

# Shadow Executive (Cabinet)

<b>Title of Report:</b>	<b>West Suffolk Council – Setting the Strategic Context for the Development of the 2019/2020 Budget and Medium Term Financial Plans</b>	
<b>Report No:</b>	<b>EXC/SA/18/002</b>	
<b>Report to and dates:</b>	<b>Shadow Executive (Cabinet)</b>	10 July 2018
	<b>Shadow Council</b>	17 July 2018
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<b>Purpose of report:</b>	This paper sets out the strategic context (proposed principles, approach and timescales) for the development of the 2019/20 budget and medium term financial plans as we head in to the new West Suffolk Council from 1 April 2019.	
<b>Recommendation:</b>	<p><b>Subject to the approval of Shadow Council, the Shadow Executive (Cabinet) is recommended to:</b></p> <p><b>1) Adopt the West Suffolk Strategic Framework (subject to rebranding; wording changes from “councils” to “council” and other consequential amendments, which will be completed by Officers) as its Strategic Framework from 1 April 2019.</b></p>	

	<p><b>2) Adopt both the West Suffolk Medium Term Financial Strategy, contained at Appendix A and West Suffolk Capital Strategy contained at Appendix B to Report No: EXC/SA/18/002 as its strategic financial framework from 1 April 2019.</b></p> <p><b>3) Support the key principles and approach for the development of the 2019-2020 budget and medium term financial plans for West Suffolk Council as set out in Section 3 of Report No: EXC/SA/18/002, including the consideration of a further report (setting out the proposed approach to achieve these principles) to the Joint Informal Performance, Audit and Scrutiny Committee on 25 July 2018.</b></p> <p><b>The Shadow Executive (Cabinet) is recommended to:</b></p> <p><b>4) Agree that both Leaders should write to the Ministry of Housing, Communities and Local Government (MHCLG) on behalf of the West Suffolk Shadow Executive, confirming West Suffolk Councils plans, taking into account our implementation plan five key principles for a seven year council tax harmonisation period.</b></p>
<p><b>Key Decision:</b></p> <p><i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i></p>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p>
<p><i>The decisions made as a result of this report will usually be published within <b>48 hours</b> and cannot be actioned until <b>five clear working days of the publication of the decision</b> have elapsed. This item is included on the Decisions Plan.</i></p>	
<p><b>Consultation:</b></p>	<ul style="list-style-type: none"> <li>Engagement in the 2019-20 budget and medium term planning process will take place across the various service areas.</li> <li>Performance and Audit Scrutiny Committee will receive regular update reports on the process</li> </ul>
<p><b>Alternative option(s):</b></p>	<ul style="list-style-type: none"> <li>None applicable</li> </ul>
<p><b>Implications:</b></p>	
<p><i>Are there any <b>financial</b> implications? If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> <li>As set out in the report.</li> </ul>
<p><i>Are there any <b>staffing</b> implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> <li>None as a result of this paper other than through engagement in the proposed budget process</li> </ul>

Are there any <b>ICT</b> implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li>None as a result of this paper</li> </ul>	
Are there any <b>legal and/or policy</b> implications? If yes, please give details		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> <li>The Shadow Council has a legal obligation to set a balanced budget for 2019-20 and to set out its medium term financial plans</li> </ul>	
Are there any <b>equality</b> implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li>Equality impact assessments will be undertaken where relevant to individual budget areas/proposals</li> </ul>	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
Shadow Council don't adopt the strategic context resulting in the misallocation of financial resources for service delivery	Low	No significant changes are proposed to the already shared strategic context. Seek early adoption of the strategic framework and medium term financial strategy (MTFS) for West Suffolk Council	Low
The principles and approach set out in this paper are not supported resulting in unclear budget process and its outcome	Low	Seek early adoption of the 2019-20 budget process principles and approach. Engage with the Performance and Audit Scrutiny Committee.	Low
An appraisal of the risks associated with the 2019-20 Budget and MTFS will be considered as part of the formal budget reports in February 2019.			
<b>Ward(s) affected:</b>		All wards	
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>		<a href="#">EXC/SA/18/001 12 June 2018 Shadow Council - Implementation Plan</a>  <a href="#">CAB.SE.17.070 St Eds Council December 2017 - Item 7</a> – Strategic Framework 2018-2020  <a href="#">CAB.FH.17.064 Forest Heath Council - Item 5</a> – Strategic Framework 2018-2020	
<b>Documents attached:</b>		<b>Appendix A</b> – West Suffolk Medium Term Financial Strategy 2019-2021 <b>Appendix B</b> – West Suffolk Capital Strategy 2019-2021	

