The
FINANCIAL PLAN
2022/2027

As submitted to the Cabinet

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CONTENTS

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1 Executive Summary

1.1 As part of the council tax setting process the Council updates its Medium-Term Financial Plan (MTFP) to take account of any changes in financial settlements, inflation on service costs and revised priorities of the administration.

1.2 In February 2022 the Council set out a Financial Plan for 2021/2026. The Plan reflected the continued significant financial challenges faced by the Council.

1.3 In a statement made on 12 December 2022 by the Secretary of State for Leveling-up, Housing and Communities (DLUHC) the intention to publish a two year settlement was made. However, this came with the confirmation that the Review of Relative Needs and Resources and a reset to Business Rates growth will not be implemented in the next two years. This review has been expected for consultation and implementation from 2020/2021. The Spending Review 2022 sees a two-year settlement for 2023/2024, allowing the Department for Levelling-Up, Housing and Communities to program 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.

1.4 In its Policy Statement published on 12 December the government encourages "local authorities to consider how they can use their reserves to maintain services in the face of immediate inflationary pressures, taking account, of course, of the need to maintain appropriate levels of reserves to support councils' financial sustainability and future investment". In preparing this Financial Plan, the Council has reviewed and is considering where it might release reserves to close the funding gap. These actions are referred to within the report but still leaves a significant reliance on reserves for the first three years of the plan and a £5.26m funding gap in 2026/2027.

1.5 Whilst the impact of the pandemic has less of an impact on the 2022-2027 MTFP, budgets do reflect changes in access to services and running costs that may link to new practices and behaviours that arose from that event. Inflation and continued short-term funding settlements significantly impact on this Financial Plan. Inflation is impacting on the forecast cost of utilities, vehicle running costs and other supplies and services that the Council accesses to provide its services, meaning that any savings or income generating options are quickly outweighed by increased costs or require difficult decisions that could add to the impact from cost of living increases to the Councils services users.

1.6 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 implications for the future of the scheme remains in doubt as a result of Government's announced delay to its review into relative needs and resources, i.e. Fair Funding Review. 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. A revaluation for Business Rates has been undertaken by the Government's Valuation Office and is being implemented from 1 April 2023.

1.7 Business Rates Retention from Growth is currently projected to be £940,580 in 2023/2024 only. 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 inflation. 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 outside of our control. Any delay or deviation from the anticipated growth will result in income levels falling below those currently forecast.

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 £3,054,750 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 The Norfolk authorities have opted to continue with the Business Rates Pool arrangement for 2023/2024.A Memorandum of Understanding sets out how growth retained by the pool is allocated across Norfolk Authorities. Administrative costs are deducted then 1/3 is allocated to NCC, 1/3 is split equally across district councils (1/7th per district council) and the remaining 1/3 is split as 1/3 to NCC and 2/3 split across district councils based on growth achieved.

1.10 Spending Review 2022 – the draft Local Government Settlement was announced on 19 December 2022. This is the fifth consecutive year for Local Government and included the following:-

- Revenue Support Grant (RSG).
- Rural Services Delivery Grant (RSDG).
- Funding Guarantee Grant replaces Lower Tier Services Grant
- Services Grant.
- One year payment of New Homes Bonus
- The Business Rates Multiplier frozen for 2023/2024.

1.11 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 the budget is reliant on earmarked reserves being released to the value of £2,887,680 (see paragraph 1.15) and there remains an estimated budget gap of £5,260,580, in 2026/2027 year four of the Plan, 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 inflation on the local business and individuals and on service provision costs 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 2024/2025, which is a considerable downside risk.

1.12 The Council approved the 2021/2026 Financial Plan at its meeting 9 February 2022. The Financial Plan 2022/2027 has been developed to replace this and revises many of the assumptions that were made in the 2021/2026 plan. Appendix 3 details the changes and movements in budget from that previous plan.

1.13 The Government's focus is on Councils' 'core spending power' inclusive of locally generated resources. Core Spending Power for local government in England has increased by 9.2%, 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 3% or £5 per annum per Band D dwelling Council Tax increase now permitted under the Council Tax Referendum Principles.

1.14 The Council has previously adopted plans for seeking efficiencies, alternative services models and income generating activities. 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. Opportunities for reducing costs, generating income streams and increasing returns from investment continue to be evaluated and progressed where appropriate.

1.15 The MTFP includes payment of the pension lump sum at a discounted cost to reflect an early payment option. This approach saves the Council £351k compared to the annual payment of the lump sum. Taking into account the lost opportunity for return on investment of the funds this still achieves a saving of over £100k for the first three years of the MTFP.

1.16 The Council has conducted a deep review of its earmarked reserves and in the past year has identified £3m that could be repurposed for invest to save projects or support the General Fund Reserve. A deep review of the earmarked reserves will be undertaken to identify the £2.89m required to support the MTFP. Some Capital Projects are in part funded with contributions from reserves and therefore will require further consideration where this is the case.

1.17 The costs for Council services have been updated. Inflation throughout 2022 and forecast into 2023/2024 has impacted the Council's employee costs, vehicle running costs and other supplies and services that the Council accesses to provide its services.

1.18 The Government's Office for Budgetary Responsibility predicts a sharp drop from inflation of 9.1% in 2022 to 0.6% in 2024. Inflation is affecting not only the Councils running costs but also individuals and business in the Borough. A cautious approach continues to be taken in projecting funding in future years.

1.19 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, given the impact of inflation on the cost of living for users of Council Services, the Council has in general proposed to keep fees at 2022/2023 levels, with the exception of services where the charges are determined by central government, for example Planning and Development Control. The Council is only increasing fees in services where there are both inflationary pressures and an ability to benchmark fees to align with other suppliers.

1.20 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 Plan will achieve the minimum level of Earmarked Reserves and General Fund Working Balance in 2024/2025 and 2025/2026, there remains a budget gap to address in 2026/2027.

1.21 The figures shown in the Financial Plan for 2022/2027 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.

1.22 The Financial Plan 2022/2027 (see Appendix 1) does show that the Council can present a funded budget for three years through the use of General Fund and Earmarked Reserves, **but there is a budget gap in excess of £5m to address in 2026/2027**. 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.

1.23 **There remains significant uncertainty and risk from 2025/2026.** As well as the impact from the inflation on the council's finances, the council still awaits confirmation of the outcome of the Funding and Business Rates reforms proposed by Government. This is not likely until 2025/2026 at the earliest to follow the next planned General Election. 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 2026/2027.

1.24 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 2022/2023 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 requirement of £22,287,700 for 2023/2024 and notes the projections for 2023/2024, 2024/2025 and 2025/2026.**

2) **Approves that the pension lump sum payments are paid in advance for three years at a value of £5.430m.**

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

4) **Approves the Fees and Charges 2024/2025 detailed in Appendix 4.**

5) **Approves a Band D council tax of £143.87 for 2023/2024.**

Recommendation 4
It is recommended that Council approves a minimum requirement of the General Fund balance for 2023/24 of £1,114,390.

The
REVENUE BUDGET
2022/2023

2 The Revenue Budget 2022/2023

2.1 The budget for 2022/2023 was presented to Cabinet on 9th February 2022 and approved by Council on 23rd February 2022 in accordance with the process for approving the financial plan 2022-2027.

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 reserves of £958,430, which is now forecast to be a drawdown from reserves of £337,230 compared to that set in the original contribution to reserves of £526,990.

	Original Budget 2022/2023 £	**Forecast 31 October 2022 £**	**Variance £**
Borough Spend	21,028,070	21,892,290	**864,220**
Financing	(21,555,060)	(21,555,060)	**0**
Contributions to/(from) General Fund Balance	**526,990**	**(337,230)**	**(864,220)**

2.3 The following table compares the period to 31 October 2022 to the original budget for 2022/2023. Any variances are reported to Members in monitoring reports throughout the year.

