

Budget 2021-2026

Joint Panel Meeting
03 February 2022

Michelle Drewery
Assistant Director Resources (Section 151 Officer)

Borough Council of
**King's Lynn &
West Norfolk**



Headlines - Current Position

- 2020/21 Outturn position was £16.331m requiring £1.083m from general fund reserve balance (includes £4m Covid grant income allocations)
- 2021/22 Revised Budget Requirement of £21.7m including an estimated contribution at year end of £161k to general fund reserve balance
- Budget includes Government support grant of £0.922m for Covid
- Cost reduction/saving targets were not budgeted due to pandemic

Headlines – Financial Plan

- Budget for 2022/23 provides a contribution to general fund reserve balance of £0.5m
- A ‘funded budget’ position for the period 2023/24 and 2024/25
- ‘Funded’ budget requires drawdown from general fund reserve balance of £8.6m over the period. General fund reserve balance held at a higher level due to a planned approach to achieving early cost savings in response to anticipated reductions in Government funding which have been delayed by the pandemic
- In 2025/26 general fund balance is reduced to minimum required level of £1.1m with a budget gap remaining of £2.3m which will need to be addressed



Headlines – Government Funding

- Government announced one year funding settlement for 2022/23
- A further year of Revenue Support Grant and Rural Services Delivery Grant which was expected to end (£1.1m)
- One off Government grants of £0.6m for 2022/23 - Lower Tier Services Grant and new Service Grant (part offset against 1.25% NI increase)
- New Homes Bonus of £0.6m in 2022/23 (Nil budget thereafter)
- Significant risk on business rates income due to uncertainties around impact of future implementing of reforms to the Business Rates Retention Scheme and Fair Funding Review – further delayed by Government with expectation for consultations to resume in Spring 2022

Headlines

- Service costs updated and increases contained wherever possible.
- Growth items to reflect contract or statutory requirement (including minimum pay pledges). BCKLWN will meet or exceed the minimum wage rise
- Investment in some service area resources to increase capacity where necessary

Headlines

- The Budget 2021-2026 will be considered Cabinet on 9 February 2022.
Council Tax setting and approval of the Financial Plan 2021-2026 at Council on 23 February 2022
- Funding dependency in future years on income raised locally: Council Tax, Business Rates, Fees and Charges
- Significant risk from 2023/2024 – awaiting impact of delayed financial reforms to Business Rates Retention Scheme and from Fair Funding Review

Headlines

- Proposed council tax increase of £4.50 on Band D property in 2022/2023
- Proposed £4.50 increase in council tax for remaining years of Financial Plan

Financial Plan 2021/2026

Service Areas	Original Budget (Financial Plan) 2021/2022	Budget (October Monitoring) 2021/2022	Projection 2022/2023	Projection 2023/2024	Projection 2024/2025	Projection 2025/2026
	£	£	£	£	£	£
Total Service Expenditure	16,674,140	16,882,020	16,123,180	16,858,840	17,824,250	18,918,150
Financing Requirement	1,903,940	1,790,350	2,345,670	2,460,370	2,444,670	2,452,580
Internal Drainage Boards	2,868,510	2,868,510	3,006,790	3,084,970	3,149,760	3,212,750
Council Tax Support to Parishes	21,210	21,210	0	0	0	0
Borough Spend	21,467,800	21,562,090	21,475,640	22,404,180	23,418,680	24,583,480
Estimated Recovery of Grant	0	0	(450,000)	0	0	0
Contributions to/(from) General Fund Balance	255,390	161,100	524,530	(2,809,780)	(3,427,410)	(2,015,360)
Borough Requirement	21,723,190	21,723,190	21,550,170	19,594,400	19,991,270	22,568,120