## **1. Key issues and reasons for recommendation(s)**

- 1.1 The West Suffolk Shadow Council, at its meeting of 12 June 2018, agreed the Single Council Implementation Plan (Report no. EXC/SA/18/001) which outlines how the functions and responsibilities of Forest Heath and St Edmundsbury Councils will transfer to the West Suffolk Council on 1 April 2019.
- 1.2 The Shadow Councils' responsibilities (detailed in the agreed implementation plan) include the adoption of policy and strategy and to set a budget precept (i.e. Council Tax level) for West Suffolk Council to operate from 1 April 2019.
- 1.3 This report sets out the strategy context against which the 2019-20 Budget and medium term financial plans are proposed to be developed between now and the formal council tax and budget adoption meeting of the Shadow Council in February 2019.
- 1.4 The proposed principles and approach, set out in the paper, for the development of the 2019-20 Budget and medium term financial plans, seek to align to the already established implementation plan's five key principles, set out below for ease of reference:
  - We will ensure West Suffolk Council is fully empowered to discharge all of its powers and functions on 1 April 2019;
  - We are not expecting the creation to impact on service delivery. Where there is an impact we will aim to minimise the impact on our residents, communities, businesses, service users and other local stakeholders and partners;
  - Policies will be harmonised in a way that enables West Suffolk Council to operate with a clear purpose;
  - We will not take avoidable decisions that would constrain or restrict the operation of West Suffolk Council; and
  - We will focus on delivering the commitments made in our business case

## **2. The Strategic Context**

- 2.1 At their December 2017 Council meetings, both Forest Heath and St Edmundsbury Councils adopted the 2018-2020 West Suffolk Strategic Framework which sets out our vision and what both councils aim to achieve together, with our partners, local businesses, communities and residents.
- 2.2 In summary, the document contains the:
  - (a) **West Suffolk councils' vision:** *Supporting and investing in our west Suffolk communities and businesses to encourage and manage ambitious growth in prosperity and quality of life for all;*
  - (b) **Strategic priorities:**
    - *Growth in West Suffolk's economy for the benefit of all our residents and UK plc.*
    - *Resilient families and communities that are healthy and active.*
    - *Increased and improved provision of appropriate housing in West Suffolk in both our towns and rural areas.*

- (c) **Projects and actions to support the priorities:** projects and actions already underway as well as those that have been agreed but not yet started; and
- (d) **Ways of working:** how the West Suffolk councils will work together in taking forward the ambitious set of projects and activities, in order to support improvements in quality of life in West Suffolk.
- 2.3 It was also envisaged, given its recent development and adoption in December 2017, that the 2018-20 West Suffolk Strategic Framework would set the strategic direction for the new single council for West Suffolk. The framework is also aligned with the councils' business case that was submitted to the Secretary of State in autumn 2017.
- 2.4 Subject to rebranding; wording changes from "councils" to "council" and other consequential amendments, which will be completed by Officers, it is proposed that the Shadow Council formally adopts the West Suffolk Strategic Framework as its Strategic Framework for 2019-20, setting the strategic direction of the new West Suffolk Council and therefore the allocation of its resources from 1 April 2019.
- 2.5 The West Suffolk Medium Term Financial Strategy 2016-2020, assesses and evaluates the financial resources we expect to have and our expenditure in order to deliver our strategic priorities. Our current joint strategy for managing the councils' finances for 2016-20 is based on six key themes, representing our response to the ongoing financial challenges and opportunities surrounding local government.
- 2.6 In summary, these six themes are:
- Aligning resources to West Suffolk's strategic framework and essential services;
  - Continuation of the shared service agenda and transformation of service delivery;
  - Behaving more commercially;
  - Considering new funding models (e.g. acting as an investor);
  - Encouraging the use of digital forms for customer access; and
  - Taking advantage of new forms of local government finance (e.g. business rate retention).
- 2.7 The narrative of the current West Suffolk MTFS document warranted some updating, particularly around the national and local financial context (for example the introduction of the now 75% Business Rates Retention scheme in 2020). As such Officers have included at Appendix A an updated MTFS document (the detailed numbers to be included will flow out of the 2019-20 budget process) for Members' consideration and adoption as the new West Suffolk Council's Medium Term Financial Strategy from 1 April 2019.
- 2.8 From April 2018 (a transitional period for adoption was allowed), all local authorities are required to adopt a Capital Strategy. West Suffolk Councils at their February 2018 Council meetings adopted an early draft of a West Suffolk Capital Strategy which is an integral part of a council's Medium Term Financial Strategy. Appendix B provides an updated Capital Strategy (the detailed numbers to be included will flow out of the 2019-20 budget process) for

Members' consideration and adoption as the new West Suffolk Council's Capital Strategy from 1 April 2019. This strategy may need to be updated further following the issue of any guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA).

