Medium Term Financial Strategy 2020/21 to 2023/24

North Norfolk District Council

Executive Summary

North Norfolk District Council's Medium Term Financial Strategy (MTFS) is a strategic document that supports the delivery of the Corporate Plan outcomes. The MTFS establishes how the Council's priorities will be achieved by setting out the framework within which resources are available over the medium term and the financial challenges facing the Council in terms of future funding gaps. It is the method by which the Council plans translates its long-term goals into action by considering;

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

The MTFS helps to ensure that the Council is 'doing the right thing' while taking account of internal strengths/weaknesses and external threats/opportunities. It should also provide a link between the Council's long-term service objectives and its financial capacity, which effectively asks the question 'can the strategic objectives be achieved within the available financial envelope?'

The aim shouldn't be to provide provisional budget figures but to provide a framework and context to support and inform the medium term planning considerations and the budget setting process. Essentially the MTFS should include consideration of a broad range of factors that influence the Council's long-term financial success.

The MTFS Aims to:

- provide a high-level assessment of the resources available to support the Corporate Plan outcomes, outlining the high level funding projections for the following four financial years (beyond the current year);
- explore the financial context in which the Council operates taking into account a number of local and national factors. These will include known spending pressures and commitments, along with forecast future funding reductions and the impact of the national economic outlook;
- explore the demands on the capital programme both in terms of ambition and resources along with the impact on the revenue account and reserve levels held by the Council;
- highlight how the Strategy links in with and supports other Council strategies and policies;
- assess the risks on which the Strategy is based;
- provide preparatory work for the following year's budget;
- address the sustainability of the Council's financial position.

The MTFS is fundamentally linked to the Corporate Plan, a summary of which can be found on the Council's website here. The following diagram provides an overview of the financial processes undertaken by the Council to ensure value for money for the tax payers.

The updated high level funding forecasts in this strategy build on previous figures from the 2019/20 Budget setting exercise, which were forecasting future year deficits in the region of £2m. The updated forecasts below differ significantly from this, in the main this is due to postponement of the Fair Funding Review, Business Rates Review and the Spending Review, all of which have been impacted by the ongoing Brexit negotiations which have led to a one-year Settlement which has meant the continuation of the previous funding regime for a further year.

	2020/21 Updated Projection	*2021/22 Updated Projection*	*2022/23 Updated Projection*
Collection Fund - Parishes	(2,420,382)	(2,523,481)	(2,630,456)
Collection Fund - District	(6,397,258)	(6,751,054)	(7,126,515)
Retained Business Rates	(5,191,823)	(4,958,845)	(5,028,223)
Revenue Support Grant	(89,861)	0	0
New Homes Bonus	(1,233,832)	(586,071)	(468,536)
Rural Services Delivery Grant	(483,771)	0	0
Income from Government Grant and Taxpayers	(15,816,928)	(14,819,451)	(15,253,730)
(Surplus)/Deficit	**(430,013)**	**1,012,994**	**931,531**

The Council is currently projecting a deficit position from 2021/22 onwards. Forecasting the deficit allows the Council time to plan mitigating actions more effectively, meaning we are more likely to be successful. This strategy will explore some of the Council’s plans for addressing this deficit and consider some of the assumptions included.

Contents

1. Context

Demographic and landscape issues that set the scene for the budget and financial strategy

The population of North Norfolk is gradually increasing, with residents living longer. There is a higher than average number of residents migrating into the district, particularly in the 50-64 years' age group as people retire to the area. When compared to county and regional averages, there are far more over 55 year olds proportionately that live in North Norfolk; this puts pressure on services such as Adult Social Care in the district.

North Norfolk has a fairly low index of deprivation score, but is higher than the Norfolk and East of England averages. Areas of deprivation often require higher levels of service provision and are a budget pressure for both NNDC and the County Council. Barriers to housing services and living environment are the highest deprived domains within North Norfolk and these are increasing in deprivation.

The strongest business sectors in the district are:

- Accommodation and food services
- Manufacturing
- Arts, entertainment and recreation
- Retail

There is a higher than average number of micro-businesses in North Norfolk and this trend is increasing. This area has a lower than average number of new business start-ups. The Council offers support for its small businesses through Business Rates relief schemes.

North Norfolk has proportionally more residential property sales than the East of England average, with house prices higher than the County average. The unaffordability of houses and number of second homes is proportionally higher in North Norfolk and is on the increase. The high number of second homes particularly increases the burden on Council services, as well as affecting the sense of community in individual areas with a high number of second homes.

A large part of the North Norfolk economy is dependent on tourism and travel to the area, with the Council itself benefiting directly from tourism in the form of car parking income. Visitor trips to North Norfolk are increasing, with July, August and December being the most popular months for tourists. Overall, visitors spend and the numbers of jobs in the tourism sector are increasing.

2. Corporate Plan 2019 - 2023

‘Putting our customers at the heart of everything we do’

In May 2019 a new Council was elected and the Council has adopted a new Corporate Plan which sets out the intent and ambition of the authority for the period 2019 – 2023.

The Corporate Plan details the Council’s vision for the next four years. It will provide the framework and context for the Council’s service provision, project interventions and resource allocation (financial and staffing) for the period through to 2023. The Plan 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.

It reflects 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 everyone who lives in, works in or visits North Norfolk.

However, despite the District having a number of very positive attributes we also have 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 rapidly ageing population.

The Corporate Plan identifies six key themes where we would propose developing actions and allocating resources to respond to the challenges our district faces 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

Planning for the future is challenging, especially given the broad range of services we provide, and the competing demands for increasingly scarce resources. All our services are committed to making improvements and finding savings, so that the Council remains efficient, effective and meets the day to day needs of the communities we serve. The purpose of the Corporate Plan is to focus on those priorities where we need to give specific attention. It will help us target better our dwindling capital and revenue resources and help direct and focus any bids for external grant support. The Plan also provides a framework against which we can assess our progress to support the needs of our customers and communities.

The Delivery Plan, which will support the objectives contained within the Corporate Plan, is scheduled to be approved by Full Council in January 2020. This will detail how we will judge our performance; it will also be the means by which the Council agrees its improvement objectives. It will include the expected outcomes from each of the six key themes and be supported by a set of priority actions and measures through which the Council will undertake a self-assessment of the level of improvement made.

Underpinning the Corporate Plan is the day to day business that departments undertake and which will be reflected in departmental 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.

The priorities within the Corporate Plan were developed by talking with, and listening to the community, Elected Members, staff and other key stakeholders all of whom have helped to shape the content of the Plan.

Our Strategic Priorities 2019 - 2023

The Delivery Plan is still under development but is expected to include a series of priority actions and measures that we will monitor to assess if we have made a difference. Progress and tracking against the identified actions and delivery of the outcomes will form a key part of the Council's performance management framework.

Investment in Priority Areas

Whilst the overall level of the Council's resources is reducing it is important that a clear focus is maintained on matching funding to priorities. This will remain a key focus over the coming years to ensure the aspirations contained within the new Corporate Plan and the projects contained within the Delivery Plan are realised.

Our Vision

In order 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 be united in a shared direction and purpose. The Council's aspiration is as follows:

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

Our Values

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

In order to deliver high quality services, we need to have excellent teams to deliver them. We recognise that our staff are our most important resource at the heart of the services we provide. We are committed to investing in staff and their development so that we have 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 we work closely together to deliver our priority outcomes and that their training needs are also met as part of their ongoing development.

3. National Pressures

Some financial pressures are driven nationally and are beyond the control of the Council and may come about due to policy directions or new legislation from Central Government. Some of these which impact NNDC are shown below

Brexit

Following the Brexit referendum result we were due to leave the European Union (EU) on 29 March 2019. This was subsequently extended to the 31 October and the revised date is now 31 March 2020. At present it is still unclear as to exactly what deal will be negotiated and how this might then impact on a raft of factors including Local Government funding, inflation, businesses, availability of labour for construction etc. Due to the level of uncertainty this poses it is flagged as a risk rather than having any quantifiable financial cost at the present time.

Volatility of investments, cost of commodities and access to funding streams are all likely to affect NNDC post-Bexit and indeed are already being felt in terms of things such as the waste contract negotiations. The focus and resource requirements of Brexit have also had an inevitable impact on the Spending Review, Fair Funding Review and Business Rates Review, all of which have slipped in terms of their original timescales and these are discussed in more detail below.

General election

Off the back of the uncertainty surrounding the ongoing Brexit negotiations a General Election has been called for 12 December. The timing of this has not been particularly helpful in terms of the Settlement announcement and this is discussed in more detail below. The result of the election will undoubtedly impact on Government spending priorities for future years but until the results are known and policies developed it will not be possible to assess any potential impact.

Low interest rates

The Bank of England bank remains at 0.75%. Investment income continues to be an important source of income and is generated from investment of the Council's reserves and surplus funds from the timing of daily cash flows. In this climate of low interest rates we've had to work hard to generate investment returns that outstrip inflation.

If this does not happen, not only does this put pressure on our budget through lost investment income, but inflation effectively erodes the spending power of the invested cash. On the upside, borrowing continues to be relatively cheap although a recent 1% increase in rates from the Public Works Loan Board (PWLB) has not been particularly helpful. However there remain are a number of alternatives available to the Council as potential sources of capital funding for the council and which also provide an effective tool to help manage cash flows. As can be seen below the current rate of CPI inflation as at September 2019 is 1.7% which is significantly (0.7%) lower than at the same time last year, and our average rate of return on investments is 3.08%. The current year's budget assumes that an average rate of 3.5% (3.3% 2018/19) will be achieved delivering income of just over £1.344m (£1.3m 2018/19 outturn).

4. Local Pressures

These arise from local circumstances and demand for services. The financial effects of these must be dealt with by the Council, as there is often no external funding

Local Economic changes

NNDC derives significant sums of income from fees and charges for services such as car parking and planning. These will be affected by factors outside the Council's control, such as the weather, consumer confidence and the general health of the economy.

Waste Management

Waste management currently represents a pressure for two reasons. The first relates to the current outsourced contract, which is coming to an end in March 2020 and is in the process of being re-procured, with the new contract award expected in December. This represents a potential cost pressure as market conditions have changed since the contract was last let, during the negotiations it has also become apparent that the ongoing impact of Brexit has also led to more uncertainty around a number of connected markets which may impact on the final contract price.

Recycling income is also under threat as recent quality control developments in China have effectively closed that market with income reducing as a result although actions have been taken to reduce our exposure to this, with the majority of the exposure currently resting with Norfolk Environmental Waste Services Ltd (NEWS).

Local Council Tax Support Schemes (LCTS)

The LCTS scheme was implemented in April 2013 as a replacement to Council Tax Benefit. This change was part of wider welfare reforms to reduce expenditure, giving responsibility of the replacement scheme to Local Councils. LCTS schemes should encourage people into work and be based on the ability to pay. Previously the Council Tax Benefit scheme was 100% funded through subsidy paid to the Council from the Department for Work and Pensions (DWP).

From April 2013 each billing authority was given the discretion to set their own scheme, although at the outset the government did stipulate that the scheme would not change the 100% maximum support for low income pensioners i.e. they would receive the same level of support as they did under the system of Council Tax Benefit. Funding for LCTS is no longer received as a separate subsidy grant but is now within the overall Local Government Funding system as non ring-fenced funding within the Revenue Support Grant (RSG) and baseline funding level. The local scheme (for North Norfolk) has remained the same since the introduction of LCTS in 2013/14. The local scheme means that those of working age previously entitled to 100% maximum council tax benefit are required to pay a maximum of 8.5% of their council tax liability.

With the changes made for the rollout of Universal Credit there will be implications for the cost of LCTS schemes. The Council will need to review options going forward to ensure this remains a cost effective, affordable scheme.

Workforce

We recognise that our staff are our most important resource at the heart of the services we provide. We currently have 274 full time equivalent posts and 311 actual members of staff. Our pay bill is our most significant area of direct spend and stands at £12.1m as per the 2019/20 budget.

NNDC contributes 14.5% of the basic salary of all staff in the pension scheme. In 2019/20 this equated to nearly £1.2m.

NNDC also contributed £0.97m to reduce the deficit in the scheme in 2019/20. As a result of the triennial valuation, this will rise to £1.12m in 2020/21, £1.16m in 2021/22 and £1.19m in 2022/23 – all these figures are fixed so do not depend on the number of people in the pension scheme.

Since the last valuation, the funding position has improved from 74% to 89% and the deficit reduced from £20.530 million to £9.202 million, largely due to an increase in annual investment return from 3.8% to 4.2%. Also the investment return on assets in total from March 2016 to March 2019 was 29.1%.

Temporary accommodation

The council has a duty to provide emergency/temporary accommodation (TA) for homeless households whilst assessing their case and/or ahead of securing more permanent accommodation. A range of accommodation is currently used to cover this duty: two units owned by NNDC, some units owned by housing associations, and rooms in hotels/bed & breakfasts.

