Draft Medium Term Financial Strategy 2023/24 to 2026/27 including Base Budget Projections 2023/24

Summary:	To provide Members with the opportunity to discuss assumptions around Medium Term Financial Strategy and the impact on NNDC finances.
Options considered:	The Council is required by law to set a budget in advance of the financial year. The report to full Council will present options for budget setting with respect to Council Tax and other items.
Conclusions:	The Council is required to agree a budget in advance of each financial year. This is done is February of each year at full Council, after meetings of Cabinet and Overview and Scrutiny. To aid the Committee, an early draft of the Medium-Term Financial Strategy (MTFS) is presented here for scrutiny and discussion.
Recommendations:	**It is recommended that Cabinet agree and where necessary recommend to Full Council:** **1) The 2023/24 revenue budget as outlined at appendix A;** **2) The demand on the Collection Fund for 2023/24, subject to any amendments as a result of final precepts still to be received be:** **a. £6,879,503 for District purposes** **b. £2,800,000 (exact figure not yet available and subject to confirmation of the final precepts) for Parish/Town Precepts;** **3) The statement of and movement on the reserves as detailed at appendix D;** **4) The updated Capital Programme and financing for 2022/23 to 2026/27 as detailed at Appendix C;** **5) The capital bids contained within Appendix C1, with delegated authority given to the Section 151 Officer in conjunction with the Portfolio Holder for Finance to decide on the most appropriate means of funding;** **6) That Members note the current financial projections for the period to 2026/27 as shown in Appendix A;** **7) That Members note the results of the consultation as shown in Appendix F.**
Reasons for Recommendations:	To recommend a balanced budget for 2023/24 for approval by Full Council.

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW

(Papers relied on to write the report, which do not contain exempt information and which are not published elsewhere)

Budget Monitoring Reports 2022/23 *Outturn Report 2021/22* *Medium Term Financial Strategy 2023-26*

Cabinet Member(s) Cllr Eric Seward	Ward(s) affected All
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1. Introduction

1.1 This report presents the detail of the 2023/24 revenue budget and the indicative projections for the following three financial years, 2024/25 to 2026/27.

1.2 An updated Capital Programme has also been included covering the periods 2022/23 to 2026/27 which takes account of slippage of schemes between financial years. Details of new proposed capital schemes are also included within the report.

1.3 A draft 2023/24 budget report was provided to the Overview and Scrutiny Committee for pre-scrutiny at their meeting of 25 January 2023.

1.4 The budget now presented reflects the Local Government Finance Settlement (LGFS) announced in December 2022, the final settlement is expected at some point during February 2023. The final budget presented for approval to Full Council will be updated to reflect the final figures as applicable if they are received in time.

1.5 The following sections of the report present the detail and context within which the budget has been produced. The summary of the budget and service budget details are included at appendices A and B respectively.

1.6 The MTFS is a strategic document that supports the delivery of the Corporate Plan outcomes. The MTFS sets out the resources that are needed and what resources are available over the medium term and identifies the financial challenges facing the Council in terms of future funding gaps. It is the method by which the Council plans and long-term goals can be translated into action by considering;

- Where the Council is now
- Where the Council wants to be
- What the Council's plans are to get there

1.1 The Medium-Term Financial Strategy will be presented for final approval as part of the full Council report and is provided here in draft format to enable discussion and if desired prompt recommendations to full Council.

2. 'Where we want to be' - The Council's Corporate Plan

2.1 The Council's Corporate Plan for the period 2019 – 2023 is coming to an end. The Corporate Plan (which can be found here) has provided the framework and context for the Council's service provision, project interventions and resource allocation (financial and staffing) for the period through to 2023. A new Corporate Plan will be developed after the new Council is elected and will be for the period 2023-2027 and it will be subject to annual review to ensure that it continues to reflect the Council's priorities and objectives throughout the next four years in response to emerging trends, policy developments and legislation.

2.2 It will reflect the essential needs and aspirations of our customers and communities and how we feel the Council can best use its resources to deliver services and outcomes that make a positive difference for residents, businesses and visitors.

2.3 Whilst the District has a number of positive attributes there are also some big challenges: – responding to environmental change, increasing housing supply, supporting economic growth, meeting the challenges of service delivery to rural communities and the needs of both our young people and a growing ageing population.