Forecast Outturn position	**Budget Agreed by Council 23 February 2022**	**Budgetary Control Monitoring Report October 2022/2023**	**Report Variance (Budget to October 2022)**
Service	**£**	**£**	**£**
Central Services	3,186,180	3,205,570	19,390
Health Wellbeing and Public Protection	401,030	384,300	(16,730)
Programme and Project Delivery	234,530	216,980	(17,550)
Legal	486,440	462,630	(23,810)
Environment and Planning	1,630,900	1,501,180	(129,720)
Operations and Commercial	1,174,410	1,441,750	267,330
Property and Projects	(1,441,660)	(1,324,370)	117,290
Regeneration Housing & Place	867,590	906,030	38,440
Resources	7,982,060	8,059,220	77,160
Chief Executive	101,300	101,300	0
Leisure and Community Facilities	1,075,400	1,607,820	532,420

Forecast Outturn position	Budget Agreed by Council 23 February 2022	Budgetary Control Monitoring Report October 2022/2023	Report Variance (Budget to October 2022)
Financing Adjustment	2,320,670	2,320,670	0
Internal Drainage Boards	3,009,220	3,009,220	0
Borough Spend	**21,028,070**	**21,892,290**	**864,220**
Contributions to/(from) General Fund Balance	526,990	(337,230)	(864,220)
Borough Requirement	**21,555,060**	**21,555,060**	**0**

2.4 Any further variances between the revised budget and actual outturn for 2022/2023 will be shown in Monitoring Reports for the remainder of the financial year and in the Final Accounts Outturn Report for 2022/2023.

2.5 The net impact of the projected outturn 2022/2023, as detailed above, on the overall level of General Fund balance is as follows:

Projected Movements in General Fund Balances	2022/2023 £
Balance brought forward 1st April 2022	**8,983,760**
Estimated contribution to/(from) Balances (Monitoring - September)	(337,230)
Projected General Fund Balance 31st March 2023	**8,646,530**

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 2022/2023 as set out in the report.

The
Financial Plan
2022/2027

3 The Medium-Term Financial Plan 2022/2027 - Funding

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

3.1.1 It was announced in the provisional local government finance settlement on the 19 December 2022 that there would be a two-year settlement for 2023/2024 and 2024/2025, with both RSG and RSDG being paid for two years. This will enable Government to review local government funding mechanisms in the interim period. It was also announced that a 1% increase would be applied to Government Department budgets for following years. Therefore, the Medium Term Financial Plan (MTFP) assumes a continuation of Revenue Support Grant or similar throughout the plan with a 1 % increase from 2024/2025. The Government in its provisional statement has for 2023/2024 increased RSG by inflation (CPI of 10.1%). The Government has frozen RSDG for 2023/2024 and 2024/2025 at £485,960. The plan assumes RSDG or an equivalent will be continued to the end of the MTFP.

3.1.2 The RSG and RSDG funding that BCKLWN will receive is set out in the table below. From 2023/2024 the RSG (£713,000) will be combined with:-

- The Family Annexe Council Tax Discount grant (£75,100); and
- Local Council Tax Support Administration Subsidy grant (£164,000).

Receipt of Funding	RSG £	RSDG £
2022/2023	(647,530)	(485,690)
2023/2024	(952,100)	(485,690)
2024/2025	(961,620)	(485,690)
2025/2026	(971,240)	(485,690)
2026/2027	(980,950)	(485,690)

3.2 Other Government Funding

3.2.1 In addition to RSG and RSDG, Government also announced the following funding to support local authorities in 2023/2024 with an indication that these will continue in to 2024/2025 also. The indicative allocations are set out below and included in the Financial Plan for 2023/2024:

Funding	**£**
Funding Guarantee Grant	(680,710)
Service Grant	(213,310)
Council Tax Support Fund	(250,000)
Other Government Grants	**(1,144,020)**
New Homes Bonus	(14,560)
Total	**(1,158,580)**

*Lower Tier Services Grant has been repurposed into new Funding Guarantee Grant

3.2.2 It should be noted that the Services Grant has been decreased for 2023/24 as there will no longer be an increase in National Insurance Contributions, therefore the government will not be compensating local government for these contributions.

3.3 Addressing the Funding Gap in 2025/2026

3.3.1 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.

3.3.2 In the Policy Statement published on 12 December the government notes the increase in some local authority reserves over the two years of the pandemic. It encourages "local authorities to consider how they can use their reserves to maintain services in the face of immediate inflationary pressures, taking account, of course, of the need to maintain appropriate levels of reserves to support councils' financial sustainability and future investment". The Council holds earmarked reserves in order to provide cover of known risks and enable response to immediate events and emergencies. In light of the above advice the Council has reviewed and is considering where it might release reserves to identity actions, referred to in para 3.1.3, which contribute to reducing the funding gap. However, it should be noted that reserves can only be spent once and that using reserves is not a solution to the long-term financial pressures that councils face.

3.3.3 The preparation of the proposed MTFP has included a number of robust analytical reviews resulting in the following activities and assumptions in order to reduce the level of reliance on General Fund reserves.

- A significant area of pressure on future budgets is the cost of gas and electricity. The Council in 2022/2023 has mitigated the impact of rising utility costs though investment in alternative technologies such as air and ground source heat pumps and solar panels. The Council purchases its utilities through a government purchasing consortium which enables the benefits of larger purchasing power and purchasing future supplies at lower costs. Despite this the cost per unit of gas and electricity used is expected to increase significantly from 1 April 2023. The government for the period 1 October 2022 to 31 March 2023 has capped unit cost increases, which also applies to the Councils sites. The Financial Plan assumes a continuation of this protection in a similar form in 2023/2024 along with holding usage at current consumption levels allowing for the impact of the new reduced emission technologies. Further data is provided in section 4.1 of this report.
- A review of budgeted contributions to and from reserves. This has resulted in a reduction in contributions from Revenue to Reserves of £300k. These

contributions are usually budgeted to provide funding of future risks and funding for uncertain demands on services and activities.

- The Council keep under frequent review its reserves that are earmarked for specific obligations and risk. As this review continues, options to fund Capital spend from borrowing are being considered and if proven to improve cost-effective reliance on reserves, will then release more reserves for reducing the funding gap.
- The Council, as with any organisation of its size, can derive savings during the period that an employee role is vacant. Throughout the past year a reasonable number of vacant posts has been identified as a regularity on average. Changes to the employment market add to the Council's recruitment difficulties causing posts to be vacant for longer periods. This contributes towards a savings target from employee turnover and after allowing for costs incurred to cover for and recruit to a vacancy, this is forecast to achieve the target of £550,000 in 2022/23. This plan proposes that the target is set £1m for one year only in 2023/2024 and reduced back to £550,000 thereafter. Allowing continued monitoring of the Council's staff turnover and recruitment timescales.
- The Council has received its provisional actuarial valuation report which assesses the levels of contribution that the Council needs to make in order to effectively fund the future pension demand and investment. The report advises that for the first 3 years of the plan, the current level of contribution remains appropriate which is below the amounts originally budgeted by £803,000 over the 3 years. The Council can make a further saving by paying these lump sums in advance rather than annually affording the Council a saving of £351k, but being offset slightly by the opportunity cost of not having that money invested. See section 4.1 for more detail.

3.3.4 The Council has previously adopted plans for seeking efficiencies, alternative services models and income generating activities. 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. In developing this Financial Plan, opportunities have been identified and will be developed for consideration before forming a part of budgeted savings in 2023/2024 budget monitoring reports. 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.

3.3.5 The Council has previously conducted a deep review of its earmarked reserves and capital programme. A programmed review of reserves is required to release funds totalling £2,887,680. An additional £587,060 forecast in the 2022/2023 budget monitoring report has been included in the General Reserves Balance in Appendix A. This is a forecast and may change in the 2022/2023 outturn. Reserves include amounts set aside for investment in proposals to help to meet the savings target or support the General Fund Reserve. Furthermore, a review of capital programme is underway to consider 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 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 repurposed reserve 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 2026/2027. 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 19 December 2022 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 2023/2024. 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 five 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 three 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. Three yearly revaluations are planned from 2026.

3.4.4 The Government confirmed the continuation of a number of reliefs into 2023/2024:

- A discount for all eligible retail, hospitality and leisure businesses, regardless of their rateable value, increased from 50% in 2022/2023 to 75% in 2023/2024, subject to a cash cap of £110,000 per ratepayer,
- Phased increases for higher bills caused by rises in Rateable Values at the 2023 revaluation
- The scheme to limit increases in bills where businesses have lost certain reliefs due to the 2023 revaluation, and
- The continuation of the £1,500 annual discount for office space occupied by local newspapers to 31 March 2025.

3.4.5 In addition the scheme to phase in decreases in bills due to a revaluation has been abolished, and businesses whose rateable values go down will immediately pay their lower bill.