Whilst some of the costs of this accommodation are covered by housing benefit this is only payable up to 90% of the Local Housing Allowance (LHA) which is the amount set by government that can be covered by housing benefit. The difference between the actual cost and housing benefit levels is borne by the council. This has been increasing over recent years, with last year's deficit being just under £80k and current forecasts for the end of this financial year at c£170k. As well as the costs to NNDC, many of the current TA options offer poor housing conditions for often vulnerable households – accommodation that is not self-contained, not within District and is used for increasingly lengthy periods (the current longest stay in B&B style TA is 42 weeks).

5. Inflation

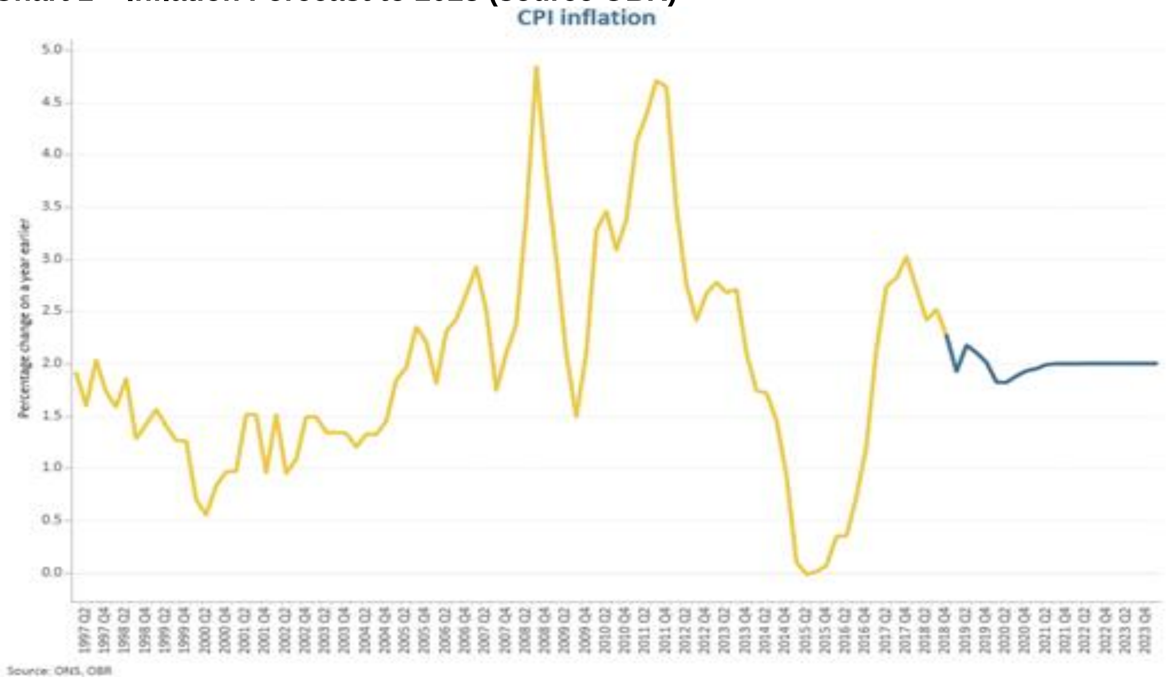
Inflation is the rate at which the prices for goods and services that the Council buys are expected to rise. At the end of September, Consumer Price Index (CPI) inflation was at 1.7%, which is now below the Bank of England's target rate of 2%

Staff Pay - the forecasts assume an annual pay award of 2% but also turnover savings (for staff leaving and temporarily vacant posts etc) of 2%. The Council is part of a national pay agreement and as a guide for NNDC, 1% equates to approximately £108,000 annually. Therefore, should the annual pay award agreement be different to the 1% assumed, say for example by 0.5%, this would equate to an additional cost of £54,000 per annum.

General prices and contracts - the Council assumes in this financial strategy that inflation will follow the pattern in the graph below as outlined by the Office for Budget Responsibility (OBR) with general price increases being assumed at around 2%. There are also some areas and contracts, such as the waste contract, which use different indices to calculate annual increases and these are taken account of where appropriate.

Income (fees and charges) – In recent years' budgets for fees and charges have included a 2% increase unless there have been specific reasons for higher or lower increases or alternatively the Council is not able to influence them. As part of the Council's financial planning processes, and in an effort to address the pressures on future year's budgets, the finance team will be working with service managers next year in the run up to the 2021/22 budget setting process to undertake a more fundamental review of fees and charges. This will involve more detailed work to ensure that we fully understand our cost base so that we can ensure our charges are covering this as a minimum.

Chart 1 – Inflation Forecast to 2023 (source OBR)



6. Funding changes

Local Government is currently going through a significant period of change in terms of the way it is funded and the way the funding elements are to be calculated for the future

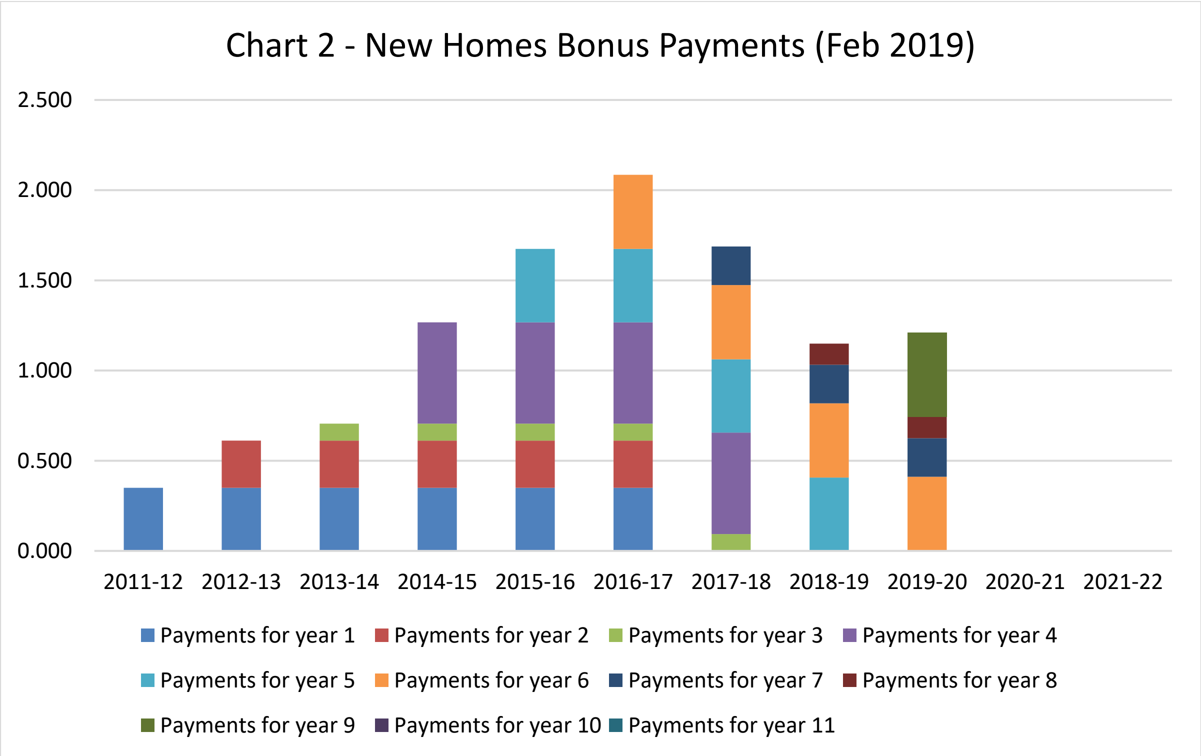
Settlement Funding – last year's forecasts

The Local Government funding settlement is issued each year by the Ministry of Housing, Communities and Local Government (MHCLG) and for NNDC comprises several elements. These previously included Revenue Support Grant (RSG), New Homes Bonus (NHB), Baseline Funding Level (via the Business Rates Retention Scheme), Council Tax (through the setting of referendum principles) and Rural Services Delivery Grant.

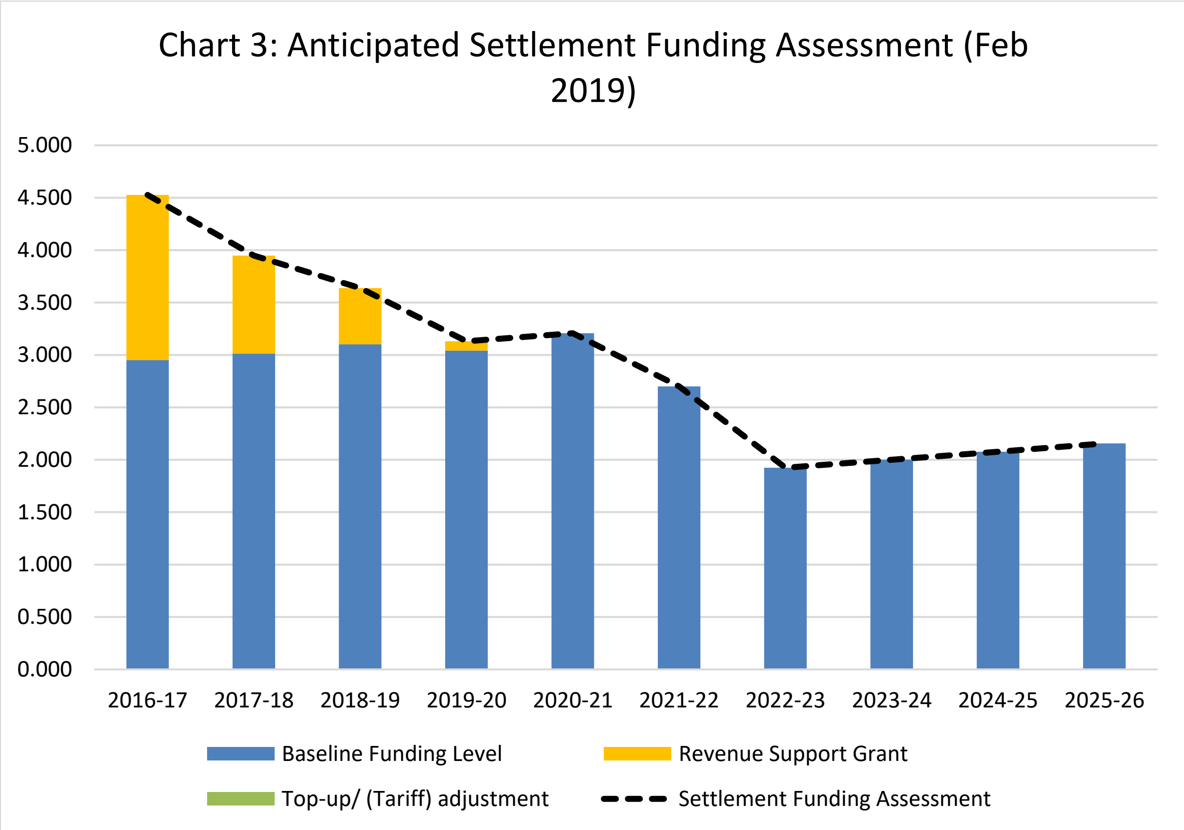
RSG is an un ring-fenced grant which can be spent on services at NNDC's discretion. This has been reducing over the past years, and 2019-20 was expected to be the last year of receipt of this grant. The allocation was just £88,000 compared to £2.4m back in 2015/16.

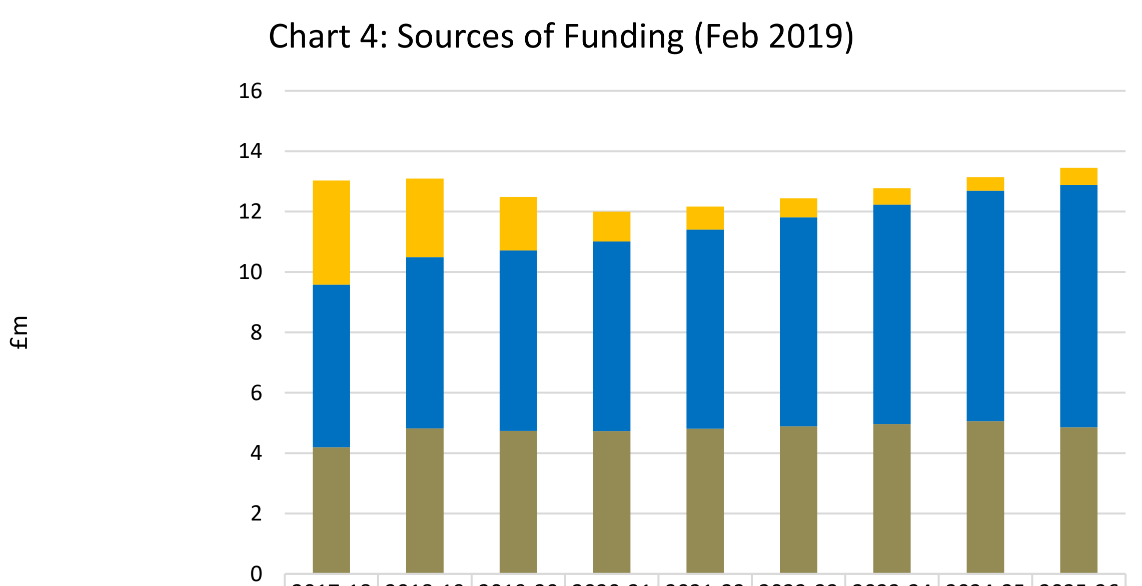
To reflect North Norfolk's rural nature and the increasing cost this brings to the Council in terms of sparsity, NNDC receive an annual amount of Rural Services Delivery Grant. Again prior to this year's provisional Settlement announcement the final year of this grant was also assumed to be 2019-20, reflecting a further reduction in resources of £484k.

