in 2018/2019 and 2019/2020 is due to the reduction in the provision against the power station.

3.4 New Homes Bonus

3.4.1 The government consulted on further changes to the New Homes Bonus. The Minister announced as part of the provisional local government finance settlement that in the year ahead no new changes will be made to the way New Homes Bonus works:

- payments are made for 5 years in 2017/2018 and reduce to 4 years from 2018/2019 (for existing and future years allocations)

- baseline set at 0.4% and no payments will be made on housing growth below this baseline, 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 adjustments 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. However the Government will be consulting further on the latter measure and may examine in future 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.

3.4.2 The financial plan 2017/2020 includes the following for New Homes Bonus:

	£
2017/2018	(2,410,950)
2018/2019	(1,265,440)
2019/2020	(869,190)
2020/2021	(700,760)
2021/2022	(717,480)

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 2018/2019 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.

	£
2017/2018	(250,000)
2018/2019	(180,000)
2019/2020	(100,000)
2020/2021	(100,000)
2021/2022	(100,000)

The draw in 2017/2018 and 2018/2019 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:

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

3.6.2 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.

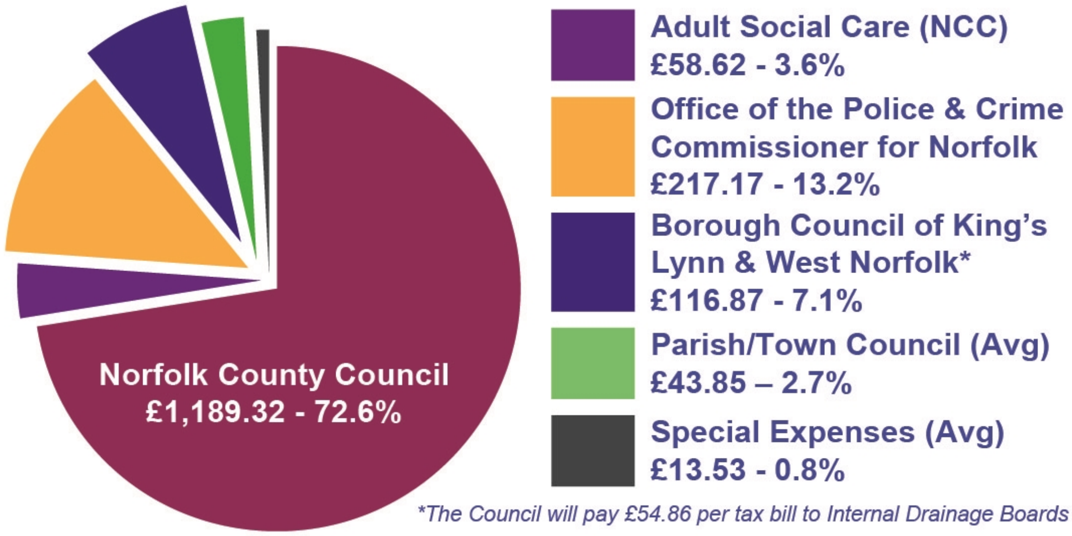
Council Tax Base

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 2018/2019 takes into account changes resulting from the local council tax support scheme (which reduces the tax base). There have been no further changes to council tax discounts for 2018/2019. In the Autumn Statement 2017 the Chancellor announced that the 50% council tax levy on long term empty homes would be increased to 100%. This change requires primarily legislation so cannot be applied until April 2019 and will be subject to Cabinet and Council approval . The full tax base for 2018/2019 is 49,466. 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 2017/2018**

The Borough Council element of the full council tax bill in 2017/2018 for a Band D property is £116.87 out of a total of £1,639.36 (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 2017/2018 the Borough Council's charge forms a very small part of the bill (7.1%) collected from every council tax payer.



