

The FINANCIAL PLAN 2021/2026

**As submitted to the
Cabinet**

09 February 2022

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The FINANCIAL PLAN 2021/2026

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The FINANCIAL PLAN - 2021/2026

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 2021 the Council set out a Financial Plan for 2020/2025. The Plan reflected the continued significant financial challenges faced by the Council.
- 1.3 The Spending Round 2019 announcements saw a delay to the implementation of a number of local government funding reforms which were due to be implemented in 2020/2021. The Spending Review 2021 again sees a one-year settlement for 2022/2023, while the Department for Levelling-Up, Housing and Communities programs its review of funding reforms. The aim of these reforms is to move councils to be more self-financing and reduce reliance on central government grants and also to ensure that funding allocations are based on an up-to-date assessment of needs and resources. Along with the phasing out of Revenue Support Grant (RSG), Rural Services Delivery Grant (RSDG) and changes to the distribution of New Homes Bonus, there were also plans for a full reset of the business rates system and an announcement on the outcome of the review into relative needs and resources, i.e. the Fair Funding Review. Instead, Local Government received a one-year financial settlement.
- 1.4 The outbreak of the Coronavirus pandemic (Covid-19) has had a significant impact globally with this country going into lockdown on 23rd March 2020 in order to limit the spread of the virus. Since then, there have been further restrictions and further periods of lockdown whilst Government try to limit the transmission of the virus. This has posed an unprecedented challenge to the UK economy. This draft budget considers the lasting impact that the pandemic may have on service demand, spending and income levels.
- 1.5 Consequently, there have been further delays to the planned reforms whilst the country remains focused on responding to the pandemic. The draft Settlement did not provide any information on previously expected future funding changes but there are announcements for consultation on funding reforms in Spring clearly signaling fundamental changes to come in future years. These changes when implemented are expected to redistribute funding under the Levelling Up agenda.
- 1.6 Fair Funding Review – This review has been expected for some time, but with no final details being announced. The shape of future funding is now likely to be led by the Government's Levelling Up agenda, which makes future estimates for budgets more difficult until details are known. Changes from a new funding scheme may be smoothed over the initial years.

- 1.7 Business Rates Revaluation and Retention Scheme– the introduction of a new 75% retained NNDR scheme had previously been anticipated to be introduced as part of funding changes. However, the future scheme is now in doubt as a result of the revised focus on the Government's Levelling Up agenda. It is possible that one feature of any future funding changes will be a reset of NNDR growth so that authorities will receive a new baseline funding level with growth and rates retention removed. Business Rates Retention from Growth is currently projected to be £1,123,900 to 2022/2023 only.
- 1.8 The current business rates retention scheme allows the authority to retain 100% of rates in respect of renewable energy. This is currently projected to be £2,770,000 of income each year. This is another area of considerable risk if the council loses this income as part of the Government reforms to local authority funding.
- 1.9 Spending Review 2021 – the draft Local Government Settlement was announced on 16 December 2021. This was a further one-year settlement for Local Government and included the following:-
- Revenue Support Grant (RSG).
 - Rural Services Delivery Grant (RSDG).
 - One year payment of New Homes Bonus (addition to a budgeted legacy payment).
 - The Business Rates Multiplier frozen for 2022/2023.
 - Continuation of the Lower Tier Services Grant (LTSG).
 - A new one-off Services Grant for 2022/2023.
- 1.10 The Council can present a funded budget for three years of the medium-term financial plan (see Appendix 1). However, the General Fund Balance will be depleted to the minimum reserve level in 2025/2026 and there remains an estimated budget gap of £2,291,540 which will need to be addressed. **Alongside this, there is also significant uncertainty from 2023/2024 onwards.** This is due to a combination of financial impact of recovery from the pandemic on the local economy and the decision by Government to add further delay to the implementation of the reforms to the business rates retention scheme and the Fair Funding Review. The council is placed in a difficult position in being unable to determine with any certainty the future funding position beyond 2022/2023, which is a considerable downside risk.
- 1.11 The Council approved the 2020/2025 Financial Plan at its meeting 25 February 2021. The Financial Plan 2021/2026 has been developed to replace this and revises many of the assumptions that were made in the 2020/2025 plan. Appendix 3 details the changes and movements in budget from that previous plan.
- 1.12 The Government's focus is on Councils' 'core spending power' inclusive of locally generated resources. Core Spending Power for local government has increased

by 6.9%, for this Council that increase is 4.6%. The core spending power analysis tables published by the Government for each Council assumes that Shire District Councils will introduce the maximum amount of either 2% or £5 per annum per Band D dwelling Council Tax increase now permitted under the Council Tax Referendum Principles.

- 1.13 Due to the significant uncertainties around business rates as a result of the pandemic, Norfolk authorities opted not to continue with the Business Rates Pool arrangement for 2021/2022. However, a review of the position has been undertaken by all authorities and a pooling arrangement has been agreed for the 2022/2023 financial year.
- 1.14 In preparing the Financial Plan 2021/2026 assumptions for growth in business rates for 2022/2023 have been removed. There can be no guarantee that business growth will materialise as developers/businesses continue to recover from the pandemic and changing market conditions coupled with emerging impacts of the Brexit arrangements. The council has been fortunate to recognise increased levels of growth in recent years which are included in the financial plan. Whilst the assumptions have been made using the most up to date information available there is a significant level of risk, because of the external factors which are out of our control.
- 1.15 In 2015 the Council adopted a robust process for seeking efficiencies and different ways of delivering services which produced significant levels of savings. The process continues to identify proposals to address the estimated budget deficit. The Council has conducted a deep review of its earmarked reserves and capital program. Opportunities for reducing costs, generating income streams and increasing returns from investment continue to be evaluated and progressed where appropriate.
- 1.16 The costs for Council services have been updated. In terms of expenditure a number of service budgets continue to be held at 2018/2019 levels i.e. no inflation has been applied in many budget areas and increases have been made only where known price increases have occurred. Additional growth items have been included where there is a statutory requirement including minimum pay pledges.
- 1.17 Recovery from the pandemic is ongoing which places ongoing uncertainty in the current economic climate when estimating levels of income from certain services including planning, car parks and industrial estates which have all been significantly impacted during periods of lockdown and are experiencing low levels of recovery in some areas. A cautious approach continues to be taken in projecting funding in future years.
- 1.18 Fees and charges have been reviewed as part of the estimates process and the general principle has previously been to increase charges in line with CPI projections. However, there will be some exceptions to this to reflect above inflationary increase in costs.

- 1.19 The Council has a planned approach for the use of the general fund balance. As in previous years the Council continues to make use of working balances and reserves to protect against volatile changes in the cost of services, receipt of income and more significantly funding levels from business rates growth. Whilst the plans hold working balances at the minimum level as stated in the Policy on Earmarked Reserves and General Fund Working Balance of the Council, there is a budget gap to address in 2025/2026.
- 1.20 The figures shown in the Financial Plan for 2021/2026 include a £4.50 per annum per Band D dwelling increase in council tax for each year of the plan. The overall £5 increase permitted under the Council Tax Referendum Principles includes the £4.50 per annum per Band D dwelling increase in council tax to cover the Borough expenditure and an increase of £0.50 per annum to cover the expenditure for special expenses.
- 1.21 The Financial Plan 2021/2026 (see Appendix 1) does show that the Council can present a funded budget for three years **but there is a budget gap in excess of £2m to address in 2025/2026**. 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.
- 1.22 **There remains significant uncertainty and risk from 2023/2024.** As well as the impact from the pandemic on the council's finances, the council still awaits confirmation of the outcome of the Funding and Business Rates reforms proposed by Government. There is concern that the re-set of the Business Rates baseline may mean that the Council does not retain all the growth currently included in the Financial Plan. The Funding Review will determine the starting point for resource allocations under any new Business Rates Retention scheme. This Council will continue to make strong representations for fair and transparent funding arrangements for local government, which take account of the particular pressures of rural authorities, and in the case of West Norfolk, the funding arrangements to address the flood and drainage responsibilities met through the internal drainage boards. The impact of these could mean the general fund depletes earlier than 2025/2026.
- 1.23 A summary of the recommendations in the report is shown below:

Recommendation 1

It is recommended that Council note the revision to the Forecast for 2021/2022 as set out in the report.

Recommendation 2

Council is recommended to approve the Policy on Earmarked Reserves and General Fund Balance and the maximum balances set for the reserves as noted in the report and at Appendix 7.

Recommendation 3

It is recommended that Council :

- 1) Approves the budget of £21,550,170 for 2022/2023 and notes the projections for 2023/2024, 2024/2025 and 2025/2026.**
- 2) Approves the level of Special Expenses for the Town/Parish Councils as detailed in the report.**
- 3) Approves the Fees and Charges for 2022/2023 detailed in Appendix 4.**
- 4) Approves a Band D council tax of £139.37 for 2022/2023**

Recommendation 4

It is recommended that Council approves a minimum requirement of the General Fund balance for 2022/23 of £1,128,410.