Financial Plan 2021/2026

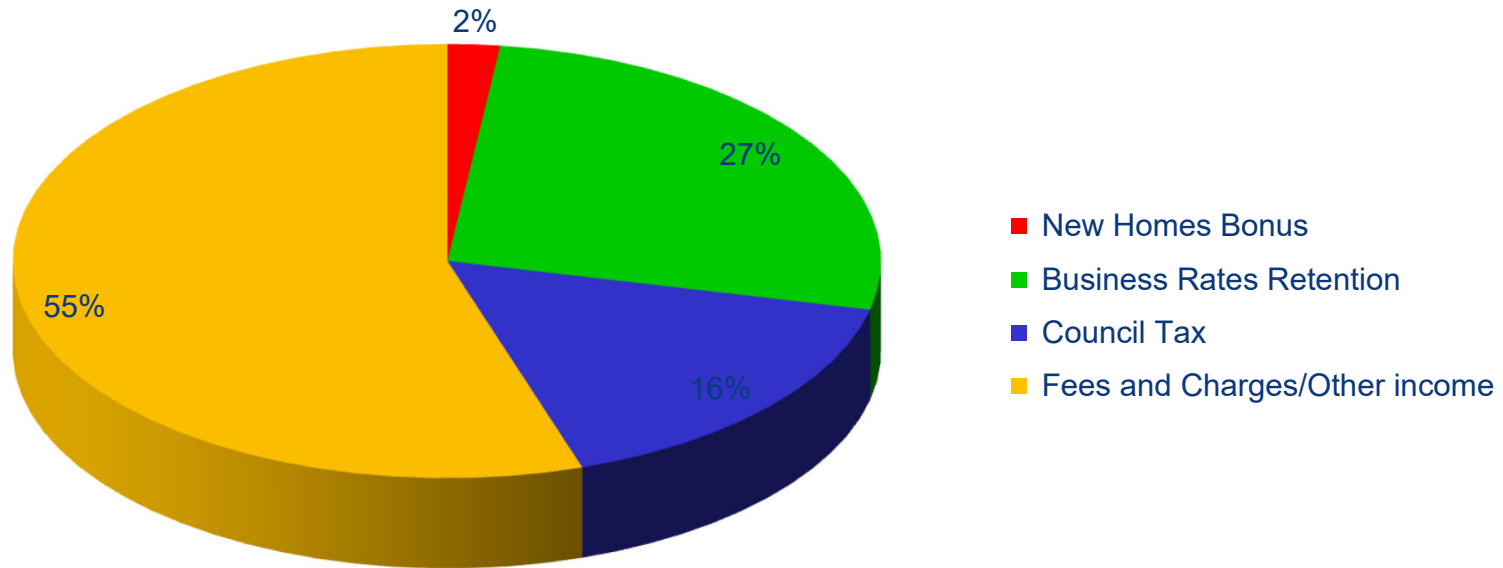
	Original Budget (Financial Plan) 2021/2022	Budget (October Monitoring) 2021/2022	Projection 2022/2023	Projection 2023/2024	Projection 2024/2025	Projection 2025/2026
	£	£	£	£	£	£
Revenue Support Grant	(627,670)	(627,670)	(647,530)	0	0	0
Rural Service Delivery Grant	(485,690)	(485,690)	(485,690)	0	0	0
New Homes Bonus	(837,670)	(837,670)	(589,610)	0	0	0
Other Government Grants	(1,309,230)	(1,309,230)	(624,870)	0	0	0
Taxation						
Business Rates Retention Funding	(8,943,220)	(8,943,220)	(9,033,790)	(9,187,090)	(9,301,350)	(9,301,350)
Business Rates Renewable Energy	(2,500,000)	(2,500,000)	(2,811,280)	(2,770,000)	(2,770,000)	(2,770,000)
Council Tax Collection Fund Surplus	0	0	(25,000)	(25,000)	(25,000)	(25,000)
Council Tax Band D	134.87	134.87	139.37	143.87	148.37	152.87
Council Tax Base	52,048	52,048	52,611	52,911	53,211	53,511
Council Tax (Net of Council Tax Support Scheme Cost)	(7,019,710)	(7,019,710)	(7,332,400)	(7,612,310)	(7,894,920)	(8,180,230)
Total Funding	(21,723,190)	(21,723,190)	(21,550,170)	(19,594,400)	(19,991,270)	(20,276,580)
Funding Position	0	0	0	0	0	2,291,540

