2021/22 Budget and Medium Term Financial Strategy 2022-25

Summary:	This report presents for approval the 2021/22 budget along with the latest medium term financial plan and projections for the following three years to 2023/24.
Options considered:	The budget for the forthcoming financial year must be set annually. While there are options around the individual budgets presented for approval i.e. what is included in the budget for 2021/22, the overall position now presented for approval is the culmination of work carried out by officers and Members over a number of months, details of which are provided within the report.
Conclusions:	The Council's budget is set for approval each year; as with last year it has been presented to the Overview and Scrutiny Committee for pre-scrutiny before going to Cabinet and ultimately Full Council. This report now presents a balanced budget for 2021/22 and also presents the latest financial projections for the following three financial years, 2022/23 to 2024/25. The budget has been produced based on a number of assumptions as detailed within the main body of the report and also reflects the provisional finance settlement announced on 18 December 2020. The report also outlines the risks facing the Council in setting the budget and forecasting future spending plans and resources.

Recommendations:

It is recommended that Cabinet agree and where necessary recommend to Full Council:

1) **The 2021/22 revenue budget as outlined at appendix A1;**
2) **The demand on the Collection Fund for 2021/22, subject to any amendments as a result of final precepts still to be received be:**
   a. **£6,456,213 for District purposes**
   b. **£2,529,011 (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 2021/22 to 2023/24 as detailed at appendix C1;**
5) **The capital bids contained within Appendix C2;**
6) **That the Council adopts the changes to the LCTS scheme as detailed in section 5.3, subject to the outcome of the public consultation;**
7) **That the balance on the Property Investment Fund of £999,476 be transferred to the new Earmarked Reserve – the Major Repairs Reserve**
8) **That Members note the current financial**

Reasons for Recommendations:	**projections for the period to 2024/25;** To recommend a balanced budget for 2021/22 for approval by Full Council.

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW
(Papers relied on the write the report and which do not contain exempt information)

Outturn Report 2019/20, Medium Term Financial Strategy 2020/21 – 2023/24, 2020/21 budget monitoring reports, O&S Draft Budget Review 2021/22.

Cabinet Member(s): Cllr Eric Seward	Ward(s) affected All
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Executive summary

This report presents the detail of the 2021/22 revenue budget and the indicative projections for the following three financial years 2024/25. The Council's budget is set for approval each year in February; as with the last two years it has been presented to the Overview and Scrutiny Committee for pre-scrutiny before going to Cabinet and ultimately Full Council.

The budget has been produced based on a number of assumptions as detailed within the main body of the paper and now reflects the provisional Local Government Finance Settlement (LGFS) announced on 17 December 2020.

This paper has been informed by the 2020/21 Base Budget, the 2019/20 Outturn Report, the 2020/21 budget monitoring reports, the Medium Term Financial Strategy 2020/21 – 2023/24 and the 2021/22 draft budget review presented to Overview and Scrutiny. The table below shows the movements as reported as part of the updated Medium Term Financial Strategy (MTFS) and the updated budget forecasts.

Although the 2021/22 position is now balanced there are still significant challenges in future years which deficits forecast over the following three years.

A summary of the General Fund is provided at appendix A1, appendix A2 contains a high level analysis of the key movements at the subjective budget level while appendix B shows the movements between the 2020/21 base budget and the current forecasts for 2021/22

The Budget and Medium Term Financial Plan represent the Corporate Plan in monetary terms. Budgets are set to ensure that each pound spent delivers on one or more of the Cabinet's Corporate Priorities. A robust performance management system is in place to scrutinise the delivery of the Council's objectives, in conjunction with regular budget monitoring, to ensure that the Council is delivering value for money for its residents.

1 Introduction

1.1 This report presents the detail of the 2021/22 revenue budget and the indicative projections for the following three financial years, 2022/23 to 2024/25.

1.2 An updated Capital Programme has also been included covering the periods 2021 to 2024/25 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 2021/22 budget review report was provided to the Overview and Scrutiny Committee for pre-scrutiny at their meeting of 13 January. It was recommended that Cabinet:

- Work with both local MPs to lobby for further financial support from Central Government to help close future funding gaps
- Prepare a detailed plan of potential savings required, using inputs from staff and Members which have already been gathered, for consideration by Members

1.4 The budget now presented reflects the Local Government Finance Settlement (LGFS) announced on 17 December 2020, the final settlement is expected at some point during February. 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 A1, A2 and B respectively.

1.6 The 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

1.7 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?'

1.8 For the first time, the Medium Term Financial Strategy is presented in the same report as the Budget for approval.

2 Corporate Plan – 'Where we want to be'

2.1 In May 2019 a new Council was elected and has now adopted a new Corporate Plan which sets out the intent and ambition of the authority for the period 2019 – 2023 (which can be found here). The Corporate Plan provides 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 is 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 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.

2.3 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.

2.4 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

2.5 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.

2.6 The Delivery Plan, which supports the objectives contained within the Corporate Plan, was approved by Full Council during 2020. This details how we will judge our performance; it will also be the means by which the Council agrees its improvement objectives. It includes 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.

2.7 The Climate, Coast and Environment theme will help to ensure that the Council delivers on its Climate Emergency agenda and this element of the Corporate Plan will permeate and influence all of the other work stream and Delivery Plan themes so that it becomes embedded within the culture of the organisation. The Council will look to generate income from the Electric Vehicle Charging Points which have been installed in Council owned car parks across much of the District. Solar panels are also generating an income on the Council's main office block in Cromer. In addition to reducing the Council's running costs, these panels are projected to provide £10,000 per annum of income to support the Council's budget.

2.8 A number of the Delivery Plan projects will support the Climate Emergency agenda and the Council will try and ensure as far as possible that environmental considerations are built in to all areas of the Council's day to day business operations.

2.9 The Council is currently supporting its Climate Change agenda and motion on Climate Emergency by earmarking £330,000 from the Delivery Plan Reserve to facilitate the planting of 110,000 trees in the District. Two climate change officers are now in post and working on the draft Environment Charter and Action Plan. A further £150,000 is available within an earmarked reserve to support initiatives under this plan. Activities are likely to be related to:

- Monitoring and managing the Council's carbon footprint
- Alternative Energy Projects
- Biodiversity improvements
- Electric Vehicle Charging
- Waste reduction
- Raising awareness and creating behaviour changes through community engagement

2.10 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.