Finally, the message from Ministers at this time last year was that there was no further money available to support the New Homes Bonus (NHB) payments, which saw a further reduction in funding of £1.2m and is highlighted by the Chart 2 below.



The loss of these elements of central funding totalled nearly £1.8m and led in no small part to the future years' budget deficits forecast of c£2m. Chart 3 shows the projected settlement reduction last year with Chart 4 highlighting the changing reliance on funding streams away from external grants towards locally generated income.





	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
TOTAL GRANT FUNDING	3.451	2.601	1.770	0.984	0.760	0.632	0.543	0.451	0.570
TOTAL COUNCIL TAX	5.381	5.672	5.984	6.280	6.594	6.923	7.271	7.636	8.022
TOTAL RATES	4.197	4.819	4.734	4.731	4.811	4.888	4.961	5.057	4.860

TOTAL RATES TOTAL COUNCIL TAX TOTAL GRANT FUNDING

Settlement Funding – Spending Round 2019

As the year has progressed and Brexit negotiations have continued there has been growing speculation that the anticipated Spending Review might well be delayed and this has indeed been the case. The focus on Brexit has also led to a delay to the Fair Funding and Business Rates Reviews, all of which has led to a one-year Settlement resulting in the continuation of the previous funding regime for a further year which has been extremely beneficial. This has had a significant impact on the high level forecasts in relation to the future years' budget deficit and this is discussed in more detail below.

The Spending Round 2019 announcements were made on 4 September 2019 and set out the Government's spending plans for 2020/21. The detail of the announcements can be accessed here. This was a one-year spending review and only covered the period 2020/21, the multi-year spending review is expected to be announced next year. While the announcements brought good news for the Local Government sector as a whole, the real win and the bulk of the additional money was understandably focused towards social care which saw access to funding increase by £1.5b (£1b through a new grant and £0.5b through the adult social care precept).

The total amount of settlement funding is now anticipated to increase slightly (Chart 5 below) compared with the prior year forecasts shown in Chart 4 above.

Chart 5 - Settlement Funding Assessment, Revenue Support Grant and Baseline Funding Level (Sept 2019)

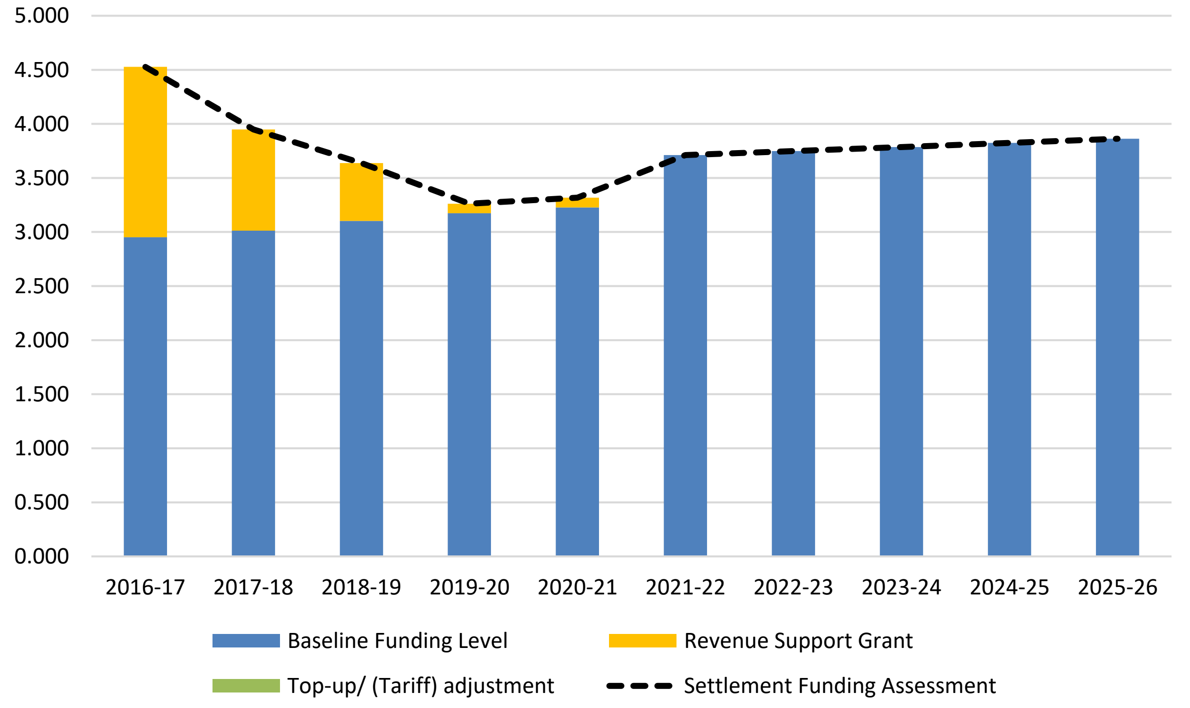
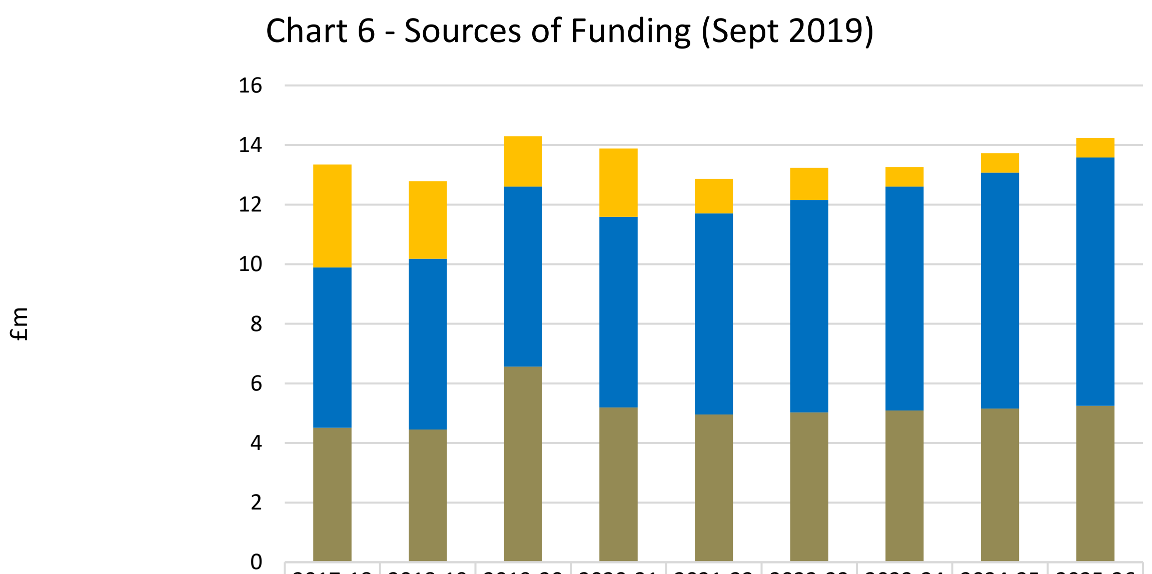


Chart 6 shows the anticipated change in total funding sources, including Council Tax.



	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
TOTAL GRANT FUNDING	3.451	2.601	1.688	2.295	1.155	1.078	0.653	0.653	0.653
TOTAL COUNCIL TAX	5.381	5.730	6.043	6.397	6.751	7.127	7.513	7.917	8.336
TOTAL RATES	4.512	4.454	6.564	5.192	4.959	5.028	5.094	5.157	5.247

The announcement of a General Election on 12 December has added some confusion in terms of the budgeting process for 2020/21. In a recent Technical Consultation, the government had said that they were “aiming to hold the provisional settlement in December” but we still do not know as yet how this will be handled.

One scenario is that the government announces a provisional settlement before the Election however a pre-Election settlement seems unlikely as previous years’ announcements have been after this date on 8 out of 9 occasions. A more likely scenario is that the settlement is delayed until a new government is in place although in this instance it is still not certain that a provisional settlement would be announced before Christmas. In either scenario, Parliament would have to vote on the final settlement in February.

All we can conclude for now is that the provisional settlement is more likely to be after the Election, but could be in either December or early January. Until the Settlement figures are finally confirmed the figures are still provisional and subject to change but this is the best information we have to go at the present time.

The significant caveat with this however is that these projections are still based on future year’s forecasts which have not as yet been finalised and could potentially be impacted by a change of Government in December.

While these reviews may have been postponed they have not gone away and they still have the potential to have a large and unpredictable impact on the Council’s finances and officers will continue to monitor the position and feed into any consultations as required.

Income

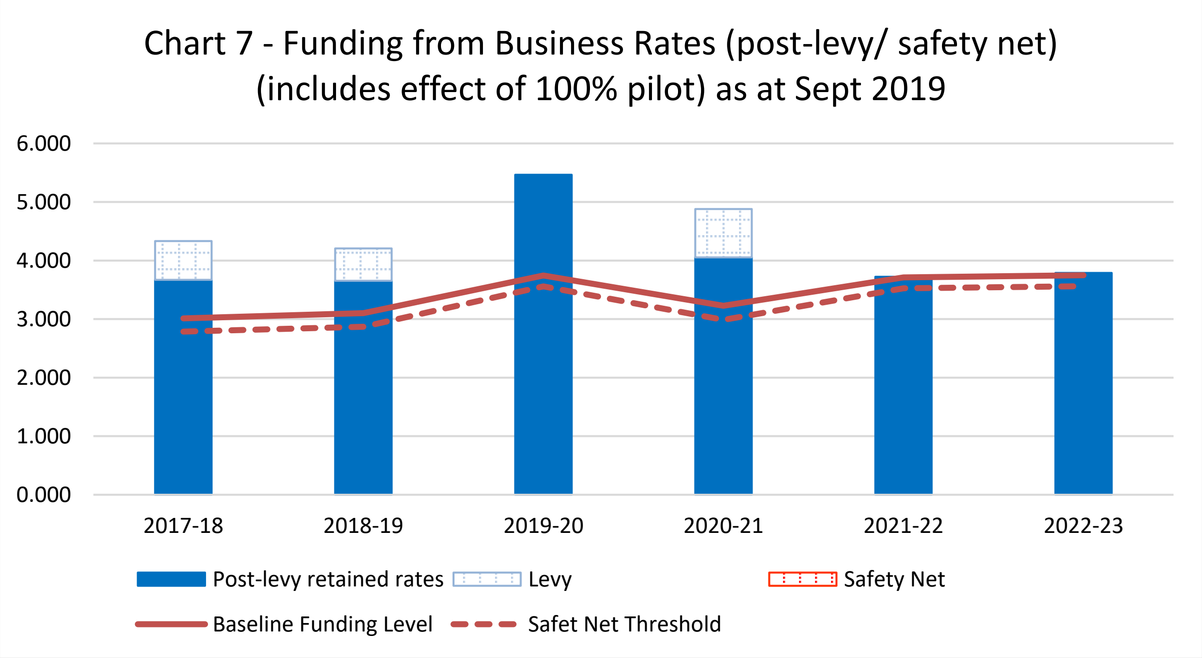
The Council derives a limited and reducing amount of funding from Central Government, with the main sources of income now being locally raised taxes, fees and charges and specific grants. This section explains more about how the Council is funded and how this is expected to change over the coming years

Business Rates Retention

Since the 2013/14 financial year, local government has been able to retain 50% of the growth in the local business rates income to support services. As part of a manifesto commitment, the Government had pledged to allow Councils more control locally over their finances, and as part of this began to plan for an eventual system of 100% local retention of business rates growth. In exchange for this, Councils would have to forgo certain grants received from Central Government.

Following the snap General Election in 2017 and a period of uncertainty around the new Business Rates Retention Scheme, MHCLG had previously confirmed a local 75% share from April 2020, however, as indicated above, this has now slipped back a year.