3.4.6 A pooling arrangement has been agreed for the 2023/2024 financial year. The financial benefit to Norfolk as a whole (from the current 50% Business Rates Retention Scheme) is estimated at £7.2m representing the additional growth that will be retained locally and shared between the District Councils and County Council.

3.4.7 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 government having to prioritise implementation of Brexit and responding to the pandemic. The implications for the future of the scheme remains in doubt as a result of Government's confirmed delay to its review into relative needs and resources, i.e. Fair Funding Review.

3.4.8 The baseline funding for 2023/2024 is the amount that was published on 19 December 2022 as part of the Provisional Local Government Finance Settlement for 2023/2024. The future 3 years of the medium-term financial plan 2022–2027 are calculated on the baseline business rates figure for 2022/2023 with no uplift (see Appendix 1).

3.4.9 Business rate assumptions included in the Financial Plan 2022/2027 is detailed in Appendix 1.

3.4.10 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 inflation and support for services responding to increasing demand from the rapid increase in cost of living will be reflected in any future consultations to funding reforms.

3.4.11 In preparing the Financial Plan 2022/2027 there are no assumptions for any new growth in business rates from 2022/2023 onwards. However, there can be no guarantee that any business growth will materialise as developers/businesses will respond to changing market conditions, and there is the added uncertainty of inflation. 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 outside of our control. Any delay or deviation from anticipated growth will result in levels falling below current forecast.

3.4.12 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 £3,054,750 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.

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 2023/2024, the method for calculating the NHB will not change from 2022/23 and new payments will not attract legacy payments. The threshold over which the bonus is paid remains at 0.4 per cent. The level of new build properties at band D equivalent does not meet the threshold, therefore the Council does not receive the bonus payment.

3.5.2 The Government says that they will set out the future position of New Homes Bonus ahead of the 2024/25 local government finance settlement. In setting the Financial Plan 2022-2027 it has been assumed that there will be no funding allocations beyond 2023/24.

3.5.3 The allocation to the Council for 2023/2023 is £14,560, which is a premium payment for the level of affordable units constructed in the area.

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 up to 2019/2020 had been holding and distributing high Collection Fund surpluses and 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 2022/2023 shows small surplus of approximately £25,000. The estimate in the MTFP is for no surplus or deficit as detailed below.

Council Tax surplus	£
2022/2023	(25,000)
2023/2024	0
2024/2025	0
2025/2026	0
2026/2027	0

3.6.4 It is anticipated that any surplus contained in the Collection Fund and available for distribution will be reduced in future as the growth in the tax base continues to more accurately reflect the tax base estimate and the period of uncertainty 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	0ver £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.

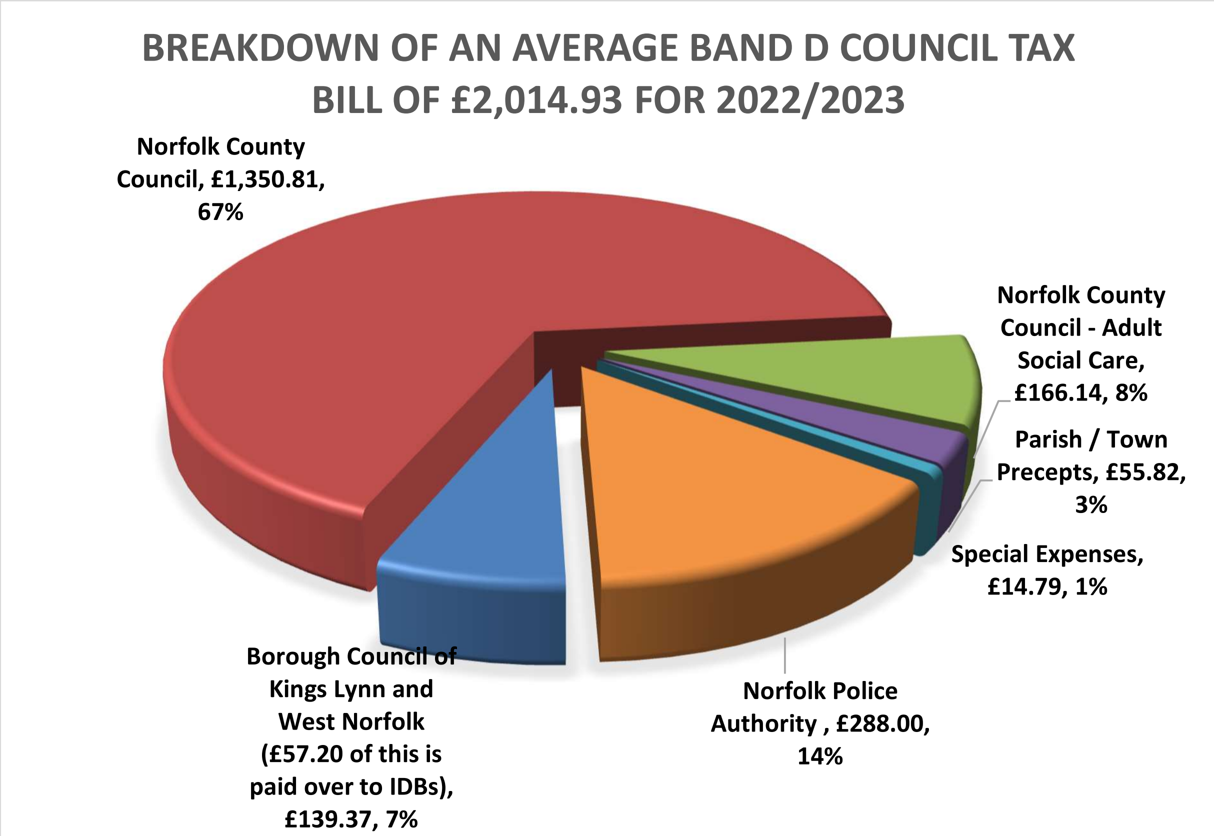
Council Tax Base

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 full tax base for 2022/2023 is 52,611. For 2023/2024 the tax base is assumed to be 52,984, an increase of 374 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.

3.7.5 **Council Tax 2022/2023**

The Borough Council element of the full council tax bill in 2022/2023 for a Band D property is £139.37 out of a total of £2014.93 (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 2022/2023 the Borough Council's charge forms a very small part of the bill (£82.17, 4.08% of a Band D Council Tax bill) collected from every council taxpayer. The balance from the £139.37 is collected for Internal Drainage Boards (£57.20, 2.84% of a Band D Council Tax bill).



Council Tax Levels – Band D

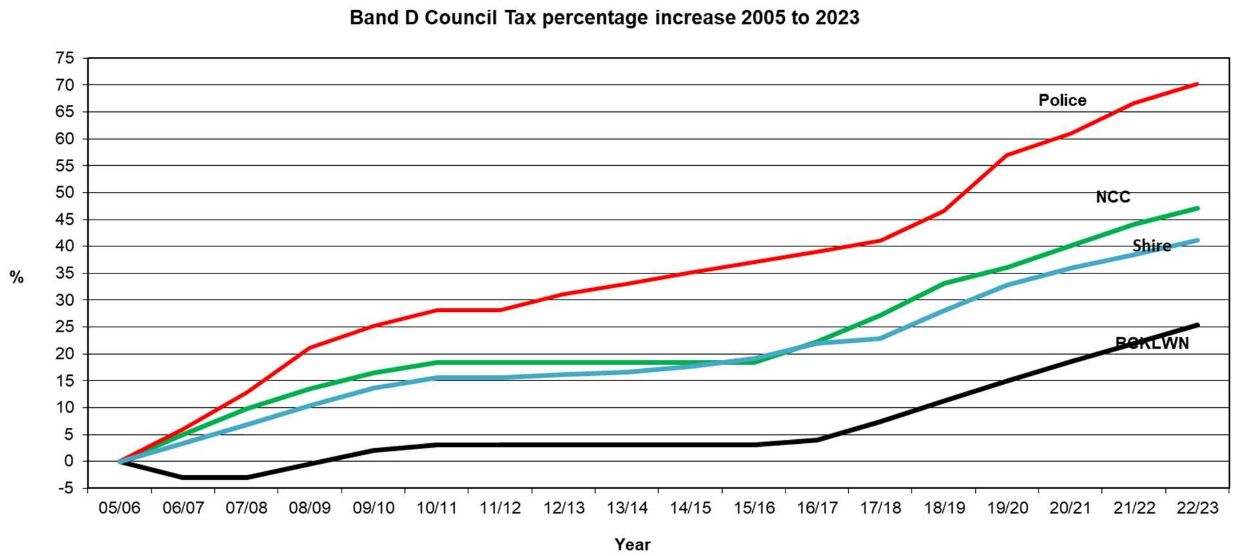
3.7.6 The table below shows the elements of a council tax Band D charge of £2,014.93 for 2022/2023.

