The
FINANCIAL PLAN
2019/2024

As submitted to the Cabinet

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The FINANCIAL PLAN 2019/2024

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The FINANCIAL PLAN - 2019/2024

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 2019 the Council set out a Financial Plan for 2018/2023. The Plan reflected the continued significant financial challenges faced by the Council.

1.3 Changes to the local government finance system were due to be implemented for 2020/21 including the phasing out of Revenue Support Grant (RSG), Rural Services Delivery Grant (RSDG) and changes to the distribution of New Homes Bonus. A full reset of the business rates system was also due to take place in 2020/2021, which would have allowed the full implementation of reforms to the Business Rates Retention Scheme to take place. Also due was an announcement on the outcome of the review into relative needs and resources, i.e. the Fair Funding Review.

1.4 On 4 September 2019, when the Chancellor outlined the Government's Spending Round 2019 i.e. the spending plans for 2020/21, he confirmed that there would be a one year settlement for Local Government with RSG and RSDG continuing for another year at the 2019/20 levels plus inflation. He also announced that the introduction of the Business Rates Retention Scheme and the outcome of the review into relative needs and resources, i.e. the Fair Funding Review, would also be postponed for a year.

1.5 The provisional local government finance settlement for 2020/2021 was published on 20 December 2019. It did not contain any surprises as the announcements around the local government finance settlement for 2020/2021 had been made by the Chancellor in his Spending Round 2019 speech in September. It has been confirmed that the one year settlement with RSG and Rural Services Delivery Grant (RSDG) will be paid for one final year (2020/21). It has been assumed within the Financial Plan that neither grant will be paid beyond 2020/2021.

1.6 The Council can present a funded budget for all years of the medium term financial plan to 2024 (see Appendix 1). **There is significant uncertainty from 2021/2022 onwards.** This is due the Government having taken the decision to delay both the implementation of the reforms to the business rates retention scheme and the Fair Funding Review until April 2021. This delay has resulted in being unable to determine with any certainty the future funding position beyond 2020/2021, which is a considerable downside risk.

1.7 The provisional local government finance settlement announced by the Government on 20 December 2019 confirmed the one year settlement with RSG and Rural Services Delivery Grant (RSDG) being paid for one final year. It has been assumed that neither grant will continue beyond 2020/2021 so no grant income for this has been included in the Financial Plan beyond 2020/21. As the Council Tax Support to parishes was being funded from RSG this has also been continued for one more year (at £21k) and then not included beyond 2020/21.

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

1.9 In the winter of 2018 the Government approved 15 additional Business Rates Pilots for 2019/2020 including a Norfolk Pilot. Under the pilot arrangements the amount of RSG and RSDG received would be zero. The value of the RSG and RSDG was then taken into account in setting revised tariffs and top-ups for 2019/20.

1.10 It was announced on 4 September 2019 as part of the Spending Round 2019 that the Government would not be renewing the 2019/2020 75% Business Rates Retention Pilot Schemes. Authorities could continue in their pools if they wanted to, but this would revert back to a 50% Business Rates Retention scheme.

1.11 Norfolk authorities which were in such a scheme last year (2019/2020) have opted to remain in a Business Rates Pool for 2020/2021.

1.12 In preparing the Financial Plan 2019/2024 assumptions have been made on continued growth in business rates for 2020/2021. However there can be no guarantee that business growth will materialise as developers/businesses will respond to changing market conditions, and there is the added uncertainty of the Brexit arrangements as they unfold. Whilst the assumptions have been made using the most up to date information available there is a significant level of risk, because of these external factors which are out of our control. Any delay or deviation from the anticipated growth will result in income levels falling below that forecast.

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. As at the end of November 2019 we had achieved actual ongoing annual savings of £1.4m. Where savings have been achieved in advance of 2020/2021 these have been transferred to reserves to fund investment in major capital projects which will provide future revenue income streams.

1.14 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 2019. The actual annual savings achieved of £1.4m are included in the Financial Plan 2019/2024 from 2020/2021 and by the end of this medium term plan there is still a budget gap of £3.2m. The budget gap may be even higher depending on the impact of the reforms to the Business Rates Retention scheme and the Fair Funding Review. The delivery of the major corporate capital projects to generate additional/new income is vital in achieving the required budget savings.

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

1.16 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 funding in future years.

1.17 Fees and charges have been reviewed as part of the estimates process and the general principle has been to increase charges in line with CPI projections. Car parking charges were last increased in April 2018. The proposal is for no across-the-board inflationary increases in car park charges for the forthcoming year. In 2011 a 3-hours-for-the-price-of-2-hours promotion was introduced offering those paying for 2 hours parking on the short-term, resort and multi-storey car parks an additional free hour. This promotion will be withdrawn and the pricing structure of up to 2 hours and up to 3 hours reinstated. Long-term car parks will not be affected.

1.18 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. 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 2019/2024 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 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.

1.20 The Financial Plan 2019/2024 (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 **However there is significant uncertainty and risk is from 2021/2022.** The Government has announced that there will be reforms to the Business Rates Retention Scheme, along with implementation of the outcome of the Fair Funding Review in 2021/2022. A business rates revaluation will also take place at the same time. There is concern that the re-set of the baseline may mean that the Council does not retain all the growth currently included in the Financial Plan. The Fair Funding Review will determine the starting point for resource allocations under any new Business Rates Retention scheme. This Council will continue to make strong representations for fair and transparent funding arrangements for local government, which take account of the particular pressures of rural authorities, and in the case of west Norfolk, the funding arrangements to address the flood and drainage responsibilities met through the internal drainage boards.

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

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

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

Recommendation 3
It is recommended that Council :

1) **Approves the budget of £18,441,610 for 2020/2021 and notes the projections for 2021/2022, 2022/2023 and 2023/2024.**

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

3) **Approves the Fees and Charges for 2020/2021 detailed in Appendix 5.**

4) **Approves a Band D council tax of £130.37 for 2020/2021**

Recommendation 4
It is recommended that Council approves a minimum requirement of the General Fund balance for 2020/2021 of £922,080.

The
REVENUE BUDGET
2019/2020

2 The Revenue Budget 2019/2020

2.1 The original budget 2019/2020 was approved by Council on the 5 February 2019. Throughout the year the s151 Officer has monitored the budget and where necessary sought approval for additional budget provision.

2.2 Full details of the changes that have been made to the original budget are reported in the monthly monitoring reports to November 2019. A revision to the 2019/2020 Budget is shown below and in Appendix 1. The following table compares November 2019 positions and the revised budget for the year 2019/2020, along with the variance which is explained in the paragraph 2.3.

	November Monitoring 2019/2020	**Revised Budget 2019/2020**	**Variance**
	£	**£**	**£**
Corporate	(2,179,130)	1,125,100	3,304,230
Additional transfers to Earmarked Reserves:			0
Cost reduction programme	1,423,850	1,423,850	0
Business Rates Renewable Energy	1,858,850	800,000	(1,058,850)
			0
Democracy	1,439,900	1,284,570	(155,330)
			0
Services Areas:			0
Central and Community Services	2,335,350	1,798,670	(536,680)
Chief Executive	1,531,310	1,197,990	(333,320)
Commercial Services	4,081,680	2,180,470	(1,901,210)
Environment and Planning	2,008,200	1,547,420	(460,780)
Finance Services	2,287,870	1,858,730	(429,140)
		0	0
Financing Adjustment	1,591,870	1,793,140	201,270
Internal Drainage Boards	2,759,490	2,754,140	(5,350)
Council Tax Support to Parishes	20,970	20,970	0
			0
Borough Spend	**19,160,210**	**17,785,050**	**(1,375,160)**
			0
Reimbursement of lump sum pension payment	1,517,000	1,517,000	0
Contribution to Balances	(1,646,830)	(271,670)	1,375,160
			0
Borough Requirement	**19,030,380**	**19,030,380**	**0**

2.3 The November Monitoring report includes all the internal recharges that are made between services e.g. finance will recharge an element of its costs to Personnel and vice versa. This was previously a CIPFA accounting requirement to identify the true costs of services. This is no longer the case and so only those recharges which have a real impact on the council's finances are now included within the budgets e.g. a recharge is included for the element of Internal Audit costs that cover the provision of services to Fenland District Council as it is real income to the Council. This change accounts for most of the large variances that can be seen in the table above.