The REVENUE BUDGET 2021/2022

2 The Revenue Budget 2021/2022

- 2.1 The budget for 2021/2022 was presented to Cabinet on 2nd February 2021 and approved by Council on 25th February 2021 in accordance with the process for approving the financial plan 2021-2026. Since the budget was approved, the council has remained in uncertain times as recovery from the pandemic (Covid-19) takes shape during 2021/2022.
- 2.2 Budget monitoring has been undertaken and revisions made to forecast taking account of variations to date as reported in section 2 of this report. This has resulted in an adverse movement in the estimated contribution to reserves of £94,290, which is now forecast to be a contribution to reserves of £161,600 compared to that set in the original budget of £255,390.

	Original Budget 2021/22 £	Forecast 31 October 2021 £	Variance £
Borough Spend	21,467,800	21,562,090	94,290
Financing	(21,723,190)	(21,723,190)	0
Contributions to/(from) General Fund Balance	255,390	161,600	(94,290)

- 2.3 The following table compares the period to 31 October 2021 to the original budget for 2021/2022. Any variances are reported to Members in monitoring reports throughout the year.

	Original Budget	October Budgetary Control Monitoring Report 2021/2022	Report Variance Original Budget to 31 October 2021
	£	£	£
Central Services	2,909,310	2,872,810	(36,500)
Community and Partnerships	329,710	318,510	(11,200)
Companies and Housing Delivery	285,880	293,600	7,720
Environment and Planning	2,117,340	1,799,340	(318,000)
Operations and Commercial	1,293,770	1,224,480	(69,290)
Property and Projects	(1,584,540)	(1,558,300)	26,240
Regeneration Housing & Place	884,030	890,280	6,250
Resources	7,559,920	8,162,580	602,660
Chief Executive	304,860	304,860	0

	Original Budget	October Budgetary Control Monitoring Report 2021/2022	Report Variance Original Budget to 31 October 2021
Culture and Leisure	2,573,860	2,573,860	0
Financing Adjustment	1,903,940	1,790,350	(113,590)
Internal Drainage Boards	2,868,510	2,868,510	0
Council Tax Support to Parishes	21,210	21,210	0
Borough Spend	21,467,800	21,562,090	94,290
Contributions to/(from) General Fund Balance	255,390	161,100	(94,290)
Borough Requirement	21,723,190	21,723,190	0

- 2.4 Any further variances between the revised budget and actual outturn for 2021/2022 will be shown in Monitoring Reports for the remainder of the financial year and in the Final Accounts Outturn Report for 2021/2022.
- 2.5 The net impact of the projected outturn 2021/2022, as detailed above, on the overall level of General Fund balance is as follows:

Projected Movements in General Fund Balances (subject to Audit of 2019/2020 Statement of Accounts)	2021/2022 £
Balance brought forward 1st April 2021	8,695,000
Estimated contribution to/(from) Balances (Monitoring - October)	161,600
Projected General Fund Balance 31st March 2022	8,856,600

- 2.6 The Council is holding the General Fund balance at this level to provide the Council a degree of protection in the current volatile environment. The Council intends to use the balance in delivering its Financial Plan over the next four years resulting in reducing it down to the minimum reserve level of 5% of budget.

Recommendation 1

It is recommended that Council note the revision to the forecast for 2021/2022 as set out in the report.

The Financial Plan 2021/2026

3 The Financial Plan 2021/2026 - Funding

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

3.1.1 The financial year 2022/2023 was announced as a one-year Local Government Finance Settlement and it was expected that the Council would not receive RSG, nor RSDG from 2022/2023 onwards. However, as Government continues to review local government funding mechanisms, it was announced in the provisional local government finance settlement on the 16 December 2021 that there would be a further one-year settlement, with both RSG and RSDG being paid for a further year.

3.1.2 The Government has confirmed a further delay to the fair funding review. However, there has been no confirmation of when this will be concluded. The outcome of the review would have set out plans for long-term reform and provided the council with some certainty over finances going forward. In the absence of any clarification, it is assumed that both RSG and RSDG grant income will not be included within the Financial Plan beyond 2022/2023.

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

Receipt of Funding	RSG £	RSDG £
2021/2022*	(627,667)	(493,940)
2022/2023	(647,530)	(493,940)
2023/2024	0	0
2024/2025	0	0
2025/2026	0	0

*RSDG 2022/2023 is an estimated increase as provisional allocations have not been published at this time

3.2 Other Government Funding

3.2.1 In addition to RSG and RSDG, Government also announced the following funding to support local authorities for a further year. The indicative allocations which are for one year only are set out below and included in the Financial Plan for 2022/2023 only:

Funding	£
Lower Tier Services Grant	(246,321)
Service Grant	(378,551)
Total	(624,872)

3.2.2 It should be noted that the Services Grant which is a one-year grant includes funding to offset the increase in National Insurance costs to the authority in respect

of the 1.25% Health and Social Care Levy announced in September 2021 by the Prime Minister. This cost is set to continue beyond 2022/2023.

3.3 Addressing the Funding Gap in 2025/2026

- 3.3.1 In 2015 the Council adopted a robust process for seeking efficiencies and different ways of delivering services which produced significant levels of savings. This process has been successful in previous years and therefore it is appropriate that this process continues to identify proposals to address the estimated budget deficit.
- 3.3.2 Efforts to secure the cost reduction/income generating targets identified as part of the budget setting since 2020/2021 have slowed due to the focus for the Council to respond to the pandemic and the impact on businesses that support the Councils capital programme and services. Savings achieved are now incorporated into the council's budgets and yet there remains a budget gap going forward which increases each year of the plan. The budget gap may be even higher depending on the impact of the upcoming funding reforms which would accelerate drawdown from reserve balances to the current estimates within the Plan.
- 3.3.3 Currently, the Financial Plan is reliant upon drawing sums from the general fund reserve balance. The use of reserves is clearly a temporary measure which cannot be sustained. The Council continues to work towards bringing spending in line with income in advance of 2025/2026 when the general fund balance is estimated to be at the minimum required level of 5% of the budget.
- 3.3.4 The delivery of the major corporate capital projects to generate additional/new income is vital in achieving the required budget savings. Past experience shows that it is important to gain savings as soon as possible. Work will be undertaken during the next few months to prepare a refreshed cost reduction and income generating programme with the objective of securing sufficient savings and income to narrow the budget gaps estimated throughout the plan.
- 3.3.5 The Financial Plan 2021-2026 projects a savings target of £2,291,540, this is the projection of the unfunded element of the Borough's spend requirement. The Council has recently conducted a deep review of its earmarked reserves and capital programme. The review of the reserves resulted in a release of funds totalling £3,007,847. This amount has been set aside for investment in proposals to help to meet the savings target. Furthermore, the capital programme review has allowed for rephasing of projects and funding streams against expected delivery timescales, taking into account resource and capacity levels in the authority.
- 3.3.6 Opportunities for reducing costs, generating income streams and increasing returns from investment continue to be evaluated and progressed where appropriate. There are already a number of identified projects going through

development and appraisal which if approved will generate further revenue income streams to the council. There will be a further review of earmarked reserves during the year as well as a review of the pricing structures and services that feed into the fees and charges schedule. This will reflect changes in the market as well as ensuring appropriate levels of cost recovery where appropriate.

- 3.3.7 In respect of the £3,007,847 released funds mentioned at 3.3.5, further workshops are planned in the coming months which will capture new investment opportunities and initiatives to take forward to generate new income streams to the council. It is expected that this funding will be used as an investment fund to support these initiatives. However, should there be a lack of initiatives coming through, then there is the option to retain this funding to help fund the gap in 2025/2026. The outcome of these workshops will be reported through the various relevant Panels/Committees to ensure actions can be addressed swiftly.

3.4 Retained Business Rates

- 3.4.1 The baseline business rates funding allocation, announced on 16 December 2021 is below the amount that was anticipated in the current plan. The baseline business rates will usually increase annually in line with the increase in the business rates multiplier. However, Government have confirmed that they are applying a freeze on the business rates multiplier for 2022/2023. Instead, the council will receive compensation in lieu of this and is awaiting confirmation of the amount. It is therefore assumed that by taking this into account the allocation will be in line with expectations in the current plan.
- 3.4.2 Rateable Values (RVs) are reviewed and updated by the Valuation Office usually every 5 years, the last RVs came into effect in April 2017. The revaluation redistributes the rates burden and is nationally cost neutral. A transitional relief scheme is usually applied which spreads the cost (or benefit) of large increases and decreases in business rates bills at a revaluation.
- 3.4.3 Legislation was previously introduced to bring forward the business rates revaluation to 2021/2022 and then every 3 years thereafter with the three-year revaluation system enabling a fairer reflection of rental values. However, in order to reduce uncertainty to businesses affected by the impacts of the pandemic, Government announced in May 2020 that the revaluation would be delayed until April 2023.
- 3.4.4 As part of the Autumn budget statement in October 2021 the Chancellor confirmed the continuation of a number of reliefs into 2022/2023:
- A 50% discount for all eligible retail, hospitality and leisure businesses, regardless of their rateable value but subject to a cash cap of £110,000 per ratepayer,
 - Phased increases for higher bills for small and medium businesses caused by rises in Rateable Values at the last revaluation

- The scheme to limit increases in bills where businesses have lost reliefs due to the last revaluation, and
- The continuation of the £1,500 annual discount for office space occupied by local newspapers to 31 March 2025.