2.4 The current Corporate Plan identified six key themes and the delivery of services and the allocation of resources over the last four years has been aligned to respond to the challenges our district has faced during this time and in the years to come as detailed below;

- Local Homes for Local Need
- Boosting Business Sustainability and Growth
- Climate, Coast and the Environment
- Quality of Life
- Customer Focus
- Financial Sustainability

2.5 The Plan has also provided a framework against which progress in meeting the needs of our customers and communities could be measured.

2.6 The Delivery Plan was developed alongside the Corporate Plan and it detailed the expected outcomes from each of the six key themes and it contains a set of priority actions and measures against which the Council has undertaken a self-assessment of the level of improvement made during the four years.

2.7 Underpinning the Corporate Plan is the day-to-day business that departments undertake, and which will be reflected in Directorate Service Plans. All Service Plans are linked to the Corporate Plan. These plans also include the performance measures by which the delivery of wider improvement activity can be managed. The Corporate Plan is a living document and will be regularly reviewed throughout its life to reflect changes in the local, regional and national context.

Investment in Priority Areas

2.8 The overall level of the Council's resources continues to reduce and so it is important that a clear focus is maintained on matching funding to priorities. This has been a key focus over the past four years to ensure the aspirations contained within the Corporate Plan and the projects contained within the Delivery Plan were realised. Resources within the annual budget for 2023/24 and the MTFS have also been aligned to meet the priorities of providing services to support the vulnerable and in meeting our Net Zero target.

Our Vision

2.9 To develop a long-term plan, every organisation needs to set an aspiration of where the organisation is aiming to be in the future. This enables everyone to unite in working towards a shared purpose. The Council's aspiration is as follows:

North Norfolk District Council – putting our customers at the heart of everything we do

Our Values

2.10 Our values represent the beliefs and expected behaviour of everyone working for North Norfolk District Council. Our values, which aim to support quality services, we;

- respect everyone and treat everyone fairly
- are open and honest and listen
- strive to offer the best value for money service
- welcome new challenges and embrace change

'One Team' Team Approach

2.11 The Council needs to have excellent teams to deliver high quality services and it recognises that the staff are the most important resource at the heart of the services provided. The Council is committed to investing in staff and their development so that they are well trained and supported employees, providing professional services and who are happy and motivated in their work. The One Team approach also includes Members to ensure that everyone works closely together to deliver the Council's priority outcomes.

3. 'Where we are now' – Current financial projections and analysis

Provisional Local Government Finance Settlement

3.1 The Provisional Local Government Finance Settlement was announced on Monday, 19th December 2022. It was another single year settlement and whilst some of the funding streams were a rollover from the previous year, there were some new funding streams. The most notable of these was a '3% Funding Guarantee' grant the purpose of which is to ensure that all councils will see at least a 3% increase in their core spending power before any decisions about organisational efficiencies, use of reserves or council tax levels are taken. The funding allocations for the Council are shown in the table below along with a comparison of the funding received for 2021/22

Funding Stream	Funding in 2023/24	2022/23 £	2023/24 £
Revenue Support Grant	2022/23 funding increased by CPI	93,540	102,462
Family Annexe Council Tax Discount Grant	These 2 grants are being added into RSG but have been shown separately so can compare RSG between years	0	50,074
Local Council Tax Support Admin Grant		0	136,747
Rural Services Delivery Grant	As for 2022/23	507,661	507,661
New Homes Bonus	Based on increase in new homes, but first year of just in year payments	886,575	31,080
Services Grant	As for 2022/23, but reduced by the amount added for the NI rise	222.339	125,284
3% Funding Guarantee Grant	New one-year grant to guarantee an increase in funding of at least 3% to cover additional inflationary costs	0	1,039,298
Lower Tier Services Grant	This has been removed for 2023/24 and onwards	147,545	0
Total funding		**1,857,660**	**1,992,606**

3.2 Overall there has been a 7.3% increase in funding increase for 2023/24. The Council will receive Family Annexe Council Tax Discount Grant (paid by the Government to cover the discount that the Council gives to people living in an annexe of a relative's house) and Local Council Tax Support Admin Grant (paid by the Government to cover the cost of administering the Local Council Tax Support Scheme). The New Homes Bonus for 2023/24 is significantly lower than for 2022/23 for two reasons and these are that 2023/23 was the last year when any legacy payments were paid by the Government and then the number of new homes added to the Council Tax base was much lower than in the previous year. The Lower Tier Services Grant ceased in 2022/23.