The income from the current system is shared on the basis of 50% being returned to Central Government, 40% being retained by NNDC with 10% going to the County. However, while technically NNDC's share is projected to be around £12.9m (£12.7m 2019/20), after the tariff payment is made the net income to NNDC reduces to around £5.2m for 2020/21 (£4.7m 2019/20). Chart 7 shows the anticipated funding for the Council from the Business Rates Retention Scheme.



* Please note: chart 7 above excludes income from renewable energy and designated areas (Enterprise Zones).

Business rates pilot - Last year's Settlement did bring some good news and one of the key issues confirmed was in relation to the business rates pilot. North Norfolk District Council applied to be a pilot authority as part of the Norfolk Business Rates Pool, as it was forecast that the pilot would bring significant financial benefit to the district. The decision regarding the success of this application was announced alongside the Provisional Settlement and the excellent news was that the Norfolk wide pilot application was successful. The monitoring of the pilot began this August and the countywide agreement is to recognise any additional gain from the pilot following the end of the current financial year. This enables us to retain 75% within the County as opposed to the normal 50%, this is however only a pilot which will operate for one year so any additional income will only be a one off gain.

NHS appeal - Consultants are currently advising a group of 17 NHS trusts challenging the business rates on their properties. This will be a test case in which Derby Teaching Hospitals NHS Foundation Trust and the others will seek 80% relief on its rates bill. If successful, this could see £2.35bn clawed back nationally and set a significant precedent. The preliminary hearing was heard on the 4 November 2019 in the High Court but the decision was deferred which provides an extra three months for further consideration so the decision is due in February 2020.

Officers will continue to monitor the position and provide updates as the case progresses. It is difficult at the present stage to assess the financial impact this would have on the Council due to the countywide business rate pooling arrangements. The pool does contain a £1m 'volatility fund' and the Council also has the Business rates Reserve which holds a further £2.4m to help mitigate against any financial impact should the case be won by the NHS. Further details can be found here.

Due to the uncertainty generated by the NHS Trust Challenge, Norfolk Leaders decided to provisionally allocate funds to the projects recommended for approval to be funded from the Business Rates Pool fund, but not authorise any expenditure from the 2018/19 Round until further updates on the court case will be available, providing a £5m contingency.

New Homes Bonus (NHB)

The New Homes Bonus was introduced in 2011/12 to incentivise and reward Councils and Communities that build new homes in their area. The bonus was originally paid as an un-ringfenced grant for six years and was paid based on the net additional[1] homes plus an additional supplement of £350 per affordable dwelling. The payment is then split between local authority tiers: 80% to the lower tier (NNDC) and 20% to the upper tier (NCC).

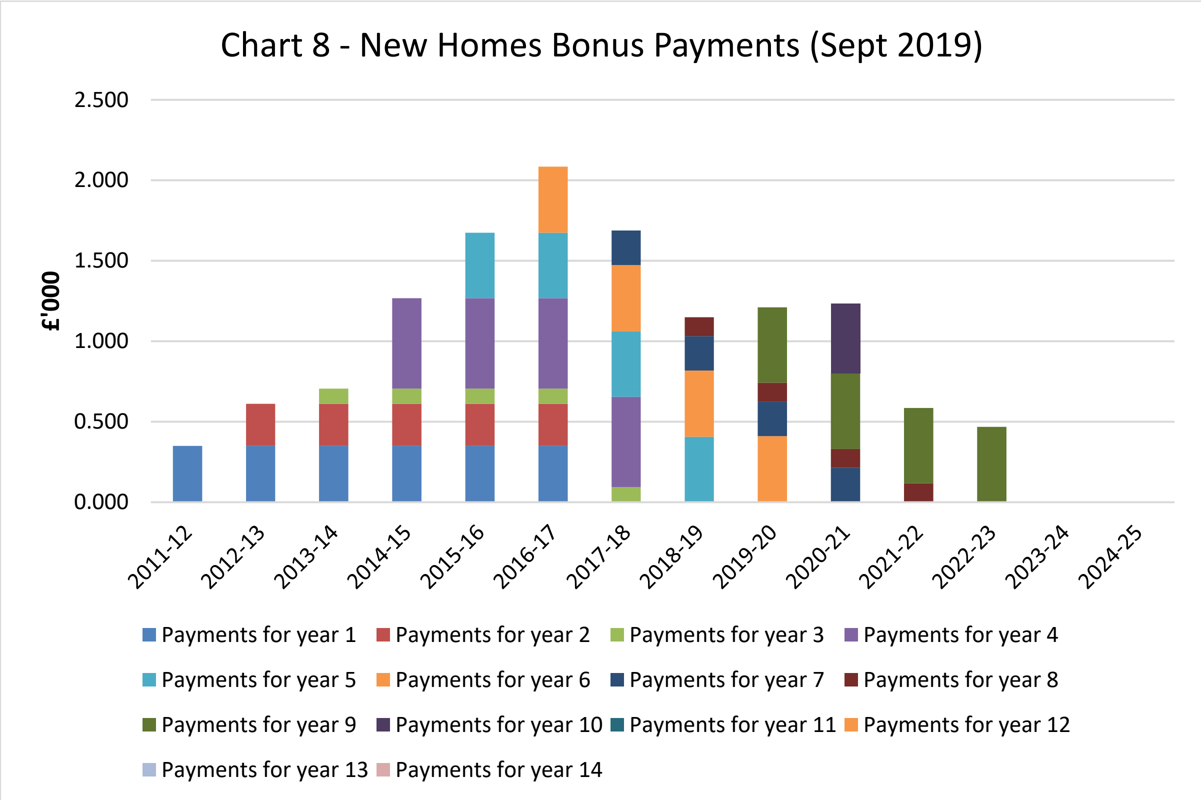
Since its initial introduction the payment mechanism has undergone two fundamental changes which have significantly impacted on the income received by NNDC. The first was the transition from payments rolled up over a 6-year period up to 2016/17 (for which the Council received £2.1m) to 5 years in 2017/18 to the new 'floor' of 4 years from 2018/19 onwards. The second was in 2017/18 when a national baseline of 0.4% (based on property numbers within the district) was introduced. The combined effect of these two changes was forecast to see income decrease from the highest point in 2016/17 of £2.1m to the previous projection of £1.2m in 2019/20.

Last year's discussions around the Fair Funding Review and recent comments from the Treasury and MHCLG suggested that ministers didn't feel that the NHB has achieved its original objective of increasing housing numbers and that they might be looking to replace the scheme with something else in the future. It was also clear at the time that there was no

[1] Net additional homes as recorded on the council tax base return (submitted October annually) takes into growth in property numbers, demolitions and movement in empty properties.

funding allocated for the NHB from 2020/21 onwards. This has the effect of removing £801k in 2020/21, £587k in 2021/22 and £469k in 2022/23 from the previous forecasts and while it was anticipated that some new form of incentive scheme would probably be introduced it was impossible to predict at the time what this might look like and to what extent (if at all) the Council would benefit from it in financial terms so no income was forecast in this respect.

Chart 2 above shows the forecasts at the time the 2019/20 budget was set back in February. The chart below now shows the updated projections following the Settlement Review announcements from September.



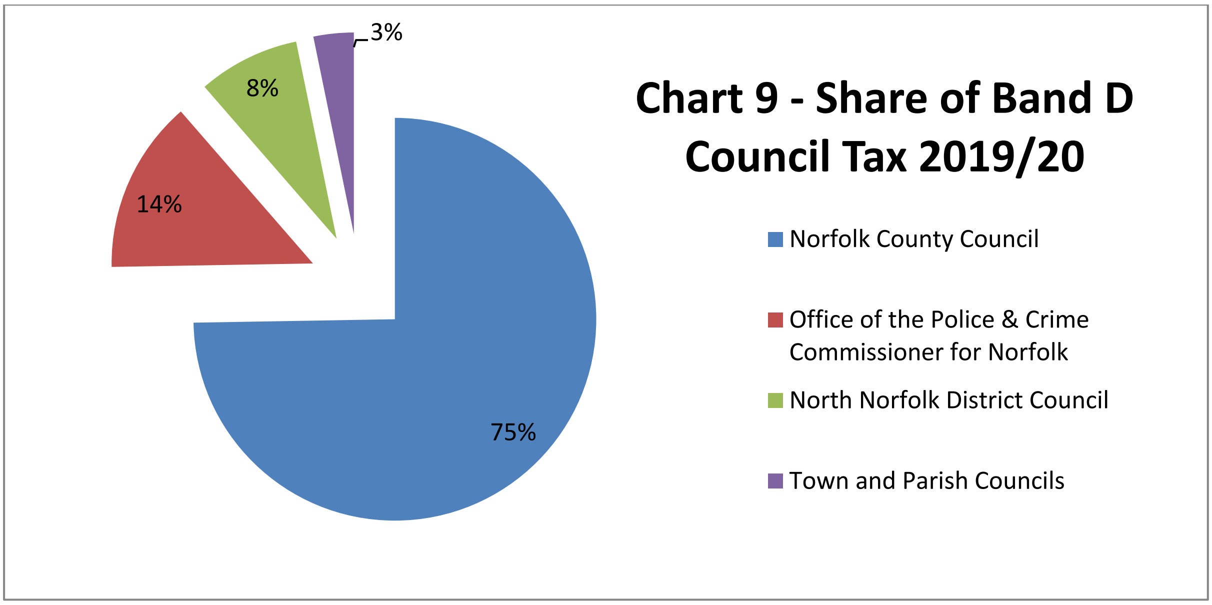
The legacy payments to be paid under the scheme from 2020/21 to 2022/23 in Table 1 below are £1.234m, £0.586m and £0.469m respectively, totalling £2.288m which significantly supports the previously projected budget deficit.

Table1 – New Homes Bonus Legacy payment projections as at Sept 2019

2020/21	2021/22	2022/23
0.214		
0.118	0.118	
0.469	0.469	0.469
0.434	0.000	0.000

Council Tax

NNDC is the billing authority for the district of North Norfolk. This means that NNDC send out the Council Tax bills to residents and collect the Council Tax, but most of this is then distributed to the County Council and Norfolk Police Authority with a further element then going to town and parishes councils.



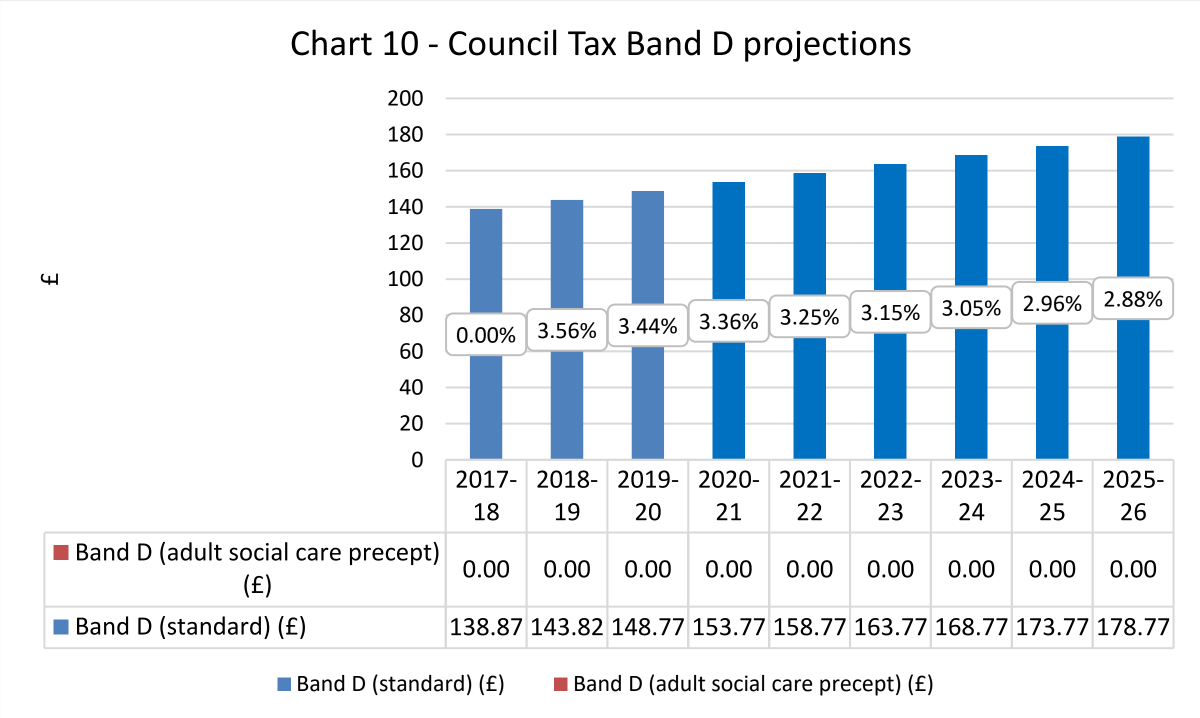
The charge on a Band D property which is retained by NNDC is currently £148.77 (£143.82 2018/19) based on a tax base of 40,621 (39,844 2018/19). Any increases on this amount are restricted by a cap put in place by the Government, which means that NNDC cannot increase its precept by more than 3% or £5, whichever is the greater.