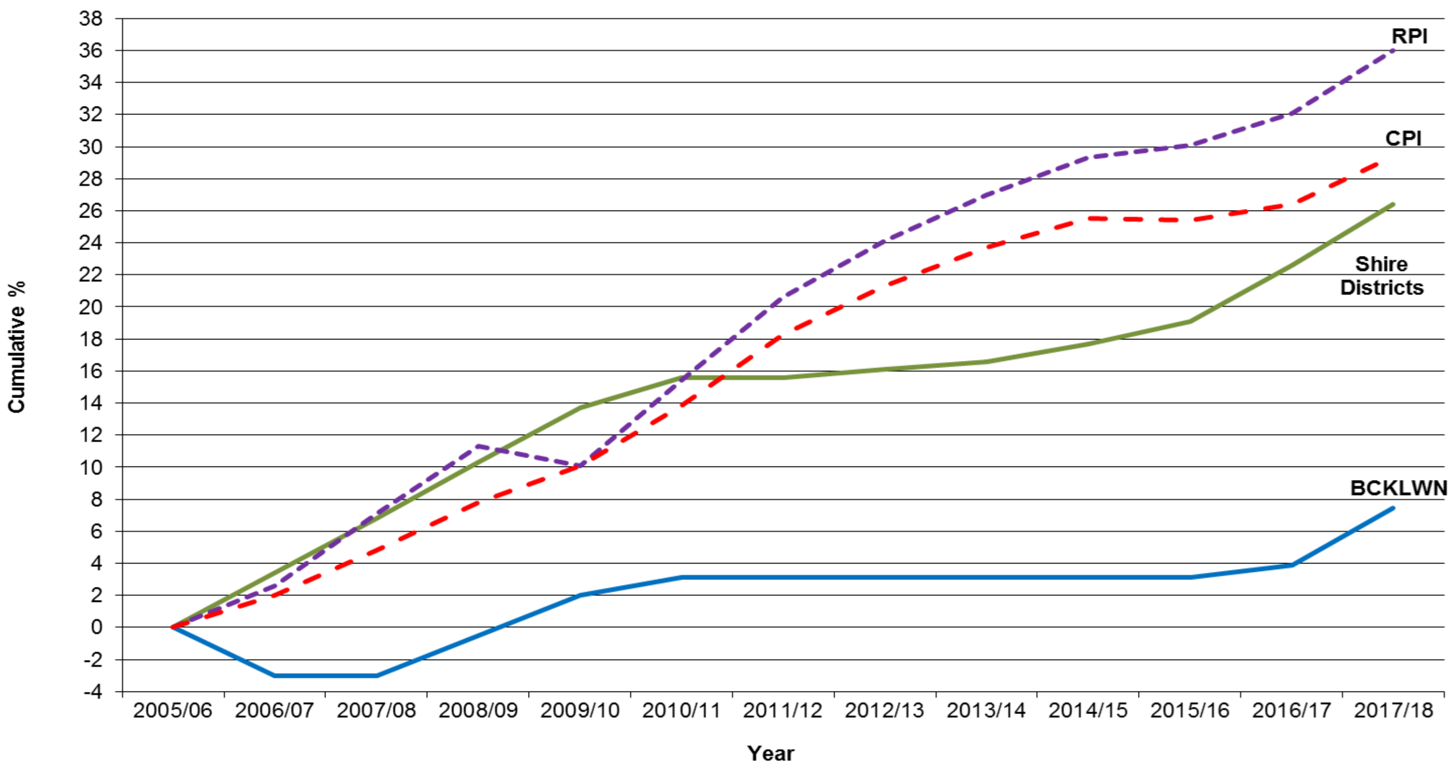
Council Tax Levels – Band D

3.6.6 The table below shows the elements of a council tax Band D charge of £1,570.07 for 2017/2018.

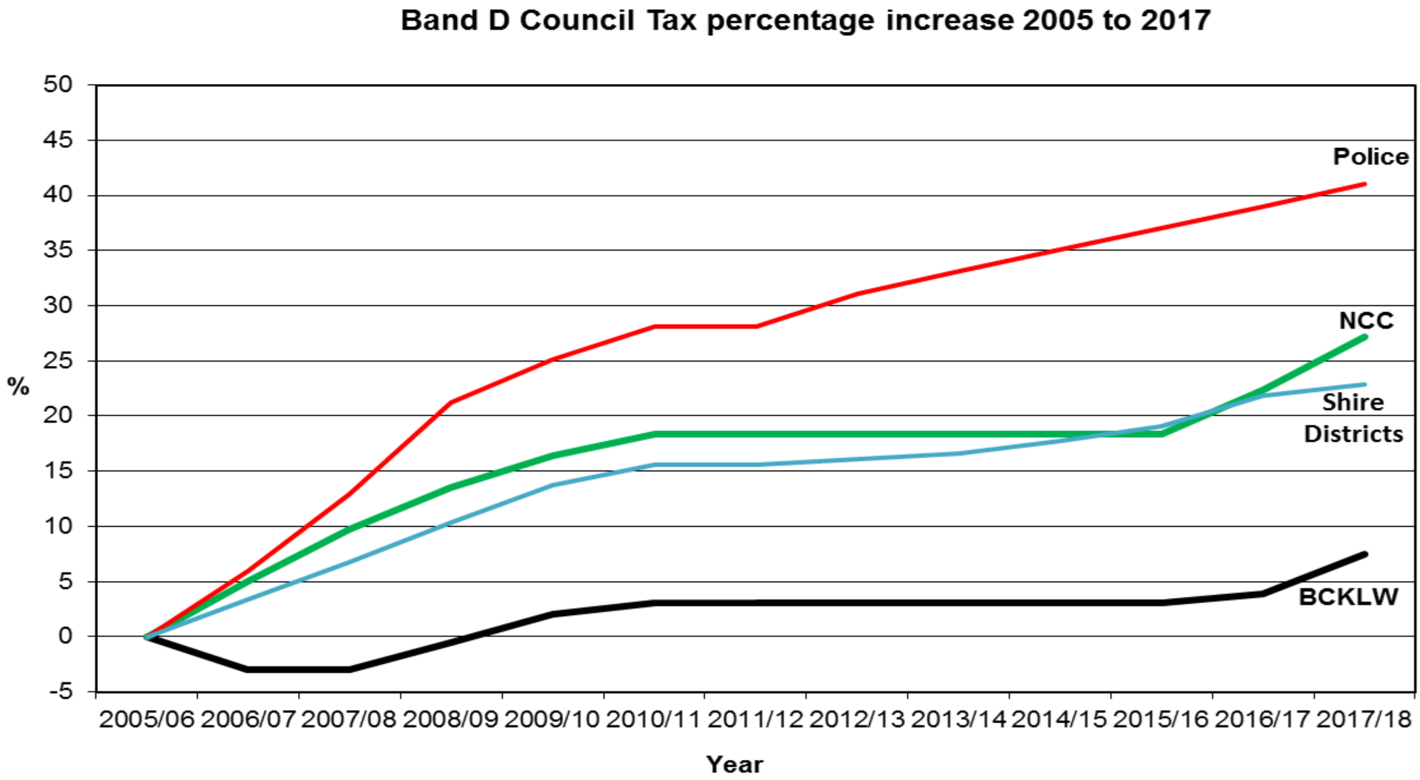
Charging Authority	2017/2018
	£
Borough Council of Kings Lynn and West Norfolk	116.87
Parish and Special Expenses	57.38
Norfolk County Council	1,247.94
Norfolk Police Authority	217.17

3.6.7 Over the period since April 2005 the Council has held council tax to a level where in 2017/2018 the cumulative increase in a Band D charge of £116.87 amounts to 7.45% 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 2017/2018 has been 62.39%. The Retail Price Index (RPI) has increased over that period (April 2005 to April 2017) by 36%. The Consumer Price Index (CPI) has increased by 29.4% 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 2017



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 2017/2018. The 2017/2018 increase in the County Council precept for 2017/2018 includes the additional 3% 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.



Council Tax 2018/2019 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.

3.6.10 The 'Referendums Relating to Council Tax Increase (Principles) (England) Report 2018/2019' published on 19 December 2017 state that for the borough council the principles for 2018/2019 are:

The relevant basic amount of council tax of an authority is excessive if the authority's relevant basic amount of council tax for 2018-19 is

(a) 3%, or more than 3%, greater than its relevant basic amount of council tax for 2017-18; and

(b) more than £5 greater than its relevant basic amount of council tax for 2017-18.

3.6.11 The figures shown in the Financial Plan for 2018/2022 include a £4.50 per annum per Band D dwelling increase in council tax for each year of the plan. 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.