Estimated Budget Gap of £2,291,540 in 2025/2026

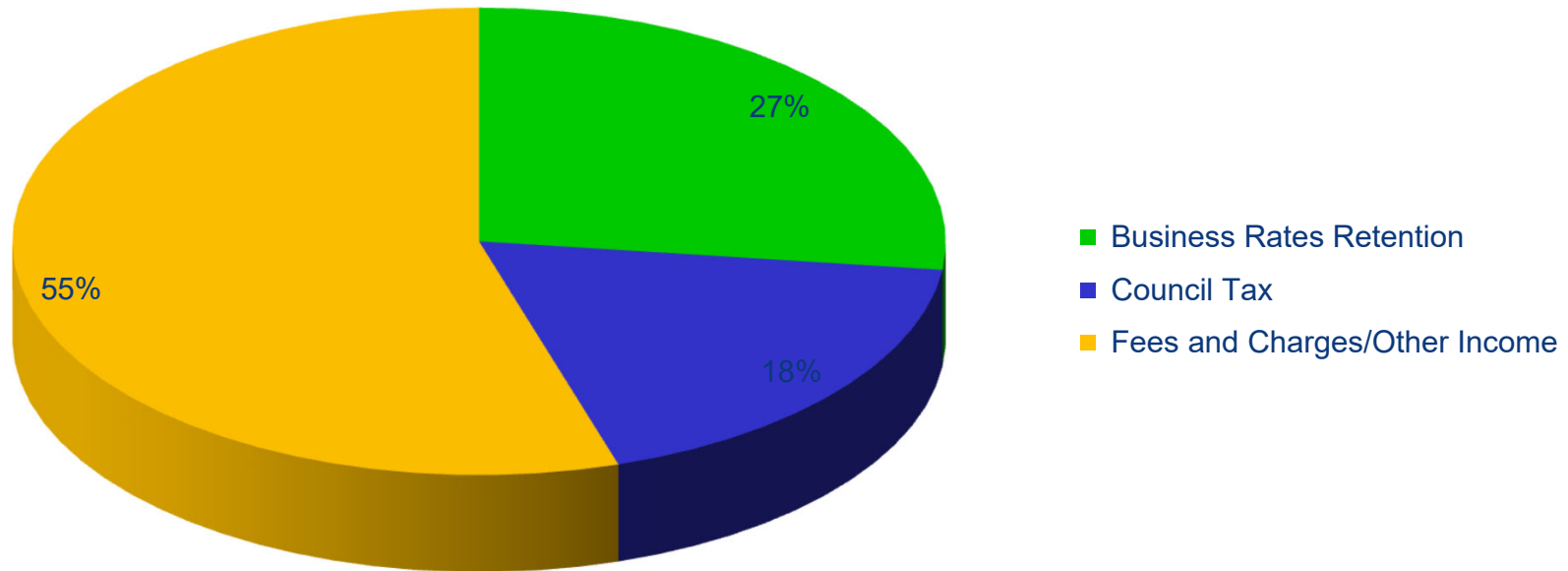
King's Lynn &
West Norfolk



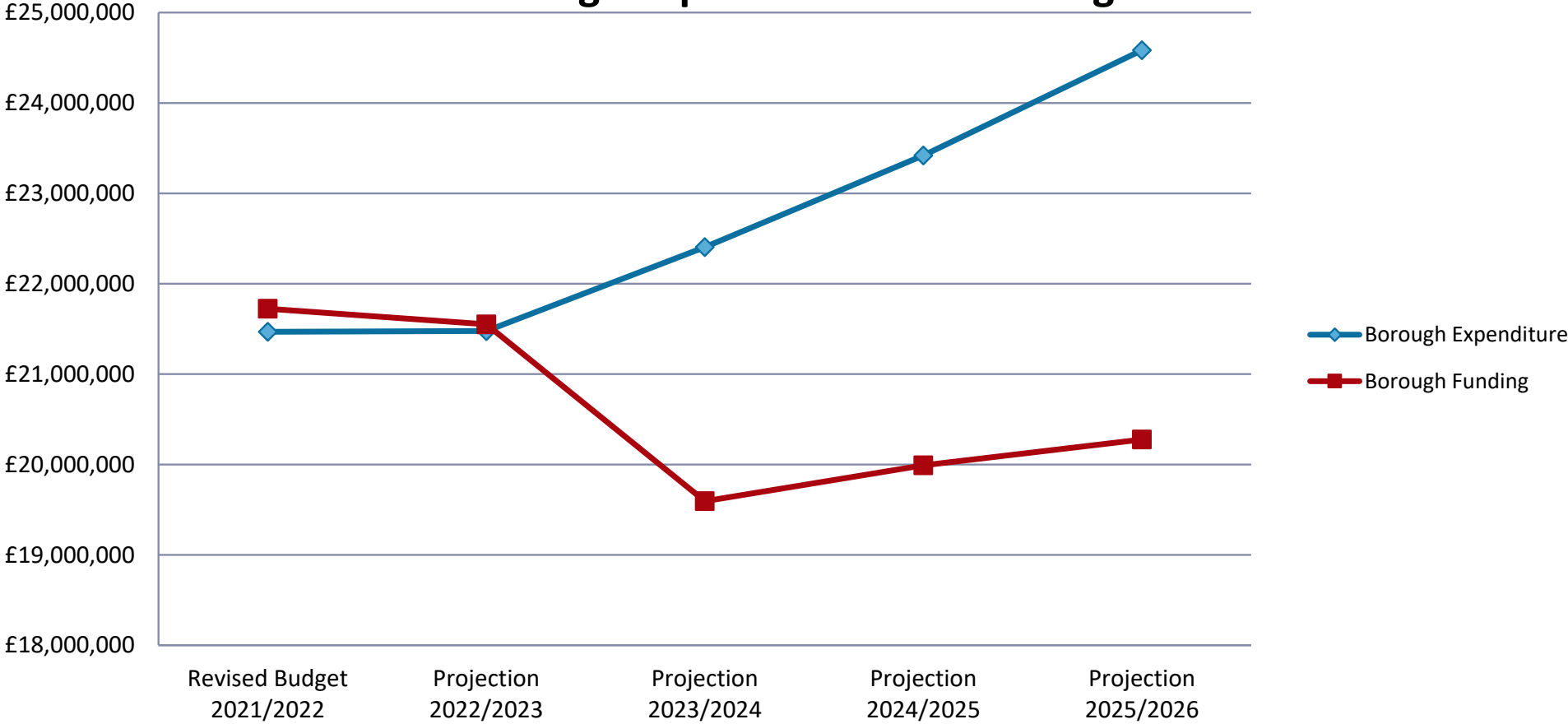
Budgeted Funding for 2021/2022



Forecast Funding for 2025/2026

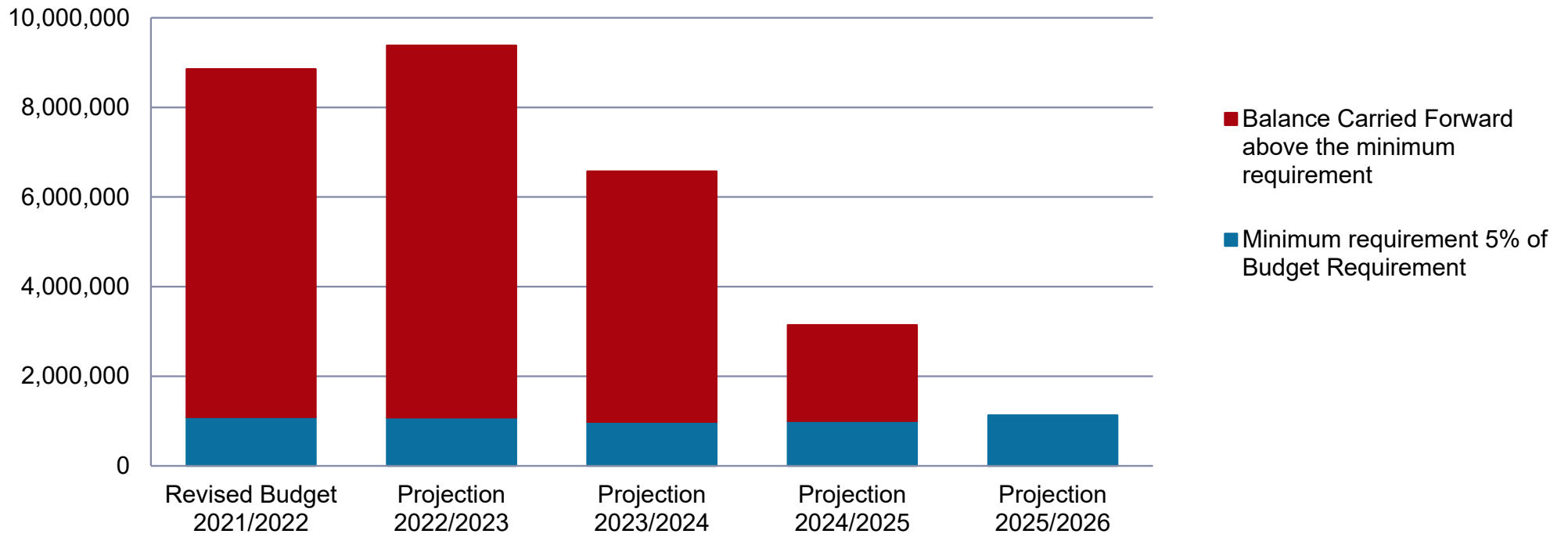


Borough Expenditure and Funding



General Fund Balance

Level of General Fund Balances



Addressing the funding gap in 2025/2026

- Financial Plan reliant on drawdown from General Fund Reserve balance - not sustainable as reserves depleted by 2025/2026
- Budget Gap of £2.3m in 2025/2026 – could be more following financial reforms imposed by Government
- Work in progress:
 - Review of earmarked reserves - £3m set aside (for investment) with further review to be undertaken
 - Review of capital programme to align resources/capacity
 - Review of fees and charges structures
 - Workshops to identify/progress projects to generate income streams

Changes to Business Rates Discounts

As part of the Autumn budget statement in October 2021 the Chancellor confirmed the continuation of a number of business rate 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.