The Government is currently consulting on this, but the current view is that this cap will remain the same for the coming year. Within the MTFS, it has been assumed that NNDC will increase its precept annually by the maximum amount to partly offset the reduction in grant funding from Central Government. The table below highlights the impact of the assumed increases within the charts below.

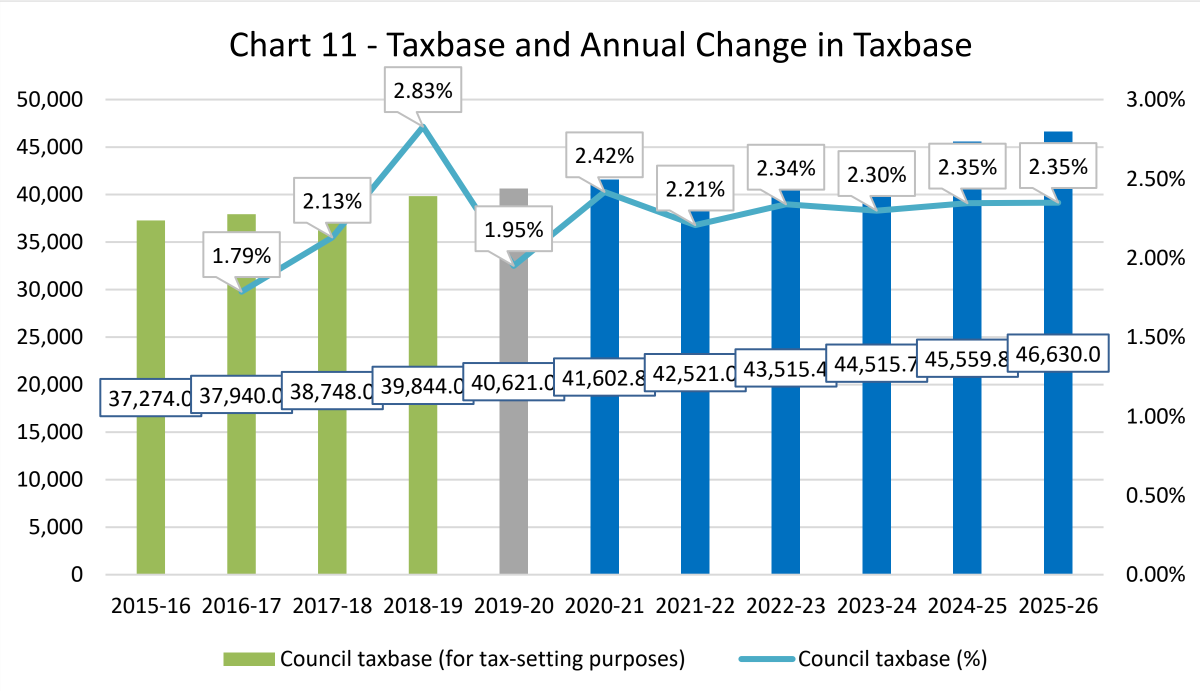
Table 2 – Projected council tax income growth

Council Tax	**2020/21**	**2021/22**	**2022/23**
Council taxbase (for council tax setting purposes)	41,602.8	42,521.0	43,515.4
Band D (standard) (£)	£153.77	£158.77	£163.77
Band D (adult social care precept) (£)	£0.00	£0.00	£0.00
TOTAL Band D (incl ASC precept, excl local precepts)	£153.77	£158.77	£163.77
Council Tax (standard)	**£6.397m**	**£6.751m**	**£7.127m**

Chart 10 below shows the projected Band D charges for future years assuming the maximum increases currently available are applied, while chart 11 shows the forecast growth in the taxbase.



	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Band D (adult social care precept) (£)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Band D (standard) (£)	138.87	143.82	148.77	153.77	158.77	163.77	168.77	173.77	178.77



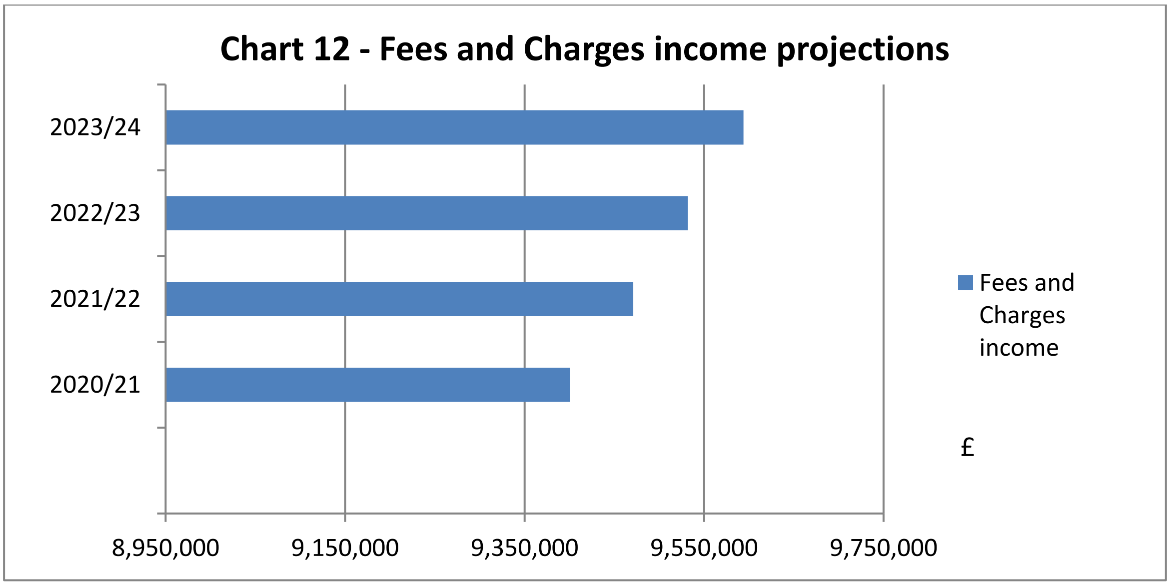
Fees and charges

The Council has limited means to charge for some of the services it provides. Some of these charges are set by central government, but the Council has discretion over the levels of others. The latest projections for fee income are shown below.

Of the c£9.4m gross income forecast for 2020/21, the most significant areas include waste and recycling (£3.4m) which includes things such as garden bins and commercial waste collection, car parking income (£2.7m) and planning income (£0.8m).

It should however be noted that there are also significant costs associated with generating some of this income, such as the car park maintenance and management contract, the waste contract etc.

As part of the Council's Financial Sustainability theme within the new Corporate Plan we will be undertaking a fundamental review of the fees and charges structure within our control as part of the 2021/22 budget setting process. This is to ensure that we are at least covering our costs in all areas while looking to develop and increase income streams wherever possible to help make the budget position more sustainable in the medium to long term and to protect frontline services.



7. Links to other strategies

The MTFS is fundamentally linked to and underpins a number of the Council's key strategy and policy documents

The most significant linkage with the MTFS is with the Council's Corporate Plan and this is discussed in detail above. There are however a number of other strategies and policies supported by the MTFS.

Capital Strategy 2019/20

The Capital Strategy sets out the Council's approach and process to the deployment of capital resources in meeting the Council's overall aims and objectives. It also provides a strategic framework for the effective management and monitoring of the capital programme, within which the Council will work in formulating the strategies for individual services. It is a primary document for all capital decision making, together with the Corporate Plan and other strategies.

The Strategy is reviewed on an annual basis to reflect the changing needs and priorities of the Council including residents, businesses and places. The next update will reflect the new Corporate Plan priorities. The aim of the Strategy is to provide a framework within which the Council's capital investment plans will be prioritised and delivered. The Strategy is the foundation of proper long-term planning of capital investment and how it is to be delivered.

The Strategy's principal objective is to deliver an affordable programme that is consistent with the Council's priorities and objectives. This Strategy is intended to be used by all stakeholders to show how the Council prioritises and makes decisions on capital investment and how this investment supports the Council's priorities and ambitions.

The capital programme approved by Full Council in February 2019 included £23.0m investment in 2019/20 with £6.4m, £1.1m and £1.1m in 2020/21, 2021/22 and 2022/23 respectively. This is funded through a mixture of grants (£13.4m), contributions (£0.5m), reserves (£5.5m), capital receipts (£7.5m) and borrowing (£4.7m).

The key principles of the Strategy are to;

- Deliver an affordable capital programme over the full life cycle of all projects;
- Deliver a strategy/capital programme that is consistent with the Council's MTFS;
- Help to achieve the Council's objectives and that capital investment decisions are made with reference to Council priorities;
- Ensure decisions on the financing of the capital programme are taken with consideration to the impact on the revenue budget and the Treasury Management Strategy Statement;
- Ensure that capital projects follow a rigorous appraisal process considering evidence of need, cost, risks and outcome assessment;
- Ensure that capital receipts will not normally be ring-fenced to specific projects unless the use of the receipt is governed by legislation or by a specific agreement;
- Pursue all available external funding where there is direct compatibility with the Council's priorities.

Treasury Management Strategy Statement 2019/20

The Council's Treasury Management Strategy Statement is intrinsically linked with the Capital Strategy and the capital programme and can be accessed on the Council's website here. The strategy manages the Council's investments, cash flows, banking, money market and capital market transactions.

The treasury management budget supports the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations and understands the revenue implications of all capital decisions.

This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. When it is prudent and economic, any debt previously incurred may be restructured to meet the Council's risk or cost objectives.

The Council receives and approves three main reports each year;

- Before the start of the financial year, the updated Treasury Management Strategy Statement which includes the minimum revenue provision policy statement; how investments and borrowings are to be organised (including prudential indicators); and an investment strategy;

- A mid-year treasury management assurance report to update Council with the progress of the capital position; adherence to the treasury management strategy and whether any policies require revision and;

- At the end of the financial year, a treasury management outturn report to provide details of actual indicators compared to the estimates within the strategy.

Asset Management Plan (AMP)

The Asset Management Plan (AMP) is set within the wider context on the Council's strategic priorities and seeks to align and review the asset base with the Council's corporate goals and objectives.

The full Strategy was approved by Full Council in March 2018 and can be accessed on the Council's website here.

The AMP is an enabler to the Council's key priorities;

- Having assets that are fit for purpose, in locations that support the delivery of excellent services to our customers;
- Driving additional and more sustainable revenue from the Council's existing investment portfolio and creating a new investment portfolio that generates a legacy of sustainable income;
- Where possible, working with key partners across the District to deliver a "One Public Estate" offer, bringing together a one stop shop for services;
- Ensuring assets align to the Council's key strategies, economic plan, and customer experience, supporting stakeholder expectations and;
- Contribute to making the District a place where people thrive, businesses 'succeed' and visitors are welcome.

The AMP provides the framework that will guide the Council's future strategic property decisions and ensure there is a consistent way of managing the Council's land and assets. The future budget will include savings from rationalisation of the property portfolio and additional investment income from the let estate and property investments.

Procurement Strategy

The procurement strategy establishes the Council's strategic approach to procurement and should be read in conjunction with the Finance Code of Practice, Contract Procedure Rules and Scheme of Delegation. It emphasises the increasing importance of using procurement to support wider social, economic and environmental objectives, in ways that offer real long term benefit and can be accessed on the Council's website here.

The Council recognises the importance of a strong and vibrant local economy and the role it can play in stimulating local markets. The website has been developed to provide potential suppliers with a host of information in relation to the Council's procurement processes, which includes a portal advertising all current tender opportunities. To deliver an agile service the Council uses an electronic tendering system.

The strategy provides a corporate focus for procurement, embracing the Council's commitment to strategic procurement and its alignment with corporate objectives and values. The document is not intended to be a "user manual", although the principles contained within the strategy should be applied to all facets of procurement activity. Additional detail regarding the Council's procurement processes can be found within the Contract Procedure Rules, there are user guides available on the intranet and the Procurement Toolkit.

Social value is the positive impact an organisation has further to the activities it carries out. These can be economic, social and environmental impacts. The Council recognises that Social Value can significantly help it in meeting its priorities and aspirations for the District by supporting good jobs, better incomes and wellbeing, increased skill levels, higher value economy and higher productivity levels.

The procurement strategy is one of the underpinning strategies that supports the Council's priorities.

9. Looking forward

In the context of these pressures and reduced funding, the Council has produced a forecast for spend for Capital and Revenue purposes and also anticipated use of Reserves

In terms of the latest information we have regarding the funding Settlement for 2020/21, we have mapped the updated the resources position against the previous budget forecasts and these figures can be seen within the tables below. As mentioned above, the business rates and Fair Funding reviews have been delayed and a one-year settlement agreed and this has had an extremely positive impact on the financial position for 2020/21 and indeed future years as it has effectively delayed all of the funding revisions by a year.