3.4.5 The Council was part of the Norfolk Business Rates Pool in 2020/2021 which was forecast to deliver tangible benefits to the county as a whole. Due to the significant uncertainties around business rates as a result of the pandemic, Norfolk authorities opted not to enter a Business Rates Pool arrangement for 2021/2022. However, the situation has since been reviewed and a pooling arrangement has been agreed for the 2022/2023 financial year. The financial benefit to Norfolk as a whole (from the current 50% Business Rates Retention Scheme) is estimated at £5.9m representing the additional growth that will be retained locally and shared between the District Councils and County Council.

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

3.4.7 The baseline funding for 2022/2023 is the amount that was published on 16 December 2021 as part of the Provisional Local Government Finance Settlement for 2022/2023. The future 3 years of the medium-term financial plan 2023–2026 are calculated on the baseline business rates figure for 2022/2023 with an uplift based on estimated CPI increases (see Appendix 1).

3.4.8 Business rate assumptions included in the Financial Plan 2021/2026 is detailed in Appendix 1.

3.4.9 The implementation of reforms to the Business Rates Retention Scheme mean existing grants will be incorporated into revised funding reforms including Revenue Support Grant and Rural Services Delivery Grant. The revised arrangements for business rates retention are not expected to provide this Council with funding to replace the reductions announced in Revenue Support Grant. The review into relative needs and resources by Government as part of the previously announced Fair Funding Review is expected to redistribute business rates. It can be anticipated that there will be winners and losers as a result of the funding review. It is not known how the impact of the pandemic will be reflected in any future consultations to funding reforms.

3.4.10 In preparing the Financial Plan 2021/2026 there are no assumptions for any new growth in business rates from 2022/2023 onwards. There can be no guarantee that business growth will materialise as developers and businesses recover from the pandemic and changing market conditions. The council has been fortunate to recognise increased levels of growth in recent years which are already included in

the financial plan. Whilst the assumptions have been made using the most up to date information available there is still a significant level of risk, because of the external factors which are out of our control.

3.4.11 The current business rates retention scheme allows the authority to retain 100% of rates in respect of renewable energy. This is included in the Financial Plan with a value of £2,811,280 in 2022/2023. This is another area of considerable risk if the council loses this income as part of the Government reforms to local authority funding and will place the authority in a very difficult position to address this shortfall in addition to that already set out in the plan.

3.4.12 The current focus for the Government remains on the pandemic. This, along with the outcomes of Brexit, are collectively causing significant ongoing uncertainty to local government. The announcement of a further delay to the implementation of the funding reforms relating to the Business Rates Retention Scheme was therefore not unexpected in the circumstances followed by confirmation of a further one-year Local Government Finance Settlement for 2022/2023.

3.4.13 Collection Fund Surplus/Deficit – Retained Business Rates

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

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

3.5 New Homes Bonus

3.5.1 The government announced, as part of the Provisional Finance Settlement for 2022/2023, that it will retain the amount of the top slice of RSG at £554m to fund the New Homes Bonus scheme in 2022/23.

3.5.2 The government announced in the 2022/2023 a new one year allocation of £268,204 representing a year 12 payment in the scheme along with the addition of one outstanding round of legacy payments for year 9, the 2019/2020 allocation of £321,401. This resulted in a total allocation of £589,606 in 2022/2023.

3.5.3 In setting the Financial Plan 2021-2026 it has been assumed that there will be no funding allocations beyond 2023/24.

3.5.4 The financial plan 2021/2026 includes the following for New Homes Bonus:

New Homes Bonus	£
2021/2022	(837,670)
2022/2023	(589,606)
2023/2024	0
2024/2025	0
2025/2026	0

3.6 Collection Fund Surplus – Council Tax

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

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

3.6.3 The borough council's share of the Collection Fund surplus/deficit for 2020/2021 shows small deficit of £35,067 is estimated as the borough council's share of the Collection Fund surplus/deficit for 2020/2021. Government has recently amended the regulations to allow this to be repaid over three years instead of one year. Therefore, this will be repaid at £11,689 per year from 2021/2022 to 2023/2024. In future years, it is estimated that the Council can draw sums as detailed below.

Council Tax surplus	£
2021/2022	0
2022/2023	(25,000)
2023/2024	(25,000)
2024/2025	(25,000)
2025/2026	(25,000)

3.6.4 It is anticipated that the surplus contained in the Collection Fund and available from distribution will be reduced in future as the growth in the tax base is more

accurately reflected in the tax base estimate and the period of volatility caused by coronavirus comes to an end.

3.7 Council Tax

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

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

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

Council Tax Base

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

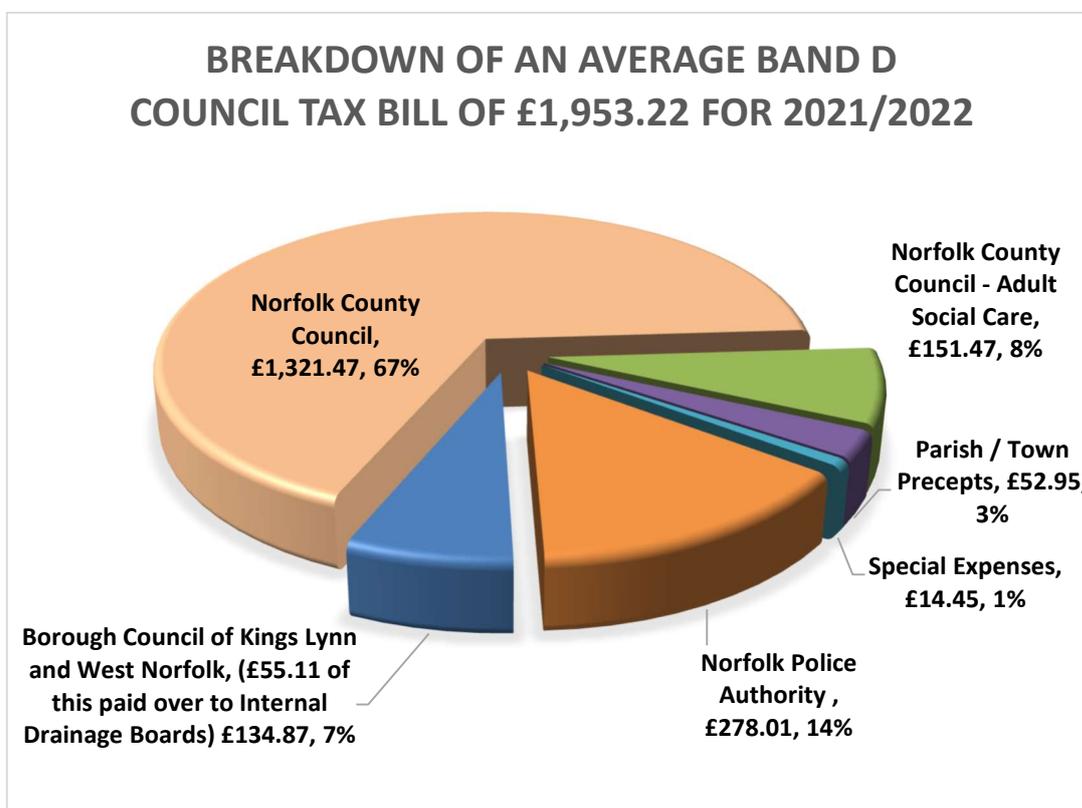
3.7.4 The calculation of the tax base for 2022/2023 takes into account changes resulting from the local council tax support scheme (which reduces the tax base). At the meeting on 25 January 2022 Council agreed the continuation of the existing scheme for 2021/2022 with an uplift from the current limit of 75% to 84%.

3.7.5 The full tax base for 2021/2022 is 52,048. For 2022/2023 the tax base is assumed to be 52,611, an increase of 563 Band D equivalent properties (based on the actual figures) and then for the subsequent years the assumption is that the tax base will rise by the equivalent of 300 Band D properties per annum.