2.11 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

2.12 The Delivery Plan includes 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

2.13 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

2.14 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

2.15 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

2.16 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 Our Future Financial Position

3.1 The potential financial climate the Council will be operating in up to 31st March 2025 has been projected and is discussed fully in section 9 of this report.

3.2 If we do nothing, we will have budget deficits which will greatly restrict our ability to deliver the Corporate Plan. We have the opportunity, now that we are forewarned, to develop a strategy to reduce the budget deficit in a sustainably way, which protects front line services as a priority and allows the Council to deliver on the key themes of the Corporate Plan. Our strategies for achieving this are laid out in section 10 of this report.

4 Projections for the 21/22 financial year - 'Where we are now'

4.1 The latest information we have regarding the provisional funding Settlement for 2021/22 has now been included within the budget forecasts. The Business Rates and Fair Funding Reviews have been delayed due to prioritising the COVID 19 response and a one-year settlement has been agreed. This has had an extremely positive impact on the financial position for 2021/22 years as it has effectively delayed all of the anticipated funding reductions by a year. The downside of this, is that we had previously expected 2021/22 to be the first year of a multi-year settlement, which would have greatly increased the certainty in our medium term forecasts.

4.2 We are expecting the Chancellor's budget announcements to be made in March, which will unfortunately be after the Council's budget has been set. This results in significant uncertainty around the income the Council expects to receive from the Business Rates Retention Scheme, as announcement regarding business rates reliefs which the Council will need to grant are likely to be made at that time. An updated business rates budget (also known as the NNDR2) will likely be needed if significant reliefs on the scale of the current expanded Retail Relief are announced.

Key changes to budget projections

4.3 The Settlement update has had a significant impact on the budget projections for the 2021/22 financial year since those that were made in February 2020. The key changes are highlighted below;

Council tax – This is based on a £4.95 increase in council tax although 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 (£1.6m) – 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.

Lower Tier Services Grant (£137k) – A new grant, funded from surplus on the NHB account, was announced as part of the settlement. This grant was awarded to Councils which provide lower tier services (such as District Councils) to compensate them for the loss of NHB and ensure that no Council saw a reduction in Core Spending Power in the 2021/22 financial year.

Revenue support grant (£90k) - this will be rolled forward into 2021/22 as part of the 1 year Spending Round, adjusted for inflation. We had assumed as part of the 2020/21 budget process that this funding would be removed in 2021/22.

New Homes Bonus (NHB) (£136k) – an extra year of NHB allocations above what we had expected to receive was made as part of the provisional settlement. This resulted in a one-off bonus of £136k, as this new allocation does not attract legacy payments. We have forecast NHB payments to cease after 2022/23, and although MHCLG are committed to replace this scheme, we have no details of the proposals and are unable to forecast any potential allocations going forward.

Rural Services Delivery Grant (£25k) - this will be rolled forward into 2020/21 as part of the 1 year Spending Round, with a small increase on 2020/21. As with a number of the other funding streams we had assumed as part of the 2020/21 budget process that this funding would be removed in 2021/22.

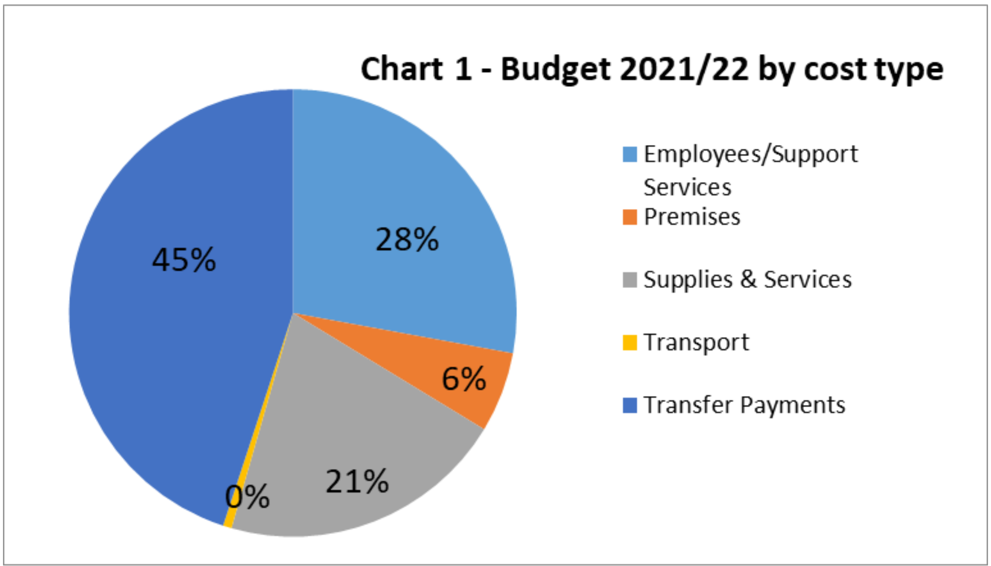
4.4 The overall impact of all of these changes is significant for the next financial year and will see additional resources being made available to help support the budget, based on the assumptions, caveats and projections outlined above.

5 Revenue Account Base Budget

5.1 The detail of the revenue budget now presented for approval is included within appendices A1 and B. Appendix A1 shows the overall position in the form of the General Fund Summary, the current budget forecast is balanced as shown in Table 1 below.

Table 1 – Current forecast 2021/22	
	£000
Total District amount to be met from Government Grant & Local Taxation	14,525
Less:	
Revenue Support Grant	(90)
Business Rates Retained & S31 Grant	(6,611)
New Homes Bonus	(723)
Rural Services Delivery Grant	(508)
Lower Tier Services Grant	(137)
District call on Collection Fund – excluding Parish Precepts	(6,456)
Surplus	**0**

5.2 Further detail on the individual service budgets is included at appendix B which shows the movement of the 2021/22 budget compared to the base budget for 2020/21 as set in February 2020 along with comments covering the more significant variances. The chart below highlights how the budget costs contained within the Net Cost of Services are split over the main subjective budget headings.