3.6.12 The proposed levels of council tax for 2018/2019 are:

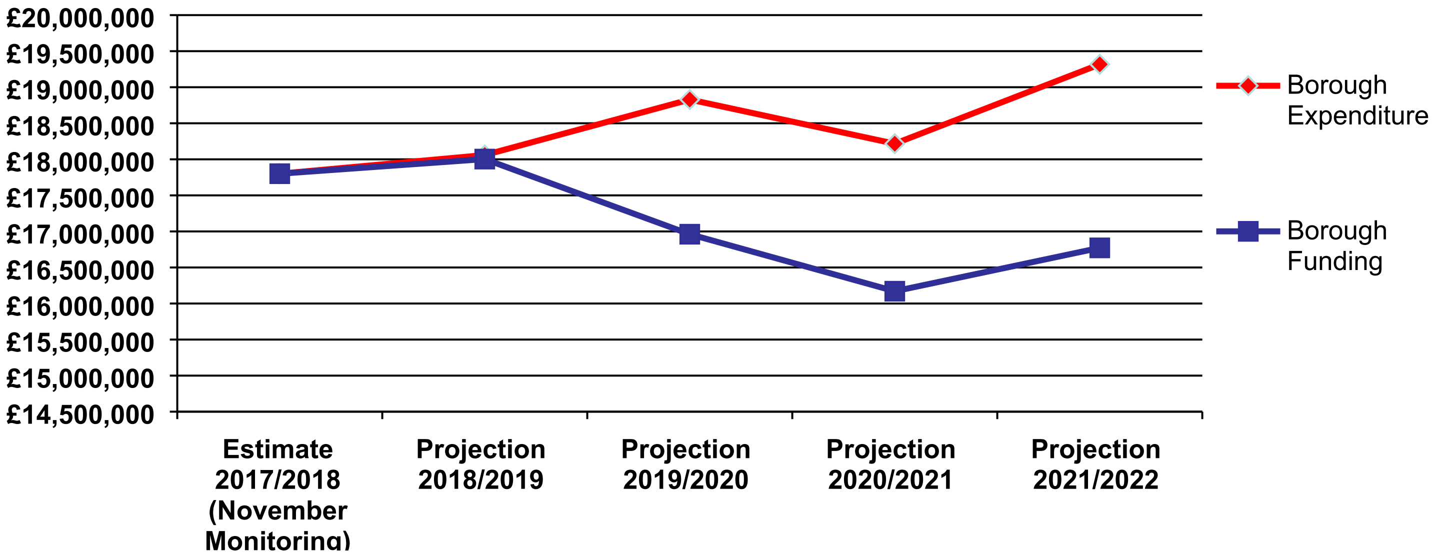
BAND	2017/2018	BAND	2017/2018
	£		£
A*	80.91	E	148.34
B	94.40	F	175.31
C	107.88	G	202.28
D	121.37	H	242.74

* The Council reduces the charge to a property classed as Band A to £67.43 pa where it is eligible for Disabled relief.