Table 3 shows the previous future years deficit forecast identified as part of the 2019/20 budget setting process in February 2019 of around £2m. It should be noted that in each of these three tables that it has been assumed that the amount to be met from government grants and taxpayers is the same as the budget projection forecasts made back in February as part of agreeing the 2019/20 budget. When the 2020/21 budget is finally set next February the service figures will have been updated to take account of all the work currently being undertaken in preparation for this.

Table 3 – Deficit forecasts as per the 2019/20 budget

Income from Government Grant and Taxpayers	**As per 2019/20 Budget Book**			
	2019/20 Base Budget	*2020/21 Projection*	*2021/22 Projection*	*2022/23 Projection*
Collection Fund - Parishes	(2,390,634)	(2,420,382)	(2,523,481)	(2,630,456)
Collection Fund - District	(6,240,604)	(6,321,120)	(6,604,004)	(6,891,838)
Retained Business Rates	(5,385,617)	(4,567,000)	(4,644,000)	(4,718,000)
Revenue Support Grant	0	0	0	0
New Homes Bonus	(1,211,156)	0	0	0
Rural Services Delivery Grant	0	0	0	0
Income from Government Grant and Taxpayers	(15,228,011)	(13,308,502)	(13,771,485)	(14,240,294)
Amount to be met from Grants and Taxpayers	(15,228,011)	(15,386,915)	(15,832,445)	(16,185,261)
(Surplus)/Deficit	**-**	**2,078,413**	**2,060,960**	**1,944,967**

Now that we have more information regarding the funding Settlement, table 4 shows the revised funding position, with the future year's deficit reducing to c£1m. Table 5 highlights the variances between the 2020/21 budget forecasts back in February 2019 and the current position based on the funding assumptions included within this report.

Table 4 – Updated deficit forecasts based on updated Settlement assumptions

Income from Government Grant and Taxpayers	*2020/21 Updated Projection*	*2021/22 Updated Projection*	*2022/23 Updated Projection*
Collection Fund - Parishes	(2,420,382)	(2,523,481)	(2,630,456)
Collection Fund - District	(6,397,258)	(6,751,054)	(7,126,515)
Retained Business Rates	(5,191,823)	(4,958,845)	(5,028,223)
Revenue Support Grant	(89,861)	0	0
New Homes Bonus	(1,233,832)	(586,071)	(468,536)
Rural Services Delivery Grant	(483,771)	0	0
Income from Government Grant and Taxpayers	(15,816,928)	(14,819,451)	(15,253,730)
Amount to be met from Grants and Taxpayers	(15,386,915)	(15,832,445)	(16,185,261)
(Surplus)/Deficit	**(430,013)**	**1,012,994**	**931,531**

Table 5 – 2020/21 Variance between forecasts and updated Settlement assumptions

Income from Government Grant and Taxpayers	*2020/21 Projection*	*2020/21 Updated Projection*	*Variance*
Collection Fund - Parishes	(2,420,382)	(2,420,382)	0
Collection Fund - District	(6,321,120)	(6,397,258)	(76,138)
Retained Business Rates	(4,567,000)	(5,191,823)	(624,823)
Revenue Support Grant	0	(89,861)	(89,861)
New Homes Bonus	0	(1,233,832)	(1,233,832)
Rural Services Delivery Grant	0	(483,771)	(483,771)
Income from Government Grant and Taxpayers	(13,308,502)	(15,816,928)	(2,508,426)
Amount to be met from Grants and Taxpayers	(15,386,915)	(15,386,915)	
(Surplus)/Deficit	**2,078,413**	**(430,013)**	

The significant caveat with this however is that these projections are still based on future year's forecasts which have not as yet been finalised and could potentially be impacted by a change of Government in December. The funding figures and associated (surplus)/deficit projections also assume that nothing changes in terms of service area expenditure, as this will be considered as part of the Actual budget setting process. As we know, there are some significant unknown cost pressures coming forward at the present time, such as the final costs for the new waste contract, which again will need to be factored in to the budget and MTFP in February.

Key changes through the Settlement and projections

The Settlement review update has had a significant impact on the future budget projections. The key changes are highlighted below.

Council tax (£76k) – this has increased slightly due to revised assumptions regarding tax base growth. However this is also based on a £4.95 increase in council tax and the referendum principles have not as yet been confirmed. Not increasing the council tax by this amount next year would see a reduction of just over £200k next year and in each of the following years.

Retained business rates (£625k) – projections for future years have increased due to a 1 year delay in the Business Rates Baseline Reset (now 1st April 2021) and a reduced impact predicted from the Fair Funding Review.

Revenue support grant (£90k) - this will be rolled forward into 2020/21 as part of the 1 year Spending Round, adjusted for inflation.

New Homes Bonus (NHB) (£1,234k) - this will be rolled forward into 2020/21 as part of the 1 year Spending Round, adjusted for inflation. The current projections also assume that we will still receive legacy payments for NHB whereas we'd previously been working on the assumption that the payments would cease at the end of 2019/20. The payments are now forecast to end in 2022/23 which means an additional £2.3m of funding which we weren't expecting.

Rural Services Delivery Grant (£484k) - this will be rolled forward into 2020/21 as part of the 1 year Spending Round, adjusted for inflation.

Appendix 2 shows the projected movement in the various funding streams over the coming years. It should be noted that the Settlement figures for 2020/21 are still subject to final agreement in December/January so there is still an element of risk around these but it is the best information currently available.

The overall impact of all of these changes is significant for the next financial year and will see approximately £2.5m of additional resources being made available to help support the budget, based on the assumptions, caveats and projections outlined above.

Reserves

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

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

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

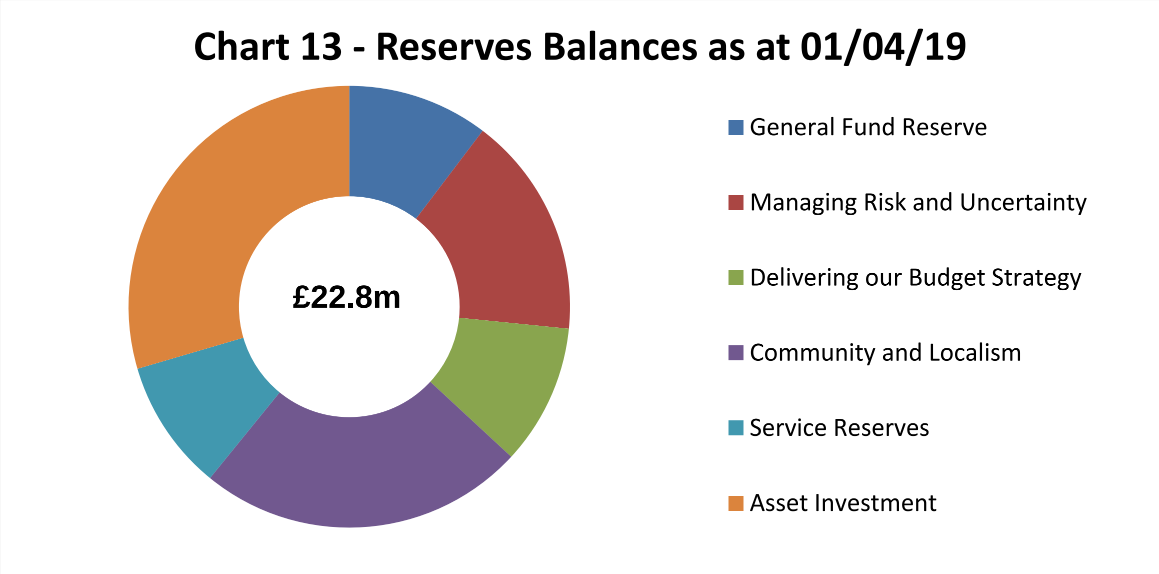
As part of setting the budget each year the adequacy of all reserves is assessed along with the optimum level of general reserve that an authority should hold. The optimum level of the general reserve takes into account a risk assessment of the budget and the context within which it has been prepared.

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 fund restructurings. A number of contingency reserves are also held by the Council to reduce the impact on Council Tax payers of future uncertain events such as business rate appeals or clawback of benefit subsidy.

All reserves, general and earmarked, will be reviewed over the coming months as part of setting the budget for 2020/21, with a view that where commitments have not been identified and funds or reserve balances are no longer required these are re-allocated to specific reserves to address other requirements as applicable.

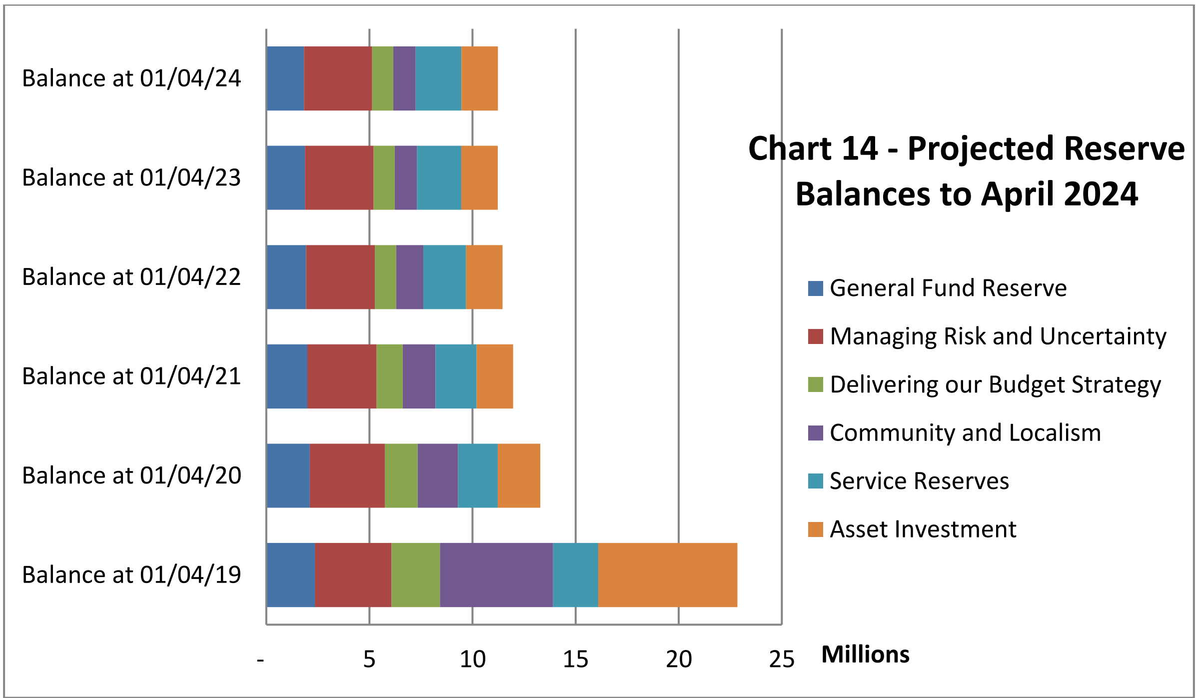
Use of reserves to balance a budget provides only a short term solution as the funds can only be used once. They can however be used to smooth the impact of funding gaps over the short to medium term and to allow for planning and implementing projects and work streams that will deliver a longer term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

The reserves balance as at 1 April 2019 stood at £22.8m, the budgeted use of reserves for the 2019/20 financial year is £9.5m which leaves a forecast balance as at 1 April 2020 of £13.3m. This strategy predicts a fall in the levels of Reserves held from £22.8m to £11.1m by April 2024.



Reserves can be used to fund one-off costs for projects that will deliver a longer-term benefit. For example the use of the Restructuring and Invest to Save reserve to fund one-off restructuring costs, where a restructuring will deliver a longer term saving for a service and for some of the implementation and project costs for the Business Transformation programme that will deliver future savings. The use of reserves in this way will be considered as part of the full business case for individual project proposals, taking into account the payback period of the project along with indirect financial implications, for example, reduced balances available for investment and the associated loss of investment income.

The Capital Receipts Reserve consists of capital receipts from the disposal of assets and land and is used to fund the capital programme. Capital receipts can't ordinarily be used to fund revenue expenditure.



