West Suffolk Council

Medium Term Financial Strategy (MTFS) 2019-21

NOTE: THE SUMMARY OF OUR FINANCIAL POSITION SECTION WILL BE COMPLETED AS PART OF THE 2019-20 BUDGET SETTING PROCESS (CONCLUDED IN FEBRUARY 2019), ALONG WITH ALL REFERENCED APPENDICES AND TABLES.

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Appendix 1 (Appendix A)

FOREWORD FROM THE PORTFOLIO HOLDERS OF THE COUNCILS *(SUBJECT TO FURTHER UPDATES UNTIL FEBRUARY 2019 DETAILED BUDGET ADOPTION).*

We are delighted to introduce the West Suffolk Medium Term Financial Strategy (MTFS) for 2019-21. West Suffolk continues to collaborate with other public sector organisations across the full range of our services and programmes of activity. This reduces costs for local residents and also simplifies public sector structures in the west of Suffolk.

Working more efficiently as a new Single Council, through transforming services, moving to digital forms of communication, behaving more commercially and a range of other initiatives, will continue to be at the heart of West Suffolk's approach over the next few years. But this will not be enough to meet the financial challenges we are facing as a result of changes in the economy and the way in which local government is financed. As we explain in more detail in this document, 2020-21 will see fundamental changes to the local government finance system. These will require councils to be even more reliant on generating growth in our local areas, as opposed to receiving support from central government. We welcome the opportunity to take control of our own destiny in this way. And we will also be working with Government and other councils to ensure that the necessary checks and balances remain in place so that we can continue to support local families and communities.

Our strategy for managing the council's finances from 1 April 2019 will continue to be based on the six principles we adopted under the previous shared MTFS and which are set out in this document.

Our aim in all of this is to continue to support and invest in our West Suffolk communities and businesses to encourage and manage ambitious growth in prosperity and quality of life for all – the vision we have set out in our West Suffolk Strategic Framework for 2018-20. Working towards this vision, and achieving the priorities and actions that support it, will need to be done in partnership with a wide range of other organisations, communities, families and individuals. The next few years will therefore be characterised by ongoing collaboration; more joining-up of our services around individuals; and in some cases, the devolution of powers to a more local level. All of these new ways of working will require new funding arrangements or structures, but we are confident that we can build on our strong track record of sound financial management in the past to meet the new, and even more demanding challenges of the future.

Councillor Stephen Edwards
Portfolio Holder for Resources
and Performance
Forest Heath District &
West Suffolk Council

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St Edmundsbury Borough &
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PURPOSE OF THIS DOCUMENT

The Medium Term Financial Strategy (MTFS) provides a high-level assessment of the financial resources required to deliver West Suffolk's strategic priorities and essential services over the next few years. It considers how the council can provide these resources within the anticipated financial context.

Like all local authorities, West Suffolk's MTFS is influenced by national government policy, funding and spending announcements. The government's spending plans continue to evolve, at the time of publication of the MTFS, highlights include:

- The main grant (revenue support grant - RSG) to local government will be phased out by 2019-20, with 2019-20 being the final year of the 4-year settlement deal that was accepted by 97% of councils, including West Suffolk's, in return for publishing efficiency plans.
- Government will be looking at fair and affordable options surrounding 'negative' RSG that occurs in 2019 to 2020, and will formally consult on proposals ahead of the 2019-20 settlement.
- The New Homes Bonus baseline will be maintained at 0.4%.
- Council tax and business rates are forecast to grow in cash terms based on the Office for Budget Responsibility's forecast for local authority self-financed expenditure. Local government spending is forecast to be higher in cash terms by 2019-20 than in 2015.
- Consultation will continue in 2019 on changes to the local government finance system to pave the way for the implementation of 75% business rate retention by 2020-21. Including a review of local authorities' needs and resources to enable a new funding system to be devised.
- The next business rates revaluation would be brought forward one year to 2021. Following the previous announcement on more frequent revaluations, this means that three-yearly revaluations could take effect in 2024.
- The government will allow local authorities to spend up to 100% of their fixed asset/capital receipts on the revenue costs of reform projects.
- The council tax referendum level (the level at which council tax can be increased) is currently set in line with inflation at 3% or £5, whichever is the higher amount. In addition, local authorities with responsibility for social care (e.g. Suffolk County Council) may levy a precept to spend exclusively on adult social care.
- Ten additional business retention rates pilots for 2018-19 – for areas of varying sizes and location – have been confirmed. The Suffolk pilot scheme is one of these ten confirmed pilots. Suffolk and the other pilots, will keep 100% of growth in business rates, which will stay in communities and be spent on local priorities.
- Introduction of the National Living Wage, to reach 60% of average salaries by 2020.