3.3 These figures are all provisional until the Final Local Government Finance Settlement is announced in early February, although there is not usually much change between the provisional and final figures. If received in time the final figures will be included in the full Council report.

Council Tax

3.4 NNDC is the billing authority for the North Norfolk district i.e. it sends out the Council Tax bills to residents and collects the Council Tax on behalf of the County Council, Norfolk Police Authority and town and parish councils. The table below shows that for each £1 collected the County Council receive the largest amount and that NNDC's share is 8 pence in the pound.

Authority	Share of £1 of Council Tax
Norfolk County Council	75p
Norfolk Police Authority	14p
North Norfolk District Council	8p
Town and Parish Councils (Average)	3p

3.5 The charge on a Band D property which is retained by NNDC is currently £158.67 based on a tax base of 41,031 in 2022/23. Any increase on this amount is restricted to no more than 3% or £5 for next year, whichever is the greater. If the Council wishes to increase the charge on a Band D property by more than this, then a referendum will need to be held.

3.6 The draft budget for 2023/24 includes council tax funding that reflects an assumption of a £4.95 increase in the charge on a Band D property in line with the current referendum principles. This would give a charge of £163.62 on a Band D property in 2023/24. The decision regarding an increase to council tax is part of the budget setting process.

Revenue Account Base Budget 2023/24

3.7 The first iteration of the draft budget 2023/24 was prepared including budgets updated for unavoidable growth, savings, expenditure inflation and increases in income attributable to both growth and price increases.

3.8 The unavoidable growth included in the draft budget totals £786k and a breakdown of this is shown below.

Growth	**2023/24 £'000**
Loss of Legal Services income with a contract ending	295
Increases across the Council in staffing, training & travel costs	156
Increases in repairs and maintenance costs	51
Increases in commercial waste disposal costs	60
NEWS additional tonnage	40
Loss of grant income	50
Other small growth areas	134
Total unavoidable growth	**786**

3.9 There were also ongoing savings of £396k and one-off savings of £2.197m (totalling £2.593m) identified by service managers during the initial review of budgets and these were included in the first draft of the budget for 2023/24. The main areas are shown in the table below.

Savings	**2023/24 £'000**
Staff costs where fixed term contracts have come to an end	103
Utility and insurance costs in some areas	102
Management fees & facility charges at sports/ leisure centres	81
Reduction in marketing budgets	29
Other small savings	81
One-off savings for 2023/24 only:	
Staffing	1,250
Grants	285
Local Plan costs	210
Professional fees in Planning	50
Professional fees in Environmental Sustainability	310
Computer costs	55
Other small one-off savings	37

Total savings	2,593

3.10 The Council's budget has been heavily impacted by rising inflation and much of the increase in expenditure budgets can be attributed to this. This has placed a lot of pressure on balancing the budget. Below is a table showing the areas where inflationary pressures have had the greatest impact. This equates to 13.9% increase as a percentage of net cost of services for 22/23.

Inflationary Pressures	
Area of Expenditure	**£m**
Staffing (inc. training, travel & subsistence)	1.426
Insurances	0.220
NEWS Contract -increase in price per tonne	0.375
SERCO Contract - Bin collections	0.619
SERCO Contract - Cleansing	0.261
Grounds Maintenance	0.062
Contract Cleaning (Public conveniences)	0.070
Audit Fee	0.113
Computer Costs	0.078
Other	0.238
	3.462
Income	
Fees and Charges	(0.515)
Total of Inflationary Pressures	**2.947**

3.11 The largest inflationary increase is for staffing which is unavoidable and due to the cumulative full year impact of the flat rate pay increase awarded for 2022/23 of £1,925 for each employee. This equates to an average 6% pay award in 2022/23. The assumed percentage increase for the pay award included for 2023/24 is 5%.

3.12 The draft budget, as it is presented, is a balanced budget but to achieve this a second review of service budgets had to take place to identify additional savings over and above those identified in paragraph 3.2 to meet a budget gap of circa £2.5m. The proposed savings and proposed additional income that has been included in the budget is shown in detail at Appendix E and are for Members to consider. Other significant adjustments included that do not appear on the Appendix are an increase in car park income of £250k which is based on income levels for car parking in 2022/23 to date; the removal of external interest paid achieving a £180k saving by not taking any short-term borrowing in 2023/24; and a recalculation of MRP to reduce the expenditure budget from £744k to £330k.