Capital

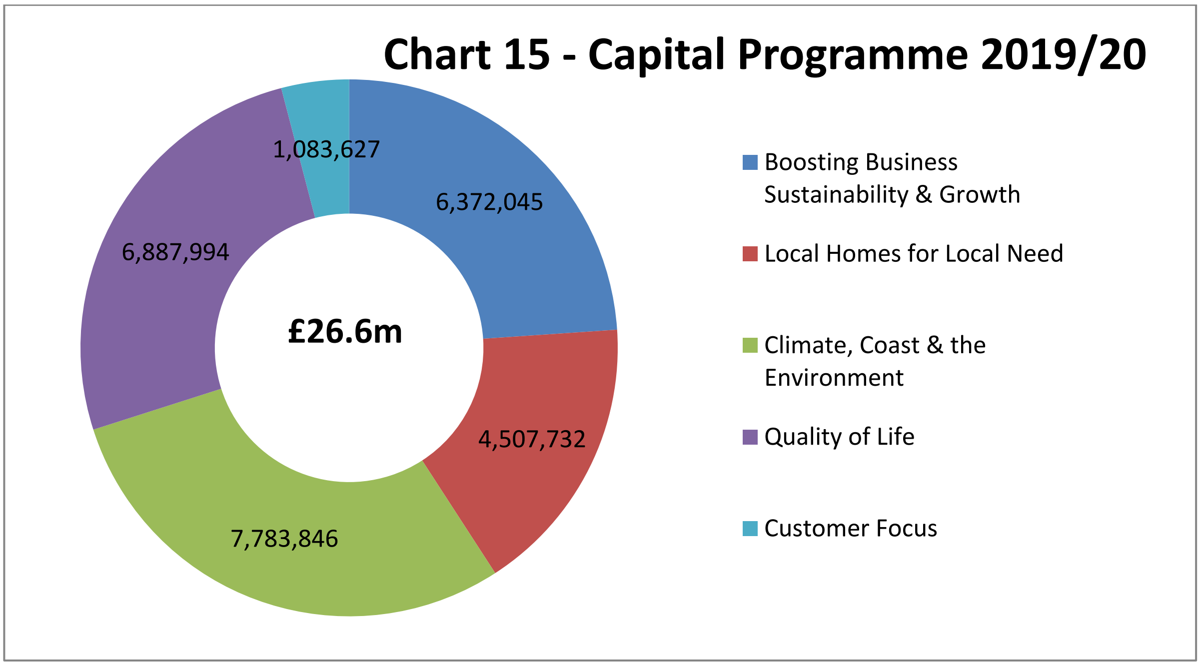
The capital programme shows what the Council intends to spend on purchasing new assets and improving its existing ones over the next three years.

As capital expenditure is incurred, a source of finance must be identified. This can be done through capital receipts, grants and other revenue resources or alternatively through borrowing.

Any expenditure that is financed through borrowing increases the Council's 'Capital Financing Requirement' (CFR). Each year a revenue charge called the Minimum Revenue Provision (MRP) is made to reflect the funding of the CFR by the taxpayer, it is required to be set aside to cover the repayment of debt caused by the need to borrow for capital purposes. 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.

New projects, which are included in the programme in the future, will need to be financed by MRP if no capital resources such as capital grants or capital receipts from future asset sales 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.

Future external borrowing is assumed to finance a portion of the Sheringham Leisure Centre replacement project and could also be used to finance future capital projects. Short-term borrowing rates are currently very low, meaning it may be preferable to undertaking long-term borrowing at the current time.

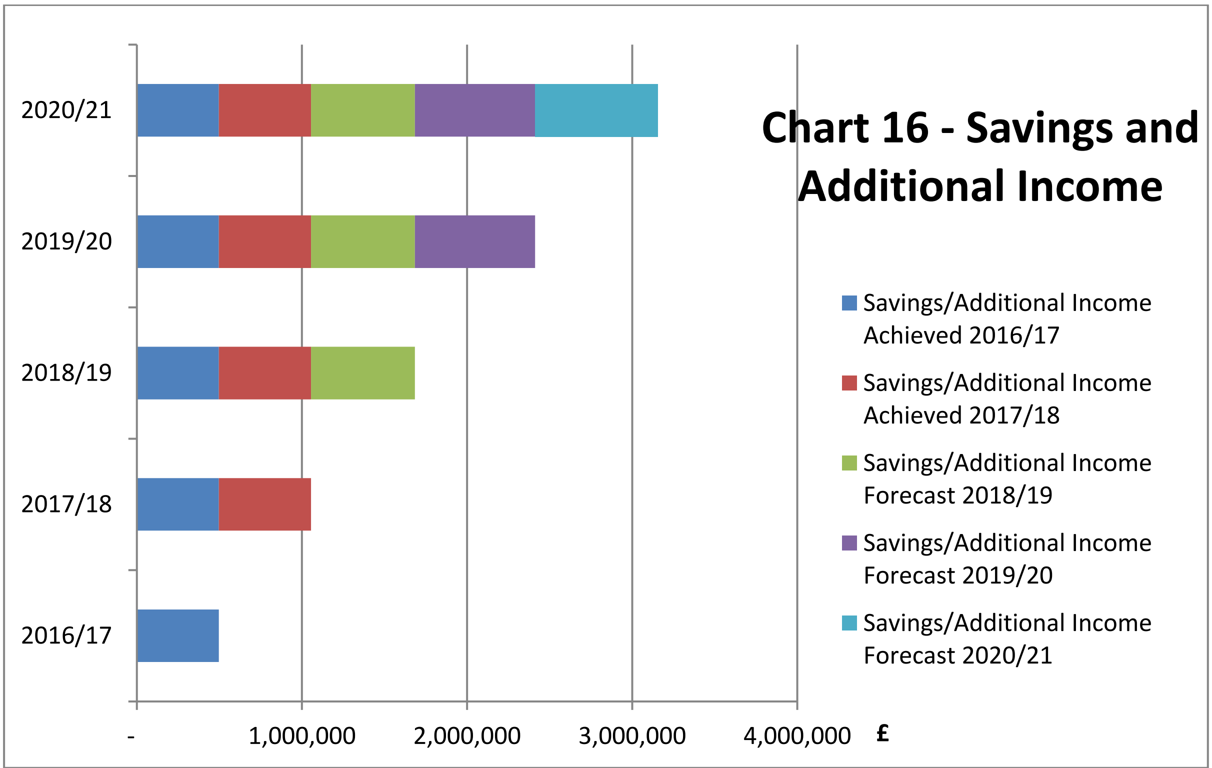


The capital programme has been realigned at a very high level to match with the new Corporate Plan priorities but this will be fundamentally reviewed as part of setting the 2020/21 budget.

10. Closing the Budget gap

The Council's strategy for reducing the budget gap covers several work streams as outlined below.

The Council has had a number of work streams in place since 2016/17 which have been designed and implemented to create sustainable cashable savings and to help achieve a balanced budget. Chart 16 below shows the savings achieved since 2016/17 and the savings projections for 2019/20 onwards. Each of the work stream areas are discussed in more detail below.



Financial sustainability

Financial sustainability is one of the six key themes within the Corporate Plan and is fundamental to this strategy and setting balanced budgets in future years. The Delivery Plan that will underpin the various projects and initiatives and support the delivery of the outcomes within the Corporate Plan, is still, under development, and is currently scheduled to be agreed by Full Council in January 2020. Some of the initiatives will include reviews of the way we currently budget and giving consideration to zero based budgeting whilst also undertaking a fundamental review of our fees and charges structure. The aspiration is to have a balanced medium term budget which does not rely on reserves to balance the position.

Our investment approach

There is therefore an ever increasing need for Councils to take a more commercial and business-like approach to all elements of their business. A Commercialisation Strategy is currently under development, the successful delivery and implementation of this strategy will ultimately require a step change in the way that the Council thinks, acts and works in the future.

A more commercial approach will directly support the Council's objective of becoming financially sustainable for the future and will form part of the Delivery Plan for this key theme. Part of the strategy development process will involve the identification and prioritisation of a number of internal and external projects which will consider income generation, efficiency and doing things differently. The focus will be on making every pound count for our residents, improving efficiency, investment and increasing social value.

The Local Government Association (LGA) are encouraging Councils to move towards a more commercial culture as a way of developing sustainable self-funding streams that reflect Council's individual priorities and place shaping aspirations. Consequently, the Council needs to think about how it can maximise revenue and efficiencies moving forwards – a Commercialisation Strategy is a key part of this in order to deliver managed change that is right for North Norfolk. Any strategy needs to be considered in the context of our key corporate objectives, flowing from the new Corporate Plan and giving consideration to Member aspirations, our geographical location and demographics.

Property Investment

Opportunities for investment in property, whether direct or indirect, continue to be considered to achieve either a direct income stream from the asset or improved returns on investment. A programme of asset valuations and condition surveys are currently underway. This will help us better understand the challenges faced in terms of maintaining and improving our asset base over the medium to long term to ensure that it remains fit for purpose, delivering income for the Council where appropriate.

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, the Council has made investments in a number of pooled funds which invest in property. One of these funds, the LAMIT 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.

In addition to these investments, the Council has agreed to provide 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. The Council can choose to use its capital resources to finance a programme of asset investment which aims to deliver long-term revenue streams for the Council and work on an ongoing basis is required to identify the most appropriate projects. 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. This is, however, more resource intensive to manage than externalising these investments.

Digital Transformation

Building upon the Business Transformation project that commenced in 2014 savings continue to be identified from changes to service delivery from the implementation of new technology and changes to business processes. The overall programme will be delivered over a number of years and as projects have been rolled out there have been changes to working practices which have helped to deliver efficiencies. Phase 1 of the Digital Transformation programme is currently being closed down, having achieved annual savings of £427,000 by the end of 2018/19. Phase 2 of the project is in the planning and early delivery stages, and is being funded by a £940,000 contribution from the Invest to Save reserve.

It is recommended that further consideration is given to this work stream area in the future in terms of both the title and the focus which has historically been savings driven with customer benefits attached in terms of increasing digitisation. However, the key to this work in the future should really be refocussed on ‘putting our customers at the heart of everything we do’. This will undoubtedly still lead to further efficiencies and potential cashable savings but the direction of travel should be to improve our services for our customers first and foremost because that’s the right thing to do. It will also mean that staff can spend longer prioritising ‘added value activities’ rather than getting bogged down with inefficient paper based processes.

The previous high level saving assumptions can be seen within the table below. However, at the present time these have been removed until we have a clear delivery plan of projections with savings identified for each project where appropriate.

Table 6 – Previous Digital Transformation savings assumptions

	2019/20	2020/21	2021/22	2022/23
Savings to be removed (£)	83,750	167,500	335,000	335,000

Shared Services, collaboration and selling services

Creating efficiencies through shared services continues to be a priority for central government. Identifying such opportunities must therefore continue at a local level, ensuring that realistic and deliverable benefits can be achieved. This could include joint procurement opportunities such as the new waste contract, shared service delivery where appropriate and selling services via arrangements such as East Law.

Identifying opportunities to work alongside other public sector partners and organisations to deliver services, such as our successful partnerships with NCC Children’s Services, the Early Help Hub and the DWP in terms of shared office space and the One Public Estate agenda.

Growing Business Rates and NHB

Under the previous 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 and additional income generated from council tax. Whilst new housing growth has have 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 and subject to potential changes to the baseline. It does however seem increasingly likely that we will only receive legacy payments for the next 3 years before this scheme is ultimately replaced by something else.

For similar reasons growing the business rates base will have a direct impact on the level of business rates income retained locally. Equally, maintaining existing business rates remains a priority in that decline in business rates will reduce the amount of income retained.

Council Tax

The increased flexibilities around council tax discounts and increases following the removal of the tax freeze grant in 2016/17 provides a further potential income stream. Further review of the current level of discounts can also provide additional income, recommendations on the level of council tax discounts will be reported for approval as part of the budget reports for 2019/20.

New opportunities

Given the current uncertainties around issues such as Brexit and changes to the Local Government funding mechanisms it will be essential to identify new opportunities to either increase income, increase efficiency through the redesign of services, explore new partnership models for service delivery etc and this will be one of the main challenges over the medium term. The Council's commercialisation approach and the projects stemming from this will be key to this.

While the Council's reserves do provide some level of comfort over the short term and could be used to address budget deficits this is not a sustainable financial strategy for the medium to long term.

Lobbying and consultation

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. We will also continue to respond to all relevant consultations, in particular at the present time on relation to the business rates and Fair Funding reviews.

11. Risk Assessment

The Council takes a measured risk based approach to the budget setting process

A comprehensive financial risk assessment is 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 the MTFS. The key strategic financial risks to be considered in developing the MTFS are included within the table below.

Medium term financial planning, set against a backdrop of severe reductions in Government funding, 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, continual cuts to general grant and significant revisions to the New Homes Bonus and its ultimate replacement (if anything does eventually come forward). Should there be a change in emphasis, particularly around the assessment of need (Fair Funding Review) and Business Rates funding, there may be further reductions above those presented in the plan that would place further pressure on the council to deliver balanced budgets, without impacting on frontline services.

The effects that Brexit will have on the strategy cannot be underestimated. Whilst there is still much uncertainty, not least around the terms of the UK's exit from the EU, we have already seen a worsening of long term interest rate projections and challenges in terms of contract procurement. A recession would present further risk, in particular significant areas of income such as lettings income, planning fees and car park income that are linked directly to economic demand.

Beyond this, further policy announcements from the Government may have effects on our finances in the coming years as undoubtedly will the election of a new Government in December 2019.