The latest local government spending announcements can be found at the following link:
https://www.gov.uk/government/policies/local-government-spending

NATIONAL ECONOMIC CONTEXT

The economy

Growth and employment continues to perform broadly as expected according to the government's independent forecasters, the Office for Budget Responsibility (OBR). The latest data (March 2018) show real GDP growth slowing from 1.9 per cent in 2016 to 1.7 per cent in 2017 (and to 1.4 per cent in the year to the fourth quarter of 2017).

There has been the continued strengthening of advanced economies around the world. The International Monetary Fund's January 2018 forecast update included upward revisions to 2018 and 2019 GDP growth in the United States, the euro area, Japan and Canada, which has led the OBR to raise their forecast for UK export market growth. On the other hand, the vote to leave the European Union appears to have slowed the economy, but by less than expected immediately after the referendum – thanks in part to the willingness of consumers to maintain spending by reducing their saving.

Despite this global tailwind, the OBR still expect UK GDP growth to continue to ease – to 1.5 per cent in 2018 and 1.3 per cent in 2019, before picking up slowly over the remaining years of the 5 year forecast. This reflects the OBR current assumption that the economy is operating a little above its potential – reflecting signals from a variety of business surveys and early indications of pay settlements growth in 2018 – and the expectations of monetary policy tightening priced into financial markets.

CPI inflation reached 3.1 per cent in November 2017, which the OBR expect to have been its local peak. The OBR assume that the unwinding of last year's sterling-driven rise in import prices will bring inflation down to around 2 per cent relatively quickly and that it will remain close to that level – the government's inflation target.

The OBR continue to expect employment growth to slow over the next five years from the strong rates seen in much of the post-crisis period. This reflects their view that unemployment is currently just below its sustainable rate and that the ageing of the population will place downward pressure on the overall participation rate.

The OBR forecasts continue to be based on broad-brush assumptions about the economy and public finances after the UK's exit from the EU, pending a meaningful basis upon which to predict the precise end-point of the Brexit negotiations. One area where sufficient clarity is now available to be more specific relates to the financial settlement – the 'divorce bill' – that the UK will pay after leaving the EU on 29 March 2019. The December 2017 joint report by the UK and EU negotiators detailed the components of this settlement. The

Treasury estimated at the time that it would amount to £35 billion to £39 billion. Using assumptions consistent with our central economic and fiscal forecasts, we estimate the settlement would cost £37.1 billion, with around 75 per cent falling due within the OBR's five-year forecast period

Government borrowing and spending

The Government's intention to reduce the UK's current budget deficit and level of debt, through public spending control, continues to be well documented, through its recent Spending Review and Budget announcements.

Borrowing is forecast to continue falling from 2018-19 onwards, with the deficit dropping below 2 per cent of GDP for 2018-19 and below 1 per cent of GDP in the final year of the forecast (2019-20).

Changes to local government financing

Over the last few years, a number of local government financing mechanisms have become embedded in the Councils' overall funding framework. For example:

- a share of business rates growth is now retained locally by the councils, and by a Suffolk "pool";
- the councils set council tax discounts locally, rather than eligible residents receiving council tax benefit;
- the New Homes Bonus; and
- the funding of Disabled Facilities Grants from the Better Care Fund.

It is expected that each of these mechanisms will continue in 2019-20 and beyond, although each is subject to further changes by central government.

Local government is now funded from four main taxation/finance settlement sources; council tax, revenue support grant, new homes bonus and a share of business rates income. Council tax income continues to be the main source of funding, in total value, for local authorities. Council Tax income represents around 12% of West Suffolk's annual income.

Of particular interest in the recent government's spending announcements in this area are:

- The previous main revenue support grant to local government will be phased out by 2019-20
- The New Homes Bonus (now based on a 4 year payment, from the previous 6 years) growth baseline will be maintained at 0.4% but continues to be under review.
- Consultation will continue in 2019 on changes to the local government finance system to pave the way for the implementation of 75% business

rate retention by 2020-21. Including a review of local authorities' needs and resources to enable a new funding system to be devised.

- The council tax referendum level (the level at which council tax can be increased) is currently set in line with inflation at 3% or £5, whichever is the higher amount.