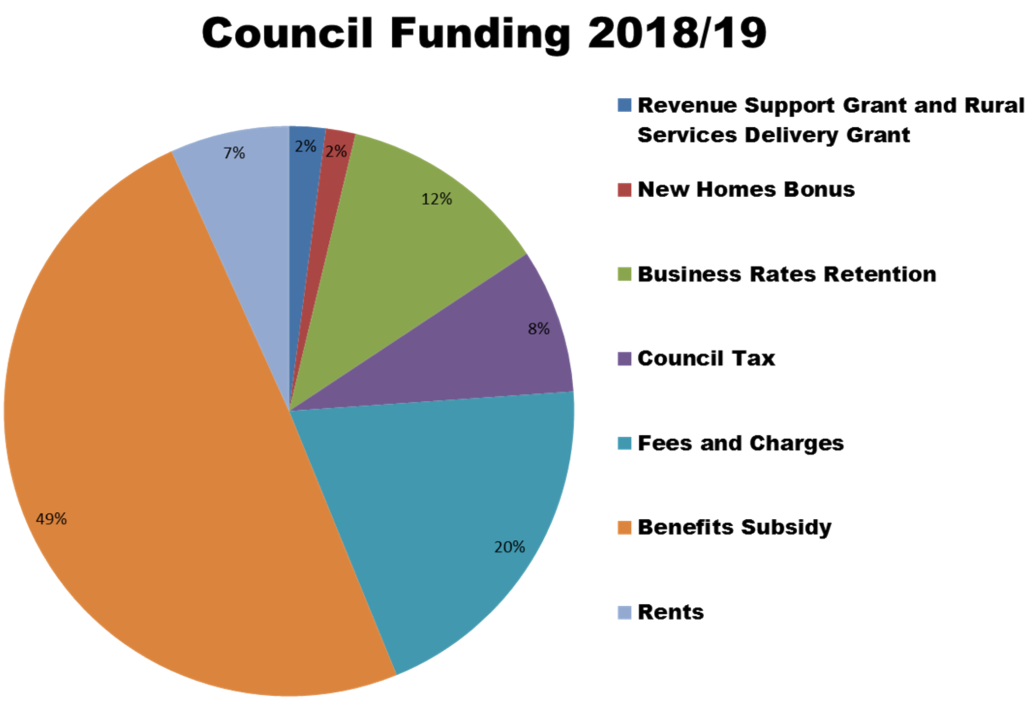
3.7 Overall Funding Position

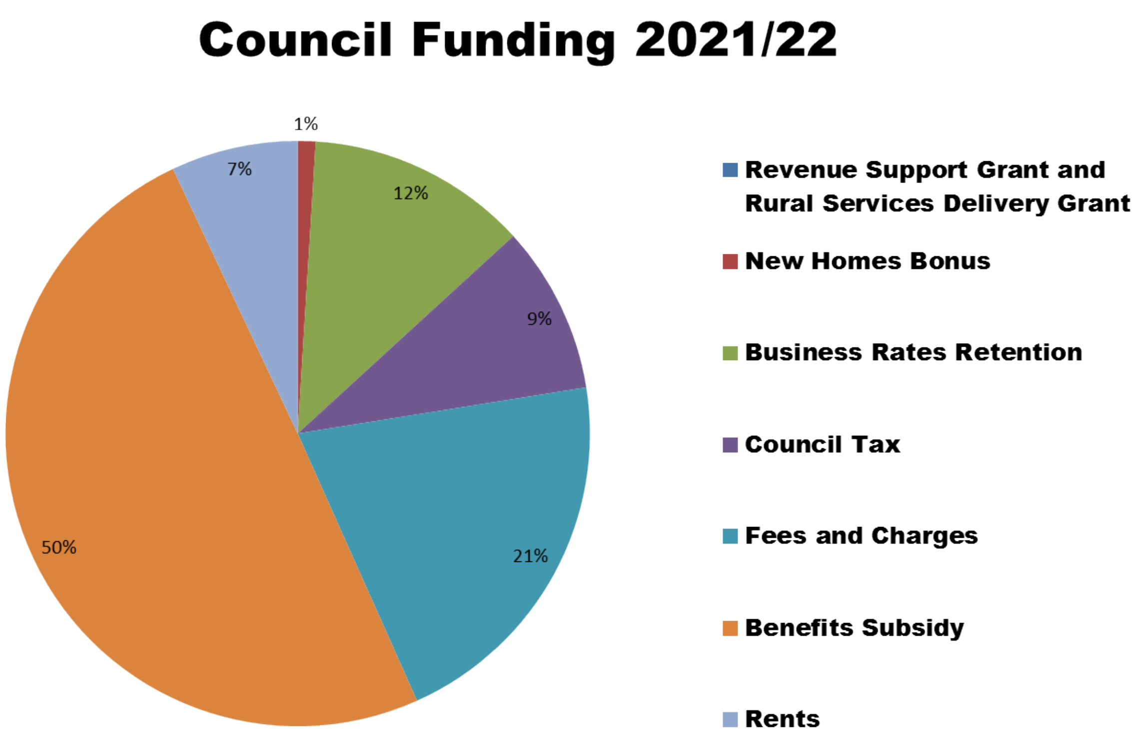
3.7.1 The funding for the period to 2019/2020 is presented with a degree of certainty in respect of RSG and RSDG funding as the Council has taken up the 4 year offer. However there are still potential further changes to New Homes Bonus and uncertainty that the Business Rates growth included in the Plan 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:





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 2017 was 3.9% 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 2018/2022 budget projections.

Inflation Assumptions	2018/19	2019/20	2020/21	2021/22
	%	%	%	%
Salaries (cost of living)	2.0	2.0	2.0	2.0
General Inflation	0.0	0.0	0.0	0.0
Business rates	2.7	2.4	2.3	2.8
Electric (large sites)	10.0	10.0	10.0	10.0
Gas	12.0	12.0	12.0	12.0
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 2018/2019, 2019/2020 and 2020/2021 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	**2018/2019**	**2019/2020**	**2020/2021**
	£	**£**	**£**
Budget Projection (Monitoring September 2017)	**16,778,410**	**17,581,240**	**19,324,380**
Adjustments as part of developing the 2017 to 2022 Financial Plan.	62,740	(69,060)	(999,050)*
New Budget Projection	**16,841,15**	**17,512,18**	**18,325,330**

*Includes cost reductions being removed from the financial plan

4.2.2 The detailed service budgets of the Financial Plan 2018/2022 are shown at Appendix 3.

4.2.3 The projection for 2021/2022 has now been prepared. The main movements are shown in the table below:

	2021/2022
	£
Borough Spend projection for 2019/2020	**18,325,330**
<u>The main changes to the Plan are:</u>	
Increase in pension deficit recovery payment to the Norfolk Pension fund.	200,000
Increase in Internal Drainage Board Levies	56,720
Inflation on salaries costs	628,230
Inflation on premises and utilities costs	127,390
General inflation and other movements	(2,890)
New Budget Projection	**19,334,780**

4.3 Fees and Charges 2018/2019

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 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 2018/2019. (Appendix 4).