2.4 Other changes to the November 2019 budget relate to a review of service provision costs and income. The table below gives details of the main changes other than those for the adjustment in the way the Council accounts for recharges.

Service Area	**Change in budget £**
Reduction in the Business Rates Renewable Energy transfer to reserves	(1,058,850)
Increase in turnover savings to be achieved based on actuals to date for 2019/2020	(700,000)
Reduction in insurance premium	(112,220)
Net income generated by KLIC	(125,000)
Provision for pay award no longer required as pay award increases are provided for in the salaries budgets	(155,000)
Reduction in Crematorium Fees	229,270
Increased costs of computer software maintenance	161,430
Total	**(1,760,370)**

2.5 Any further variances between the revised budget and actual outturn for 2019/2020 will be shown in Monitoring Reports for the remainder of the financial year and in the Final Accounts Outturn Report in June 2020.

2.6 The net impact of the projected outturn 2019/2020, as detailed above, on the overall level of General Fund balance is as follows:

	£
Balance brought forward 1 April 2019 (draft SOA)	(7,672,064)
Reimbursement of lump sum Pension Payment	(1,517,000)
Contribution from balances for 2019/2020 (as per the November 2019 budget monitoring report)	271,670
Projected General Fund Balance 31 March 2020	**(8,917,394)**

2.6 In 2017/2018 the Council made an upfront pension contribution of £4,250,000 to the Norfolk Pensions Service. By doing this the Council saved approximately £261,000 over the three years from 2017/18 to 2019/20. The Council could then account for it in each of the three years. The Council is intending to do this again for the three year period 2020/2021 to 2022/2023 saving £337,000 over the three years. The Financial Plan has been prepared on this basis.

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 2019/2020 as set out in the report.

The Financial Plan 2019/2024

3 The Financial Plan 2019/2024 - Funding

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

3.1.1 The financial year 2019/2020 was the fourth and final year of the 4 year Local Government Finance Settlement and it was expected that the Council would not receive RSG, nor RSDG from 2020/2021 onwards. However it was announced in the September Spending Round that there would be a one-year settlement, with both RSG and RSDG being paid for a further year (2020/2021) at 2019/2020 levels plus an increase for inflation (CPI of 1.7%). The provisional local government finance settlement announced by Government on 20 December 2019 confirmed the figures.

3.1.2 The Government has stated that a full multi-year spending review will be conducted in 2020. The review will take into account the nature of Brexit and set out further plans for long-term reform. There hasn't been any RSG and RSDG grant income included within the Financial Plan beyond 2020/21.

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

Receipt of Funding	RSG £	RSDG £
2019/2020	(614,210)	(462,830)
2020/2021	(624,620)	(470,700)
2021/2022	0	0
2022/2023	0	0
2023/2024	0	0

3.1.4 In the provisional local government finance settlement announced on 13 December 2018 the Government approved 15 additional Business Rates Pilots for 2019/2020 including a Norfolk Pilot. Under the pilot arrangements the amount of RSG and RSDG received was zero, but the value of both as detailed at 3.1.3 was taken into account when setting revised tariffs and top-ups. As a result the baseline business rates funding for BCKLWN was adjusted so that the council was not in a worse funding position than had it not been part of a Business Rates Pilot.

3.1.5 The Government has announced (as part of the Spending Round 2019 on 4 September 2019) that the Pilot Schemes would not be continuing in 2020/2021. However the pools can continue and it has been assumed that the value of RSG and RSDG are included within the business rate baseline funding levels which will increase in line with inflation. These are set out in section 3.3 below.

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 use of our assets, generate a revenue return above that achieved from treasury investments, promote housing development, increase the council tax base and new homes bonus, promote local economic and business growth and increase business rates. Some identified areas are 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 2019/2020 in line with government expectations.

3.2.2 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 2019. Actual revenue savings achieved against the target savings for 2019/2020 have been reported in the monitoring reports to the end of November 2019. In addition to savings against targets there are savings that have been generated from running the King's Lynn Innovation Centre which had not been anticipated. All the savings are shown in the table below.

Service Area	**2019/2020 Saving £**	**2020/2021 Saving £**
Personnel Service	0	0
Energy Efficiency	33,600	21,640
Parish Council Elections	4,270	0
Car Parking	30,000	30,000
Net saving from removing telephone line at Valentine Road offices in Hunstanton	6,000	6,000
Digital collection of information – savings in scanning costs	15,000	15,000
Realignment of budget between years	18,500	(1,500)
Review of ICT support contracts	6,000	6,000
KLIC	125,000	150,000
Savings to Date	**238,370**	**227,140**
Target savings	337,196	621,336
Variance (under) to Date	**(98,826)**	**(394,196)**

3.2.4 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. As at the end of November 2019 we had achieved actual ongoing annual savings of £1.4m. 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. The cost reduction savings reserve currently stands at £2.8m.

3.2.5 The actual annual savings achieved of £1.4m are included in the Financial Plan 2019/2024 from 2020/2021 and by the end of this medium term plan there is still a budget gap of £2.9m. The budget gap may be even higher depending on the impact of the reforms to the Business Rates Retention scheme and the Fair Funding Review. 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.

3.2.6 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 are detailed in the table below.

Service Area	**2020/2021 Saving £**	**2021/2022 Saving £**	**2022/2023 Saving £**	**2023/2024 Saving £**
Target savings identified at budget setting February 2018 still to be achieved	118,340	78,540	150,000	150,000
Identified revenue savings from changes to leisure arrangements	215,880	302,880	369,880	369,880
Corporate Projects - identified new revenue income	111,660	262,620	346,700	1,087,330
Total identified savings	**445,880**	**644,040**	**843,400**	**1,607,210**

3.3 Retained Business Rates

3.3.1 The baseline business rates funding allocation, announced on 20 December 2019 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.

3.3.3 The Chancellor announced in the Spring Budget Statement 2018 that the next business rates revaluation would be brought forward a year to 2021/2022 and that future revaluations will then take place every 3 years rather than five. The three year revaluation system should enable a fairer reflection of rental values.

3.3.4 As part of the Autumn Statement 2019 the Chancellor announced new and extended business rates discounts (subject to legislation being passed):

- An increase in the level of the retail discount from one-third to 50 per cent will apply in 2020/21 for eligible retail businesses occupying a property with a rateable value less than £51,000.
- The retail discount has been extended to eligible music venues and cinemas with a rateable value of less than £51,000.
- The £1,500 business rates discount for office space occupied by local newspapers has been extended and will apply for an additional 5 years until 31 March 2025.
- The reintroduction of the pubs discount will provide a £1,000 discount to eligible pubs with a rateable value of less than £100,000 in 2020/21. This is in addition to the retail discount and will apply after the retail discount.