Business Rates Retention Reform

- Still do not know how scheme will work - final report setting out full conclusions of the review was to be published in Spring 2021 but did not happen due to ongoing pandemic
- Previously envisaged business rates baseline would be 'reset' in 2020 with objective to stop councils gaining or losing disproportionately over time according to their ability to grow their revenue from rates. Now anticipating implementation in April 2023. Frequency of resetting of baseline was previously announced to take place every 3 years
- Impact of Valuation Office delays and decisions (ongoing due to impact of Covid)
- Will 100% of renewable energy growth be retained – currently £2.8m in budget
- No new money?
- How much will be 'top sliced' to address economic differences across the country to support the 'levelling up' agenda and particular pressures such as adult social care?
- Rating Revaluation confirmed as 1st April 2023. Government to consult on details of adjustments ahead of 2023/2024 settlement



Business Rates Retention Pool

- Norfolk councils decided not to participate in a pool arrangement in 2021/22 due to uncertainty around delivering business rates growth across the county (impact of pandemic)
- Following review of forecasts, decision made to resume pool arrangement for 2022/2023 – estimated benefit to Norfolk of £5.9m overall
- Financial Plan does not include any growth other than ‘banked’ growth - cautious approach taken
- Renewable energy – 100% business rates retention £2.8m in plan – at risk
- Significant uncertainty and risk remains

Fair Funding Review

- Outcome of Fair Funding Review further delayed due to pandemic – consultations due to resume Spring 2022. Anticipate implementation of reforms in 2023/2024
- Still the same questions as last year with added uncertainties around impact of pandemic
- Expect winners and losers
- Unknown if/what transitional arrangements will be

Fair Funding Review

- Expect income which can be generated locally to be taken into account; council tax, fees and charges
- Still uncertainty on how Internal Drainage Board funding will be reflected (£3.0m of £7.3m Council Tax in 2022/23)
- Funding from 2022/2023 is calculated based on the existing 50% Business Rates Retention scheme.
- It is anticipated that next year the budget setting process will reflect the new business rates retention scheme and will be redistributed according to the outcome of the reformed needs assessment.