3.13 The proposed summary of the General Fund Budget for 2023/24, that incorporates all the changes as discussed in paragraphs 3.8 to 3.12 above, is presented for approval and is included as Appendix A. The detailed service budgets are shown in Appendix B which shows the movement of the 2023/24 budget compared to the base budget for 2022/23 as set in February 2022 and then updated during the 2022/23 financial year. The summary below in Table 1 shows that the overall current budget forecast is balanced.

Table 1 – Current forecast 2023/24	
	£000
Total District amount to be met from Government Grant & Local Taxation	15,186
Less:	
Revenue Support Grant	(102)
Business Rates Retained & S31 Grant	(6,315)
New Homes Bonus	(31)
Rural Services Delivery Grant	(508)
Lower Tier Services Grant	0
Services Grant	(125)
District call on Collection Fund – excluding Parish Precepts	(6,880)
3% Funding Guarantee	(1,039)
Family Annexe Council Tasx Discount Grant	(50)
LCTS Admin Grant	(136)
Surplus	**0**

Reserves

3.14 The current position and forecast on the General and Earmarked Reserves is shown at Appendix D. The Appendix shows the proposals for use of reserves in the current financial year along with the budgeted movements in 2023/24, and proposed movements in the following three financial years. The current recommended minimum balance on the general reserve is £2.0 million, which is sustainable with the current planned use of reserves.

3.15 The Council holds a number of 'useable' reserves both for revenue and capital purposes which fall within one of the following categories:

- General Reserve
- Earmarked Reserves
- Capital Receipts Reserve

3.16 The ***General Reserve*** is held for two main purposes:

- To provide a working balance to smooth uneven cashflows and avoid temporary borrowing and;
- A contingency to help cushion the impact of unexpected events or emergencies.

3.17 As part of setting the budget each year the adequacy of all reserves is assessed along with the minimum level of general reserve that an authority should hold. The minimum level of the general reserve considers a risk assessment of the budget and the context within which it has been prepared.

3.18 ***Earmarked Reserves*** provide a means of building up funds to meet known or predicted liabilities and are typically used to set aside sums for major schemes, such as capital developments or asset purchases, or to meet election costs. A number of contingency reserves are also held by the Council to reduce the impact on Council Taxpayers of future uncertain events such as business rate appeals or clawback of benefit subsidy.

3.19 Use of reserves to balance a budget provides only a short-term solution as the funds can only be used once. They can however be used to address the impact of funding gaps over the short to medium term and be used to allow for planning and implementing projects and work streams that will deliver a longer-term financial benefit through reduced costs and/or additional income.

3.20 A comprehensive statement about the adequacy of the reserves and recommended balance will be included within the Chief Financial Officer's report, which forms part of the annual Council Tax and Budget report to full Council on 22 February 2023.

Capital

3.21 The capital programme shows what the Council intends to spend on purchasing new assets and improving its existing ones over the next three years. As capital expenditure is incurred, a source of finance must be identified. Capital expenditure can be financed by applying capital receipts, grants and other revenue resources or alternatively through borrowing.

3.22 If expenditure is financed through borrowing it increases the Council's 'Capital Financing Requirement' (CFR). This will result in a revenue charge (one that impacts on the bottom line of the budget) called the Minimum Revenue Provision (MRP) that is made to reflect the funding of the CFR by the taxpayer. It is required to be set aside each year starting the year after the works are completed and/or the asset comes into use. It is a charge to revenue that covers the repayment of the borrowing needed to finance the capital expenditure. As the need to borrow increases, the CFR and MRP also increase. If the Council has sufficient cash resources to meet the expenditure, it will not be necessary to borrow externally, and cash balances can be used to cover the expenditure. This is referred to as 'internal borrowing' and attracts an MRP charge in the same way that external borrowing does.

3.23 Any new projects included in the programme in the future will need to be financed by borrowing, which will result in an additional MRP charge if no capital resources such as capital grants or capital receipts are available. Alternatively, existing revenue reserves could be used to finance these projects through a revenue contribution to capital (RCCO) which would avoid the need to make an MRP charge. Both are charges to the General Fund and will be included in the amount to be met from Government grant and local taxpayers.