3.3.5 The baseline business rates will increase annually in line with the increase in the business rates multiplier. The provisional new multipliers for 2020/2021 are as follows (2019/2020 figures in brackets):

Non-domestic rate multiplier	-	51.2p (50.4p)
Non-domestic rate multiplier (small businesses)	-	49.9p (49.1p)

3.3.6 The Council is part of the Norfolk business rates pilot in 2019-20 which was forecast to deliver tangible benefits to the county as a whole, and support the Government as it developed the new Business Rate Retention system for implementation in 2020-21. The financial benefit to Norfolk as a whole from piloting 75% Business Rates retention was forecast to be around £7.8m representing the additional 25% share of growth that would be retained locally and shared between the Districts and County Council.

3.3.7 During the year the Government was unable to make the progress needed on reforming the Business Rates Retention Scheme due to Brexit taking up most of its time. Therefore the implementation of the new scheme has been delayed until

2020/2021. The Government announced in the Spending Round in September 2019 that the 75% Business Rates retention pilots could continue for another year, but would revert back to being 50% Business Rates retention pools.

3.3.8 The baseline funding for 2020/2021 is the amount included in the Local Government Finance Settlement 2020/2021 published on 20 December 2019. The future 3 years of the medium-term financial plan 2021–2024 are calculated on the baseline business rates included for 2020/2021 uplifted for estimated CPI increases (see Appendix 1).

3.3.9 Business rates growth included in the Financial Plan 2019/2024 is detailed in Appendix 1. It is estimated that BCKLWN will receive one off additional growth of £655,000 in 2019/2020 as part of the Norfolk Pilot. This will be held in Reserves and used when required to support expenditure (currently planned use of this is in 2021/2022).

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

3.3.11 In preparing the Financial Plan 2019/2024 assumptions have been made on continued growth in business rates from 2019/2020 onwards. However there is no guarantee that business growth will materialise as developers and businesses will respond to changing market conditions and the added uncertainty as the Brexit is implemented and the country moves through the transition phase. 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.

3.3.12 The current focus for the Government is on Brexit and this has added to the uncertainty for local government. It was announced that there would be a further delay to the implementation of the reforms to the Business Rates Retention Scheme until 2021/2022 and that for this year only there would be a one year Local Government Finance Settlement.

3.3.13 For the final two years of the plan we have taken a 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.

3.3.14 Collection Fund Surplus – Retained Business Rates

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

2019/2020 the assumed collection rate was 97.5%. In past years the Revenues Services teams have achieved higher levels of collection thereby producing a surplus on the Collection Fund Account. Previously any rate of collection achieved above the projection will produce surpluses on the Collection Fund of which will be distributed amongst the major preceptors and a proportion will come back to the Council. The table below shows what has been included in the financial plan for the surplus that the council will receive each year.

Surplus each year	£
2019/2020	0
2020/2021	0
2021/2022	(330,000)
2022/2023	(330,000)
2023/2024	(340,000)

3.4 New Homes Bonus

3.4.1 The government announced, as part of the Spending Round 2019, that it will retain the amount of the top slice of RSG at £900m to fund the New Homes Bonus scheme in 2020/21.

3.4.2 In addition to funding legacy payments associated with previous years' allocations, the Government has suggested that it will make a new round of allocations for 2020-21. However as the 2020/21 settlement is for one year only any funding beyond 2020-21 will be subject to the 2020 Spending Review and potential new proposals for the scheme. So it is likely that any new allocations in 2020-21 will not result in legacy payments being made in subsequent years on those allocations.

3.4.2 Therefore in setting the Financial Plan 2019-2024 it has been assumed that funding of existing years' legacy payments will be made but nothing has been included beyond 2020/21 for any new funding beyond that.

3.4.3 The financial plan 2019/2024 includes the following for New Homes Bonus:

New Homes Bonus	£
2019/2020	(1,019,860)
2020/2021	(898,180)
2021/2022	(475,220)
2022/2023	(321,440)
2023/2024	0

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 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 at 31 March 2019 the County's share of the council tax collection fund was £2.1m. In discussions with the County Council it has been agreed to reflect the tax base calculated on 100% collection rate from 2019/2020.

3.5.2 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. In the event that the Collection Fund falls into a deficit this will be recovered from the precepting authorities in the following year and the collection rate assumptions for future budget setting will be reviewed.

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

Council Tax surplus	£
2019/2020	0
2020/2021	0
2021/2022	(422,150)
2022/2023	0
2023/2024	0

The draw comes 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 not yet been a revaluation of the property bands. Council tax banding remains set at 1991 prices.

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. The Council has a statutory duty to determine its tax base under the Local Government Finance Act 1992.

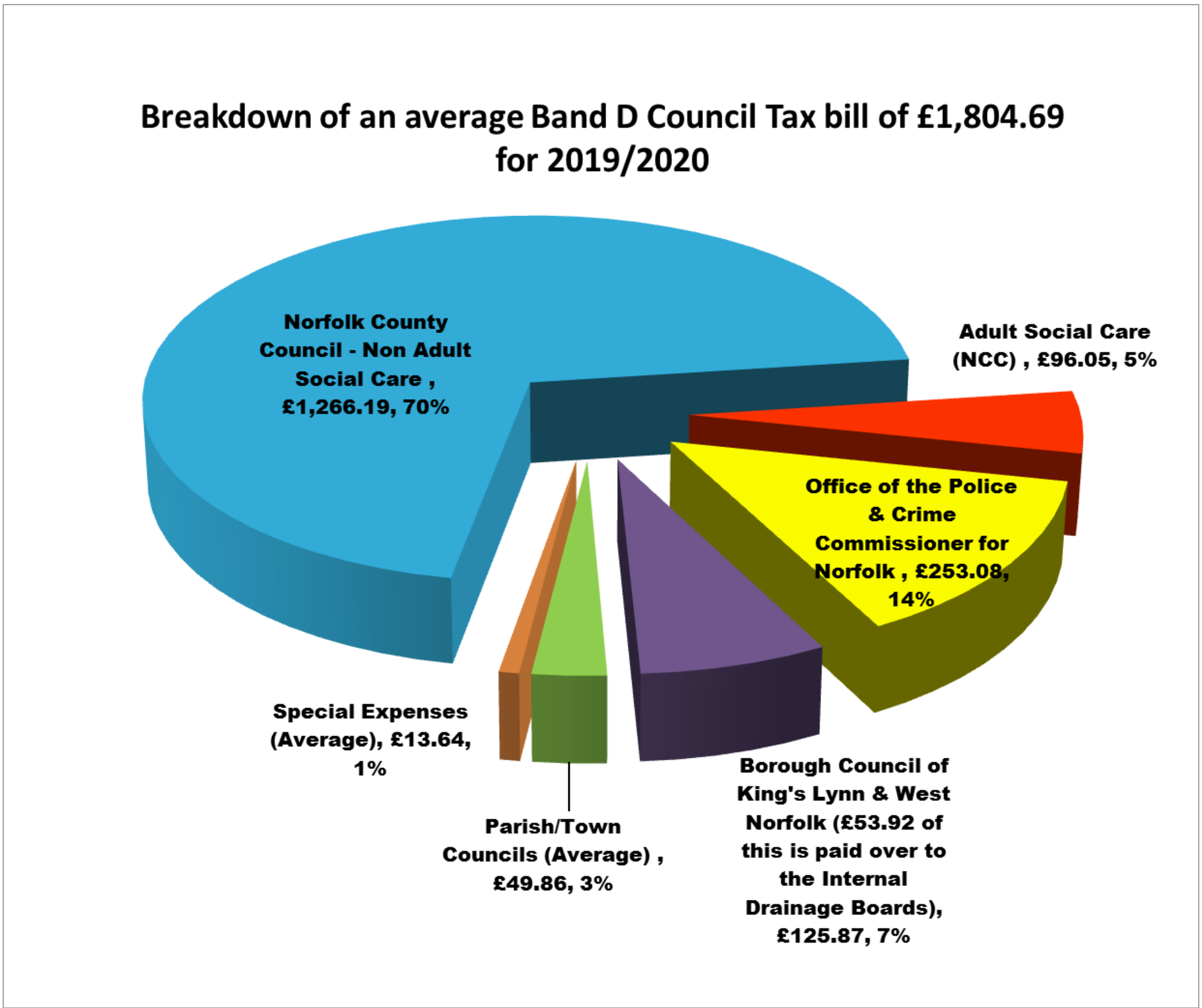
3.6.4 The calculation of the tax base for 2020/2021 takes into account changes resulting from the local council tax support scheme (which reduces the tax base). At the meeting on 23 January 2020 Council agreed the continuation of the existing scheme for 2019/20 with the following minor changes to keep it in line with other welfare reform amendments, both of which are beneficial to our Council Tax payers claiming support.