Assumptions

5.3 The revenue budget for 2021/22 makes a number of assumptions, the more significant ones are as follows:

a) **Council Tax** – The draft budget currently assumes a **Council Tax increase** for the district element of Council Tax in 2020/21 and is based on the tax base of 40,959 (40,687 for 2020/21). This would mean that the district element of the council tax would increase by £4.95 from £153.72 to £158.67. **This is however a decision for Full Council in February and will be decided at the time the budget is set.**

b) **Employee budgets** – a 2% pay award has been assumed in the calculation of the budget figures presented. At the time of writing, the costs associated with the senior management restructure are minimal.

c) **Fees and Charges –** The impact of the fees and charges approved by Full Council in December have been factored in to the budget forecasts.

d) **Contract inflation –** Inflation has been very low towards the second half of 2020. Some contract inflation has been applied as part of this budget setting process. The Council's largest contract, the waste contract, has not been subject to an inflationary increase in 2021/22.

e) **Investment income –** The net interest receivable is currently forecast to be £0.86m for 2021/22 and is based on gross interest of £1.0m less borrowing costs for capital schemes of £0.15m. This includes income derived from Treasury investments and loans to Housing Associations under the Local Investment Strategy. The Council ensures that priority is given to security and portfolio liquidity when investing treasury management funds in line with the CIPFA Treasury Management Code. The average investment rate anticipated in the forward year is 2.6% (based on forecast available balances of £36.9m). The average rate of return in 2020/21 was adversely affected by having to keep large short term cash balances in order to pay grants to support businesses during the COVID 19 pandemic on behalf of Central Government, and the cut to the bank rate in 2020, which we assume will remain in place throughout the 21/22 financial year.

f) **Growth -** No growth bids were invited for revenue expenditure in 2020/21. Capital bids were invited and the capital programme is discussed in detail at section 8 which includes both an update to the current capital programme along with new capital schemes and the financing of the programme.

g) **Local Council Tax Support Schemes (LCTS)** – The council's working age CTS scheme principles have remained largely unchanged since the scheme started in 2013. During this time the scheme rules have been amended to reflect prescribed wider welfare reform changes, including amendments to the Housing Benefit rules and the introduction of Universal Credit. There have been fewer changes in recent years as the pace of welfare reform has slowed.

The local scheme means that those of working are required to pay a minimum 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 local CTS schemes.

The Council will need to review options going forward to ensure this remains a cost effective, affordable scheme. There are alternative CTS scheme models that can be considered for our working age scheme. However these would involve significant changes and in the present climate a fundamental review of the scheme is not recommended.

For 2021/22, we are proposing three changes to the scheme to simplify administration and keep the scheme in line with the Housing Benefit rules. The changes would be a continuation of the existing CTS scheme principles and is designed to keep the cost of the scheme within the predictions of the financial plan. A public consultation on the proposed changes is being run from 14th January 2021 to 7th February 2021. The results of the consultation will be fed into the reports for the approval of the final CTS scheme by Full Council.

5.4 The General Fund Summary presented at appendix A1 shows a balanced budget and is summarised in the table below with the equivalent figures for 2020/21.

Table 2 – Variance of 2020/21 to 2021/22 Base Budget			
	2020/21 Base Budget	2021/22 Base Budget	Variance
	£000	£000	£000
Net cost of services (incl. Parishes)	19,831,693	20,349,505	517,812
Non service expenditure/ income	(2,035,454)	(3,294,974)	(1,259,520)
Net budget requirement	17,796,239	17,054,531	(741,708)
Funded by:			
Local Taxpayers - Parishes	(2,520,143)	(2,529,011)	(8,868)
Local Taxpayers - District Council	(6,305,671)	(6,456,213)	(150,542)
Retained Business Rates	(7,504,661)	(6,611,436)	893,225
Revenue Support Grant	(89,799)	(90,295)	(496)
Rural Services Delivery Grant	(483,771)	(507,661)	(23,890)
New Homes Bonus	(892,194)	(722,562)	169,632
Lower Tier Services Grant	0	(137,353)	(137,353)
Total Income	(17,796,239)	(17,054,531)	741,708
(Surplus)/ Deficit	0	0	0

5.5 Non-Service Expenditure and Income includes the adjustments for notional items that are required to be charged within Net Cost of Services, for example, International Accounting Standard 19 (IAS19) pension costs and capital charges. Table 3 provides a summary of the main movements in Net Cost of Services across the standard expenditure headings, with notional charges being shown separately.

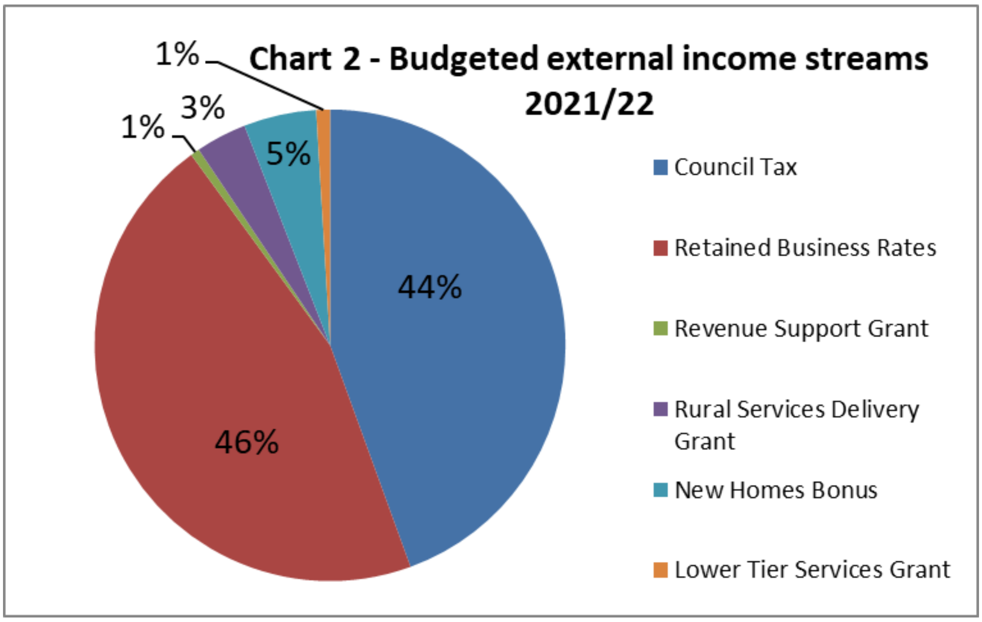
Table 3 - Variance 2020/21 to 2021/22 Base Budgets (excl. notional charges)				
	2020/21 Base Budget	2021/22 Base Budget	Variance	Percentage Movement
	£000	£000	£000	%
Employees/Support Services	12,809,961	13,315,114	505,153	3.94
Premises	2,730,697	2,775,790	45,093	1.65
Transport	304,322	298,390	(5,932)	(1.95)
Supplies & Services	9,691,000	9,900,332	209,332	2.16
Transfer Payments	22,208,430	21,460,774	(747,656)	(3.37)
Income (External)	(32,834,441)	(32,758,228)	76,213	(0.23)
Total Direct Costs and Income	**14,909,969**	**14,992,172**	**82,203**	**0.55**
Notional Charges:				
Capital Charges	1,819,204	1,964,269	145,065	7.97
Reffcus [2]	842,667	977,167	134,500	15.96
IAS19 Notional Charges [2]	(260,290)	(262,174)	(1,884)	0.72
Total Notional Charges	**2,401,581**	**2,679,262**	**277,681**	**11.56**
Total Net Costs	**17,311,550**	**17,671,434**	**359,884**	**2.08**