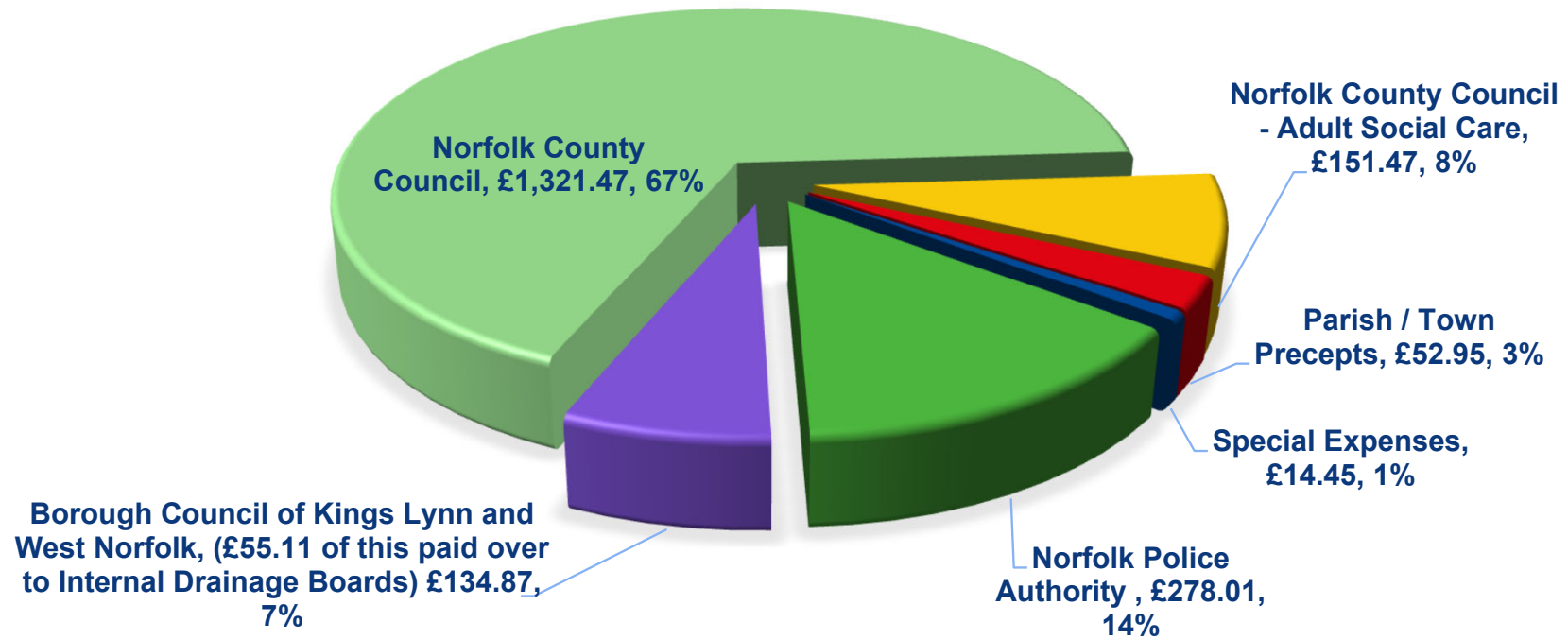


New Homes Bonus

- The government announced, as part of the Provisional Settlement, that it will fund the New Homes Bonus scheme in 2022/2023, along with funding of a final legacy payment associated with 2019/2020 allocation.
- However there is no commitment to fund anything after this.
- Funding included in the Financial Plan:

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

BREAKDOWN OF AN AVERAGE BAND D COUNCIL TAX BILL OF £1,953.22 FOR 2021/2022



Council Tax

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 an increase of 2% or up to £5, whichever is higher.

This will apply to the overall increase in general council tax and special expenses.

Council Tax base 2022/2023 52,611 Band D properties

Assumed annual increase of 300 properties from 2023/2024

Council Tax 2022/2023

The proposed levels of council tax for 2022/2023 includes a £4.50 increase on a Band D.

BAND	2021/2022	BAND	2021/2022
	£		£
A	92.91	E	170.34
B	108.40	F	201.31
C	123.88	G	232.28
D	139.37	H	278.74

Council Tax Discounts

There have been no changes to council tax discounts for 2021/2022

Council Tax Support Scheme – Council agreed to the continuation of the current scheme at its meeting on 25 January 2022 with an uplift to the maximum weekly council tax support that can be paid under the scheme – this has increased from 75% to 84% for 2022/23 onwards

Chancellor has announced a £150 council tax rebate for Bands A-D in April 2022. Also a discretionary fund of £150m for people on low incomes in bands E-F, and those in Bands A-D who are exempt from council tax.

Fees and Charges

- Fees and Charges – ONS inflation forecast for CPI at 4.8% (August 21). Reviewed on individual basis. Increases kept at minimum levels wherever possible but unavoidable in some areas – contract increases, utility costs, fuel
- Car park charges – no increase since 2017/18. Various increases proposed from April 2022. Some offset against investment in events to attract more tourism to the borough

Internal Drainage Board Levies

- Future funding of IDB levies charged to the Council is still uncertain
- Fair funding review needs to address IDB funding – outcome delayed again
- Financial Plan includes increases ranging from 0% to 5.66% for 2022/2023
- IDB levies 2022/2023 £3.0m – 14% of Borough spend of £21.5m
- The Council will pay £57.44 (41%) of £139.37 Council Tax collected (Band D) to meet the IDB levies in 2022/2023

Capital Programme Objectives

Provide assets (acquisition, construction or enhancement)

- to deliver the Council's key priorities
- to deliver against the Council's Financial Plan
- appropriate to the delivery of the Council's services

Capital Programme Challenges

- Limited capital resources
- Need to reduce revenue costs, prioritise schemes which:
 - Reduce revenue expenditure
 - Increase or generate new revenue income
 - Increase council tax base
- Statutory requirements and managing demand
 - Private sector housing assistance
- ‘Maintain - reduce – improve’ existing service levels
- Take advantage of technology and digital strategy
- Opportunity cost of decisions
- Understand Public Service vs Commercial Activity



Capital Programme Challenges

- Prioritising competing schemes
- Funding arrangements
- Use uncommitted resources
- Take out additional borrowing
- Review current programme v new opportunities
- Ageing assets and systems
- Promote innovation
- Delivery timescales and lead in times
- Deliver enhancements