Charging Authority	2022/2023 Proportion of Band D Council Tax	2022/2023 Proportion of £2,014.93
Borough Council of Kings Lynn and West Norfolk (£57.20 of this is paid over to IDBs)	£139.37	6.92%
Norfolk County Council	£1,350.81	67.04%
Norfolk County Council - Adult Social Care	£166.14	8.25%
Parish / Town Precepts	£55.82	2.77%
Special Expenses	£14.79	0.73%
Norfolk Police Authority	£288.00	14.29%
Total	**£2,014.93**	**100.0%**

3.7.7 Over the period since April 2005 the Council has held council tax to a level where in 2022/2023 the cumulative Band D charge of £139.37 amounts to an increase of

28.3% 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 2022/2023 has been 45.0%. The Retail Price Index (RPI) has increased over that period (April 2005 to April 2022) by 57.1%. The Consumer Price Index (CPI) has increased by 41.5% 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.

3.7.8 The graph below shows how the various elements of the council tax bill in West Norfolk have increased over the period 2005/2006 to 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.



Council Tax 2023/2024 and Future Years

3.7.9 The Government focus is on Councils' 'core spending power' inclusive of locally generated resources. The core spending power analysis tables published by the Government for each Council assumes that Shire District Councils will introduce the maximum amount of 3% or £5 per annum per Band D dwelling Council Tax increase permitted under the Council Tax Referendum Principles.

3.7.10 The Provisional limits for 'Referendums Relating to Council Tax Increase (Principles) (England) Report 2022/2023' published on 19 December 2022 state that for the borough council the principles for 2023/2024 are:

The relevant basic amount of council tax of an authority is excessive if the authority's relevant basic amount of council tax for 2023/2024 is

(a) 3%, or more than 3%, greater than its relevant basic amount of council tax for 2022/2023; and

(b) more than £5 greater than its relevant basic amount of council tax for 2022/2023.

3.7.11 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.

3.7.12 The Borough Council proposed levels of council tax for 2023/2024 are:

Band	2023/2024
	£
A*	79.93
A	95.91
B	111.90
C	127.88
D	143.87
E	175.84
F	207.81
G	239.78
H	287.74

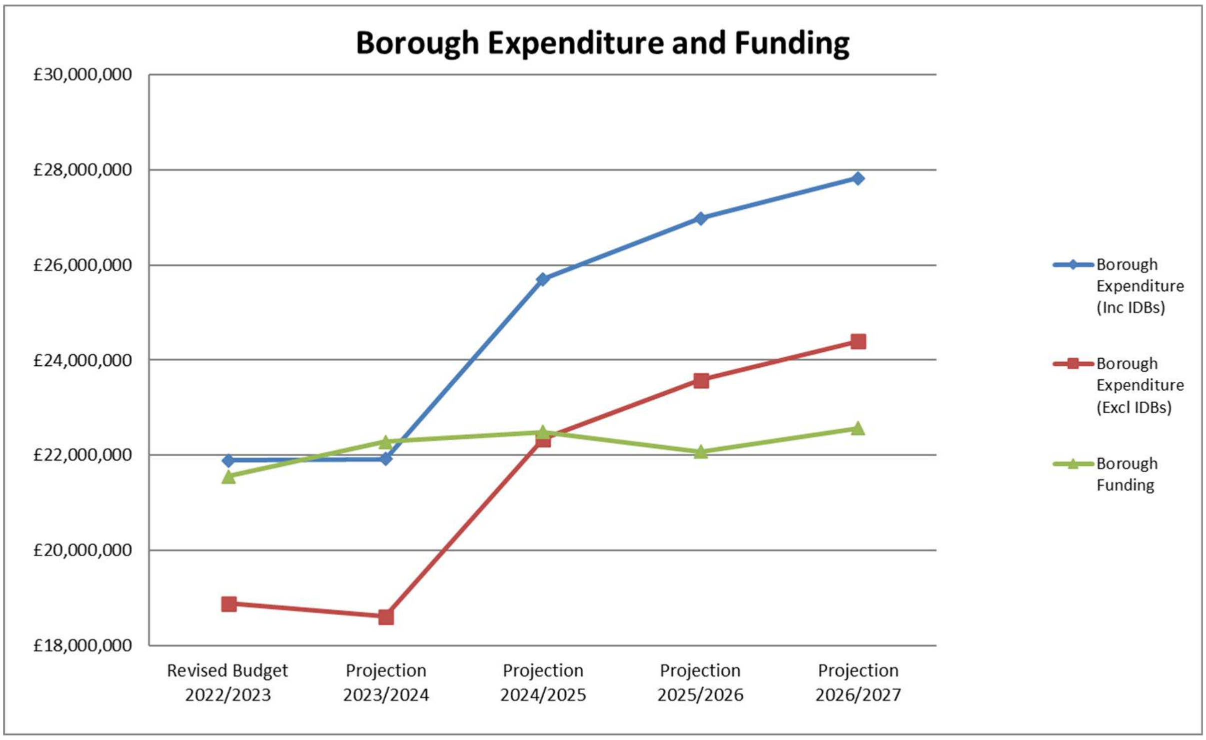
* The Council reduces the charge to a property classed as Band A to £79.93 per annum when it is eligible for Disabled relief.

3.8 Overall Funding Position

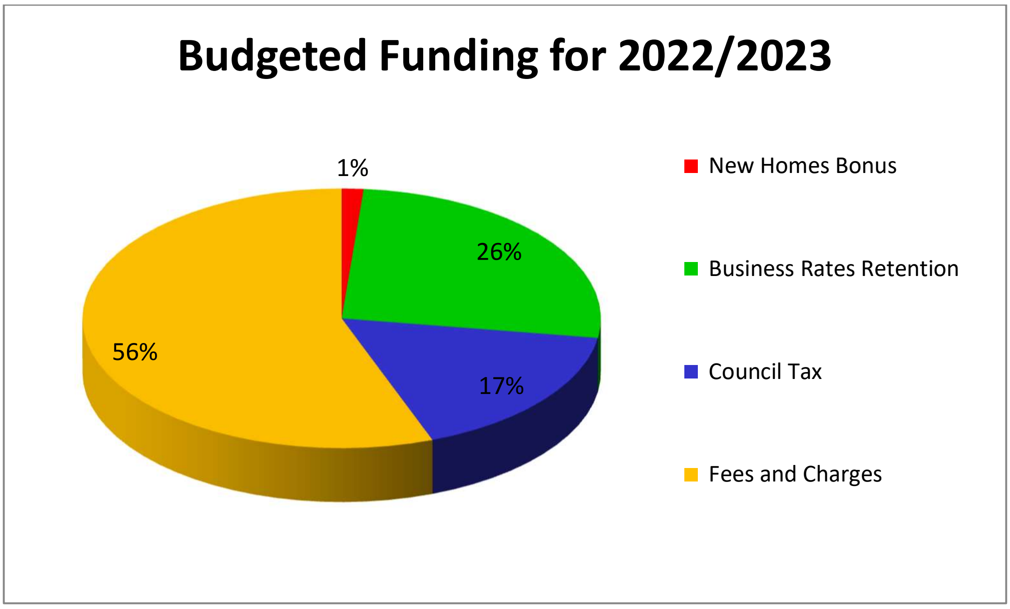
3.8.1 In a statement made on 12 December 2022 by the Secretary of State for Leveling-up, Housing and Communities (DLUHC) the intention to publish a two year settlement was made. However, this came with the confirmation that the Review of Relative Needs and Resources and a reset to Business Rates growth will not be implemented in the next two years. The Revenue Support Grant being paid for two years (2023/2024 and 2024/2025) at 2021/2022 level plus an increase for inflation (10.1% CPI) and 1% the following year. The Rural Services Delivery Grant is frozen at 2021/22 levels but again is provided for 2023/24 and 2024/2025. 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.