5.6 A breakdown an analysis of the variance between years can be found at Appendix A1.

5.7 The variance between years in the Corporate Leadership Team service area is due to the cost of the elections to be held in May 2021, which are shown under this heading.

6 Income Streams

6.1 The assumptions in relation to Council tax, business rates and the New Homes Bonus are considered in more detail below. The chart below highlights the relative proportions of each of the various external income streams (excluding fees and charges which are contained with the services).



Business Rates

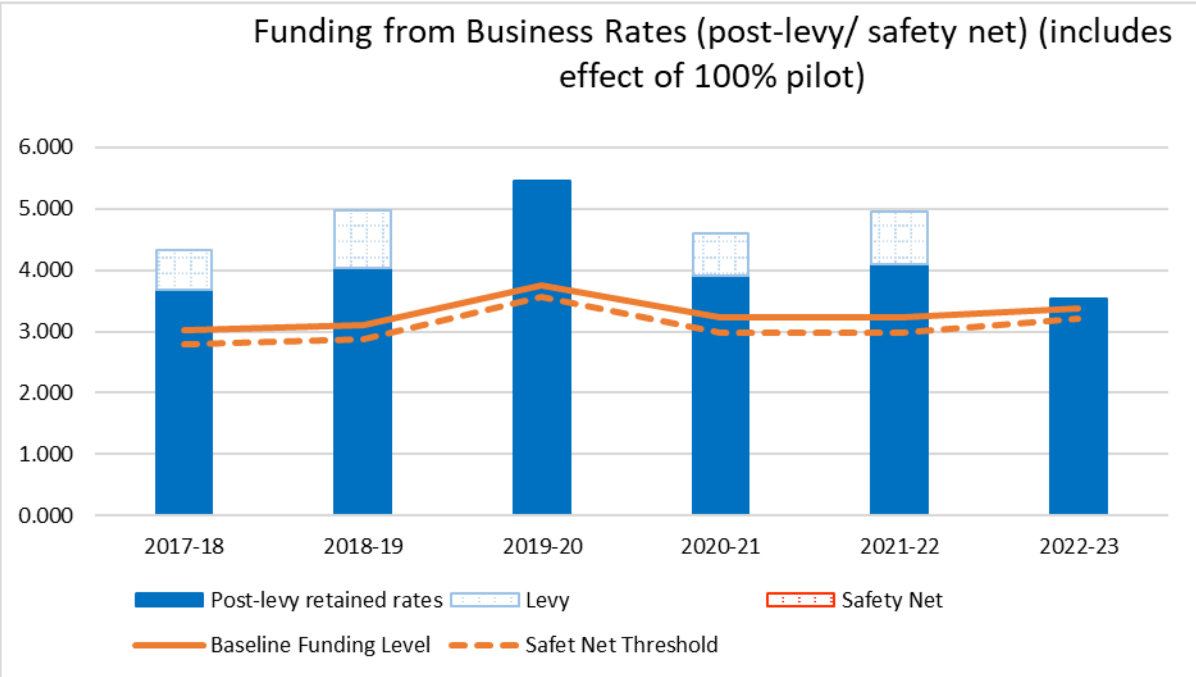
6.2 Since the 2013/14 financial year, local government has been able to retain 50% of the growth in the local business rates income to support services. As part the reformation of Local Government Finance, a new system of Business Rates Retention where local authorities retain a 75% share was due to be implemented in April 2021. This has been delayed due to the COVID 19 pandemic, and is now due to be implemented from April 2022.

6.3 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 (although these shares are likely change once the current business rates review is completed). However, while technically NNDC's share is projected to be around £13m (£12.9m 2020/21), after the tariff payment is made the net income to NNDC reduces to around £5.3m for 2021/22 (£5.3m 2020/21). The tariff payment acts to equalise funding across the Local Government sector and returns income to social care authorities who have a reduceed ability to raise funds through Business Rates. The chart below shows the anticipated funding for the Council from the Business Rates Retention Scheme.

6.4 Under the Business Rates Retention Scheme, North Norfolk District Council and Norfolk County Council retain rates from hereditaments in the Renewable Energy sector. The amounts retained in the last three financial years are shown in the table below.

	£		
	2017/18	**2018/19**	**2019/20**
Retained Rates from Renewable Energy Heriditaments	672,679	623,732	222,525

6.5 NNDC has for the last few years been a member of the Norfolk Business Rates Pool. At the time of the Provisional Settlement, the Norfolk Business Rates Pool was set to continue into 2021/22, but given the uncertainty surrounding rate reliefs for next financial year, and the potential negative impact of COVID 19 on income collection, it has been decided to revoke the pool for 2021/22. This will have no impact on NNDC's draft budget, as we will continue to pay a levy in the same way, but the recipient will now be MHCLG rather than Norfolk County Council. The decision not to pool was unanimous across Norfolk authorities.



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

New Homes Bonus (NHB)

6.6 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).