The changes to local government finance form part of the government's devolution agenda, by reducing local authorities' reliance on central government, and encouraging greater self-sufficiency. West Suffolk continues to work with other authorities in East Anglia to consider the longer term implications of these changes for the future shape of local government and economic growth in the region.

LOCAL CONTEXT

West Suffolk Councils financial position is based on our financial circumstances, local demand and opportunities. The 'summary of our financial positions' section of this document details our financial standing. The following section provides an overview of the local context in which the Council operates.

The local economy

1) Economic growth
Our geographical position means while we are very much part of the county of Suffolk, we are also part of the wider Cambridge economy and the A14 and A11 transport links tie us into the wider geography of East Anglia for key issues.
We play a significant part in the Cambridge Housing Sub-Region as well as the New Anglia LEP and the Greater Cambridge, Greater Peterborough LEP. Councillors recognise the opportunities this creates and are committed to maximising them but there is also recognition that this proximity brings challenges as well, including high house prices and rental levels alongside demand for housing that is not being supplied within the Cambridge area.

2) Better housing
West Suffolk is facing increasing demands for housing both in the public and private sectors. There is a need to ensure housing is affordable whether to rent or buy, which is challenging in an area with historically low wages and pressures on house rental prices. We recognise the need not only for more homes but also a range of different types of housing suitable for the varying needs for our growing and ageing population as well as homes to suit local demand from first time buyers, those that are retiring, and sites for Gypsies and Travellers.

3) Families and communities
When measured at the local authority level, the population of West Suffolk appear to be relatively affluent, and experiencing lower levels of deprivation and social upheaval than many other parts of the country. However, this overall

picture masks pockets of real deprivation in certain wards and a wider lack of social mobility.

Increase in service demands

West Suffolk serves a population of 177,400 across a predominantly rural area in the heart of East Anglia.

The 2001 Census showed that the number of residents over 65 in West Suffolk was slightly below the national average. Improved health and wellbeing has shown an increase in ageing population both nationally and in West Suffolk. The 2011 census showed percentage of over 65s in West Suffolk had risen to 17.97%; this is now above the national average and projected to increase. Many older people bring a wealth of experience and skills which they are willing to share voluntarily throughout their retirement, and these opportunities need to be developed. Some older people need extensive support to continue living independent lives and this inevitably creates pressures on all public sector services.

West Suffolk has also experienced a period of sustained increase in demand for some of the key services it provides to the most vulnerable members of the community, particularly within housing and our homelessness service.

West Suffolk faces challenges around closing the gaps in educational attainment across the area. While some schools are performing well, some still face challenges in raising educational attainment.

Education is just one element of the complex social issues which have significant rural deprivation impacts on how we fund and deliver council services. As well as individual families, there are a number of neighbourhoods in West Suffolk where communities are experiencing real difficulties on a day-to-day basis. Many of the issues facing our residents today are not picked up in statistical analyses, such as loneliness and isolation, a lack of practical support, or mental health problems.

At the same time, our residents expect the public sector to match, or exceed, service levels delivered by the private sector. Council tax is the only visible tax – others are hidden, for example, in VAT on purchases or through pay as you earn (PAYE) deductions from salaries. People expect value for their council tax and prompt, professional and seamless services. The new customer service arrangements are transforming our delivery but need resourcing for support systems, such as an efficient, easily accessible and transactional website where people can access services any time of day.

Challenges and opportunities within the changing local government financing regime

The Government's new arrangements for funding local government present local authorities with a higher degree of uncertainty and risk than the previous arrangements. On the other hand, local authorities are now more able to control the level of funding they receive, due to the links to new commercial or housing development that they encourage and incentivise in their local areas. This presents West Suffolk with both challenges and opportunities as the new arrangements bed down.

Funding reductions

West Suffolk has already faced significant cuts in Government funding with revenue support grant (£4.3m in 2014-15) being phased out completely by 2020.

A sustainable future for West Suffolk in the face of funding cuts and spending pressures is dependent upon continuing to change the way we think about funding local government and how we manage the system.

RESPONDING TO THE FINANCIAL CHALLENGES AND OPPORTUNITIES

West Suffolk Council's response to the financial challenges and opportunities are based on six key themes. These themes were developed for the previous MTFS and will continue from 1 April 2019, as they represent an appropriate response to the ongoing financial situation:

1. Aligning resources to West Suffolk's strategic framework and essential services;
2. Continuation of the shared service agenda and transformation of service delivery;
3. Behaving more commercially;
4. Considering new funding models (e.g. acting as an investor);
5. Encouraging the use of digital forms for customer access; and
6. Taking advantage of new forms of local government finance (e.g. business rate retention).