3.7.6 Council Tax 2021/2022

The Borough Council element of the full council tax bill in 2021/2022 for a Band D property is £134.87 out of a total of £1,953.22 (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 2021/2022 the Borough Council's charge forms a very small part of the bill (less than 7%) collected from every council taxpayer.



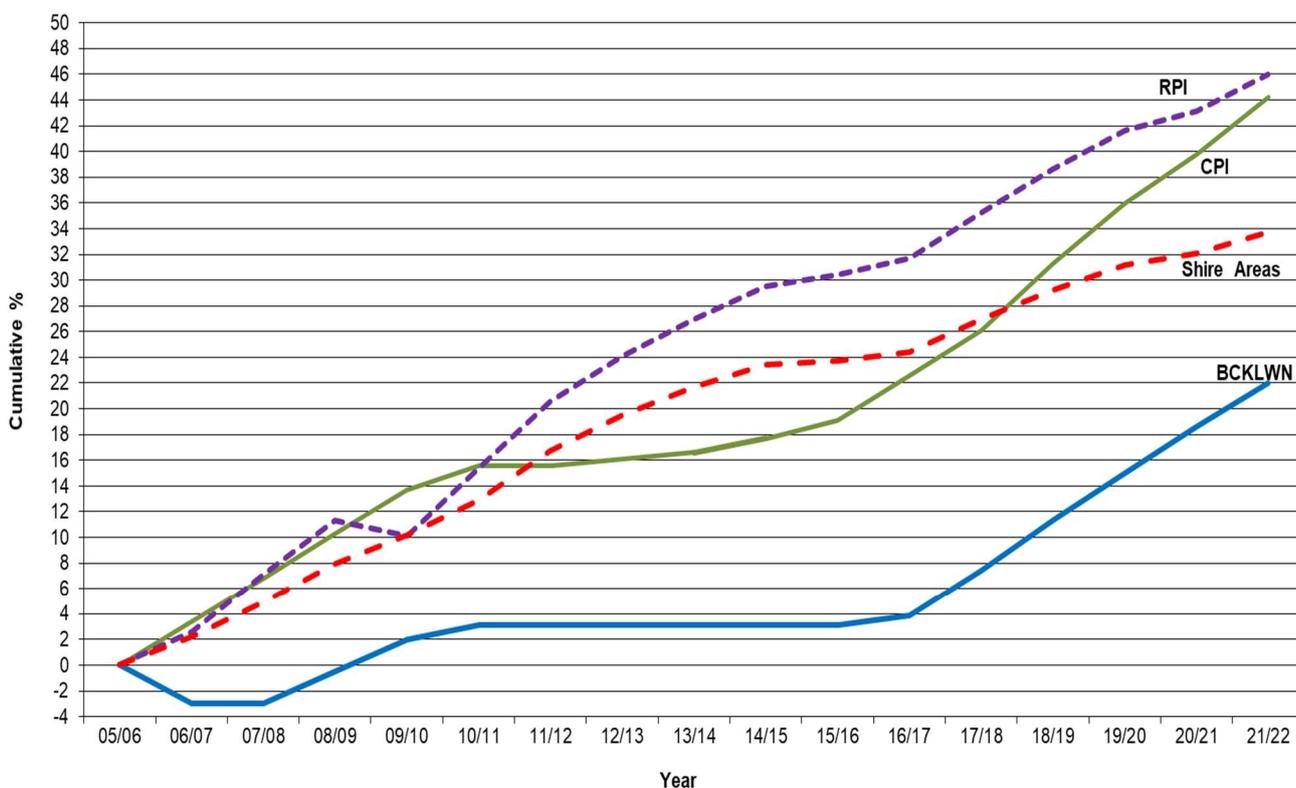
Council Tax Levels – Band D

3.7.7 The table below shows the elements of a council tax Band D charge of £1,953.22 for 2021/2022.

Charging Authority	2021/2022	2021/2022
	£	%
Borough Council of Kings Lynn and West Norfolk	134.87	6.9%
Parish and Special Expenses	67.4	3.5%
Norfolk County Council	1,472.94	75.4%
Norfolk Police Authority	278.01	14.2%
Total	1,953.22	100%

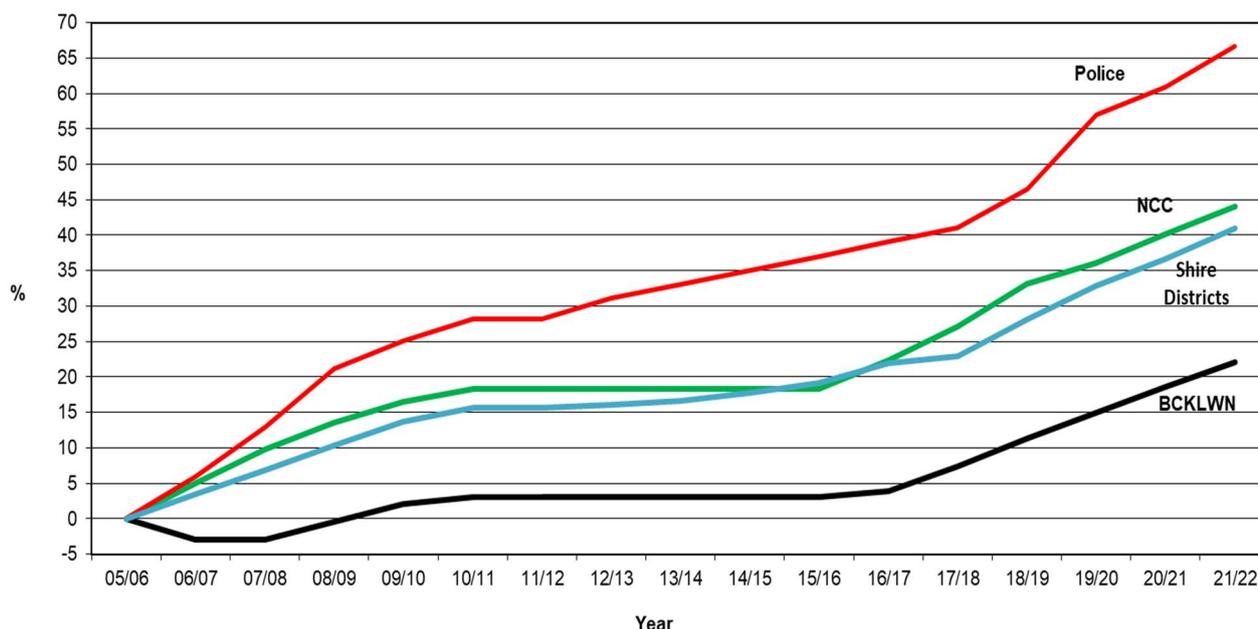
3.7.8 Over the period since April 2005 the Council has held council tax to a level where in 2021/2022 the cumulative Band D charge of £134.87 amounts to an increase of 22.0% above the 2005/2006 figure of £108.67. The average cumulative increase in council tax for shire areas in England over the same period 2005/2006 to 2021/2022 has been 44.2%. The Retail Price Index (RPI) has increased over that period (April 2005 to April 2020) by 46.0%. The Consumer Price Index (CPI) has increased by 33.7% over the same period. The Council’s council tax increases have been lower than RPI, CPI and the average of shire districts throughout the whole period since 2005/2006.

Band D Council Tax and RPI percentage increases 2005 to 2022



3.7.9 The graph below shows how the various elements of the council tax bill in West Norfolk have increased over the period 2005/2006 to 2021/2022. The increase in the County Council precept from 2020/2021 includes the additional permitted increase for Adult Social Care. The increase in the Police Authority precept for 2020/2021 includes a 5.68% increase (£14.94) which was just below the maximum amount permitted of £15 for the year.

Band D Council Tax percentage increase 2005 to 2022



Council Tax 2022/2023 and Future Years

3.7.10 The Government focus is on Councils' 'core spending power' inclusive of locally generated resources. The core spending power analysis tables published by the Government for each Council assumes that Shire District Councils will introduce the maximum amount of 2% or £5 per annum per Band D dwelling Council Tax increase permitted under the Council Tax Referendum Principles.

3.7.11 The 'Referendums Relating to Council Tax Increase (Principles) (England) Report 2022/2023' published on 16 December 2021 state that for the borough council the principles for 2022/2023 are:

The relevant basic amount of council tax of an authority is excessive if the authority's relevant basic amount of council tax for 2022/2023 is

- (a) 2%, or more than 2%, greater than its relevant basic amount of council tax for 2021/2022; and
- (b) more than £5 greater than its relevant basic amount of council tax for 2021/2022.

3.7.12 The figures shown in the Financial Plan for 2021/2026 include a £4.50 per annum per Band D dwelling increase in council tax for each year of the plan. The overall £5 increase permitted under the Council Tax Referendum Principles includes increases in special expenses and the Borough precept.