- Disregarding any income from the Windrush Compensation scheme, and
- Disregarding any lump sum payments from the Windrush Compensation scheme.

3.6.5 The full tax base for 2019/2020 is 51,179. For 2020/2021 the tax base is assumed to increase by 801 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.

3.6.6 **Council Tax 2019/2020**

The Borough Council element of the full council tax bill in 2019/2020 for a Band D property is £125.87 out of a total of £1,804.69 (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 2019/2020 the Borough Council's charge forms a very small part of the bill (7%) collected from every council tax payer.

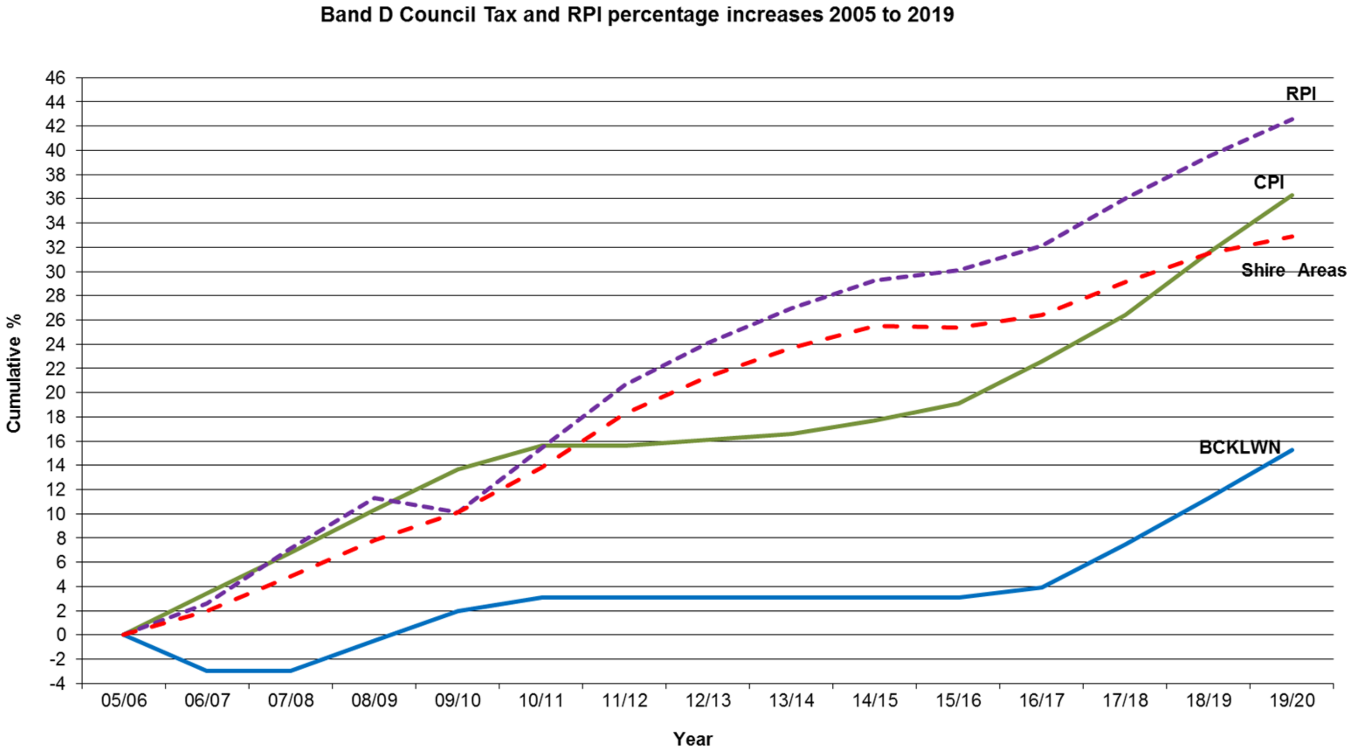


Council Tax Levels – Band D

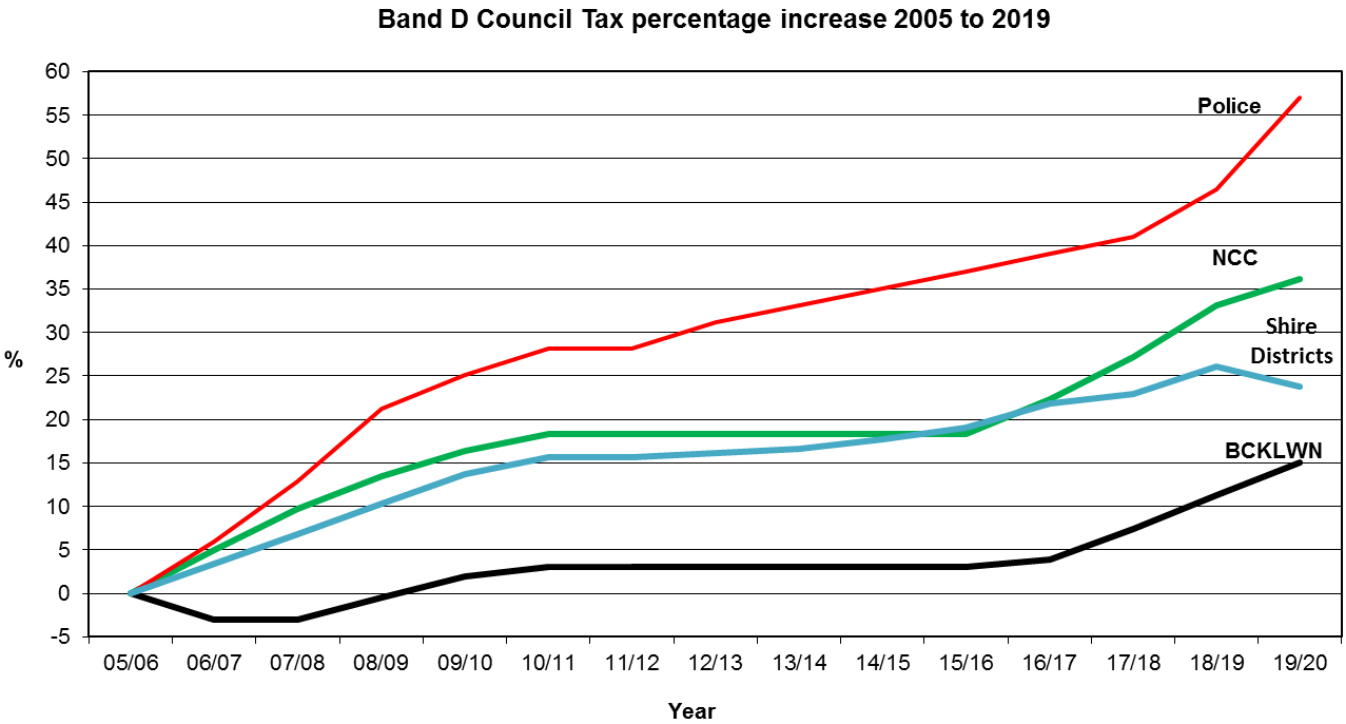
3.6.7 The table below shows the elements of a council tax Band D charge of £1,804.69 for 2019/2020.