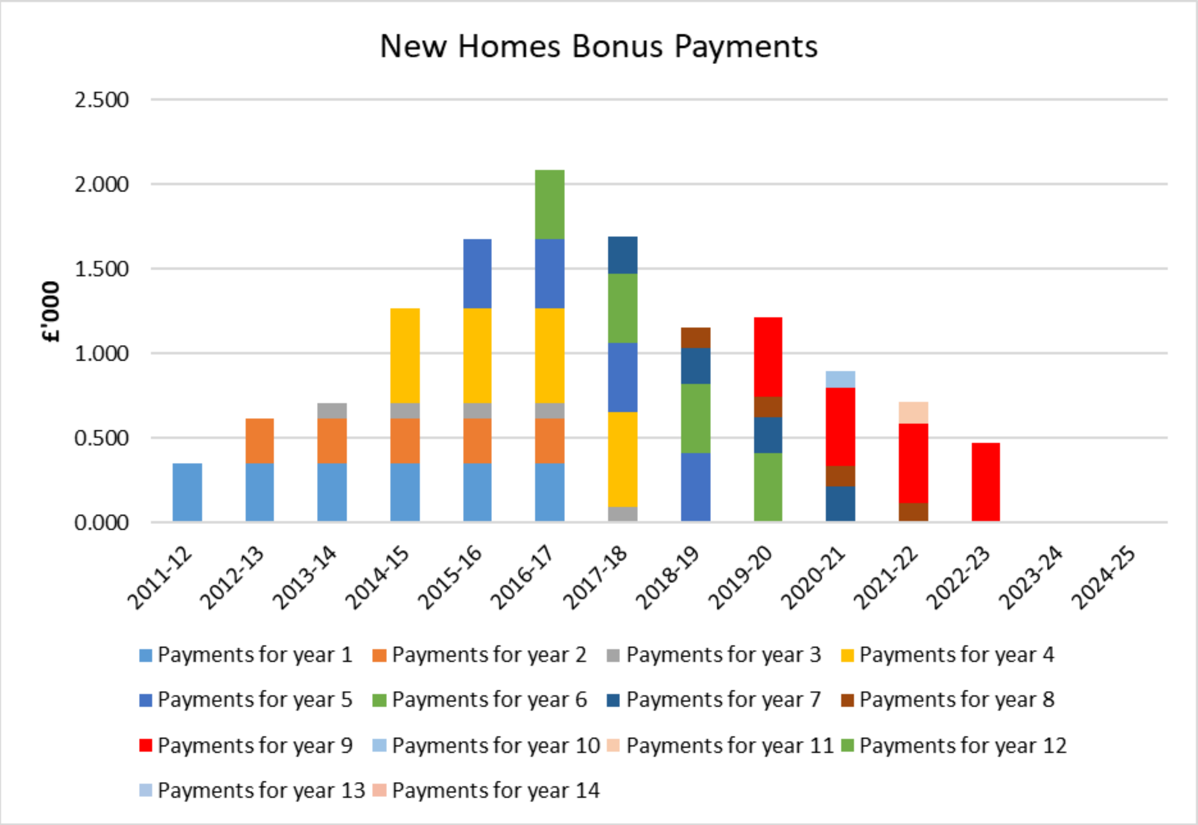
6.7 Since its initial introduction the payment mechanism has undergone two fundamental changes which have significantly impacted on the income received by

[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.

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 projection of £487k in 2022/23.

6.8 MHCLG have confirmed that a new incentive based scheme will replace NHB soon. Current forecasts show NHB ending in 2022/23 when the last of the legacy payments are due to be made. No income from the new scheme has been assumed as no details have yet been consulted on.

6.9 The chart below now shows the updated projections following the Provisional Settlement announcements from December.



Council Tax

6.10 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.

6.11 The charge on a Band D property which is retained by NNDC is currently £153.72 based on a tax base of 40,688 in 2020/21. 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 2% or £5 for next year, whichever is the greater.

6.12 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 but as mentioned above **this a decision for Full Council in February and will be**

decided at the time the budget is set. The table below highlights the impact of the assumed increases.

6.13 The first chart below shows the projected Band D charges for future years assuming the maximum increases currently available are applied, while the second chart shows the forecast growth in the taxbase.

6.14 As highlighted above the draft budget currently assumes a **Council Tax increase** for the district element of Council Tax in 2021/22 of £4.95 on a Band D property (which equates to a 3.22% increase). Table 2 above summarises how the budget will be financed and the District's net call on the Collection Fund for 2021/22 and the council tax summary is included at appendix C.

6.15 At the time of writing the figure within the General Fund summary (appendix A) for parish and town precepts is shown as £2,529,011. This will be updated for the final budget report which will go through to Full Council in February if required, but it should be noted that if there were to be any changes that these would have no impact on the overall budget position as the total amount paid from the General Fund in precepts is transferred from the Collection Fund.

6.16 The current assumed tax increase for Norfolk County Council is 3.99%, equating to £56.43 for a Band D property. This is subject to final approval.

6.17 In the 2020/21 financial year, the shares of each pound of the Council Tax collected were as follows:

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

6.18 COVID-19 has had an adverse effect on the collection rates for Council Tax across the country. Normally, this creates a deficit position on the General Fund, as more money is distributed in precepts than is collected by the Billing Authority. That deficit impacts the budgets of the Billing and Precepting authorities in the following financial year. The Government announced during 2020 that Councils would be able to spread the deficit on the Collection Fund relating to 2020-21 over three financial years instead of the usual one year, to lessen the effect on Council's budget position in 2021-22. The impacts for North Norfolk are shown in the table below.

	2021/22	2022/23	2023/24	2024/25
CF Deficit before spreading	(110,590)	0	0	0
CF Deficit after spreading	(42,752)	(33,919)	(33,919)	0

Fees and charges

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

6.20 Of the c£9.9m gross income forecast for 2021/22, the most significant areas include waste and recycling (£3.6m) which includes things such as garden bins and commercial waste collection, car parking income (£2.7m) and planning income (£0.8m).

6.21 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.

6.22 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 2022/23 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 Reserves

7.1 The current position and forecast on the General and Earmarked Reserves is attached at appendix D. The statement provides the latest proposals for use of reserves in the current financial year along with the budgeted movements in 2021/22, and proposed movements in the following three financial years. The current recommended minimum balance on the general reserve is £1.9 million.

7.2 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

7.3 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.

7.4 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.

7.5 *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.

7.6 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.