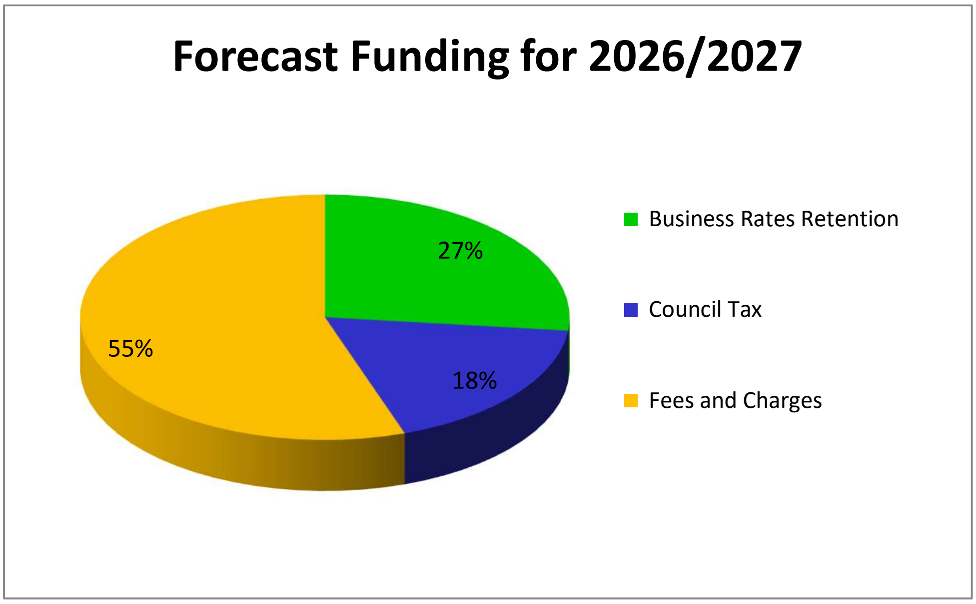
3.8.2 The significant risk is from 2025/2026. A high degree of uncertainty exists from the impact of the invasion of the Ukraine as well as the impact from the inflation on the council's finances, the council still awaits confirmation of the outcome of the Funding and Business Rates reforms proposed by Government. Legislation for this is not likely until 2025/2026 at the earliest to follow the next planned General Election. The reforms to the Business Rates Retention scheme should have been implemented by now but have been delayed further due to the pandemic Ahead of this a re-set of the business rates baseline is being implemented from 1 April 2023 where the implication is that the Council does not retain all the growth currently included within the Financial Plan. It is expected that DLUHC will in the next 12 to 18 months program its review of funding reforms with a view to implementing from 2025/2026. 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.

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:





4. Cost of Services

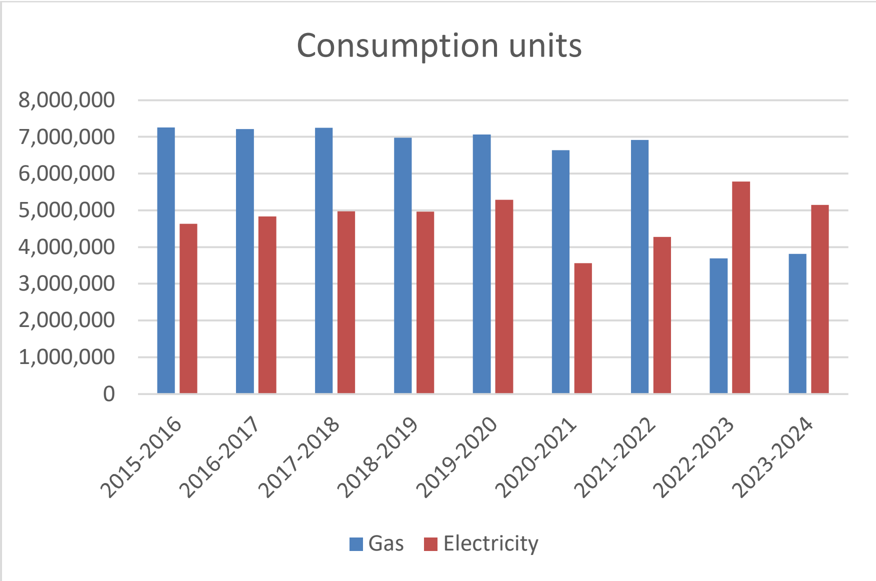
4.1.1 In previous years inflation remained low, but since January 2022 it has increased sharply from 3% to high of 11.1% in November 2022.The Council has seen increasing costs being passed on in many supplies and services which has resulted in much higher increases than seen in previous years. Key areas are shown below:

Inflation Assumptions	2023/2024 %	2024/2025 %	2025/26 %	2026/27 %
Salaries (cost of living)	5.0	2.5	2.5	2.5
Business rates	0.0	2.0	2.0	2.0
Electricity price	142.0	2.9	1.5	1.5
Gas	72.0	2.9	1.5	1.5
Water (unmeasured)	15.0	2.9	1.5	1.5
Vehicle Fuel	9.6	1.4	1.2	1.2

4.1.2 The Council received its triennial valuation report from the Actuarial on the 18 November 2022, which reviews and proposes the contributions that the Council makes in respect of its employees' pension fund. The report states that the annual contribution can continue at £1.927m per year for the next three years. This is below the level originally budgeted, which had assumed inflationary increases. Furthermore the annual cost could be further reduced if the Council pays the three years contributions in advance. This would equate to a reduction of £117k for each of the three years of the valuation a saving of £351k. Interest rates are increasing and forecasts indicate Treasury rates of up to 3% could be available in the short term. Even at a 4% the interest lost from treasury investment would be £217k and the Council would still be saving £134k by paying the Contributions in advance. It is therefore recommended that the Council take the option to do this.

4.1.3 To pay the pension lump sum charge annually the cost to the Council would be £1.927m each year, a total of £5.781m. The charge for paying the cost in advance after discount is £5.43m.

4.1.4 Gas and electricity estimated costs have currently been built based on consumption levels reflecting 2021/22 levels, adjusted for new environmental impact reduction technologies, such as Solar Panels, Ground and Air source Heat Pumps. These moves energy consumption away from Gas to Electricity, reducing CO^2 emissions. The following chart demonstrates the estimated impact from introducing new technologies to reduce gas consumption.



The following table demonstrates how the unit price for utilities has on average changed for all Council sites and an estimated average is included for 2023/2024.

Year	Gas Unit Rate	Electricity Unit Rate
2018/2019	0.0255	0.1457
2019/2020	0.0328	0.1397
2020/2021	0.0279	0.1745
2021/2022	0.0235	0.1528
2022/2023	0.0743	0.2253
2023/2024	0.1309	0.4445

The MTFP includes estimated increase over the original budget set in February 202 for gas and electricity at Council premises as follows.

	2023/2024	2024/2025	2025/2026	2026/2027
Electricity £	1,345,205	1,369,710	1,365,580	1,401,450
%	142%	2.9%	1.5%	1.5%
Gas £	246,284	237,000	218,550	226,640
%	72%	2.9%	1.5%	1.5%

4.2 Changes to the Current Financial Plan

4.2.1 The projections for the years 2023/2024, 2024/2025, 2025/2026 and 2026/2027 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	2022/2023 £	2023/2024 £	2024/2025 £	2025/2026 £
Estimates Projection February 2022	**21,028,070**	**22,406,690**	**23,421,230**	**24,586,080**
Net adjustments as part of developing the 2022/23 to 2026/27 Financial Plan.	864,220	2,512,820	2,277,750	2,389,900
New Budget Projection	**21,892,290***	**24,919,510**	**25,698,980**	**26,975,980**

* October 2022 Monitoring

4.2.2 The detailed service budgets of the Financial Plan 2022/2027 are shown at Appendix 2. A detailed analysis for 2023/2024 of the changes and movements between the "Original" budget projection made in February 2022 and the "Proposed" estimates for the 2023/24 in the 2022/2027 Financial Plan is provided in Appendix 3.