Charging Authority	**2019/2020**
	£
Borough Council of Kings Lynn and West Norfolk	125.87
Parish and Special Expenses	63.50
Norfolk County Council	1,362.24
Norfolk Police Authority	253.08
Total	**1,804.69**

3.6.8 Over the period since April 2005 the Council has held council tax to a level where in 2019/2020 the cumulative increase in a Band D charge of £125.87 amounts to 20.4% 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 2019/2020 has been 36.59%. The Retail Price Index (RPI) has increased over that period (April 2005 to April 2018) by 42.6%. The Consumer Price Index (CPI) has increased by 32.9% over the same period. The Council's council tax increases have been lower than RPI, CPI and the average of shire districts throughout the whole period since 2005/2006.



3.6.9 The graph below shows how the various elements of the council tax bill in West Norfolk have increased over the period 2005/2006 to 2019/2020. The increase in the County Council precept for 2019/2020 includes the additional permitted increase for Adult Social Care. The increase in the Police Authority precept for 2019/2020 includes the additional maximum amount permitted of £24 for the year.



Council Tax 2020/2021 and Future Years

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

3.6.11 The 'Referendums Relating to Council Tax Increase (Principles) (England) Report 2020/2021' published on 20 December 2019 state that for the borough council the principles for 2020/2021 are:

The relevant basic amount of council tax of an authority is excessive if the authority's relevant basic amount of council tax for 2020-21 is

(a) 2%, or more than 2%, greater than its relevant basic amount of council tax for 2019-20; and

(b) more than £5 greater than its relevant basic amount of council tax for 2019/20.

3.6.12 The figures shown in the Financial Plan for 2019/2024 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.

3.6.13 The proposed levels of council tax for 2020/2021 are:

Band	2020/2021
	£
A*	72.43
A	86.91
B	101.40
C	115.88
D	130.37
E	159.34
F	188.31
G	217.28
H	260.74

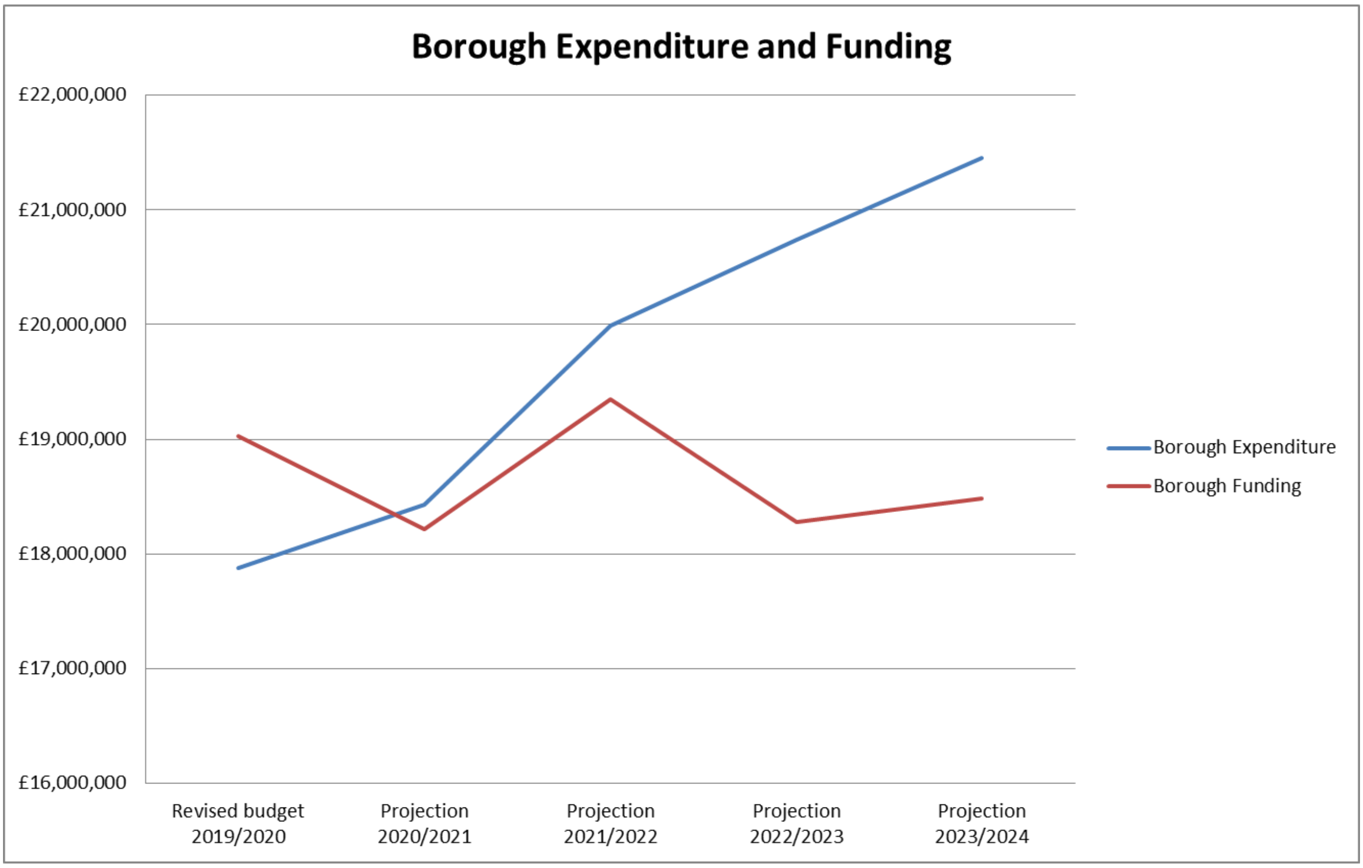
* The Council reduces the charge to a property classed as Band A to £72.43 per annum when it is eligible for Disabled relief.

3.7 Overall Funding Position

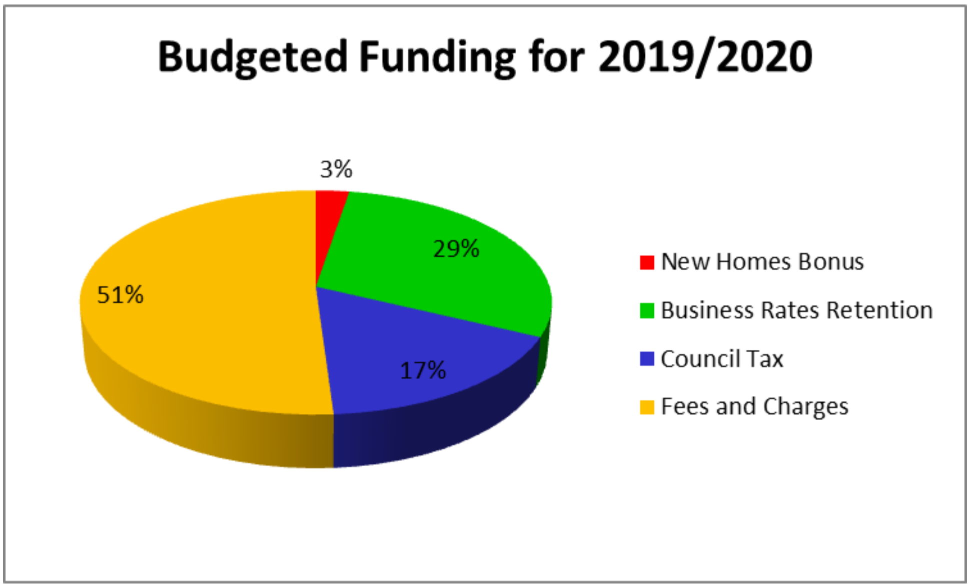
3.7.1 The RSG and RSDG funding for the period to 2020/2021 is presented with a degree of certainty as the Government announced as part of the Spending Round on 4 September 2019 that there would be a one-year settlement, with both RSG and RSDG being paid for a further year (2020/2021) at 2019/2020 levels plus an increase for inflation (CPI of 1.7%). However there is still concern over whether the forecast Business Rates growth included in the Plan comes to fruition or not.