7.7 The reserves balance as at 1 April 2020 stood at £18.8m, the updated budgeted use of reserves for the 2020/21 financial year is £3m which leaves a forecast balance as at 1 April 2021 of £15.8m. This strategy predicts a fall in the levels of Reserves held from £18.8m to £14.5m by April 2025.

7.8 Reserves can be used to fund one-off costs for projects that will deliver a longer-term benefit. 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.

7.9 As part of considering the budget for 2021/22 all reserves have been reviewed along with the current balances. Where balances are no longer required or an allocation can be maintained within the General Reserve for such purposes, balances have been reallocated to the General Reserve or another earmarked reserve as appropriate. Two new earmarked reserves have been proposed as part of the budget setting process. The first is an Asset Sinking Fund, which would provide earmarked funds for major repairs to Council assets. The second is a contingency reserve (Pooled Investment Fund Reserve) to mitigate against any impacts of changes in the value of Pooled Funds which would otherwise impact on the taxpayer. Due to a change in accounting rules, fluctuations in pooled fund values, which previously would not have resulted in a charge to the taxpayer unless they were sold at a loss, now do if the funds are held at a loss on 31st March each year. Currently, there is a time limited statutory override in place, allowing Councils to hold these paper losses in an adjustment account. MHCLG are not currently minded to extend this override, so officers are planning now to ensure there is not negative impact on the budget in future years.

7.10 It should be recognised that the use of reserves is not a long term financial strategy but does allow time for planning further efficiencies and consideration of budget options to inform future budget setting processes and to allow for the smoothing of funding reductions.

7.11 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 in February.

8 Capital

8.1 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.

8.2 Any expenditure that is financed through borrowing increases the Council's 'Capital Financing Requirement' (CFR). Each year a revenue charge (one that impacts on the bottom line of the budget) 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.

8.3 Any new projects 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.

8.4 The borrowing shown within the financing section of the capital programme is all external borrowing and relates to the Sheringham Leisure Centre replacement and also the waste vehicles for the new contract. At present however none of this borrowing is in place and these decisions will be taken at the time the funding is required based on the best treasury position at the time. The aim will always be to minimise the cost to the tax payer. Short-term borrowing rates are currently very low, and it is preferable to undertaking long-term borrowing at the current time. Internal borrowing is currently being utilised due to the almost nil interest attracted by holding short term cash. The Council’s borrowing strategy can be found in more detail in the Council’s Treasury Management Strategy.

8.5 An updated capital programme can be found at appendix C1 which shows slippage in schemes to future years.

8.6 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.

New Capital Schemes

8.7 In addition to the existing capital programme amendments, approval is also being sought for a number of new capital projects as outlined within appendix E2 totalling £1.8m. As part of the budget process, bids for new projects were submitted by officers which fell into the following Corporate Plan and service area categories;

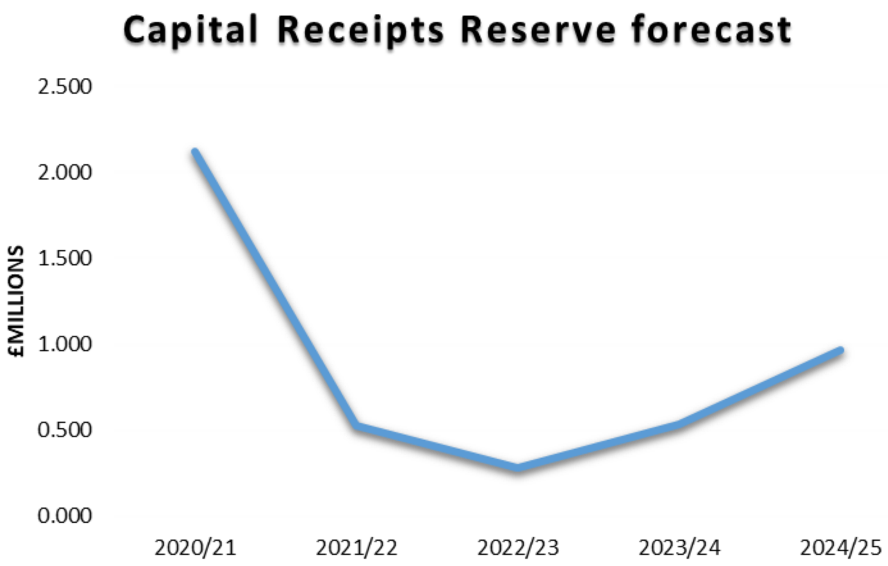
- Local Homes for Local Need
  S106 Enabling

- Quality of Life/Climate, Coast and Environment
  Chalet Refurbishment

- Financial Sustainability
  Car Park Ticket Machine Replacement

8.8 The revenue impact of the new capital bids are already within the existing Revenue budget, so do not represent a pressure on the Councils Revenue budget.

8.9 The Capital Receipts Reserve position can be seen within the chart below. The forecast closing balance as at 31 March 2021 is £2.1m with capital receipts funding nearly £2.5m of the current capital programme. This is offset by forecast capital receipts of £2.2m projected to be received from Preserved Right to Buy income. The forecast balance as at 31 March 2025 is c£1m. This includes provision for the new capital bids included within this report, but makes no assumption about bids in future years.



9 Looking Forward - Future Financial Projections 2022/23 to 2024/25 (MTFP)

9.1 Due to the ongoing COVID 19 response, a one-year Provisional Local Government Finance settlement was announced. This does not provide any certainty as regards the future of local government financing and, coupled with the delayed ongoing Fair Funding and business rates reviews, makes future years' projections incredibly difficult.

9.2 The forecast financial projections included at appendix A1 make assumptions around future spending forecasts but have now been updated following receipt of the provisional settlement figures for 2021/22 and attempt to predict future income levels.

9.3 The assumptions around council tax funding reflect a year on year £4.95 increase in council tax in line with the current referendum principles although it should be noted that any decision regarding increases to council tax will be made annually in line with the budget setting process.

9.4 After allowing for these assumptions the overall position shows a balanced budget in 2021/22 with future deficits forecast in future years of around £1.7m in 2022/23 and beyond.

9.5 Further consultation is expected in respect of the Fair Funding Review and the new Business Rates Retention Scheme. The future year forecasts are based on the best available information at the current time and are cautious estimates.