4.2.3 The projection for 2026/2027 has now been prepared. The main movements are shown in the table below:

	2026/2027 £
Borough Spend projection for 2025/2026	**26,975,980**
<u>The main changes to the Plan are:</u>	
Increase in Internal Drainage Board levies	40,700
Inflation on salary costs	1,157,640
Net decrease in interest receivable	31,100
Increase in rates on council premises	23,290
Estimated increase in pension lump sum payment to Norfolk Pension Fund after 3-year discount for early payment.	117,000
Waste collection contract	181,000
Waste collection income	-147,000
Increase in utility costs	47,900
Customer and client receipts	-579,950
Leisure and community facilities maintenance costs	38,630
Increase in unsupported borrowing	18,870
Reduction in transfer to reserves	-13,420
Net increase benefit contributions	-45,600
Other net movements	-18,960
New budget projection for 2026/2027	**27,827,180**

4.3 Fees and Charges 2022/2023

4.3.1 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, given the impact of inflation on the cost of living for users of Council Services, the Council has in general proposed to keep fees at 2022/2023 levels. With the exception of services where the charges are determined by central government, for example Planning and Development Control. The Council is only increasing fees in services where there are both inflationary pressures and an ability to benchmark fees to align with other suppliers, for example the Crematorium.

4.3.2 Income from charges for services which the Council delivers 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. In the event that service provision costs increase or decrease significantly during the year then this approach will be utilised to amend the fees and charges schedule, which is published on the Council's website. The proposed schedule of fees and charges is included at Appendix 4.

4.3.3 The estimates have been reviewed against trends in prior year actual income levels and reasonable increases have been made where the volume of service provision has led to an increase in budgeted income without increase the fees themselves. The Council has in place actions to review its policy on transport and to consult on licensing fees, which may impact the future of fees for both carparking and licensing.

4.3 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

4.3.2 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 2022/2027.

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 and investment of the Towns Deal Fund. 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:

Improving social mobility and inclusion

This features both the need to:

- Assist our residents to maximise their opportunities by accessing the support and services they are entitled to; and
- 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.

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

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 group's including Parish Councils.
- Continuing to develop and improve visual image on key routes into west Norfolk.

<u>Helping to improve the health and wellbeing of our communities</u>

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 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's annual pay increase for all employees is locally determined, having regard to national pay and labour market information. The Council recognises the need to balance the requirement to make financial savings with the need to recruit and retain good quality employees, as a result it 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.

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
2022/2023	£1,925 or 4% (whichever is greater)

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.

4.7 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.

	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
	£	£	£	£	£
Unsupported Borrowing	1,497,770	1,301,100	1,338,710	1,220,500	1,234,820
External Interest Payments	382,000	382,000	382,000	382,000	382,000
External Interest Receipts - investment	(278,790)	(1,004,420)	(827,700)	(619,760)	(585,280)
External Interest Receipts - lending	(107,480)	(284,670)	(352,290)	(384,080)	(384,080)
Minimum Revenue Provision	683,270	896,920	937,820	937,820	937,820
REFCUS	1,774,840	1,774,840	1,774,840	1,774,840	1,774,840
TOTAL	**3,951,610**	**3,065,770**	**3,253,380**	**3,311,320**	**3,360,120**

Interest rates – The UK Bank Rate has seen significant increase over the last year from 0.1% in December 2021 to 3.5% in December 2022. It is expected to continue increasing during 2023 and estimated to return to current levels (3.5%) in the final quarter of 2024. This has an impact on both the interest paid on borrowing and our interest received on investment income. The increase in Interest Receipts - lending 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.

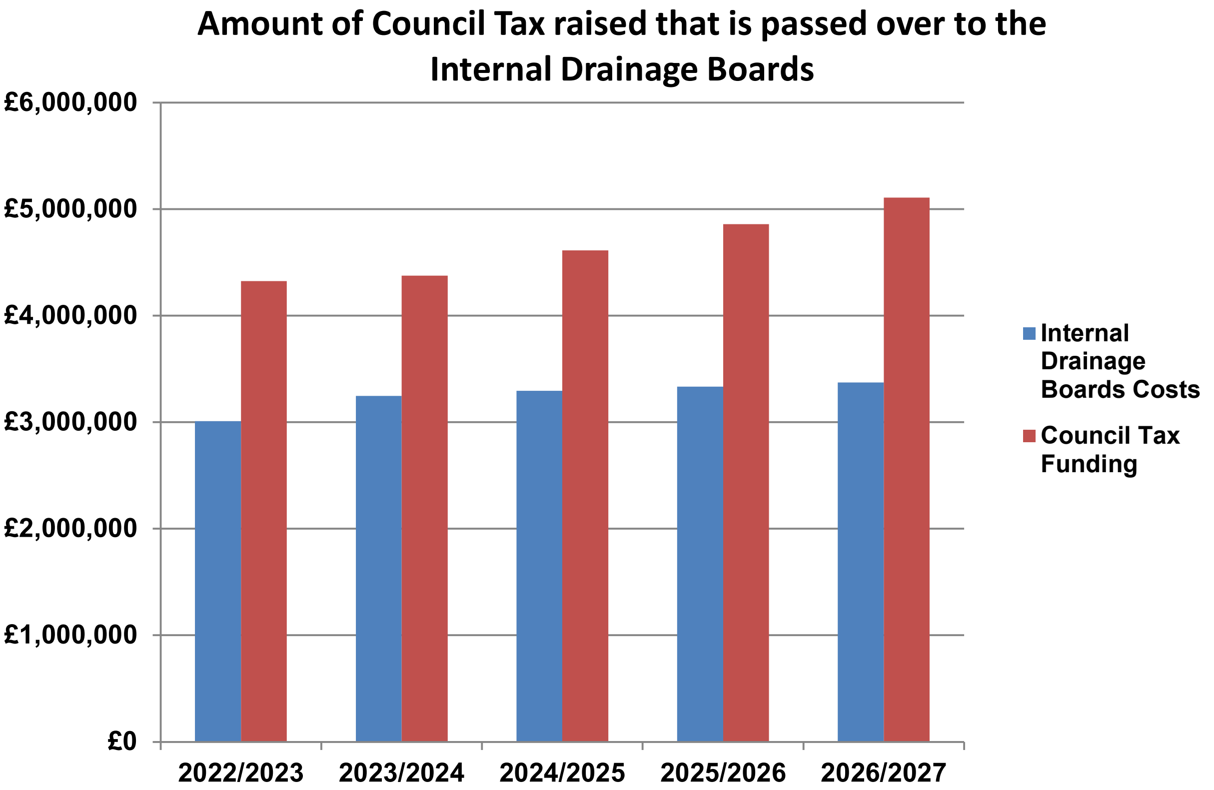
4.8 Internal Drainage Boards

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 £3,247,130 for 2023/2024 is based on estimated increases (as discussed with Drainage Boards) of between 0% to 18.18% for inflation. These estimated 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 the current year 2022/2023 and estimated for 2023/2024:

	2023/2024		2022/ 2023	
Internal Drainage Boards	£61.29	43%	£57.32	41%
Borough Council	£82.58	57%	£82.05	59%
Total	£143.87	100%	£139.37	100%

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 As a consequence of estimated inflation increases for 2023/2024, the cost of services provided to Parish Councils has increased beyond the amounts that the Council is able to collect under its own Council Tax powers. The Provisional limits for 'Referendums Relating to Council Tax Increases are explained in Paragraph 3.7.10. The cost of Providing services to Parish Council under Special expenses is included in the MTFP at £1,005,300, whilst the amount that can be collected via Council Tax is £809,600. A shortfall of £195,700, which for 2023/2024, the Council will have to absorb into its own costs. The Council will consider the arrangements for these incurring these costs and funding as part of its plan for cost management and income generation.

4.9.4 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 onwards in order to "balance the budget". In order to provide a funded budget a drawdown from earmarked reserves is also required. However, in 2026/2027 as reserve levels will be at minimum levels there remains an estimated budget gap from 2026/2027 of £5,260,580 which needs to be addressed.

	2022/2023 £	2023/2024 £	2024/2025 £	2025/2026 £	2026/2027 £
Estimated Contribution To/(From) General Fund Balance to balance the budget	(337,230)	(2,631,810)	(3,203,110)	(4,894,990)	(5,260,580)*

*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. The proposed MTFP confirms the need for a further review of reserves to release funds totalling £2,887,680 to fund the budget. Some Capital Projects are in part funded with contributions from reserves and therefore will require further consideration where this is the case.