3.7.13 The Borough Council proposed levels of council tax for 2022/2023 are:

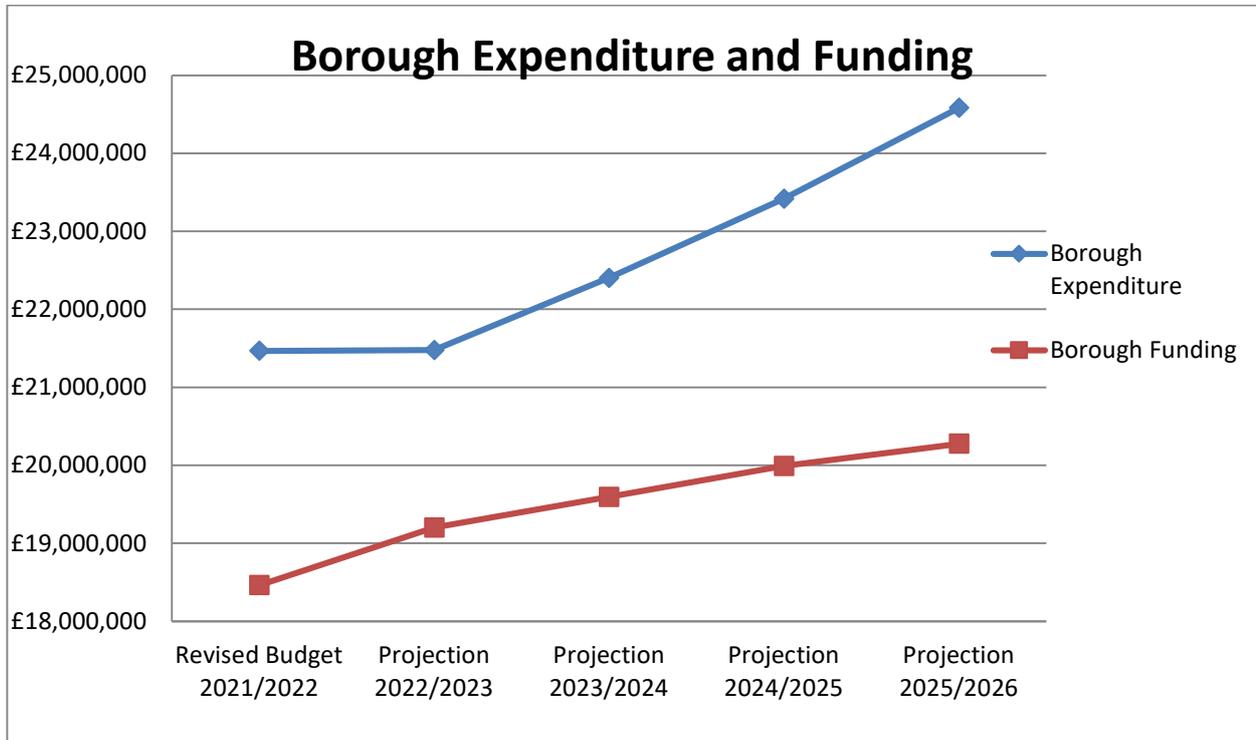
Band	2022/2023
	£
A*	77.43
A	92.91
B	108.40
C	123.88
D	139.37
E	170.34
F	201.31
G	232.28
H	278.74

* The Council reduces the charge to a property classed as Band A to £77.43 per annum when it is eligible for Disabled relief.

3.8 Overall Funding Position

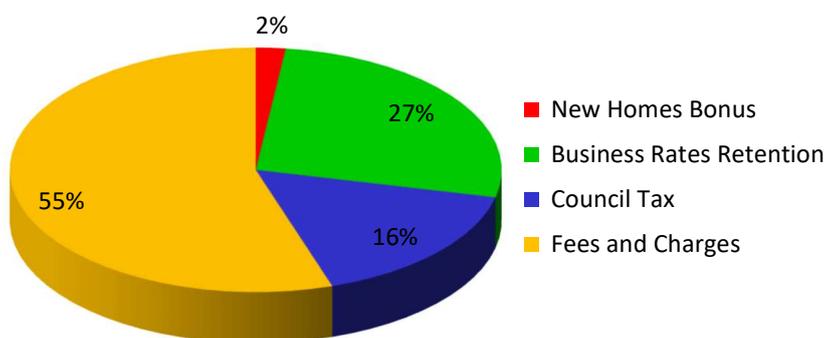
- 3.8.1 The Government announced as part of the Spending Review 2021 in December 2021 that there would be a one-year settlement with both Revenue Support Grant and Rural Services Delivery Grant being paid for a further year (2022/2023) at 2021/2022 levels plus a small increase. However, there is still concern over whether the forecast Business Rates growth levels included in the Plan will be held at those levels or not.
- 3.8.2 The significant risk is from 2023/2024. The reforms to the Business Rates Retention scheme should have been implemented by now but have been delayed further due to the pandemic. It is expected consultations on funding reforms will resume in Spring 2022. Detailed arrangements for the implementation of the reforms are still unknown. Alongside this there was also to be a re-set of the business rates baseline where the implication is that the Council does not retain all the growth currently included within the Financial Plan. The funding reforms will set a new funding baseline for the new Business Rates Retention scheme. It will be based on a redesigned needs assessment methodology.

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

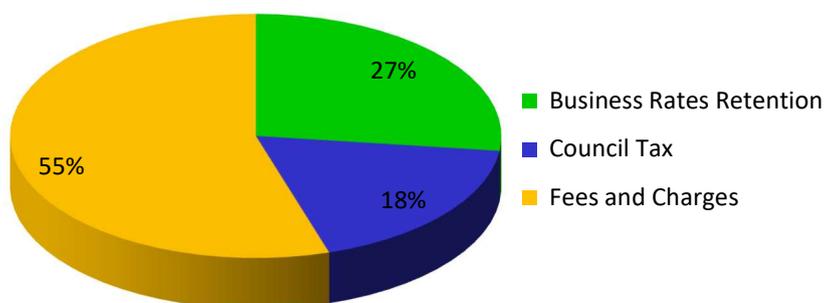


3.8.5 A comparison of the overall funding streams is shown in the following diagrams:

Budgeted Funding for 2021/2022



Forecast Funding for 2025/2026



4. Cost of Services

4.1.1 In order to set an annual budget and longer-term financial plan it is necessary to make some assumptions at a certain date. The 12-month inflation rates for Retail Price Index (RPI) and Consumer Price Index (CPI) for August 2021 were at 4.8% and 3.2% respectively, (both 0.5% in August 2020). These and future projections of inflation rates published at that date have been used as a guideline for budget purposes. Wherever possible, reduced levels or zero increases for inflation have been applied to expenditure budgets with an aim to reduce ongoing service costs. Where there are known increases in costs such as utilities and contracts fixed to price indices then the appropriate inflation factor has been applied. The following assumptions have been made with respect to the 2021/2026 budget projections.

Inflation Assumptions	2022/2023	2023/2024	2024/2025	2025/26
	%	%	%	%
Salaries (cost of living)	3.5	3.0	2.5	2.5
General Inflation	0.0	0.0	0.0	0.0
Business rates	0.0	2.0	2.0	2.0
Electricity price	10.0	4.0	4.0	4.0
Gas	12.0	9.0	9.0	9.0
Water (unmeasured)	0.0 (see note)	2.6	2.1	2.0

Note: The 2022/2023 budget for Water has been revised to reflect actuals for 2019/2020 and 2020/2021. As a result, the Water budget has been reduced by 25% (£52,000 to £155,800).

4.1.2 In March 2021 an agreement was made to award grant to Alive West Norfolk (AWN) to provide support to this Council owned company during the Covid Pandemic. AWN have drawn down £1.2m of this grant. The recovery from Covid has been better than anticipated, however, the emerging impact of the Omicron variant is being monitored and may impact performance before the end of the year. Therefore, an estimate has been made for an £450,000 of this grant to be repaid to the Council in 2022/2023. This figure is estimated based on performance during 2021/2022 and will be confirmed following the financial year end.

4.2 Changes to the Current Financial Plan

4.2.1 The projections for the years 2021/2022, 2022/2023, 2023/2024 and 2024/2025 were revised as part of developing the new Financial Plan. The table below updates those projections and shows how the revision of service costs has impacted on the Financial Plan.

Financial Plan	2021/2022 £	2022/2023 £	2023/2024 £	2024/2025 £
Estimates Projection February 2021	21,467,800	21,306,860	22,407,430	23,624,070
Net adjustments as part of developing the 2021/22 to 2025/26 Financial Plan.	94,290	168,780	-3,250	-205,390
New Budget Projection	21,562,090*	21,475,640	22,404,180	23,418,680

* October 2021 Monitoring

4.2.2 The detailed service budgets of the Financial Plan 2021/2026 are shown at Appendix 2. A detailed analysis for 2022/2023 of the changes and movements between the original budget projection made in February 2021 and the proposed estimates for the 2022/23 in the 2021/2026 Financial Plan is provided in Appendix 3.