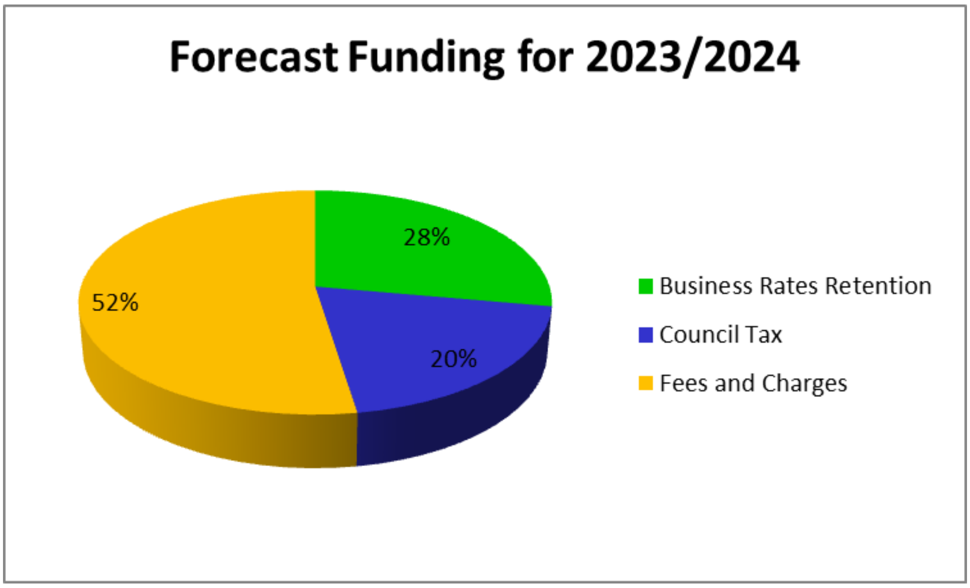
3.7.2 The significant risk is from 2021/2022. The reforms to the Business Rates Retention scheme will be introduced in 2021/2022, however the detailed arrangements for the implementation of the reforms are not yet known. Alongside this there will also be a re-set of the business rates baseline which may mean that the Council does not retain all the growth currently included in the Plan. The Fair Funding Review will set a new funding baseline for the new Business Rates Retention scheme. It will be based on a redesigned needs assessment methodology.

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



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 make some assumptions at a certain date. The Retail Price Index (RPI) and Consumer Price Index (CPI) inflation rate for August 2019 was 2.6% and 2.5% respectively. 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 2019/2024 budget projections.

Inflation Assumptions	2020/21 %	2021/22 %	2022/23 %	2023/24 %
Salaries (cost of living)	2.5	2.5	2.5	2.5
General Inflation	0.0	0.0	0.0	0.0
Business rates	1.7	2.0	2.0	2.0
Electricity price	1.0	4.0	4.0	4.0
Gas	1.0	2.0	2.0	2.0
Water (unmeasured)	4.0	4.0	4.0	4.0

4.2 Changes to the Current Financial Plan

4.2.1 The projections for the years 2020/2021, 2021/2022 and 2022/2023 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	2020/2021	2021/2022	2022/2023
	£	£	£
Budget Projection - Monitoring November 2019	**19,111,630**	**20,209,530**	**21,084,700**
Net adjustments as part of developing the 2019/20 to 2023/24 Financial Plan.	3,063,240	(1,890,270)	(2,063,680)
New Budget Projection	**22,174,870**	**18,319,260**	**19,021,020**

4.2.2 The detailed service budgets of the Financial Plan 2019/2024 are shown at Appendix 3.

4.2.3 The projection for 2023/2024 has now been prepared. The main movements are shown in the table below:

	2023/2024
	£
Borough Spend projection for 2022/2023	**19,021,020**
The main changes to the Plan are:	
Increase in pension deficit recovery payment to the Norfolk Pension fund.	1,985,000
Increase in Internal Drainage Board Levies	61,560
Inflation on salaries costs	786,760
Additional interest on investments	(101,830)
Other net other movements	(23,150)
New Budget Projection for 2023/2024	**21,766,660**

4.3 Fees and Charges 2020/2021

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 2020/2021. (Appendix 4).

4.3.2 There have been no increases in car park charges since April 2018. The proposal is for no across-the-board inflationary increases in car park charges for the forthcoming year. In 2011 a 3-hours-for-the-price-of-2-hours promotion was introduced offering those paying for 2 hours parking on the short-term, resort and multi-storey car parks an additional free hour. This promotion will be withdrawn and the pricing structure of up to 2 hours and up to 3 hours reinstated. Long-term car parks will not be affected. This change in pricing is shown in appendix 4.

4.3.3 In all other service areas the fees and charges have been increased on average by 1.7%, the projected inflation level by April 2020.

4.4 Corporate Business Plan, Service Plans and Investment

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

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

4.4.2 Service areas within the Council not only contribute toward the Business Plan but also have their own ambitions and targets which are reflected in the Financial Plan and budgets for 2019/2024.

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

<u>Focusing on delivery</u>

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

- Management of car parking, CCTV and care and repair services.
- Legal Services contract with Eastlaw (North Norfolk District Council).
- Shared internal audit manager with Fenland District Council.
- Shared accommodation, the DWP Job Centre Plus and West Norfolk Clinical Commissioning Group are accommodated within King's Court, reducing costs for all organisations and encouraging support for town centre businesses.
- Provision of procurement support to Boston Borough Council.

Income generation will be further encouraged through an expansion of the borough's cultural offer with the opening of a 2 screen cinema in the Corn Exchange, King's Lynn and operation of business space at King's Lynn Innovation Centre.

The council has ambitious plans for the further development of digital services to customers, businesses and visitors to the Borough. We are committed to:

- Designing services that best meet the needs of citizens
- Ensure technology is an enabler, not a barrier to service improvements
- Challenge our software suppliers to offer flexibility and partnership working to achieve the best results
- Protect citizens privacy and security
- Deliver better value for money
- Eradicate duplication of effort across departments
- the MHCLG's 'Digital Declaration' which affirms our commitment to providing value for money and efficient services. Working with local authority partners

to collaborate and develop common building blocks which can be utilised across local authorities. This is an ambitious project which requires both culture and technology shift. The council has made considerable progress in its digital journey over the last four years and will continue to work to improve our digital offer'. This is evidenced in the range of online application and payment processes available through our website.

Delivering growth in the economy and with local housing

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

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

A planning application for the Enterprise Zone is being progressed. Heads of Terms are in advanced discussion and the marketing of the plots and premises will start from April 2020.