Despite these risks, we will continue to plan effectively to strengthen our culture of strong financial management so that the Council can continue to meet its Corporate Plan priorities and provide the best possible services to the district.

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 2020/21 and beyond are based on best estimates at this time. 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 outside of council control but impact mitigated by establishment of specific earmarked reserve and financial monitoring framework. Modelling of potential impacts is used to inform internal financial planning. Maintaining watching brief in relation to NHS case.

3. Pay Awards, fee increases and price inflation higher than assumed	Possible	Medium	Impact of potential increases mitigated by central contingency budget for pay, price increases and care fees. 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	Regular monitoring and reporting takes place but the size of the funding cuts increase the likelihood of this risk. Non-achievement of savings would require compensating reductions in planned spending within services. Greater scrutiny of savings has taken place since 2016/17 through the revenue monitoring process.
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 likely to impact. Regular monitoring and reporting takes place. Full review of fees and charges scheduled for 2021/22 along with an annual review process.
8. Budget monitoring not effective	Unlikely	High	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.
9. Exit strategies for external funding leasing/tapering not met	Possible	Medium	Regular monitoring and reporting. Government policy to remove ring fencing provides greater flexibility.
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.
11. Interest rates lower than expected	Unlikely	Low	Regular review, monitoring and reporting on interest rates. Prudent assumptions on likely interest rates for 2020/121 will be incorporated into the budget.
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. Financial budget impacts of UK's vote to leave the European Union (Brexit)	Likely	Medium /High	Continue to work collaboratively with treasury advisors and central government departments to assess potential budget impacts whilst the Government attempts to ensure an effective transition to a new economic relationship between the U.K. and the EU, including clarifying the procedures and broad objectives that will guide the process.
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.

12. Conclusions

How will this help shape our future budget and financial projections?

Previous budget forecasts made back in February 2019 were made at a time of significant uncertainty in terms of future Government finances due to the Fair Funding Review, Business Rates Review and the Spending Review. This uncertainty was further heightened by the ongoing Brexit negotiations which added an additional level of complexity in terms of future forecasts and potential impacts on the economy, inflation, suppliers, contracts etc.

The updated high level funding forecasts within the strategy build on previous figures from the 2019/20 Budget setting exercise in February which were made within this context, at which time we were forecasting future year deficits in the region of £2m.

The updated forecasts now differ significantly from this, in the main this is due to postponement of the various reviews outlined above, all of which have been impacted by the ongoing Brexit negotiations which have led to a one-year Settlement which has meant the continuation of the previous funding regime for a further year.

As outlined above the key changes within the Settlement, mainly around retained business rates, New Homes bonus and the Rural Service Delivery grant, will see approximately £2.5m of additional resources being made available to help support nest year's budget, based on the assumptions, caveats and projections outlined above. It should be noted that the Settlement figures for 2020/21 are still subject to final agreement in December/January so there is still an element of risk around these but it is the best information currently available.

The Council is still currently projecting a deficit position from 2021/22 onwards but due to the funding changes announced as part of the Settlement in September the budget gap has reduced to around £1m. Forecasting the deficit allows the Council time to plan mitigating actions more effectively, meaning we are more likely to be successful.

In conclusion, while the additional income has had an extremely beneficial impact on the future year's projections it is still not clear how the various reviews will impact on local government funding and what impact the election in December might have. While the Settlement figures announced in September were positive they are still provisional until agreed in December/January so there remains an element of risk that these may still change although it is unlikely to change for next year. We do however have the benefit of reserves should these be required to support and short term funding requirements.

Appendix 1 – Projected Reserve Movements

Reserve	Purpose and Use of reserve	Balance 01/04/19 £	*Updated Budgeted Movement 2019/20* £	Balance 01/04/20 £	*Budgeted Movement 2020/21* £	Balance 01/04/21 £	*Budgeted Movement 2021/22* £	Balance 01/04/22 £	*Budgeted Movement 2022/23* £	Balance 01/04/23 £	Budgeted Movement 2023/24 £	Balance 01/04/24 £
General Fund - General Reserve	A working balance and contingency, current recommended balance is £1.85 million.	**2,360,755**	(47,619)	**2,313,136**	(114,940)	**2,198,196**	(64,980)	**2,133,216**	(50,000)	**2,083,216**	(50,000)	**2,033,216**
Earmarked Reserves:												
Capital Projects	To provide funding for capital developments and purchase of major assets. This includes the VAT Shelter Receipt.	**2,480,010**	(1,869,655)	**610,355**	(373,000)	**237,355**	0	**237,355**	0	**237,355**	0	**237,355**
Asset Management	To support improvements to our existing assets as identified through the Asset Management Plan.	**1,087,006**	(416,400)	**670,606**	0	**670,606**	0	**670,606**	0	**670,606**	0	**670,606**
Benefits	To mitigate any claw back by the Department of Works and Pensions following final Audited subsidy determination. Also included are service specific grants for service improvements.	**840,308**	(12,838)	**827,470**	(253,801)	**573,669**	0	**573,669**	0	**573,669**	0	**573,669**

Reserve	Purpose and Use of reserve	Balance 01/04/19 £	*Updated Budgeted Movement 2019/20 £*	Balance 01/04/20 £	*Budgeted Movement 2020/21 £*	Balance 01/04/21 £	*Budgeted Movement 2021/22 £*	Balance 01/04/22 £	*Budgeted Movement 2022/23 £*	Balance 01/04/23 £	Budgeted Movement 2023/24 £	Balance 01/04/24 £
Broadband	Earmarks £1million for superfast broad band in North Norfolk.	**1,000,000**	(1,000,000)	**0**	0	**0**	0	**0**	0	**0**	0	**0**
Building Control	Building Control surplus ring-fenced to cover any future deficits in the service.	**191,428**	0	**191,428**	0	**191,428**	0	**191,428**	0	**191,428**	0	**191,428**
Business Rates	To be used for the support of local businesses and to mitigate impact of final claims and appeals in relation to business rates retention scheme.	**2,438,428**	(63,241)	**2,375,187**	(24,747)	**2,350,440**	(18.000)	**2,332,440**	(18,000)	**2,314,440**	(18,000)	**2,296,440**
Coast Protection	To support the ongoing coast protection maintenance programme.	**180,595**	(42,302)	**138,293**	(42,302)	**95,991**	0	**95,991**	0	**95,991**	0	**95,991**
Communities	To support projects that communities identify where they will make a difference to the economic and social wellbeing of the area.	**1,151,796**	(285,563)	**866,233**	(242,000)	**624,233**	(242,000)	**382,233**	(242,000)	**140,233**	0	**140,233**

Reserve	Purpose and Use of reserve	Balance 01/04/19 £	*Updated Budgeted Movement 2019/20 £*	Balance 01/04/20 £	*Budgeted Movement 2020/21 £*	Balance 01/04/21 £	*Budgeted Movement 2021/22 £*	Balance 01/04/22 £	*Budgeted Movement 2022/23 £*	Balance 01/04/23 £	Budgeted Movement 2023/24 £	Balance 01/04/24 £
Economic Development and Tourism	Earmarked from previous underspends within Economic Development and Tourism Budget.	**170,621**	(10,000)	**160,621**	0	**160,621**	0	**160,621**	0	**160,621**	0	**160,621**
Election Reserve	Established to meet costs associated with district council elections, to smooth the impact between financial years.	**123,000**	(120,000)	**3,000**	40,000	**43,000**	40,000	**83,000**	40,000	**123,000**	40,000	**163,000**
Enforcement Works	To meet costs associated with district council enforcement works including buildings at risk	**137,354**	0	**137,354**	0	**137,354**	0	**137,354**	0	**137,354**	0	**137,354**
Environmental Health	Earmarking of previous underspends and additional income to meet Environmental Health initiatives.	**323,332**	(40,000)	**283,332**	0	**283,332**	0	**283,332**	0	**283,332**	0	**283,332**
Grants	Revenue Grants received and due to timing issues not used in the year.	**536,670**	(14,655)	**522,015**	(14,655)	**507,360**	(14,655)	**492,705**	(14,655)	**478,050**	(14,655)	**463,395**

Reserve	Purpose and Use of reserve	Balance 01/04/19 £	*Updated Budgeted Movement 2019/20* £	Balance 01/04/20 £	*Budgeted Movement 2020/21* £	Balance 01/04/21 £	*Budgeted Movement 2021/22* £	Balance 01/04/22 £	*Budgeted Movement 2022/23* £	Balance 01/04/23 £	Budgeted Movement 2023/24 £	Balance 01/04/24 £
Housing	The balance of the Housing Community Grant funding received in 2016/17 & Homelessness prevention grants.	**2,534,316**	(1,855,663)	**678,653**	(111,073)	**567,580**	(21,126)	**546,454**	0	**546,454**	0	**546,454**
Land Charges	To mitigate the impact of potential income reductions.	**289,280**	0	**289,280**	0	**289,280**	0	**289,280**	0	**289,280**	0	**289,280**
Legal	One off funding for Compulsory Purchase Order (CPO) work and East Law Surplus.	**128,691**	0	**128,691**	0	**128,691**	0	**128,691**	0	**128,691**	0	**128,691**
LSVT Reserve	To meet the cost of successful warranty claims not covered by bonds and insurance following the housing stock transfer.	**435,000**	0	**435,000**	0	**435,000**	0	**435,000**	0	**435,000**	0	**435,000**
New Homes Bonus (NHB)	Established for supporting communities with future growth and development and Plan review*	**512,183**	(337,034)	**175,149**	0	**175,149**	0	**175,149**	0	**175,149**	0	**175,149**

Reserve	Purpose and Use of reserve	Balance 01/04/19 £	*Updated Budgeted Movement 2019/20* £	Balance 01/04/20 £	*Budgeted Movement 2020/21* £	Balance 01/04/21 £	*Budgeted Movement 2021/22* £	Balance 01/04/22 £	*Budgeted Movement 2022/23* £	Balance 01/04/23 £	Budgeted Movement 2023/24 £	Balance 01/04/24 £
Organisational Development	To support apprenticeships and internships and capacity throughout the organisation.	**314,475**	(78,246)	**236,229**	(11,078)	**225,151**	0	**225,151**	0	**225,151**	0	**225,151**
Pathfinder	To help Coastal Communities adapt to coastal changes.	**143,168**	(40,076)	**103,092**	(20,038)	**83,,054**	0	**83,054**	0	**83,054**	0	**83,054**
Planning	Planning income earmarked for Planning initiatives including Future Plan Review.	**109,684**	0	**109,684**	50,000	**159,684**	50,000	**209,684**	50,000	**259,684**	50,000	**309,684**
Property Investment Fund	To Fund the acquisition and development of new land and property assets	**3,000,000**	(2,000,000)	**1,000,000**	0	**1,000,000**	0	**1,000,000**	0	**1,000,000**	0	**1,000,000**
Restructuring & Invest to Save Proposals	Restructuring costs and to fund invest to save initiatives.	**2,352,537**	(965,800)	**1,386,737**	(325,000)	**1,061,737**	(240,000)	**821,737**	0	**821,737**	0	**821,737**
Sports Hall Equipment & Sports Facilities	To support Sports Hall equipment renewals.	**5,682**	0	**5,682**	0	**5,682**	0	**5,682**	0	**5,682**	0	**5,682**
Total Reserves		***22,846,317***	***(9,199,092)***	***13,647,225***	***(1,442,634)***	***12,204,591***	***(510,761)***	***11,693,830***	***(234,655)***	***11,459,175***	***7,345***	***11,466,520***

Appendix 2 – Capital Programme 2019/20 and beyond

Corporate Priority	Scheme Total Current Estimate £	Pre 31/3/19 Actual Expenditure £	Current Budget 2019/20 £	Actual Expenditure 2019/20	Updated Budget 2020/21 £	Updated Budget 2021/22 £	Updated Budget 2022/23 £
Boosting Business Sustainability & Growth	7,835,057	463,012	6,372,045	1,452,465	1,000,000	-	-
Local Homes for Local Need	4,161,649	972,047	4,507,732	566,292	1,020,000	1,000,000	1,000,000
Climate, Coast & the Environment	18,128,761	10,316,172	7,783,846	1,142,516	28,743	-	-
Quality of Life	14,723,120	1,073,626	6,887,994	812,142	4,731,500	2,030,000	-
Customer Focus	3,097,970	1,609,343	1,083,627	813,034	135,000	135,000	135,000
Total Expenditure	**47,946,557**	**14,434,200**	**26,635,244**	**4,786,449**	**6,915,243**	**3,165,000**	**1,135,000**
Grants and Contributions			10,040,874		1,028,743	1,000,000	1,000,000
Reserves			7,835,416		1,373,000	-	-
Capital Receipts			7,901,972		180,000	135,000	135,000
Internal / External Borrowing			856,982		4,333,500	2,030,000	-
Total Funding			**26,635,244**		**6,915,243**	**3,165,000**	**1,135,000**