- 2.9 It is worth noting that as part of good financial planning (councils are also required to prepare for, as a minimum, a three year financial planning period), the West Suffolk Council in February 2019 will be asked to set a balanced budget for 2019-20 (its statutory obligation), alongside a medium term financial plan for the period 2020-2023. Until such time as the new West Suffolk Council adopts any revised longer term strategic and financial frameworks and strategies, that financial plan will assume the continuation of both the West Suffolk Strategic Framework 2018-20 and the proposed Medium Term Financial Strategy 2019-20 (supported by the capital strategy).
- 2.10 The Strategic Framework and MTFS are both supported and underpinned by a number of further strategies, policies and guidance – which will create the overall policy and budget framework for the new West Suffolk Council. Where these strategies, policies and guidance are joint across Forest Heath and St Edmundsbury, it is proposed that these will simply be 'rolled over' into the new Council. The exact process for achieving this is subject to confirmation within the emerging 'consequential' Parliamentary Order which deals with finance, staffing and other matters. A small number of policies remain separate for the two councils and require harmonisation before 1 April 2019. These will each have their own alignment process and timeframes as part of the detail behind the agreed implementation plan.

### **3. Principles for approaching the 2019-20 Budget process**

- 3.1 The approach to setting the 2019/20 budget along with the medium term financial plans for West Suffolk Council is proposed to follow the below principles;
- The 2019-20 budget and medium term plans will continue to follow the West Suffolk Councils Strategic Framework (three priorities) and Medium Term Financial Strategy (six themes) – section 2 above gives details.
  - The process will take into account the agreed Single Council Business Case in respect of saving proposals and Council Tax harmonisation
  - A simple approach will be followed where, unless there is good reason to do so differently (see next section on review areas), a 1+1=2 approach will be taken (i.e., the two current budgets are added together to form the West Suffolk Council budget)
  - The approach will seek to achieve a minimum 2 year balanced budget for 2019-2021 and will provide confidence in achieving a balanced longer term position
  - The approach will take the opportunity to consider overall Single Council Financial Resilience in our approach (which may include some external support, i.e. CIPFA)

- The process will continue to communicate the overall West Suffolk financial challenges and opportunities through the medium term financial strategy to Leadership Team, staff, cabinet and all councillors
- 3.2 Recognising the key role the Performance and Audit Scrutiny Committees both play in the development of a sustainable budget for the West Suffolk Councils, it is suggested that the approach to achieve these principles is developed and agreed by that Joint Informal Committee in the first instance. Therefore a report setting out a proposed approach to the 2019-20 Budget and medium term plans, following the above principles, is planned to be considered and scrutinised by the Joint Informal meeting of the Performance and Audit Scrutiny Committees at their July 2018 meeting(s).
- 3.3 The Ministry of Housing, Communities and Local Government (MHCLG) has asked that the Shadow Executive formally writes to the ministry setting out its plans for the harmonisation of council tax levels across a new West Suffolk Council in order to assist their development of the necessary legislative order. Both Councils agreed as part of the single council business case that a 7 year harmonisation period would be requested and therefore no further discussion on this matter is required. Members should continue to note that it will ultimately be down to the new West Suffolk Council to formally resolve its Council tax level(s) each year, from 1 April 2019 – with the West Suffolk Shadow Council setting the first year council tax level (therefore precept) for 2019-2020.
- 3.4 It is proposed that the West Suffolk Shadow Executive support both the Leader and Deputy Leader (the Leaders) in writing to MHCLG on behalf of the West Suffolk Shadow Executive confirming West Suffolk Council's plans for a 7 year council tax harmonisation period whilst also taking into account our implementation plan five key principles.

#### **4. Timetable**

- 4.1 The high level timetable below is proposed for setting the 2019/20 budget along with the medium term financial plans for the West Suffolk Council.

<b>Action</b>	<b>Timescales</b>
Shadow Council – consider the Shadow Executive recommendations from this report	17 July 2018
PASC report(s) – setting out a proposed approach to the 2019-20 Budget and medium term plans	25 July 2018
Budget preparations following agreed approach	July – January 2019
PASC report(s) – delivering a sustainable budget update report	27 September 2018
PASC report(s) – delivering a sustainable budget update report	28 November 2018
PASC report(s) – delivering a sustainable budget update report	31 January 2019
Member Development Session(s) and briefing(s) – MTFS	January- February 2019
Shadow Executive – 2019-20 Budget and Council	5 February 2019

Tax setting report	
Shadow Council - 2019-20 Budget and Council Tax setting report	19 February 2019
West Suffolk budget – implementation/go live date	1 April 2019