4.2.3 The projection for 2025/2026 has now been prepared. The main movements are shown in the table below:

	2025/2026
	£
Borough Spend projection for 2024/2025	23,418,680
<u>The main changes to the Plan are:</u>	
Increase in Internal Drainage Board Levies	63,000
Inflation on salary costs	895,480
Net Increase in interest receivable	(18,730)
Increase in rates on Council premises	22,990
Estimated increase in pension deficit recovery payment to Norfolk Pension Fund	106,000
Waste Collection Contract	244,520
Waste Collection income	(93,190)
Increase in Utility costs	69,270
Customer and client receipts	(46,520)
Leisure and Community Facilities maintenance costs	38,580
Reduction in Capital programme funding from Revenue	(137,350)
Other net movements	20,750
New Budget Projection for 2025/2026	24,583,480

4.3 Fees and Charges 2022/2023

- 4.3.1 Income from charges for services supports Council expenditure. The Council agreed in January 2005 to delegate authority to the Executive Director of the appropriate service (in consultation with the S151 Officer), the relevant portfolio holder and the Leader) to vary charges having regard to market conditions and the Council's policy framework. This combined approach has been adopted in setting the charges for 2022/2023. (Appendix 4).
- 4.3.2 The Council is undertaking a review of its fees and charges modelling to ensure that charges are made where appropriate and that levels are set and maintained at levels reflecting demand, costs and any other relevant factors.
- 4.3.3 In line with the inflationary cost of service provision the fees and charges, in all other service areas that are able to be set locally, have been increased on average by 4%, the projected inflation level by April 2022.

4.4 Corporate Business Plan, Service Plans and Investment

- 4.4.1 On 2 December 2021 the Council approved a refresh and update of the Corporate Business Plan 2021/2023 which sets out the priorities for the administration. The Financial Plan reflects the aims of the Council;
- Focusing on delivery
 - Delivering growth in the economy and with local housing
 - Protecting and enhancing the environment including tackling climate change
 - Improving social mobility and inclusion
 - Creating and maintaining good quality places that make a positive difference to people's lives
 - Helping to improve the health and wellbeing of our communities
- 4.4.2 Service areas within the Council not only contribute toward the Business Plan but also have their own ambitions and targets which are reflected in the Financial Plan and budgets for 2021/2026.

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

Focusing on delivery

The Council is actively setting a Medium-Term Financial Strategy to fund council services by a prudent mix of investment, services, and tax income, while maintaining adequate reserve. This is supported by:

- Management and reporting of performance against revenue and capital budgets monthly to Management Team and Members.

- Provision of treasury functions for the delivery of the financial plan and advise and support on new projects and initiatives.
- The focus on continuing to deliver all statutory services to an appropriate standard within available resources, whilst also responding to the priorities set out in the Corporate Business Plan.
- Adapting to effective recruitment, retention and employee development processes so that services are appropriately and effectively resourced.

Delivering growth in the economy and with local housing

A significant aspect of investment in our Financial Plan is to develop our town centres and the rural offering. This is supported by:

- The Implementation of the Town Investment Plan. Developing a business case for projects and programmes that were part of the Heads of Terms agreement from DLUHC.
- Deliver the Council's directly managed commercial and housebuilding programmes. Develop and manage the portfolio of properties, including affordable homes managed by West Norfolk Property Limited and West Norfolk Housing Company Limited.
- Implementing a Procurement Strategy that achieves community benefits and supports the local economy.
- Deliver the Local Plan.

Protecting and enhancing the environment including tackling climate change
Deliver the Council's commitment to be carbon neutral by 2035 through implementation of its carbon reduction strategy and encouraging our partners, communities and local businesses to reduce their environmental impact. The following objectives are included in the financial plan:

- Implement the Climate Change Strategy and Action Plan.
- Work in partnership with the Chamber of Commerce to co-ordinate Expo22.

Improving social mobility and inclusion

This feature both the need to:

- (a) Assist our residents to maximise their opportunities by accessing the support and services they are entitled to; and
- (b) Ensure the Council participates in a range of initiatives which support the development of skills in and pathways to work for local people.

The Financial plan includes resources to:

- Review the Homelessness and Rough Sleepers Strategy following the implementation of 'Everyone In' initiative and the introduction of a number of new accommodation and support services funded by central government through the Next Steps Accommodation Programme and the Rough sleeper

- Initiative.
- Deliver a Council Tax Support scheme for working age people in the borough that supports those most in need.
- Ensure opportunities for the provision of apprenticeships are maximised by the Council as an employer.

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

Maintain standards for open and green spaces and target littering and fly-tipping.

- Working with partners across the county and regionally to deliver the SCRAP fly-tipping campaign.
- Engaging with and assisting in developing and supporting existing voluntary and community groups including Parish Councils.
- Continuing to develop and improve visual image on key routes into west Norfolk.

Helping to improve the health and wellbeing of our communities

Improve and develop the quality of local sport and leisure facilities. Reduce crime and anti-social behaviour.

- Work with partners including Alive West Norfolk on local projects to improve health and physical activity levels.
- Work with partners to tackle anti-social behaviour, fear of crime and to deal with neighbourhood nuisance/public health issues.

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 generally only given if a compensating reduction in the establishment can be offered or if the posts are required to meet new commercially funded operations where there is a clear business benefit to the borough council. Control on staffing is also monitored through the level of the payroll.

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

2009/2010	0%
2010/2011	1%
2011/2012	0%
2012/2013	0%
2013/2014	1%
2014/2015	1% and £7.00 per hour minimum
2015/2016	1% (1.5% for pay grade below £21,500) and £7.20 per hour minimum
2016/2017	1% and minimum pay £7.52 per hour
2017/2018	1% and minimum pay £7.78 per hour
2018/2019	2% and minimum pay £8.50 per hour
2019/2020	2% and minimum pay £9.00 per hour
2020/2021	2.5% and minimum pay £9.20 per hour
2021/2022	2.5% and minimum pay £9.50 per hour

4.6.3 The Financial Plan 2021/2026 includes a contingency of £50k in each year to address any pay issues. The level of increase will be subject to separate reports to Council each year.

4.6.4 The Council pay policy in previous years has been to increase its minimum hourly rate in line with the National Pay Award. The Government has made pay pledges to increase the minimum hourly rate from £7.20 in April 2016 to £9.50 from April 2022. The National Employers pay deal for the period 1 April 2020 to 31 March 2021 included an increase to the minimum hourly rate from £9.00 in April 2019 to £9.25 from April 2020. The national Pay award for 2020/2021 has not yet been settled. Any national pay award decisions will continue to be considered in setting future years' pay awards.

4.7 Financing Adjustment

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

	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
	£	£	£	£	£
Unsupported Borrowing	1,477,130	1,497,770	1,303,900	1,333,740	1,196,390
External Interest Payments	382,000	382,000	382,000	382,000	382,000
External Interest Receipts	(35,450)	(132,480)	(309,670)	(377,290)	(409,080)
Minimum Revenue Provision	398,130	683,270	896,920	937,820	937,820
REFCUS	1,774,840	1,774,840	1,774,840	1,774,840	1,774,840
TOTAL	3,996,650	4,205,400	4,047,990	4,051,110	3,881,970

Interest rates are expected to remain at current low levels for some time. This has an impact on both the interest paid on borrowing and our interest received on investment income. The increase in Interest Receipts relates to repayments of interest on a loan from the Council owned West Norfolk Property Limited. The future of the timing of increases in rates remains uncertain in the current economic climate. Any changes in rates that affect the financing adjustment will continue to be monitored and updated during the year in the monthly monitoring reports.