A town centre study of King's Lynn has concluded and has informed the ability to make bids for funding to help revive the town centre; these include High Street Heritage Action Zone, Future High Street Fund and the Towns Fund.

The Council's major housing scheme has moved forward according to schedule. Orchard Close (Marsh Lane) is now complete with 3 of the 130 units available. Dewside (Lynnsport 4/5) is due to complete in April 2020 with 23 of 89 units still available. Cowper Place (Lynnsport 3) is currently in the construction phase with the first unit becoming available in April 2020. Currently 20 of the 54 units have been reserved.

The joint venture with Norfolk County Council has progressed with phases 1 to 3 complete with only a small number of units remaining for sale.

Work to increase the affordable housing supply and provide investment opportunities, via the Council's wholly owned company has moved forward including the acquisition of 12 new affordable 1, 2 and 3 bedroom homes. These have been leased to Broadland Housing Association who have management responsibility.

Accelerated Construction Programme – The Council in conjunction with the Homes and Communities Agency (HCA) is progressing sites in the Council's control. In its role as a delivery agent, opportunities are being pursued 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 is being progressed, 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 was 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 brought some of the biggest changes since the original legislation in 1977. The Act has new duties and the Council has seen a significant increase in workload to meet these duties. Significant investment has been made in software to support management and provide insight.

The Council continues to develop and implement new policy and practice in relation to the requirements of the Self-build and Custom Housebuilding Act 2015. At the national Build It Awards, the Borough Council of King's Lynn & West Norfolk won the Best Council for Self or Custom Build Award.

The Council will continue to lobby strongly for much needed improvements to vital infrastructure. This includes 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.

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

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

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

A baseline audit has been developed for the council's carbon emissions and will inform the development of a policy and strategy. A programme of work, known as Re:fit, to reduce the Council's energy costs and improve emissions across its estate commenced in 2019 and will continue for several years.

The Council's chief executive chairs a newly formed Norfolk-wide partnership to encourage collaborative work to address climate change.

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

<u>Improving social mobility and inclusion</u>

The Council's current cohort of apprentices have now completed their qualifications. A revised approach to apprenticeships has taken effect from 1st April 2017, in line with the introduction of the apprentice levy and the apprenticeship targets that the Council will need to meet from April 2018.

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

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

Consultation took place on the Southern Seafront Masterplan options appraisal. Consultation feedback has been collated and the final draft options report is awaited from Hemingway Design. The wayfinding and signage project for the seafront, funded by the 'Coastal Revival Fund' is now planned to commence in late Spring 2020. This is community led project, supported by Hunstanton Coastal Community Team.

The Council is collaborating with a range of organisations on the Sail the Wash project. Works are planned to commence in July 2020. Website and marketing plans are underway, with launch planned for the Spring 2020.

Helping to improve the health and wellbeing of our communities

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

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

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

4.5 Performance Indicators

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

4.6 Staffing Plan

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

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

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

4.6.3 The Financial Plan 2019/2024 includes within each service area provision for pay awards of 2.5% 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. The National Employers pay deal for the period 1 April 2019 to 31 March 2020 included 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. This was continued for 2019/2020 with Cabinet approving the £9.00 per hour at its meeting on 26 March 2019. The outcome of the National Employees pay request has not yet concluded. Any national pay award decisions will be considered in setting future years' pay awards.

4.7 Financing Adjustment

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

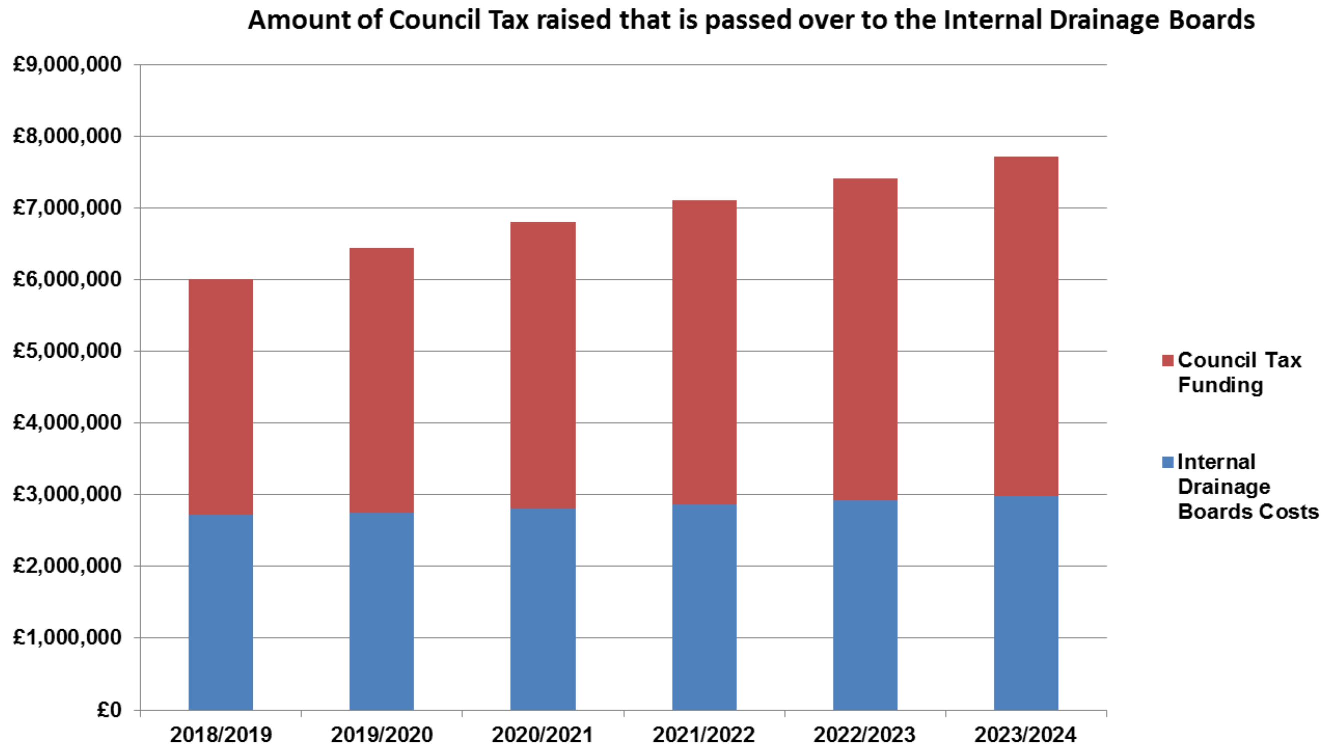
	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
	£	£	£	£	£
Unsupported Borrowing	(207,000)	(194,690)	(311,260)	(293,210)	(274,030)
External Interest Payments	435,000	445,000	455,000	465,000	465,000
External Interest Receipts	(351,560)	(501,970)	(641,330)	(779,090)	(880,370)
Minimum Revenue Provision	345,470	371,520	437,610	437,610	437,610
REFCUS	1,571,230	1,571,230	1,571,230	1,571,230	1,571,230
TOTAL	**1,793,140**	**1,691,090**	**1,511,250**	**1,401,540**	**1,319,440**

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

4.8 Internal Drainage Boards

4.8.1 Internal Drainage Boards (IDB) levies are paid by the Council to the various Boards. The levies count as spending of the Council, but no contribution is made by Government as part of the financial settlement. **Any increase in the levies does have an impact on the council tax payer who picks up the residual costs**. Clearly with the significant reductions in RSG any increase in IDB levies in future will have to be met from council tax or cost savings. The budget of £2,814,680 for 2020/202 is based on known increases (already provided by some Drainage Boards) or 2019/2020 actual costs plus an allowance of 2% for inflation (for Drainage boards yet to let the Council know what the precept will be for 2020/2021). These precepts are listed in Appendix 5.