Capital Programme 2021/2026

	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
	£	£	£	£	£
Major Projects	27,784,100	41,657,530	32,920,080	21,053,420	5,245,500
Community and Partnerships	2,694,810	2,371,850	2,315,000	2,315,000	2,315,000
Resources	281,250	150,000	150,000	150,000	150,000
Property and Projects	66,000	268,000	0	0	0
Operational and Commercial Services	1,358,000	1,571,520	694,390	129,680	0
Leisure and Community Facilities	93,900	1,135,130	90,000	15,000	15,000
Central Services	0	0	0	0	0
Total	32,278,060	47,154,030	36,169,470	23,663,100	7,725,500
Exempt Schemes	11,604,660	15,131,080	9,018,140	4,739,560	0
Total Capital Programme	43,882,720	62,285,110	45,187,610	28,402,660	7,725,500

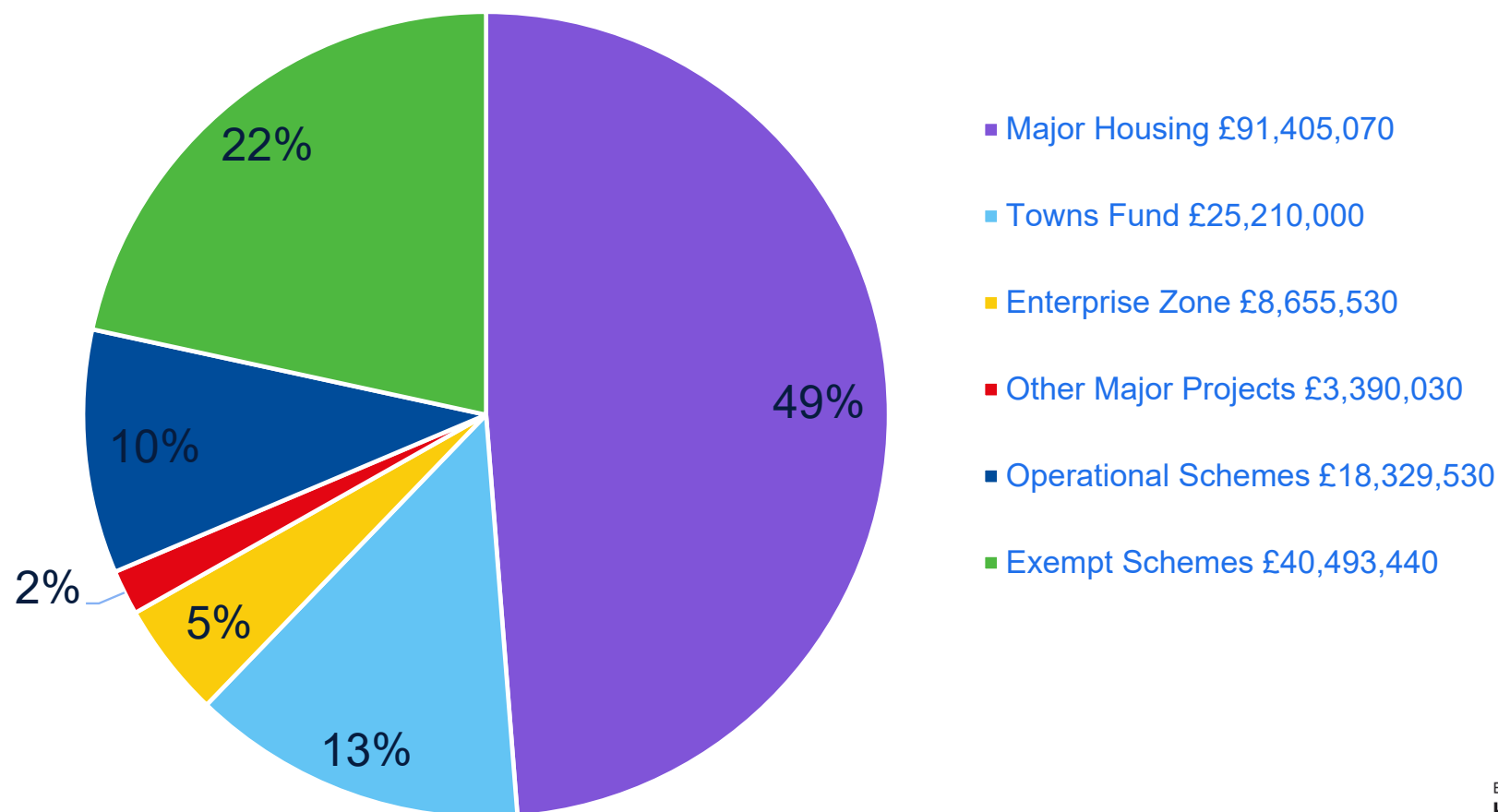
Major Projects

- Towns Fund
- Major Housing Projects – Examples:
 - Lynnsport
 - NORA phase 4
 - Salters Road
 - Alexandra Road, Hunstanton
 - Parkway
- Enterprise Zone – infrastructure
- Decarbonisation Refit Scheme