3.24 An updated capital programme can be found at appendix C which includes any known slippage in schemes to future years.

3.25 In addition to the existing capital programme amendments, approval is also being sought for a number of new capital projects as outlined within appendix C1.

Scenario Analysis

3.26 As part of drawing up the draft budget for 2022/23 and future year's projections, a number of assumptions have had to be made about the scale and timing of the impacts of a number of factors. These assumptions are based on information currently available from the Government, plus the latest indications following various consultations. The assumptions have been sense checked with other local authorities and follow guidance from our funding advisors.

3.27 Readers should note that these projections and assumptions are made at a point in time and will invariably change in response to Government announcements.

3.28 One assumption where there is a significant impact is the percentage increase included for pay rises. The profile currently included is a 5% increase for 2023/24 and then a 2% increase for the years 2024/25 to 2026/27. This profile is based on the most up to date economic outlook which forecasts a slowdown in inflation increases from 2024 onwards. Below is a table that shows the impact on the budget should this not be the case for pay inflation

Year	2% Employee Inflation	5% Employee inflation	Additional budget needed
2024/2025	£292,639	£731,958*	£439,319
2025/2026	£281,260	£725,096*	£443,836
2026/2027	£276,074	£734,324*	£458,250

* The 5% inflation rate results an increase greater than taking the 2% and grossing it up to 5% as it will include additional costs e.g. taking employees into the next bracket up for pension contributions etc.

4. 'How we get there' – Bridging the Budget gap

Financial Sustainability Strategy

4.1 The Council needs to develop a Financial Sustainability Strategy so that it has a structured plan to review its services to identify ways in which it can maximise revenue, efficiencies and VFM moving forwards – a Financial Sustainability Strategy is a key part of this in order to deliver managed change that is right for North Norfolk. The strategy needs to be considered in the context of our key corporate objectives, flowing from the Corporate Plan and post-Covid where we have the opportunity to 'building back better'.

4.2 In terms of developing a Financial Sustainability Strategy, it should help direct our finite resources in a targeted way, focussing resources on our key priorities and generating income and efficiencies whilst at the same time investing in our local communities to generate social value, minimise environmental impact and ensure delivery of VFM services.

4.3 The Council strives to stimulate innovation, grow existing services, develop new business and develop an efficient, sustainable approach which generates a greater financial and social return that assists the Council's financial resilience and sustainability. This will enable the Council to safeguard and deliver the services that people need, and more effectively deliver its corporate aims and objectives whilst demonstrating delivery of VFM.

4.4 A Financial Sustainability Strategy means that the Council can adapt to the changing financial climate by looking for efficiencies and generating income, putting customers at the centre of service delivery and making every pound count.

4.5 The success of the Financial Sustainability Strategy will be highly dependent upon the way in which it is implemented and require NNDC to put initiatives in place which are focussed and realisable. A strategic focus will encourage the organisation to develop structured processes for feeding strategic initiatives across the organisation in a meaningful, realistic, and achievable way and this process can be enhanced by using the Corporate Delivery Unit (CDU) to facilitate this.

4.6 There are various programmes of work underway that will put us in a better position to achieve financial sustainability. This is a journey though rather than a destination and so will be a process that involves continuous development and response to changing circumstances and challenges.

4.7 One example of work underway is the revolving programme of asset valuations and condition surveys that provide us with the information needed to help us better understand the costs of maintaining and improving our asset base over the medium to long term to ensure that it remains fit for purpose. Assets will be used to deliver a service benefit and deliver income for the Council where appropriate.

4.8 This assists in identifying where further direct investment in property should be considered where it can be demonstrated that there are additional benefits over and above income generation, such as regeneration and supporting the local economy or housing initiatives in line with guidance from MHCLG.

4.9 Opportunities for the most efficient utilisation of the Council's assets and maximising returns where appropriate are vital. Indirect property investments via treasury instruments, such as the purchase of pooled property funds, can potentially provide a return in terms of a regular income and growth in the value of the investment. Under the Treasury Management Strategy (also an agenda item at this meeting), the Council has made investments in a number of pooled funds which invest in property. One of these funds, the CCLA Local Authorities Pooled Property Fund, invests exclusively in various property assets with the aim of achieving a regular income and growth in the value of the investment. This has proved to be a successful investment with income returns in every year since this investment was made.