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



4.9 Special Expenses / Council Tax Support to Parishes

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

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

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

4.9.4 These arrangements continue to apply in 2020/2021 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 £20,970 toward parishes to help to mitigate the impact on the level of council tax set by the local council. This will be the last year of grant; there will be no funding from 2021/2022 onwards.

4.9.5 Details of the revised costs to be set for each parish/town currently subject to special expenses together with the grant awarded to offset the impact on a Band D charge are shown at Appendix 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 draws from balances every year in order to "balance the budget" throughout the life of the Financial Plan. As at 31 March 2024 the estimated balances will be reduced to £2,090,000 which will be above the minimum requirement of £928,859 (i.e. 5% of the Council's budget requirement).

	2019/2020 £	**2020/2021 £**	**2021/2021 £**	**2022/2023 £**	**2023/2024 £**
(Contribution to)/Use of Balances for reimbursement of Lump Sum Pension Payment	(1,517,000)	3,570,000	(1,759,000)	(1,811,000)	0
(Contribution)/Draw from Balances to balance the budget	271,670	163,260	1,123,170	2,469,730	3,070,490

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

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

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

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

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

Recommendation 2

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

4.11 Budget Requirement 2020/2021

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 2019/2020 the Budget Requirement for the Council is £18,220,910. 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 In 2018 the government announced that they would defer the setting of referendum principles for town and parish councils for 3 years. This is subject to the sector taking all available steps to mitigate the need for Council Tax increases and the government seeing clear evidence of restraint in the increases set by the sector as a whole.

6 Full Council Tax 2020/2021

6.1 In order to calculate the full Council Tax for 2020/2021 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 £18,441,610 for 2020/2021 and notes the projections for 2020/2021, 2021/2022 and 2022/2023.**

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

3) **Approves the Fees and Charges 2020/2021 detailed in Appendix 4.**

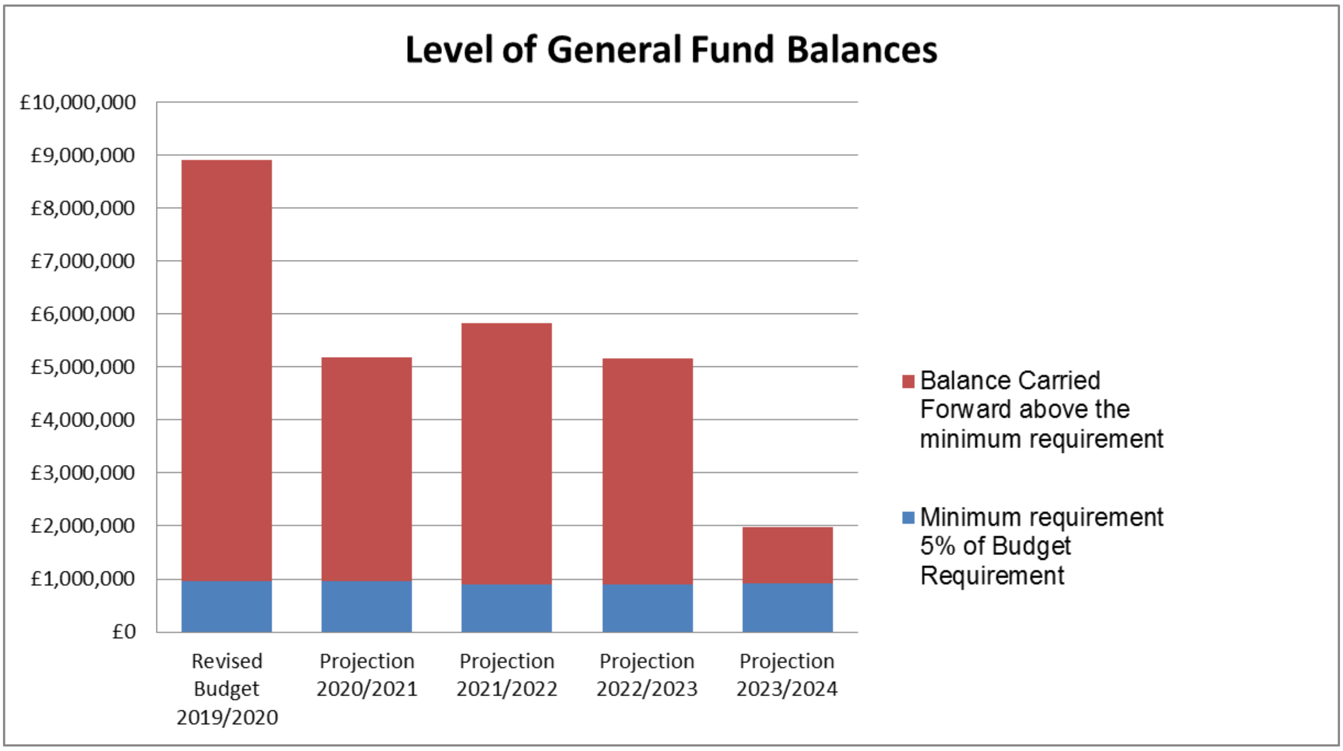
4) **Approves a Band D council tax of £130.37 for 2020/2021**

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 2019/2024. The projected position for the period of the Financial Plan will be as follows:

	2019/2020 £	2020/2021 £	2021/2022 £	2022/2023 £	2023/2024 £
Balance brought forward	7,672,064	8,917,394	5,184,134	5,819,964	5,161,234
Estimated Contribution to/(Draw from) Balances	1,245,330	(3,733,260)	635,830	(658,730)	(3,189,490)
Balance carried forward	**8,917,394**	**5,184,134**	**5,819,964**	**5,161,234**	**1,971,744**
Minimum requirement:					
5% of Budget Requirement (Balance Required)	**951,519**	**922,080**	**947,755**	**918,115**	**928,858**

7.2 The chart below shows how the General Fund Balances are used over the period of the Financial Plan with the balance held just above the minimum level required at the end of 2023/24.



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. However this does require that target savings are achieved

Recommendation 4

Council is recommended to approve a minimum requirement of the General Fund balance for 2020/2021 of £922,080.

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 should 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 will be presented to Cabinet in March 2020. The core categories will 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 2019/2024 is no exception.

9.2 The funding for 2020/2021 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. 2020/2021. However there is still uncertainty that the Business Rates growth included in the Plan does not come to fruition.

9.3 The significant risk is from 2021/2022. 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 and achieving its target savings will be key in containing 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. 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 the income driven budgets e.g. planning, industrial rents and car parking fees. These services produce high levels of income and a 1% reduction in the car parks estimates can produce a variance of circa £50,000.

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

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

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

Brexit – The exit from the European Union will take place on 31 January 2020 and there is uncertainty as to what the impact on the Council's budget will be. Updates on any impact 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 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. 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 2021/2022.

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 3 February 2020 to seek their opinions. Draft notes of the meeting will be made available to Cabinet on 4 February 2020.

10.2 Staff briefings will be held during February 2020. 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 3 February 2020 and the draft minutes from the meeting will be presented to Cabinet on 4 February 2020.

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.

Tina Stankley
Interim Head if Finance (S151 Officer)

Access to Information

Cabinet Reports
Financial Plan 2018-2023
Capital Programme 2018-2023 and 2019-2024
Monthly Monitoring Reports 2019/2020

Finance Settlement
The oral ministerial statement supporting documents for the provisional local government finance settlement 2020/2021

Provisional local government finance settlement 2020 to 2021: statement - GOV.UK