1. Aligning resources to the West Suffolk strategic framework and essential services

Continuing in this MTFS, is the approach of allocating resources in line with the priorities set out in the West Suffolk Strategic framework 2018-2020, which is available here https://www.westsuffolk.gov.uk/council/policies_strategies_and_plans/strategicframework.cfm?aud=council, and essential services. This theme helps to identify areas of West Suffolk's work which could either be scaled back or where (either individually or together) further opportunities for the generation of income could be pursued. The budget-setting process focuses on these non-priority areas, and challenges whether West Suffolk should continue with the activities either at all, or in their current form, in order to ensure they provided value for money to council taxpayers.

The links to the changing role of local government from direct provision and reaction to enabling and preventing, as part our Families and Communities Strategy for West Suffolk, will also start to inform the allocation of the individual council's available resources. The strategy builds from two key assumptions.

- Changing needs – challenging definitions of poverty and deprivation and also the presumption of public services' role as meeting needs rather than developing and working with the assets within communities.
- Preventing and reducing demand – there are fewer resources and a history of rising demands on public services; we cannot resolve this challenge by trying to do the same things with less money.

2. Continuation of the shared service agenda and transformation of service delivery

The shared service agenda has already delivered in excess of £4 million per year in savings for West Suffolk which is in addition to other local savings. The creation of a new single West Suffolk Council adds a further £850k per year savings and efficiencies to this success. West Suffolk shares a number of services with neighbouring councils including HR and ICT support to the Anglia Revenue Partnership and legal support services with Babergh and Mid Suffolk Councils and will continue to explore further opportunity for sharing services where appropriate.

A number of Business Process Re-engineering reviews were carried out during 2016-19 and the recommendations from these continue to be implemented. In particular, these reviews have resulted in the further integration of customer facing systems (e.g. customer records management) with back-office systems, to allow customers to complete transactions online. Business Process Re-engineering reviews will also continue to be carried out in 2019-20 to ensure further streamlining and efficiencies can be achieved.

The Business Partner model will continue to be operated through the MTFS period, whereby corporate or support services provide specialist support and expertise to all service areas and project teams.

West Suffolk is involved in a programme of Suffolk-wide working, supported by funding from central Government, through the Transformation Challenge Award. This work aims to integrate work by public sector partners across the Suffolk "system" so as to improve the lives of Suffolk residents and achieve savings for council tax payers. As well as working with those within the public sector "system", we are also continuing to work in partnership with local communities, enabling them to support themselves.

The Councils are also working with partners to maximise the opportunities offered by the Government's devolution agenda for example by working in partnership with the Greater Cambridge Greater Peterborough Local Enterprise Partnership and considering where responsibilities best sit within the Suffolk "system".

3. Behaving more commercially

Over the last few years more commercial behaviours have begun to be embedded in key parts of the councils' work, with implications for the councils' finances. On the one hand, a number of savings have been achieved as a result of more business-like behaviours, and on the other hand, significant additional income has been generated in some service areas. Behaving more commercially will therefore continue to be a key theme running through the work needed to deliver our outcomes and a sustainable MTFS.

4. Being an 'investing authority' and considering new funding models

The West Suffolk council will continue its work on being an "investing authority" over the period 2019-21. The West Suffolk councils have had a long tradition of investing in their communities in support of the delivery of their strategic priorities, in particular to aid economic growth across West Suffolk.

Depleting capital and revenue reserves and increased pressure on external funding mean that the Council will need to consider investing away from the traditional funding models such as using their own reserves. Instead focus is now on the use of:

- making loans, securing the return of the council's funds;
- joint ventures, sharing the investment required; or
- borrowing, introducing new funds into West Suffolk.

The financing of the chosen funding model itself is a challenge, with limited reserve balances available in the medium to longer term. In order to generate new cash into the authorities and to enable our continued ambition of being an 'investing authority' means that borrowing, in order to create new cash, is something that West Suffolk is willing to consider, in appropriate circumstances.

There are ample precedents which demonstrate that prudential borrowing has become a valuable tool for local government to achieve its strategic objectives. The use of unsupported borrowing (no security to a particular council asset) is both flexible and relatively straightforward.

With this in mind and as borrowing is likely over the medium to long term for both authorities, it is considered prudent to assess each investment opportunity/project on the basis of borrowing and its cost, assessing each project on an equal playing field regardless of their timings within the MTFS or the funding model used.