4.10 In addition to these investments, the Council has provided capital expenditure loans to registered providers of social housing to facilitate the delivery of housing in the district, along with achieving an income return on its investment. Whilst this has been done on a small scale it is also proving to be successful in terms of securing a return. This strategy of direct property investment can ensure a secondary benefit to the district as it is possible to generate an economic growth benefit when the investment is located in North Norfolk.

Growing the Rates and Tax bases

4.11 Under the current allocation method of New Homes Bonus (NHB) there was a direct financial benefit to the Council from growth in homes through the NHB funding and through increasing the council tax base in addition to the additional income generated from council tax. The schemeWhilst new housing growth has an impact on the demand for local services, there will still be a net gain in terms of overall income for delivery while the NHB remains. However the Government has been considering the future of this scheme. The budget year 2023/24 is the first year where there have been no legacy payments received and there is uncertainty around the scheme continuing. Local authorities are expecting a replacement scheme, although there has not been any Government announcement about this so far. Without any such scheme there will be a funding gap which will need to be filled in some way going forwards.

4.12 The Revenues Team work hard and are committed to identifying any properties and businesses where there is potential to charge business rates (and Council Tax where applicable). Growing our business rates base and maintaining the existing business rates base is important as it has a direct impact on the level of business rates income retained locally.

4.13 Under the current Business Rates Retention Scheme, Shire District Councils keep a generous share of the above baseline growth. Retaining this under any new scheme that may come out of the Business Rates Reform will be an important request to make of Central Government.

4.14 Since 2016/17 there have been increased flexibilities around council tax discounts and permitted annual increases in Council Tax. All policies relating to any discretionary discount schemes are kept under review and any changes are sent to full Council for approval. Full Council will be asked, as part of the Council Tax Budget Setting report, to approve the Non-Domestic (Business) Rates Discretionary Policy for 2023/24.

Lobbying and Consultation

4.15 The Council will continue to lobby central government in terms of increased funding allocations and relaxation/increased flexibility in terms of the council tax referendum principles which will be one of the things required if income raising and decision making is ever to be truly local. The Council will also continue to respond to all relevant consultations, in particular to the Business Rates and Fair Funding Reviews consultations when they come out.

4.16 The Council now carries out its statutory ratepayer consultation on the draft Budget in its website which it is felt makes it more interactive and easier for members of the public to participate in. The consultation on the draft Budget for 2023/24 has yielded a significant number of responses when compared with previous years' numbers. There were 653 responses compared with last year when we had in the region of 50 responses. The responses are contained in Appendix F and provide valuable information on the views of respondents, which Members can consider in making their recommendations to full Council.

5. Conclusions

5.1 At the present time the forecast draft budget position for 2023/24 is balanced, subject to the assumptions listed within the report. There are challenges ahead as a budget gap remains in the future years. The Council will look to address this by taking the measures outlined within this report.

6. Medium Term Financial Strategy and Corporate Plan Objectives

The implications for the MTFS are set out in the report. With funding levels continuing as projected, there are forecast deficits in the years 2024/25 to 2026/27. These projections will be regularly reviewed and updated during 2023/24 in light of any Government announcements and consultations and any significant changes. The resources identified as available within the MTFS will directly affect the Council's ability to deliver the new Corporate Plan. This year the budget setting process has aligned service budgets to the existing Corporate Plan priorities in order to continues to support this.

For a Council to be financially stable, it must be able to produce a balanced budget for each financial year and provide medium-term forecasts to aid future planning.

7. Financial Implications and Risks

7.1 A comprehensive financial risk assessment has been undertaken for the revenue and capital budget setting process to ensure that all risks and uncertainties affecting the Council's financial position are identified. These are reviewed each year as part of the refresh of both the MTFS and the budget. The key strategic financial risks to be considered in developing the budget for 2023/24 are included within the table below.

7.2 Medium term financial planning, set against the uncertainty in the future Government funding mechanisms and levels, carries with it a significant element of risk. Many factors may impact on the figures presented here and themes have been highlighted where appropriate. Most significant are the potential revisions in Local Government finance policy with the Fair Funding Review and Business Rates Reform on the horizon, and significant revisions to the New Homes Bonus scheme and its ultimate replacement. Should there be a change in emphasis, particularly around the assessment of need (Fair Funding Review) and business rates funding, there may be reductions compared with those presented within this report that would place further pressure on the Council to deliver balanced budgets, without impacting on frontline services.