9.6 As detailed in section 4, the finance settlement announcement has assumed that local authorities will increase council tax annually by either 2% or the £5 where the local authority is in the lowest quartile. NNDC is currently in the lowest quartile and the funding assumptions made in the settlement assume that there is an annual increase in council tax of £5 for each year of the settlement. As discussed above, the proposals for the 2021/22 financial year are for a £4.95 increase in Council Tax and the future forecasts assume this strategy is continued. However, if council tax were not to be increased next year this would negatively impact on both the current forecast balanced budget for next year and the future years' deficits and the impact of which can be seen within the table below.

Table 4 – Council tax projections				
Allocation	**2021/22**	**2022/23**	**2023/24**	**2024/25**
	£	**£**	**£**	**£**
Budget (surplus)/deficit	**202,747**	**2,213,223**	**2,735,164**	**2,700,200**
2020/21 - £4.95 increase	(202,747)	(203,688)	(204,678)	(206,163)
2022/23 - £4.95 increase		(203,688)	(204,678)	(206,163)
2020/21 - £4.95 increase			(204,678)	(206,163)
2021/22 - £4.95 increase				(206,163)
Total additional income from Council tax	**(202,747)**	**(407,375)**	**(614,033)**	**(824,650)**
Adjusted (surplus)/deficit	**0**	**1,805,848**	**2,121,131**	**1,875,550**

9.7 The table above shows what impact **not increasing council tax** would have on the future year's deficit forecasts as the present assumptions within the MTFS and the budget are that council tax will be increased year on year. It should be noted that while the current referendum principle caps the maximum at £5.00 and proposed increase at this level would actually result in an increase of £4.95 as any increase has to be divisible by 9 due the way the calculations are undertaken and adjusted to represent Band D equivalent properties.

9.8 If these recommended council tax increases are not made over the period, the current forecast deficit of £1.9m for 2024/25 **would increase to £2.7m** and the Council would forgo council tax income of c£0.8m over the period based on the current forecasts.

9.9 In view of the Governments change in approach towards funding for Local Authorities with a greater emphasis on Council Tax rises, and the cumulative impact of grant reductions from RSG and New Homes Bonus, freezing council tax for 2021/22 is not an approach that can be recommended.

9.10 Recent feedback from MHCLG officers also suggests that, as the central government funding assumption is that Council's will be using their local income raising powers wherever possible, that those choosing not to do so are in effect not taking the future funding deficits seriously. They also indicated that this might indicate a lack of financial resilience in terms of future years. The advertised 4.5% increase in Councils Core Spending Power is completely reliant on Council Tax increases being made in full. Approximately 80% of the increase in Core Spending Power national for all authorities relies on this tax increase. Not taking advantage of this seriously hamstrings the Council's ability to balance its budget in the coming years of the Medium Term Financial Plan.

9.11 A sensitivity analysis and various forecasting scenarios which have supported this medium term forecast can be found at Appendix E.

10 Looking Forward – ‘How we get there’

10.1 A savings exercise was undertaken with officers and Members in November 2020. This identified several potential savings and initiatives to produce extra income. These items are now being reviewed by officers for feasibility. A detailed list of proposals will be brought back to Members in the spring in preparation for the budget setting process for 2022/23.

Financial sustainability

10.2 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 contains several projects within the Financial Sustainability work stream which aim to deliver a Medium Term Financial Plan which does not rely on the use of reserves to balance the budget. Over the next 9 months, officers will work to implement a new process of Zero Based Budgeting and undertake a fundamental review of fees and charges, to ensure we have full cost recovery. Zero Based Budgeting will also allow the budget to be built in a way which reflects corporate priorities.

10.3 The Council has a good track record in delivering savings. The previous savings programme commenced in 2016/17 and now delivers an annual saving of approximately £744k. Over the coming months, officers and Members will deliver a new programme of savings covering the years of the current Medium Term Financial Plan to allow us to work towards a balanced budget.

10.4 Managers will be asked to assess the impact of a 10% funding reduction across all services as part of the 2022-23 budget process.

Being “business-like”

10.5 There is an ever increasing need for Councils to take a more commercial and business-like approach to all elements of their business. Our ‘*Investing Approach’* 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.

10.6 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.

10.7 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 – our ‘*Investing Approach’* 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

10.8 The Secretary of State for Housing, Communities and Local Government has raised concerns about Councils becoming directly invested in property for income generation purposes with taxpayers' money. It is his view that Councils do not have the expertise and resources to do this effectively, and are as such taking too great a risk with public funds. MHCLG guidance states that Councils should not borrow in advance of need to spend on service provision, and that taking on debt to fund property purchases, unless it is primarily for a service related objective, is not allowed. The recent change to the Public Works Loan Board's lending terms specifically excludes Councils that have 'debt for yield' projects in their Capital Programme from borrowing for any purpose. This significantly restricts the commercial activity of Councils and removes a key potential income stream.

10.9 A programme of asset valuations and condition surveys are currently underway which will 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.

10.10 Further direct investment in property will be considered where 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.

10.11 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 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.

10.12 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.

Shared Services, collaboration and selling services

10.13 It is possible that efficiencies could be achieved through joint procurement, shared service delivery and, where appropriate, selling services via arrangements such as East Law. Opportunities to do this will continue to be explored.