There are two annual costs associated with borrowing:

- servicing the debt – the interest payable on the loan; and
- repayment of the loan/capital – effectively through a minimum revenue provision (MRP) into the revenue account.

At the time of writing this plan, these costs would be in the region of 2.81% interest (based on a Public Works Loan Board –PWLB, rate over 25 years) and 4% MRP, and therefore in order to assess each project on a level playing field a target 10% internal rate of return (IRR) will be set in order to cover the cost of borrowing (loan rate to be determined). Naturally a change in interest rate or MRP rate would change the target rate of IRR.

The choice of funding model for each investment opportunity/project will be based on its individual merits, financial return/costs including the comparison to the agreed target internal rate of return and overall risk exposure, considered as part of each business case. Any decision to invest or borrow would be subject to full scrutiny by councillors, through the usual democratic process.

5. **Encouraging the use of digital forms for customer access**

The ongoing implementation of our Customer Access Strategy is also an important part of our next phase of development and is inextricably linked to the need for commercial thinking and wider savings programme. The single customer support team created in 2013 continues to embed the benefits of both integrated first-point-of-contact support and promoting channel shift.

There will always be some customers who cannot or do not want to access our services online – whether because they have limited access to the internet, or because they are unfamiliar with this technology. These customers will always be able to reach us in the traditional way. Our goal, though, is to encourage those people who can do their business with us online to do so.

In addition to making customer contact easier to handle, this solution can automate many of the duplicated tasks council employees normally perform when handling customer contact, thereby reducing call times and improving the quality of service.

6. **Taking advantage of new forms of local government finance (e.g. business rate retention)**

During the period covered by the MTFS, the new forms of local government finance will continue to be the key sources of income for councils. West Suffolk will therefore take the opportunity, through its service delivery and other MTFS themes mainly ‘behaving more commercially’ and being an ‘investing authority’, to grow our own funding through a strong, and growing, local economy alongside the skills, infrastructure and housing to sustain it.

OUR APPROACH TO ENGAGEMENT AND CONSULTATION

The councils regularly engage with residents, businesses, community groups and interest groups through a range of consultation mechanisms. Sometimes these are formal exercises, for example, public consultations or public meetings, and sometimes they are more informal, for example, focus groups, community engagement within localities and stakeholder liaison on a topic by topic basis. Our overall aim is to carry out timely and proportionate consultation that is available in an accessible format for everyone who wants to give us their views on a particular matter. Details of current and closed consultations by the councils are available here:
http://www.westsuffolk.gov.uk/council/consultations/

Appendix 1 (Appendix A)

SUMMARY OF OUR FINANCIAL POSITIONS

REVENUE STRATEGY AND BUDGET SUMMARY

The approach taken to financial management over the period of the Medium Term Financial Strategy (MTFS) seeks to achieve the following objectives:

- keeping council tax low and at an affordable level;
- delivering the necessary savings and income generating activities to continue to live within our means;
- continuously improving efficiency by transforming the ways of working;
- making prudent budget provisions for the replacement of key service delivery assets such as waste freighters, ICT systems;
- ensure that the financial strategy is not reliant on contributions from working balances; and
- maximising revenue from our assets.

Key budget assumptions within the MTFS

There are limitations on the degree to which West Suffolk can identify all of the potential changes within its medium term financial projections. It is important to remember that these financial models have been produced within a dynamic financial environment and that they will be subject to significant change over time. However the revenue position as currently forecast is summarised below in table 1 and detailed further in Appendix 1

Table 1: Annual savings

[Table to be inserted as part of detailed budget process]

West Suffolk's medium term financial projections include the following key budget assumptions, detailed in table 2 below. Budget assumptions continue to be reviewed as more accurate information becomes available.

Table 2 : Key assumptions in the MTFS

[Table to be inserted as part of detailed budget process]

General Fund balance

West Suffolk is required to maintain adequate financial reserves to meet the needs of the authority. The reserves we hold can be classified as either working balances – known as the general fund balance, or as specific reserves which are earmarked for a particular purpose – known as earmarked reserves.

West Suffolk holds a general fund balance as a contingency to cover the cost of unexpected expenditure or events during the year. West Suffolk's policy regarding the level of general fund is as follows, to hold a balance of:

- £***TBC***m for West Suffolk Council.

This amounts equate to approximately ***TBC***% of net expenditure at the 2019/20 budget level.