4.8 Internal Drainage Boards

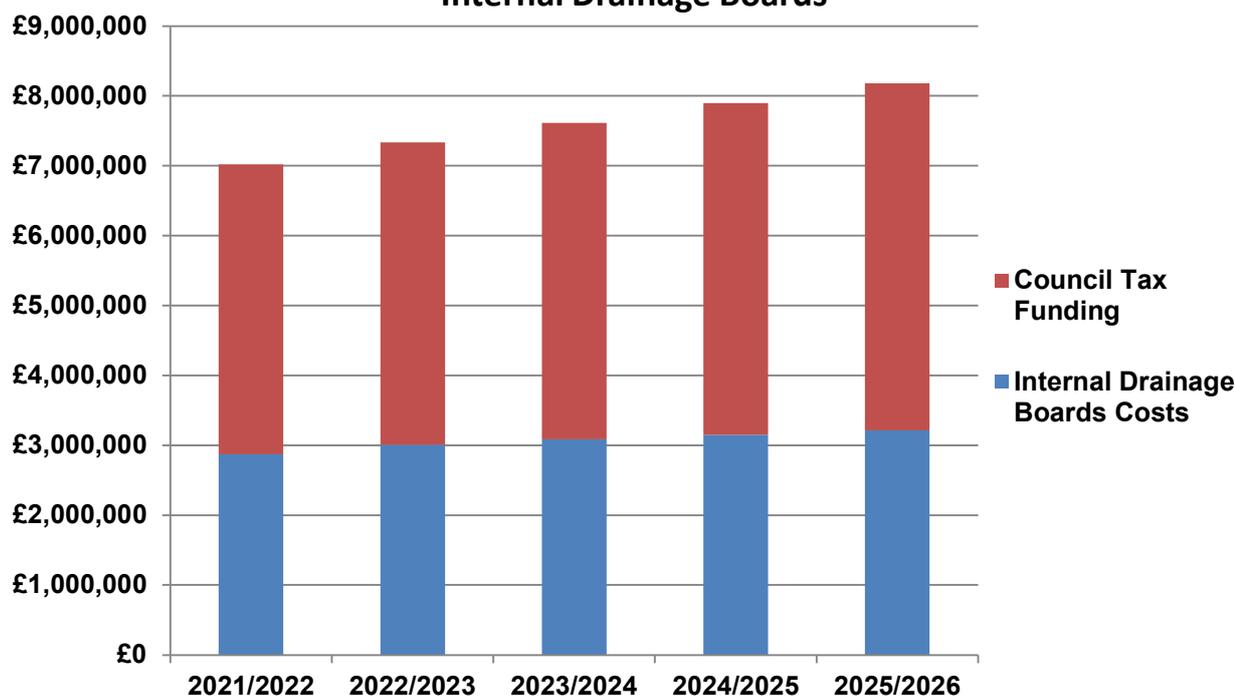
4.8.1 Internal Drainage Boards (IDB) levies are paid by the Council to the various Boards. The levies count as spending of the Council, but no contribution is made by Government as part of the financial settlement. **Any increase in the levies does have an impact on the council taxpayer who picks up the residual costs.** Clearly with the increasing pressure on RSG any increase in IDB levies in future will have to be met from council tax or cost savings. The budget of £3,006,790 for 2022/2023 is based on estimated increases (as discussed with Drainage Boards) of between 0% to 5.66% for inflation (Drainage Boards have yet to confirm the precept to the Council for 2022/2023). These precepts are listed in Appendix 5.

4.8.2 The following shows how much of the council tax to be collected by the authority (based on Council Tax Band D charge) is estimated to be paid across to Internal Drainage Boards in 2022/2023:

	2022/2023 £	2022/2023 %
Borough Council	£81.93	59%
Internal Drainage Boards	£57.44	41%
Total	£139.37	100%

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

Amount of Council Tax raised that is passed over to the Internal Drainage Boards



4.9 Special Expenses / Council Tax Support to Parishes

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

- 4.9.2 In 2013 changes made by Government on the arrangements for the payment of benefit for local council tax support through the reduction in council tax base had an impact on the level of both parish/town precepts and special expenses charges that could be made on the council tax bill.
- 4.9.3 The impact of those 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 Parishes were notified in the request for their precept data for 2021/2022 and again for 2022/2023 that this financial assistance would no longer be available from 2022/2023. In the spending review 2016, the Government announced that Revenue Support Grant was to be phased out with 2019/2020 being the final year. However, due to ongoing nature of one year finance settlements, the council has been able to continue the distribution of this funding to town and parish councils. In light of the impact of the pandemic and upcoming funding reforms, it should be noted that 2021/2022 was the last year of distributing this grant to parish/town councils and the funding will not be provided from 2022/2023 onwards.
- 4.9.5 Details of the revised costs to be set for each parish/town currently subject to special expenses together with the 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. The scheme allowed the Council to benefit from the growth of business rates by retaining an element of the income; however it also introduced the risk of losing funding if there was any reduction in the business rates list. In the event of a major ratepayer closing its business or appealing for a reduction in rates payable then the Council will have to bear the loss of rates income, which it had not before.

4.10.3 The Plan requires a drawdown from balances from 2022/2023 in order to “balance the budget”. However, in 2025/2026, the estimated balance will be reduced to £1,128,580, which is the minimum reserve requirement (i.e. 5% of the Council's budget requirement), after which there remains an estimated budget gap from 2025/2026 of £2,291,540 which needs to be addressed.

	2021/2022 £	2022/2023 £	2023/2024 £	2024/2025 £	2025/2026 £
Estimated Contribution To/(From) General Fund Balance to balance the budget	161,600	524,530	(2,809,780)	(3,427,410)	(2,015,360)*

*Balance reduced to minimum reserve level and leaves budget gap as set out in the plan.

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

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

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

4.10.7 Cabinet reviewed the Earmarked Reserves balances and limits at its meeting 21 September 2021 as part of the 2020/2021 outturn report. The limits have been considered against current reserve balances and it is proposed that limits are revised as follows.

- Repairs and Renewals reserve minimum balance reduced to £500,000.
- Collection Fund Adjustment Reserve increase maximum limit by £11,900,000. This accommodates the one-off payment by government in 2021/2022 to aid collection fund cashflows.
- Other Reserves increase maximum by £3,000,000. This now include the amount released from various reserves, identified in the October Monitoring report released following the review of earmarked reserves at that time. This amount as referred to in paragraph 3.3.4 for use towards schemes and funding activity to assist with closing the funding gap projected for 2025/2026.

4.10.8 Current and Proposed Reserve limits.

Reserves Policy Area	Balance after review 30 Oct 2021 £'000	Current Minimum balance to be held £'000	Current Maximum balance to be held £'000	Proposed new minimum balance to be held £'000	Proposed new maximum balance to be held £'000
Amenity Areas	0	0	300	0	300
Capital Programme Resources	6,390	0	9,000	0	9,000
West Norfolk Partnership	336	0	1,100	0	1,100
Insurance Reserve	178	50	300	50	300
Restructuring Reserve	334	150	1,000	150	1,000
Repairs and Renewals Reserve	601	1,000	2,000	500	2,000
Holding Accounts	2,074	200	2,600	200	2,600
Ring Fenced Reserves	3,086	50	3,200	50	3,200
Planning Reserves	205	0	800	0	800
Grants Reserves	2,571	0	4,200	0	4,200
Collection Fund Adjustment Reserve	16,144	0	4,600	0	16,500
Projects Reserve	357	0	800	0	800
Other Total	3,469	0	500	0	3,500
	35,745	1,450	30,400	950	45,300

4.10.9 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. The Policy on Earmarked Reserves and General Fund Balance is attached at Appendix 7.

Recommendation 2

Council is recommended to approve the Policy on Earmarked Reserves and General Fund Balance and the maximum balances set for the reserves as noted in the report and at Appendix 7.

4.11 Budget Requirement 2022/2023

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 2022/2023 the Budget Requirement for the Council is £21,550,170. This sum is to be met from Government Formula Funding, Business Rates growth retention, New Homes Bonus, any Collection Fund surplus and Council Tax. This provides a contribution to reserves of £524,530.

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 Provisional Financial Settlement 2022 has again confirmed that the Government will set referendum principles for town and parish councils. This is subject to the sector taking all available steps to mitigate the need for Council Tax increases and the government seeing clear evidence of restraint in the increases set by the sector as a whole. In 2021/2022, the average Band D parish precept increased by 2.8% which is the lowest increase in parish precept for 10 years. The Government will review the level of increase set by parishes in 2022/2023 when considering next year's settlement.

6 Full Council Tax 2022/2023

- 6.1 In order to calculate the full Council Tax for 2022/2023 it will be necessary to add the County Council, Police Authority and parish precept requirements to the Council's element as previously shown.