Risk	Likelihood	Impact	Risk Management
1. Future available resources less than assumed	Possible	High	Annual review of reserves and reserves policy to identify future resources. Assumptions on funding for 2023/24 and beyond are based on information known at the time to calculate the best estimates

			possible. A prudent approach has been adopted based on previous years' experience as well as using regional network contacts to inform modelling.
2. Volatility of business rates funding given uncertainty around impact of appeals	Likely	High	Volatility of funding stream is outside of council control but impact is minimised by maintaining a specific earmarked reserve and financial monitoring framework. Modelling of potential impacts is used to inform internal financial planning.
3. Pay Awards, fee increases and price inflation higher than assumed	Possible	Medium	Pay inflation is currently included at 5% for 2023/24 and then 2% thereafter for each year. The impact of pay inflation being at 5% is shown in paragraph 3.28. Potential increases are mitigated by holding contingency budget for pay and general price increases. Where pay awards have been agreed these will be factored into the future estimates.
4. Future spending plans underestimated	Possible	Medium	Service planning process identifies future budget pressures, and these will inform the indicative budget forecasts. An effective budget monitoring framework is in place to identify in year and potential future cost pressures.
5. Anticipated savings/ efficiencies not achieved	Possible	High	Non-achievement of savings would require compensating reductions in planned spending elsewhere within services. There is history of delivering savings.
6. Revenue implications of capital programmes not fully anticipated	Unlikely	Low	Capital bid approval framework identifies revenue implications and links to Council priorities. Full analysis of revenue implications assessed and considered in scenario planning.
7. Income targets not achieved	Possible	Medium	Current economic climate could impact. Regular monitoring and reporting takes place.
8. Budget monitoring not effective	Unlikely	Medium	Regular monitoring and reporting in line with corporate framework. Action plans developed to address problem areas. Regular reports to Cabinet and to O&S. Track record of delivering budget and savings.
9. Exit strategies for external funding	Possible	Medium	Regular monitoring and reporting. Government policy to remove ring fencing provides greater flexibility.

leasing/tapering not met			
10. Loss of principal deposit	Unlikely	Medium	Limited by the controls in the Treasury Management Strategy which balance security of deposit over returns. Impact limited due to the strategy of a diverse portfolio with top rated institutions. It is the Council's policy to hold more volatile investments over a medium-term time frame rather than using them for liquidity purposes, further reducing the risk that they will need to be sold at a price which represents a loss of principle.
11. Interest rates lower than expected	Unlikely	Low	Regular review, monitoring and reporting on interest rates. Prudent assumptions on likely interest rates for 2023/24 are included into the budget. Interest rates are currently at historic lows; the likelihood of further reductions (or reductions into negative territory) remains low.
12. Collection rates for retained business rates and council tax lower than anticipated	Possible	High	Impact mitigated by the review of bad debt provisions and availability of reserves. Monitoring of Collection Fund is formally incorporated into the revenue monitoring process.
13. Devolution/ Unitary status –	Possible	Medium	A new devolution agreement between the Government and Norfolk County was agreed in December 2022. Whilst there are no plans to seek unitary status by any officers and Members will keep a watching brief in respect of this. At present no budgetary impact is being assumed.
15. All MTFS risks not adequately identified	Unlikely	Low	Council's Risk Management Framework ensures all operational and strategic risks are identified as part of the annual service planning process.

8. Sustainability

There are no sustainability issues as a direct consequence of this report.

9. Equality and Diversity

The Council is required to consider the equality duty in its decision-making, and this includes the budget process. As part of any savings or investments the Council must consider how it can:

- Eliminate unlawful discrimination, harassment and victimisation;
- Advance equality of opportunity between different groups; and
- Foster good relations between different groups by tackling prejudice and promoting understanding.

Savings proposals have been factored into the 2023/24 budget, but there are no plans to reduce service delivery levels, so there should not be any equality issues arising as a result of these proposals.

10. Section 17 Crime and Disorder considerations

There are no Section 17 Crime and Disorder considerations as a direct consequence of this report.