4.10.7 Cabinet reviewed the Earmarked Reserves balances and limits at its meeting 2 August 2022 as part of the 2021/2022 outturn report. The limits have been considered against current reserve balances and it is proposed that limits are revised as follows.

- Climate Change Strategy reserve is increased by £0.15m as a result of an additional allocation from the 2021/2022 outturn report agreed at Cabinet 2 August 2022.
- Collection Fund Adjustment Reserve increase maximum limit by £3,500,000. This accommodates the one-off payment by government in 2021/2022

earmarked to aid collection fund cashflows that might have been impacted during the pandemic and subsequent recovery phase. This reserves is ringfenced and therefore not useable.

- Other Reserves limit is reduced by £0.5m following a continued monitoring of reserves purposes and levels held beyond contractual commitments and for managing risks.

4.10.8 Current and Proposed Reserve limits.

Reserves Policy Area	Balance as at 1 April 2023 £'000	Current Minimum balance to be held £'000	Current Maximum balance to be held £'000	Proposed new maximum balance to be held £'000
Amenity Areas	2	0	300	300
Capital Programme Resources	5,570	0	9,000	9,000
Educational Skills Attainment	879	0	1,100	1,100
Insurance Reserve	226	50	300	300
Restructuring Reserve	484	150	1,000	1,000
Repairs and Renewals Reserve	1,912	500	2,000	2,000
Holding Accounts	2,105	200	2,600	2,600
Ring Fenced Reserves	3,983	50	4,200	4,200
Climate Change Strategy	1,246		1,100	1,250
Planning Reserves	548	0	800	800
Grants Reserves	4,616	0	4,800	4,800
Collection Fund Adjustment Reserve	10,693	0	8,000	11,500
Projects Reserve	3,865	0	4,200	4,200
Other Total	177	0	1,000	500
	36,306	**950**	**40,400**	**43,550**

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 plus 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 2023/2024 the Budget Requirement for the Council is £22,287,700. 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 also requires a contribution from general fund reserves of £2,887,680.

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 not 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 2022/2023, the average Band D parish precept increased by 4.91%. The Government will review the level of increase set by parishes in 2022/2023 when considering next year's settlement.

6 Full Council Tax 2023/2024

6.1 In order to calculate the full Council Tax for 2023/2024 it will be necessary to add the County Council, Police Authority and parish precept requirements to the Council's element as previously shown.

It is recommended that Council :

1) **Approves the budget requirement of £22,287,700 for 2023/2024 and notes the projections for 2023/2024, 2024/2025 and 2025/2026.**

2) **Approves that the pension lump sum payments are paid in advance for three years at a value of £5.430m.**

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

4) **Approves the Fees and Charges 2024/2025 detailed in Appendix 4.**

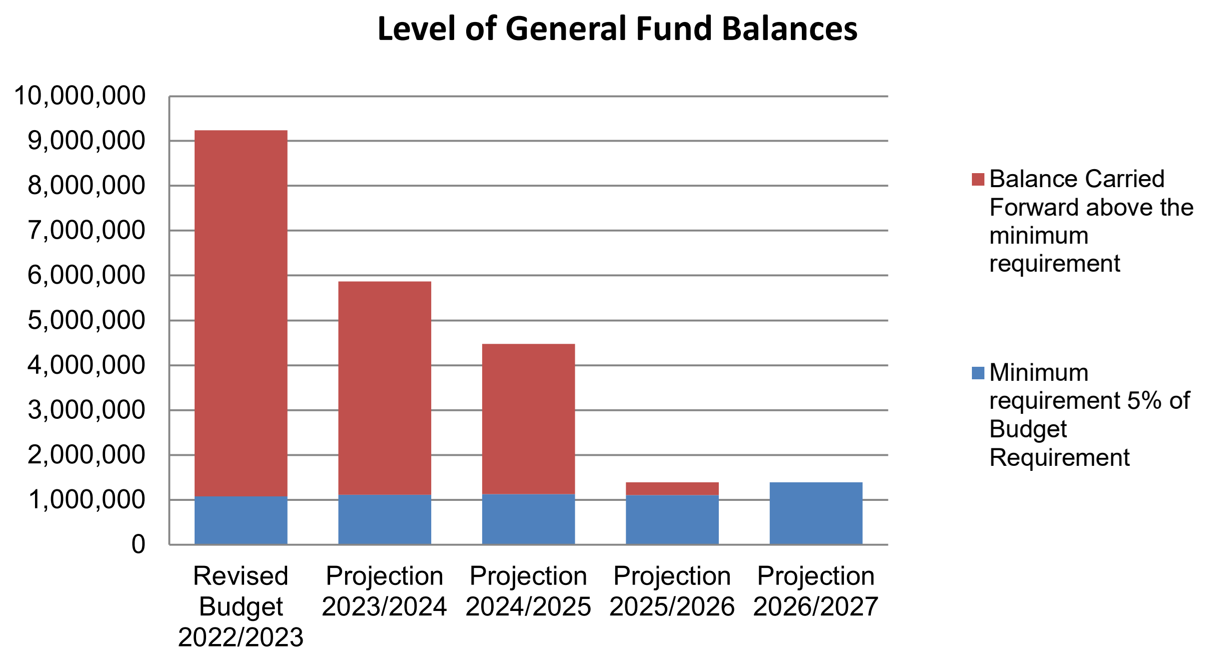
5) **Approves a Band D council tax of £143.87 for 2023/2024.**

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 2022/2027. The projected position for the period of the Financial Plan will be as follows:

Projected Movements in General Fund Balances	2022/2023 £	2023/2024 £	2024/2025 £	2025/2026 £	2026/2027 £
Balance b/f (Subject to Completion of Audits from 2019/20)	**8,983,760**	**9,233,590**	**5,869,460**	**4,476,350**	**1,391,360**
Repurposed Earmarked Reserves	587,060	2,887,680	0	**0**	**0**
Pension Lump Sum - Early Payment	0	(3,620,000)	1,810,000	1,810,000	0
Estimated Contribution To/(From) General Fund Balance	(337,230)	(2,631,810)	(3,203,110)	(4,894,990)	0
Balance c/f	**9,233,590**	**5,869,460**	**4,476,350**	**1,391,360**	**1,391,360**

7.2 The chart below shows how the General Fund Balances are used over the period of the Financial Plan with the balance in 2026/2027 reducing to the 5% minimum requirement.



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 2025/2026. Target savings will need to be identified and achieved prior to 2025/2026 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 2023/24 of £1,114,390.

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 7 February 2023. 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

Background

9.1 Under Section 25 of the Local Government Act 2003, the S151 Officer must report as to the robustness of the estimates included within the budget and highlight the risks associated with its deliverability and sustainability and the adequacy of reserves. This report should be read in conjunction with the assumptions and plans outlined in the Medium Term Financial Plan.

9.2 The framework within which the Council's budget setting process operates and within which the financial plan was developed is governed by legislation which provides regulatory safeguards for the Council:

Section 25 of the Local Government Act 2003 requires the authority's Chief Financial Officer to report on the robustness of the estimates and the adequacy of reserves allowed for in the budget proposals in the financial plan report, so Members are informed and can consider this when they make their budget decisions.

Section 114 of the Local Government Finance Act 1988 highlights the Chief Financial Officer's responsibility to report to the external auditor and members if it appears to him that an unbalanced budget is likely to be set for the year. Further, the CFO shall make a report under Section 114 if it appears that the expenditure incurred during a financial year is likely to exceed the resources available to meet that expenditure; or if any unlawful expenditure is planned/takes place.

Local Government Finance Act 1992 identifies the requirement to set a balanced budget.

Section 151 of the Local Government Act 1972 - Financial Administration requires that authorities should appoint a Section 151 Officer to have responsibility for the proper administration of its financial affairs.

The Accounts and Audit Regulations 2015 – Regulation 4 requires that the accounting records and control systems include measures to ensure that risk is appropriately managed.

The CIPFA Financial Management Code 2019 - includes the following standard which should be complied with: "The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves".

The requirements of the Prudential Code must also be complied with (a separate report on prudential Indicators is included elsewhere in this suite of Medium-Term Financial Strategy (MTFS) reports).

Section 106 of the Local Government Finance Act 1992 makes it a criminal offence for any Member with arrears of Council Tax which have been outstanding for two months or more to attend any meeting of the Council or one of its committees at which a decision affecting the budget is to be made, unless the Member concerned declares at the outset of the meeting that he or she is in arrears, and will not be voting on the decision for that reason. The Member concerned must then abstain from voting.