4.3.2 Car parking charges were last increased in April 2016, the evening charge has remained at the same level since it was introduced 10 years ago, and it is proposed that the car parking charges will be increased from April 2018. The revised charges are detailed at Appendix 4. As the changes to the formal parking orders require public consultation it is proposed that this formal consultation is commenced immediately in accordance with the schedule of charges set out in this report. Any comments received when this item is considered at Council can be considered alongside any other comments received during the formal consultation process.

4.3.3 The charge for the brown bin composting service will increase by RPI from £52 to £54 from 1 April 2018.

4.3.4 Cremation fees will be increased by £12.50 in 2018/2019.

4.3.5 In all other service areas the fees and charges have been increased on average by 3.4%, the projected inflation level by April 2018.

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 2018/2019. The Trust presented their proposals for fees and charges for 2018/2019 to the Environment and Community Panel.

4.3.7 As out in the housing white paper, local authorities will be able to increase planning fees by 20% where they commit to investing the additional income in their planning services.

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. Arrangements currently include –

  - Management of car parking, CCTV and care and repairs services
  - Legal Services contract with Eastlaw (North Norfolk District Council)
  - Provision of Strategic Housing for Breckland District Council
  - Shared internal audit aanager with Fenland District Council
  - Shared accommodation, with the DWP Job Centre Plus being accommodated within King's Court from March 2018, reducing costs for both organisations
  - Provision of procurement support to Boston Borough Council

- Work to increase the number of council transactions available online continues and digital integration of from and back office systems is maximising efficient working practices

Drive local and economic housing growth

- The Council is partnered with Norfolk County Council in a joint venture to build up to 162 units of housing to help stimulate the local economy. Work has completed on phases 1 and 2 and all properties have been sold. Phase 3 is underway and is due to complete in 2019.

- The Council is also developing a major housing development in King's Lynn on land it owns which will deliver up to 600 additional housing units. Phase 1 at Marsh Lane is underway and currently being marketed. This is due for completion in 2020. Development on land at Lynnsport is also taking place; phases 4 and 5 are underway and are also due to complete in 2020.

- 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 Nelson Quay riverfront development, a £120m gross development value initiative. The Council is currently seeking development partners and external funding for Nelson Quay, as well as commissioning key design and survey work.

- Accelerated Construction Programme – The Council in conjunction with the Homes and Communities Agency (HCA) is actively exploring ways in which six sites in the Council's control can come forward if identified barriers to delivery can be dealt with. In its new role as a delivery agent, there may be opportunities to access grants or loans, or work as development partners sharing risk and reward.

- Community Led Housing – the Council has allocated funds from central government to support the provision of affordable housing in areas facing pressures arising from the demand for second homes and holiday homes. A site in Hunstanton has been earmarked, and work is underway to engage the community and bring forward a development of approximately 30 homes that enhances this part of the town and benefits local people.

- The Council has been successful in obtaining £120k grant funding for feasibility work on sites in Hunstanton in two phases of the 'One Public Estate' government initiative, which aims to support economic growth through new homes and jobs as well as creating more joined-up, efficient services.

- The Homelessness Reduction Act 2017 brings some of the biggest changes since the original legislation in 1977. The Act brings new duties and the Council is expecting to see a significant increase in workload to meet these duties.

Work with our communities to ensure they remain clean and safe

- The anti-social behaviour team continues to work with the police and other partners to address to anti-social behaviour in King's Lynn town centre, including aggressive begging and nuisance drinking.

Celebrate our local heritage and culture

- Following the success of town centre promotions in previous years, the Financial Plan includes budget provision to continue to support a major programme of events and activities throughout the year.

- Work is underway to develop a scheme to rejuvenate the use of the St Georges Guildhall Complex. To assist with this, a Cultural Prospectus is being developed. This document will underpin any future bids to the Heritage Lottery Fund and other potential funders such as the Arts Council.