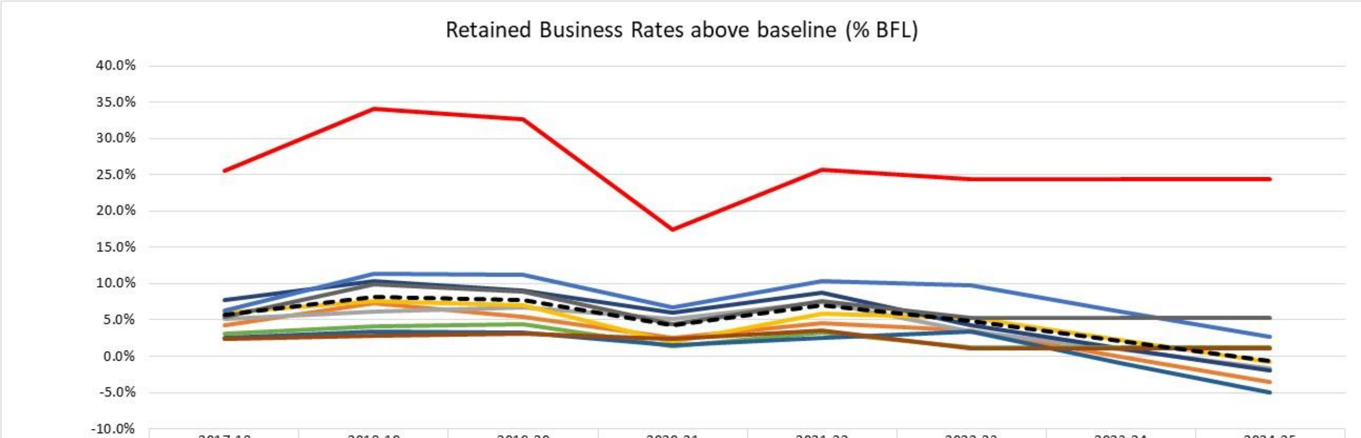
10.14 Identifying opportunities to work alongside other public sector partners and organisations to deliver services will continue, such as our successful partnerships with NCC Children's Services, the Early Help Hub and the DWP in terms of shared office space and the One Public Estate agenda.

Growing Business Rates and NHB

10.15 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 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 scheme. MHCLG seem committed to an incentive based scheme to promote house building, so it is possible that this will continue to be an important income stream for the Council, however, the benefit of the continuation of the scheme to North Norfolk will depend ultimately on how the scheme is developed.

10.16 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.

10.17 Under the current Business Rates Retention Scheme, Shire District Councils keep a generous share of the above baseline growth. Retaining this under a new scheme will be an important request to make of MHCLG. The chart below shows the reliance of Shire Districts (SDs) on business rates compared to other types of authority.



	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
SD	25.5%	34.1%	32.6%	17.44%	25.712%	24.4%	24.4%	24.4%
OLB	4.3%	7.4%	5.4%	2.54%	4.538%	3.5%	-0.1%	-3.5%
MD	5.1%	6.2%	6.8%	5.07%	7.493%	3.4%	0.9%	-1.6%
UA	6.0%	7.7%	7.0%	1.95%	5.852%	5.4%	2.2%	-0.8%
UA - CCN	7.8%	10.4%	9.1%	6.03%	8.766%	4.3%	1.2%	-1.9%
ILB	6.3%	11.3%	11.2%	6.67%	10.305%	9.8%	6.2%	2.7%
CFA	3.1%	4.1%	4.4%	1.39%	3.249%	1.2%	1.2%	1.2%
SC	2.5%	3.4%	3.2%	1.56%	2.486%	3.5%	-0.9%	-5.0%
MF	2.4%	2.8%	3.1%	2.33%	3.488%	1.1%	1.1%	1.1%
GLA	5.5%	9.9%	9.0%	4.44%	7.654%	5.3%	5.3%	5.3%
England	5.8%	8.1%	7.7%	4.24%	6.959%	4.9%	2.1%	-0.6%

Council Tax

10.18 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 were reported in December 2020.

New opportunities

10.19 Given the current uncertainties around the economy as a whole 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.

10.20 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

10.21 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 Financial Implications and Risks

11.1 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 2021/22 are included within the table below.

11.2 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. 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 compared with those presented within this report that would place further pressure on the council to deliver balanced budgets, without impacting on frontline services.

11.3 The long term effects of the COVID 19 pandemic are likely to negatively impact the Council's finances in many ways. Aside from the more obvious impacts regarding increased expenditure on community support and cleansing and reduced income in areas such as planning, car parking and trade waste, the end of the furlough scheme is likely to have longer term impacts on the ability of the Council to collect Council Tax and increase bad debts. Implications regarding increasing LCTS also reduces tax base growth for the next two to three years. Collectable Business Rates could be affected by businesses in the District failing due to social distancing measures and restrictions on opening. The extent and duration of restrictions in 2021/22 will be key to determining the size of the effect on the budget.

11.4 Beyond this, Government policy announcements can have large impacts on our finances. We will continue to monitor announcements from Government departments and work with service managers to assess any potential impact on the Council's services and budget.

11.5 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. CIPFA's new Financial Management Code places a requirement on the Council to comply with a set a Financial Management Standards, by April 2022. The Council is currently working on an action plan to deliver this and build on its already positive culture of good financial management.

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 2021/22 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. Unknown impacts of proposed additional reliefs for 2021/22.
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. History of delivery 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	Possible	Medium	Current economic climate likely to

achieved			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	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 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. 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 2021/22 are incorporated 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. Financial budget impacts of the COVID 19 pandemic	Likely	Medium /High	Continue to work collaboratively with central government departments to monitor and forecast additional expenditure and reduced income caused by restrictions introduced to curb the transmission of COVID 19. It is not possible to predict exactly what restrictions will be in place during the 2021/22 financial year. If the national lockdown is in place past April, there is some risk to the budget figures. A prudent approach has been taken when forecasting income as part of the 2021/22 budget setting process.
14.Devolution/Unitary status –	Possible	Medium	Local Government reorganisation has been put on hold due to COVID 19. Officers and Members will keep a

			watching brief in respect of this but again 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.

12 Conclusions

12.1 The continued postponement of the Fair Funding Review and changes to the Business Rates Retention System, in conjunction with the announcements made in the Provisional Local Government Finance Settlement will see approximately £1.5m of additional resources being made available to help support next year's budget. This is above initial forecasts for the 2021/22 financial year made in February 2020 as part of the 2020/21 budget setting process. It should be noted that the Provisional Settlement figures for 2021/22 are still subject to final agreement so there is still an element of risk around these but it is the best information currently available.

12.2 The Council is still currently projecting a deficit position from 2022/23 onwards but due to the funding changes announced as part of the Provisional Settlement in December the budget gap has reduced slightly to around £1.7m. Forecasting the deficit allows the Council time to plan mitigating actions more effectively, meaning we are more likely to be successful without the need to rely on one-off funding from reserves.

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

13 Sustainability

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

14 Equality and Diversity

14.1 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.

14.2 No new savings proposals have been factored into the 2021-22 budget, so there are no equality issues arising.

14.3 An annual budget of £20k has been included to deliver the Council's Equalities Plan, which is in draft at the time of writing.

15 Section 17 Crime and Disorder considerations

15.1 There are no crime and disorder considerations as a direct consequence of the report.