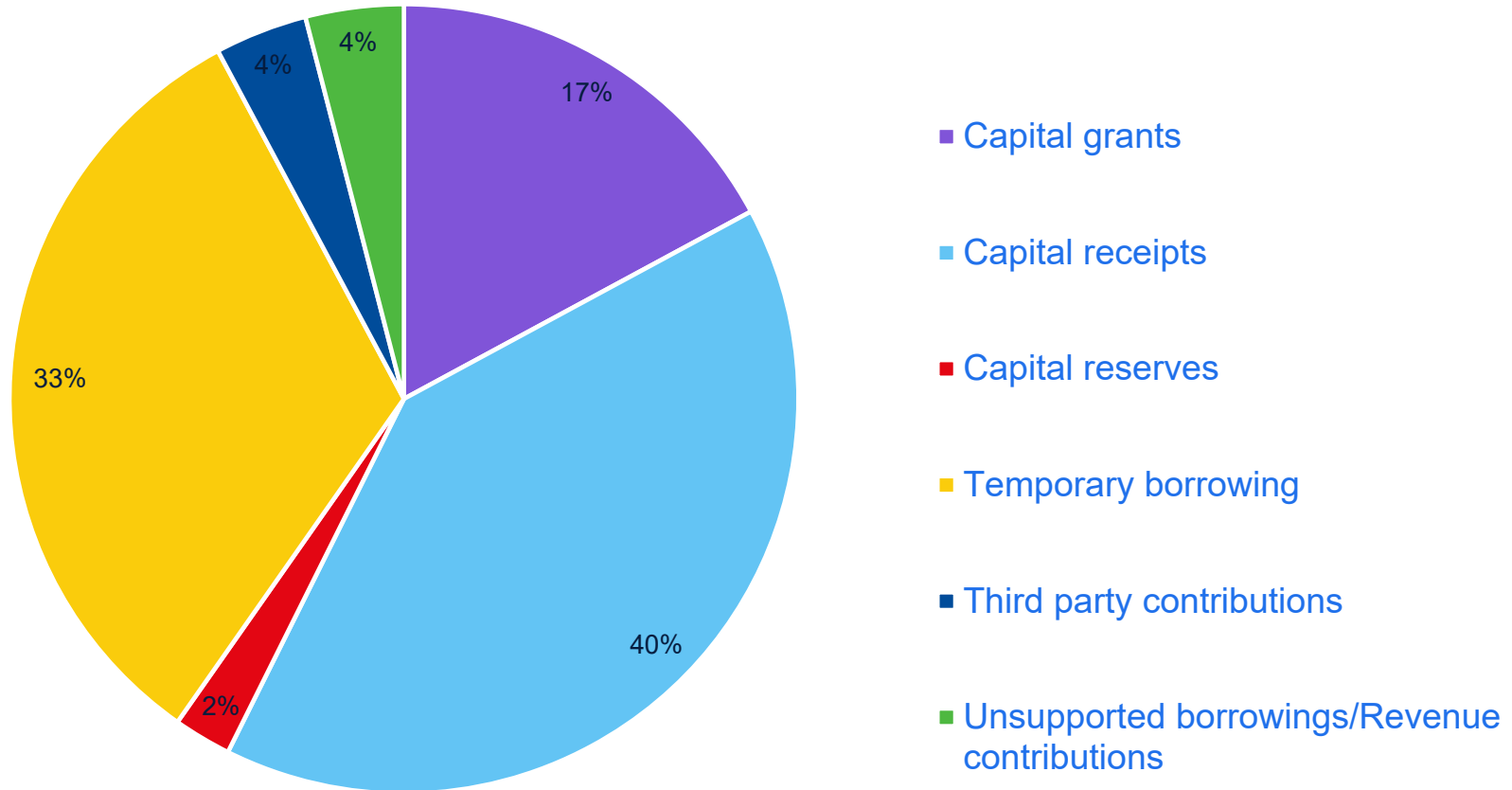
Operational Schemes

- Private sector housing assistance – Disabled Facilities Grants
- Councillor Community Grant Scheme
- Vehicles
- ICT Development
- Leisure facilities – equipment and buildings refurbishment
- Car Parks & CCTV – equipment and repairs

Capital Estimates 2021/2026 - Expenditure



Capital Estimates 2021/2026 - Funding



Questions?