- The Heritage Action Zone programme aims to use King's Lynn's historic environment as a catalyst for stimulating local economic growth and unlock sites for new homes and jobs. The programme will help de-risk several brownfield sites in the town through interventions such as feasibility studies, an urban archaeological database, research on specific sites and the preparation of design briefs and masterplans. The programme is being delivered in partnership with Historic England, who also co-fund some of the interventions.

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. It will also continue to work with Better Broadband for Norfolk with a view to achieving over 95% coverage for superfast broadband in the west Norfolk area.

- The Council will produce a Coastal Management Plan which will detail what works are require to mitigate coastal erosion to Hunstanton Cliff and review what works are need to Hunstanton's Sea Defences going forward.

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. 13 small project grants have been awarded focusing on the development of core skills and transition. It will continue to 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 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 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
2017/2018	1% and minimum pay £7.78 per hour

4.6.3 The Financial Plan 2017/2022 includes within each service area provision for pay awards of 2% in each year. 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 the end of the Parliament. The National Employers made a pay offer to the trade unions in December 2017 for 2018. This offer is for the period 1 April 2018 to 31 March 2020 and includes increases in the minimum hourly rate to £8.50 in April 2018 and £9.00 from April 2019. The Council pay policy in previous years has been to increase its minimum hourly rate in line with the National Pay Award. The final level of increase for April 2018 will be subject to a separate report to Cabinet in March 2018. The Financial Plan 2017/2022 includes budget provision to meet the National Employers pay offer and statutory increases.

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 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 debit 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.

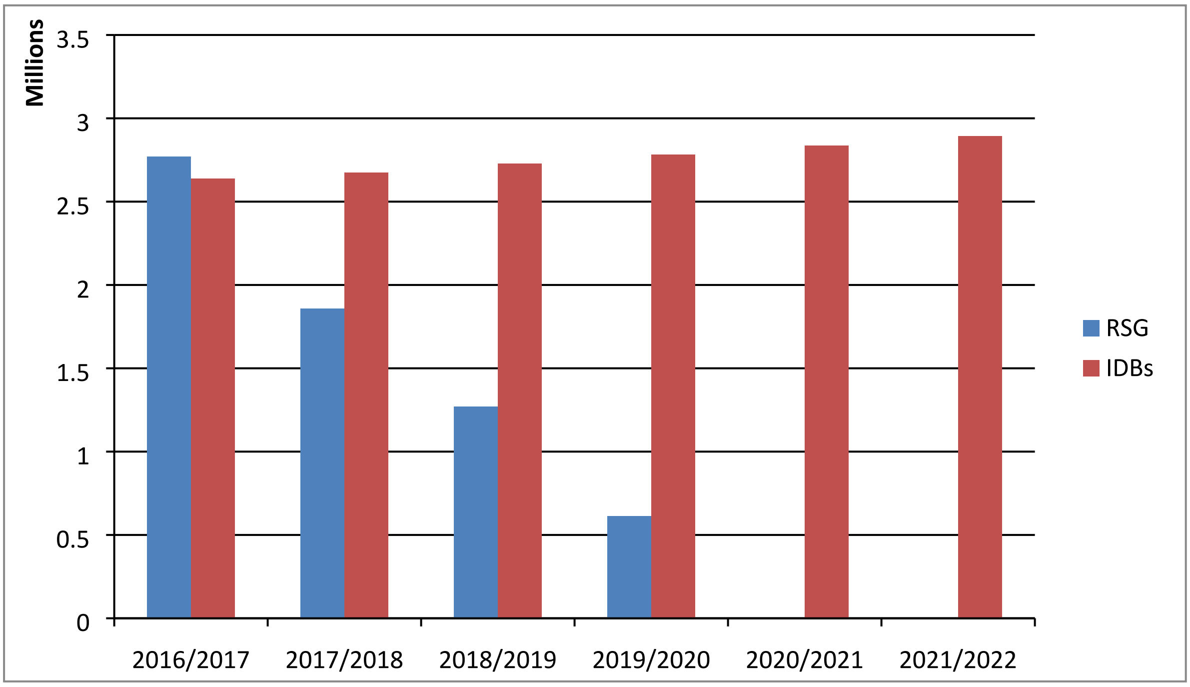
	2018/2019	2019/2020	2020/2021	2021/2022
	£	£	£	£
Budget Projection (Monitoring September 2017)	1,770,290	1,747,540	1,751,190	1,751,190
Revised internal interest charges reflecting capital expenditure financed from unsupported borrowing under the Prudential Framework.	(24,500)	2,230	(12,450)	(5,640)
Revised minimum revenue provision MRP from the General Fund	(90,000)	(90,000)	(90,000)	(90,000)
Revised Projections	**1,655,790**	**1,659,770**	**1,648,740**	**1,655,550**

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 £2,727,560 for 2018/2019 are based on 2017/2018 actual costs plus an allowance of 2% for inflation. (Appendix 5).