The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 provide that the Council's procedures must provide for the minutes to record how each Councillor voted (including any abstentions) when determining the Council's budget and the level of Council Tax to be levied

9.3 In addition to the legislation requirements set out above, the CIPFA guidance on Local Authority Reserves and Balances requires that a statement reporting on the annual review of earmarked reserves should be made to Council, at the same time as the budget. The statement should list the various earmarked reserves, the purpose for which they are held and provide advice on the appropriate levels. It should also show the estimated opening balances for the year, planned additions/withdrawals and the estimated closing balance. DLUHC have recently announced that they want to review the way reserves are presented. The council's development of reporting for use of reserves and reserves held, will need to have consideration of DLUHC requirements when these are confirmed.

Robustness of Estimates - Overview

9.4 Local authorities have had to operate within an extended period of financial constraints over the last 10 years. With significant cuts in grants from Government since 2013/14 compounded by small inflationary increases in recent settlements and restrictions on the level of council tax increases that could be applied, the Council has demonstrated robust financial management.

9.5 The Medium-Term Financial Plan highlights the continued significant uncertainty on the council's projected financial position going forward which is due to a number of contributing factors. Whilst Government is still committed to local government finance reforms, these continue to be deferred and replaced with one-year settlements with 2023/24 being the 5th consecutive year. The current economic climate of high inflation and increasing interest costs on the back of the pandemic and war in Ukraine has had a significant impact on the council's budget since it was approved by Council last year. Therefore, the estimates of the council's financial position beyond 2023/2024 is subject to a high degree of uncertainty. Despite this, detailed work has been undertaken in arriving at the best estimate on the financial position over the Medium Term to assist with financial planning for the longer term.

9.6 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 2022/2027 is no exception.

9.5 The Local Government Finance Policy Statement announced on 12th December 2022 set out the Governments intentions for the local government finance settlement for the next 2 years. This was shortly followed by the provisional funding settlement on 20 December 2022. Whilst the policy statement presents a degree of certainty in respect of funding over two years, the provisional settlement only set out figures for one year. There are assurances that "the core settlement will continue in a similar manner for 2024/25. Major grants will continue as set out for 2023/24". Therefore, the financial plan assumes the main grants will continue into 2024/25 with a small inflationary increase (RSG, RSDG, Services Grant and the newly introduced Funding Guarantee Grant which replaces Lower Tier Services Grant) but for the remaining 2 years of the financial plan, it is assumed that the level of grant funding will reduce as there is expectation that the reforms will be implemented from 2025/26.

9.6 The detailed arrangements for the implementation of the new Business Rates Retention scheme are still not known at this time and any re-set of the baseline will 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 also change as part of the reset. 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 war in Ukraine on the economy and the impact on the Council's ability to sustain levels of income from growth in a market where businesses and individuals are themselves experiencing the effects in increased costs

9.7 In preparing this Financial Plan the Council has reviewed and is considering where it might release reserves to close the funding gap. These actions are referred to within the report but still leaves a significant reliance on reserves for the first three years of the plan and a £5.2m funding gap in 2026/2027. The council has been prudent in building up a level of reserves in previous years with the expectation that this will allow some flexibility to support the budget in the face of the cuts that were expected as part of the funding reforms. However, the impact of the reforms continue to be delayed. Whilst this has in some ways been positive for the council as it has resulted in being able to provide a balanced or funded budget for a number of years now, the effect of using one off resource is that the gap at the end of the financial plan has widened and the challenge to close this has become tougher. The proposals in this financial plan will not only reduce the general fund balance down to the minimum level of 5% but it is also dependant on identifying

£3.2m of earmarked reserves to release to support a 3-year funded position. Inevitably, this will mean some projects will be on hold or withdrawn until reserves can be replenished.

9.8 The Council’s delivery of the cost management and income generation plan 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 or other Government grants as they come to an end. It is a key objective that this work is progressed to reduce the funding gap going forward. The Council has always endeavoured to keep increases for fees and charges below inflation levels where possible and this will be increasingly challenging as the council now needs to focus on long term efficiencies, savings or income generation to close the gap rather than one off reserves which will be reduced to minimum levels.

9.8 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 2026/2027. From 2026/2027 there is a significant budget gap that needs to be addressed. As noted in the plan, 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.

9.9 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.

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, since the pandemic outbreak, there has been a notable change in the demand for some services and there is a degree of uncertainty on whether they will return to pre-pandemic levels or continue at the current levels due to adopted behavioural change. Additionally, there is now the cost of living impacting households and businesses which will continue to impact the demand for services. The performance against 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 further changes in interest rates, especially in the current economic climate. The bank rate has already risen 9 times since December 2021 from 0.10% to the current rate of 3.5% following the decisions made by the Bank of England Monetary Policy Committee in their objective to control inflation. This has a direct influence on 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 reflect the forecast bank rate which peaks in 2023/2024, but reduces to the lower levels of 2021/2022 by 2025/2026

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. More recently, the impact of inflation and the current economic climate has had an impact on a number of the projections for some of the major projects causing volatility and uncertainty in any projections over the short term period. Whilst these risks can be reduced through the existence of good governance arrangements, active participation in the schemes and sound project management, it is critical that the projects are frequently reassessed from a financial perspective and the monitoring of the risks remains constant so that actions can be considered at the earliest opportunity. The monitoring and performance of major projects is reported to Member Major Projects Board.

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. Several the most highly rated risks are concerned with finance – the impact of inflation impacting economic activity, increasing costs of or reducing capital receipts from capital projects and variation to service demand with an impact on income and increases to delivery costs for services to the vulnerable. The implementation of the new Business Rates Retention Scheme and the Fair Funding Review impacts the certainty with which the Council can plan and implement its longer term aims, such as economic growth. All these issues have been considered and appropriate action taken to reduce the risk to the Council.

Business Rates Growth – The Financial Plan includes growth from business rates 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. Alongside this, 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. With any new financial reforms is the assumption that there will be some dampening mechanism to soften the impact of any significant funding reductions but until further announcements are made on the detail and timing of the implementation of a reset, it remains a significant risk. 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 or environmental legislation 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.

9.10 Delivering the MTFS

The MTFS requires a number of key actions to be implemented in order to achieve a stable and sustainable financial position for the Council. These include:

- implementing savings plans
- identifying further efficiencies or savings that are sustainable in nature
- reviewing contracts for best value
- delivering income generation projects
- considering how services can be delivered more efficiently
- ensuring a commercial approach is taken where applicable
- increasing revenues by encouraging more businesses into the district
- increasing revenues by continuing to support and encourage housing development

These will need to be managed against a backdrop of the local government finance reforms. To ensure delivery, officers at the Council are advised to ensure that:

- teams are suitably resourced to deliver the Council's corporate objectives - particularly projects or initiatives that the financial plan is dependent on delivery and that resources are at the right level and with the right skills.

- Officers continue to review service delivery which balance service improvement with reducing costs and being more efficient.
- Sufficient funding is set aside to support delivering the Council's corporate objectives – particularly those projects or initiatives that the financial plan is dependent on delivery and especially those with an invest to save basis, with clear criteria and expectations of return.
- Processes, procedures and practices are continually updated to reflect the Council approach to secure value for money or secure efficiencies/savings where applicable.

- Members are advised to ensure that:
- progress against cost management and income generation proposals are regularly monitored and any mitigating actions reported to Corporate Performance Panel.
- members take future decisions that support the aim of maintaining a financially stable and sustainable Council as set out in the MTFS, including clear funding source where applicable.
- business cases for investment projects should be rigorously reviewed to ensure they deliver value for money to the Council.

10 Consultation

10.1 The Council will meet with representatives of the business and voluntary sector community on 24 January 2023 to seek their opinions. Draft notes of the meeting will be made available to Cabinet on 7 February 2023.

10.2 Staff briefings will be held during February 2023. 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 2 February 2023 and the draft minutes from the meeting will be presented to Cabinet on 7 February 2023.

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 2021-2026
Capital Programme 2021-2026 and 2022-2027
Monitoring Reports 2022/2023

Finance Settlement
The suite of supporting documents for the provisional local government finance settlement 2023/2024 can be found by clicking on the following link:

Provisional Local Government Finance Settlement 2023/2024 - GOV.UK