Recommendation 3

It is recommended that Council :

- 1) Approves the budget requirement of £21,550,170 for 2022/2023 and notes the projections for 2023/2024, 2024/2025 and 2025/2026.**
- 2) Approves the level of Special Expenses for the Town/Parish Councils as detailed in the report.**
- 3) Approves the Fees and Charges 2022/2023 detailed in Appendix 4.**
- 4) Approves a Band D council tax of £139.37 for 2022/2023**

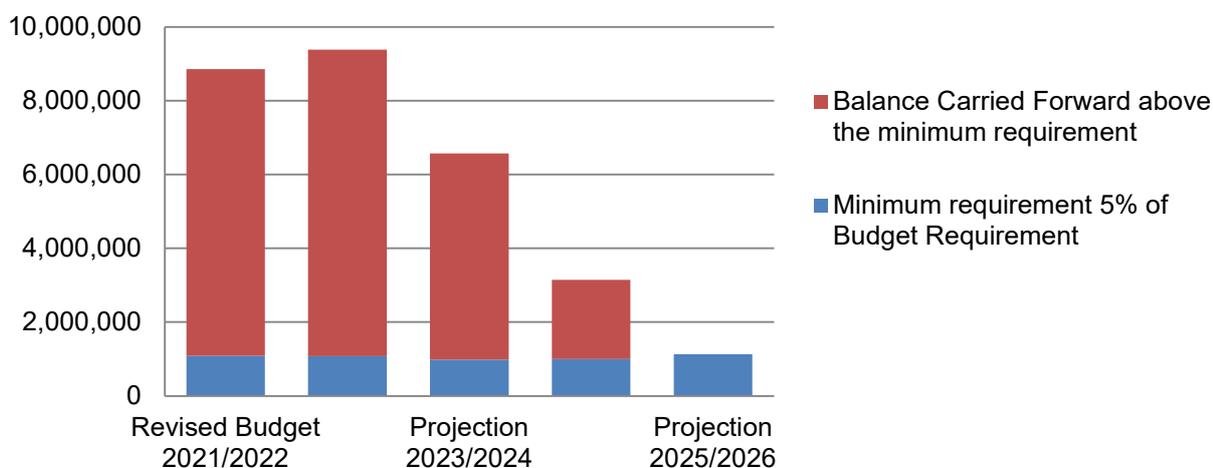
7 General Fund Financial Overview

7.1 This part of the report deals with the Council's General Fund balance based on the proposed Financial Plan 2021/2026. The projected position for the period of the Financial Plan will be as follows:

Projected Movements in General Fund Balances	2021/2022 £	2022/2023 £	2023/2024 £	2024/2025 £	2025/2026 £
Balance b/f (Subject to Completion of Audit 2019/20)	8,695,000	8,856,600	9,381,130	6,571,350	3,143,940
Estimated Contribution To/(From) General Fund Balance	161,600	524,530	(2,809,780)	(3,427,410)	(2,015,360)
Balance c/f	8,856,600	9,381,130	6,571,350	3,143,940	1,128,580
Minimum Reserve Level Requirement:					
5% of Budget Requirement (Balance Required)	1,086,160	1,077,510	979,720	999,560	1,128,410

7.2 The chart below shows how the General Fund Balances are used over the period of the Financial Plan with the balance in 2025/2026 reducing to the 5% minimum requirement.

Level of General Fund Balances



- 7.3 Section 25 of the Local Government Act 2003 requires the S151 Officer, as part of the Council Tax setting process, to comment as to the adequacy of the Council's Balances.
- 7.4 The General Fund balance remains above the minimum level required for all years in the Plan. The minimum requirement is calculated by taking 5% of the Budget Requirement.
- 7.5 The projected General Fund balances held by the Council are in the opinion of the S151 Officer adequate for the Council's operational needs until 2024/2025. Target savings will need to be identified and achieved prior to 2024/2025 to address the estimated budget gap and mitigate potential risk and uncertainty around levels of Government funding going forward.

Recommendation 4

Council is recommended to approve a minimum requirement of the General Fund balance for 2022/23 of £1,128,410.

8 Capital Strategy

- 8.1 The CIPFA revised 2017 Prudential and Treasury Management Code now requires all local authorities to prepare a Capital Strategy which will provide the following;
- A high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
 - An overview of how the associated risk is managed
 - The implications for future financial sustainability.
- 8.2 The Capital Strategy aims to complement other key documents such as the MTFs, the Asset Management Plan, the Council's Strategic Plan, and Treasury Management Strategy, etc. by defining the approach, structure and governance for the effective management of the Council's capital investment needs and ambitions.
- 8.3 The Strategy is presented separately to Cabinet on 9 February 2022. The core categories include:
- Governance process;
 - Knowledge, awareness and skills;
 - Strategy (asset management, service asset planning, commercial property investment);
 - Technical property (valuations, leases);
 - Technical finance (sensitivity analysis, risk assessment, borrowing,

depreciation and componentisation).

9 “Robustness” of Budget

- 9.1 Under Section 25 of the Local Government Act 2003 S151 Officer must report as to the robustness of the estimates included within the budget. There are within any projection of budgets over a five-year period a number of assumptions that are made, some of which will have a level of risk against them, and the Financial Plan 2021/2026 is no exception.
- 9.2 The funding for 2022/2023 is presented with a degree of certainty in respect of RSG and RSDG funding as the Government has announced that it will continue to be paid for one further year i.e. 2022/2023. There are also some new one-off grants that have been announced. However, there remains uncertainty that levels of business rates funding included in the Plan does not come to fruition.
- 9.3 There is significant risk from 2023/2024 onwards. The detailed arrangements for the implementation of the new Business Rates Retention scheme are not known and the re-set of the baseline may mean that the Council does not retain all the growth that has been achieved and is currently included in the Plan. The continuation of 100% retention of rates from renewable energy is also factored into the plan which may change. The Fair Funding Review will determine the starting point under the new Business Rates Retention scheme. The Plan does not include any additional growth in future years due to the level of uncertainty and risk around business rates funding but also because of increased uncertainty from the impacts of both the pandemic and Brexit on the economy.
- 9.4 The Council's delivery of target savings will be key in containing or reducing costs and generating additional income as the Council moves towards a position of funding based on locally generated resources rather than receiving RSG as it comes to an end.
- 9.5 The safety net of the level of working balances provides for a degree of comfort and robustness and in the opinion of the S151 Officer the level of General Fund balances held over the period are above minimum levels and adequate for the purposes of the Council for the period up to 2024/2025. From 2025/2026 there is a significant budget gap that needs to be addressed. As noted, there are a number of operational and financial risks facing the Council that could possibly impact on the level of General Fund balances held which result in balances depleting earlier than anticipated.
- 9.5 The main risks facing the Council are as follows:

Operational Risks – There will always be an element of risk in the robustness of estimates where many services are demand led. This level of risk is especially heightened during this period of uncertainty in the economy. This is particularly the case where large or volatile budgets exist – mainly the income driven budgets

e.g. planning, industrial rents and car parking fees. These services produce high levels of income and a 1% reduction in the car parks estimates can produce a variance of circa £50,000.

Past experience shows that the risk from these service areas, whilst significant in financial terms, can be dealt with through good budget management which quickly identifies any potential issues and enables prompt corrective action to be taken and where necessary the use of balances. In addition, from April 2020 to June 2021 the Government provided an income compensation scheme for Councils. However, in this period of the Plan there is a degree of uncertainty as to whether demand for services will return to pre-pandemic levels or be affected by re-occurring Covid related restrictions. The performance on budgets is included in regular monitoring reports to management and members and in the event that action is necessary approval can be gained quickly.

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

Provision has been made to increase budgets for gas and electricity, reflecting changes to unit charges emerging over the past 18 months. There remains a great deal of uncertainty how these charges, affected by global supply and delivery levels, will change over the medium-term financial plan. Predictions for these supplies will continue to be obtained and the anticipated impact reported in Monitoring reports to management and members.

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

Brexit – The exit from the European Union took place on 31 January 2020 and a trade deal was finally agreed which took effect on 1 January 2021. The full impact on the Council's Revenue and Capital budgets remains uncertain as the pandemic continues to also impact on service demand and provision across all industries. Updates on any emerging impacts will be reported as part of the budget monitoring process.

Capital Schemes, Partnerships and Contracts – The Council will always be

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

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

Pandemic (Covid-19) – The outbreak of the pandemic and lockdown late in March 2020 has had a significant impact on delivery of the council's services and finances as the council has prioritised on recovery and response to the pandemic. As the country continues in its efforts to control the outbreak, the risks and uncertainties around recovery continue into 2022/2023 and beyond. These risks will continue to be monitored and reported to management and members so that any decisions can be acted on quickly.

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

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

10 Consultation

- 10.1 The Council will meet with representatives of the business and voluntary sector community on 26 January 2022 to seek their opinions. Draft notes of the meeting will be made available to Cabinet on 9 February 2022.
- 10.2 Staff briefings will be held during February 2022. This report will be made available to staff and comments will be sought. Trade union representatives will also be sent a copy of the report. Any comments arising as a result of the consultation process will be reported to Council.
- 10.3 As part of the budget process a joint Panel Meeting will be held on 31 January 2022 and the draft minutes from the meeting will be presented to Cabinet on 9 February 2022.

Acknowledgement

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

Michelle Drewery
Assistant Director Resources (S151 Officer)

Access to Information

Cabinet Reports
Financial Plan 2020-2025
Capital Programme 2020-2025 and 2021-2026
Monitoring Reports 2021/2022

Finance Settlement

The suite of supporting documents for the provisional local government finance settlement 2022/2023 can be found by clicking on the following link:

[Provisional Local Government Finance Settlement 2022/2023 - GOV.UK](#)