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 2018/2019 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 £42,900 toward 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 6.

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 2022 the estimated balances will be reduced to £1,879,936 which will be above the minimum requirement of £836,727.

	(Contribution)/Draw from Balances for Reimbursement of Lump Sum Pension Payment £	**(Contribution)/Draw from Balances to balance the budget £**
2017/2018	2,932,000	(200,880)
2018/2019	(1,415,000)	0
2019/2020	(1,517,000)	2,278,470
2020/2021	0	2,187,550
2021/2021	0	2,600,240

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 2018/2019

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 £18,256,150. 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 intend to 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.

6 Full Council Tax 2018/2019

6.1 In order to calculate the full Council Tax for 2018/2019 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 £18,256,150 for 2018/2019 and notes the projections for 2019/2020, 2020/2021 and 2021/2022.**

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

3) **Approves the Fees and Charges 2018/2019 detailed in Appendix 4.**

4) **Approves a Band D council tax of £121.37 for 2018/2019**

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 2017/2022. The projected position for the period of the Financial Plan will be as follows:

	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	£	£	£	£	£
Balance b/f	8,745,316	6,014,196	7,429,196	6,667,726	4,480,176
Reimbursement of lump sum Pension Payment	(2,932,000)	1,415,000	1,517,000	0	0
Estimated Contribution to/(Draw from) Balances	200,880	0	(2,278,470)	(2,187,550)	(2,600,240)
Balance c/f	**6,014,196**	**7,429,196**	**6,667,726**	**4,480,176**	**1,879,936**
Minimum requirement					
5% of Budget Requirement (Balance Required)	890,029	912,808	837,536	806,899	836,727

7.2 Section 25 of the Local Government Act 2003 requires the Executive 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.

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

Recommendation 4

Council is recommended to approve a minimum requirement of the General Fund balance for 2018/2019 of £912,808.

8 Prudential Framework

8.1 The Prudential Framework for local authority capital investment was introduced as part of the Local Government Act 2003 with effect from the 1 April 2004. The MHCLG issued a Consultation on proposed changes to the Prudential Framework, this ended on the 22nd December 2017. Proposed changes would apply from 2018/19. These changes have not yet been confirmed. The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable. The Council will need to demonstrate that treasury management decisions are taken in accordance with good professional practice and that local strategic planning, asset management and proper option appraisal is supported.

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 2017/2022 has budgeted to fund £2.7m 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. In addition the funding of the capital programme includes temporary internal/external borrowing to fund the major housing development and the enterprise zone as detailed in the separate capital estimates report on the agenda. The cost of this 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 Executive Director – Finance Services (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 2017/2022 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 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 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 £46,800.

Past experience shows that the risk from these service areas, whilst significant in financial terms, can be dealt with through good budgeting techniques, sound timely 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 timely 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 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.

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 2017/2022 is £2.13m in 2017/2018 (including £1.2m of retained renewable energy business rates) growing to £3.2m in 2021/2022 (including £1.3m of retained renewable energy business rates). By 2021/2022 the estimated business rates growth is a 57% 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 Business Rates Retention Scheme arrangements 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 at the King's Lynn Town Centre Partnership meeting on 9 January 2018 to canvass their opinions. Notes of the meeting are available.

10.2 Staff briefings were held on 18 and 21 December 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 budget presentations were given to the Environment and Community, Regeneration and Development and Corporate Performance Panels at their meetings in December 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
Executive Director (S151 Officer)

Access to Information

Cabinet Reports
Financial Plan 2016-2021
Capital Programme 2016-2021
Monthly Monitoring Reports 2017/2018

Financial Sustainability Plan 2016-2020
https://www.west-norfolk.gov.uk/info/20160/budgets_and_spending/511/efficiency_plan_2016-2020

Finance Settlement
The oral ministerial statement supporting documents for the provisional local government finance settlement 2018/2019
https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2018-to-2019