Earmarked Reserves levels

West Suffolk holds earmarked reserves, which are earmarked for a particular purpose and are set aside in order to meet known or predicted future expenditure in relation to that purpose. The planned use of working balances over the period covered by this strategy is shown in Appendix 3.

Based on existing contributions the levels of earmarked reserves at the end of ***TBC*** are expected to be as follows:

- £***TBC***m for West Suffolk.

West Suffolk Council makes prudent budget provisions for the replacement of key service delivery assets. Table 3 below summarises these annual provisions within the revenue budgets.

Table 3: Annual revenue provisions

[Table to be inserted as part of detailed budget process]

Investment Framework

With the emphasis on 'investing' in key strategic projects to support the delivery of our priorities, it is important that West Suffolk sets out its approach to considering each project on its own merits alongside a set of desired collective 'investing' programme outcomes. This is particularly important when set against the backdrop of continued financial challenges for local government associated with medium to long term funding uncertainties.

In ***TBC*** West Suffolk adopted a the West Suffolk Investment Framework which sets out the desired collective 'investing' programme outcomes to support staff and members throughout the initial development stages to the decision making stages of our key strategic projects, particularly those that require the Councils to invest.

The Investment Framework also supports the Council's compliance with its capital strategy and 'The Prudential Code for Capital Finance in Local Authorities (the Code)' and sets out the links with a number of the Council's strategic documents and polices including its Treasury Management Strategy and Code of Practice.

Treasury management

West Suffolk's capital and revenue budget plans inform the development of its Treasury Management Strategy, which is agreed annually as part of its budget setting report. The Treasury Management Annual Strategy details; who the Council can invest with and the maximum amount that can be invested, alongside the Council's borrowing requirements and sources. The Strategy can be found on the council's website ***(West Suffolk Strategy under development - link to be provided at the end of the MTFS***).

Risk management

In setting the revenue and capital budgets, West Suffolk takes account of the known key financial risks that may affect its plans. In addition, the impacts of varying key assumptions in the medium term financial strategy are modelled to assess the sensitivity of the indicative budget figures, as detailed at Appendix 5 ***[TBC]***. This informs decisions about the level of working balances needed to provide assurance as to the robustness of the budget estimates.

As West Suffolk changes direction, begins to operate in new ways and seeks new opportunities, the type of decisions we are now having to make will feel unfamiliar, more complex and could carry greater risks. For example, the council's increasing focus on investment and on new delivery vehicles requires decisions that bring new risks and opportunities into play.

[TBC] West Suffolk adopted a positive approach to risk (link provided at the end of the MTFS) based on seven core principles as detailed below. Our approach considers risk on a case by case basis and is documented at all stages.

- A positive approach;
- Contextual decision making;
- Informed risk-taking;
- Proportionate;
- Decision risks vs delivery risks;
- A documented approach; and
- Continuous improvement

CAPITAL STRATEGY AND BUDGET SUMMARY

Summary position

The Capital Strategy, attached at ***attachment X*** sets out the Council's approach to the allocation of capital resources. Appendix 2 shows the 10 year planned capital expenditure for 2019/20 to 2028/29, together with information on the funding of that expenditure (i.e. grants and contributions, use of earmarked revenue reserves and usable capital receipts reserve).

The Capital Strategy is supported by the Council's Corporate Asset Management Strategy and Plan ***(West Suffolk Strategy under development - link to be provided at the end of the MTFS***) which includes an objective to optimise the Council's land and property portfolio through proactive estate management and effective corporate arrangements for the acquisition and disposal of land and property assets.

During 2018/19, the capital programme has been reviewed taking into account both the strategic framework and priorities for West Suffolk detailed in its Strategic Framework, and the six key themes of the Council's response to the challenges and opportunities highlighted within this MTFS.

The Prudential Code for Capital Finance and matters relating to the affordability of the Capital Programme are detailed in Appendix 4.

Capital Receipts

An essential part of the funding arrangements for the capital programme is the disposal of surplus assets. The Council has an agreed programme of asset disposals ***(West Suffolk Strategy under development - link to be provided at the end of the MTFS)***. Table 4 is a summary estimate of the likely level of income from asset disposals over the period 2019/20 to 2028/29.

Table 4: Estimated income from asset disposals 2019/20 to 2028/29

[Table to be inserted as part of detailed budget process]

Capital Reserves

Following the transfer of the local authority housing stocks, the West Suffolk council have previously had extensive capital programmes covering the last 10-15 years. These programmes have predominately been funded from the Councils' housing stock transfer capital receipt or through the use of new capital receipts from the sale of other Council assets. Table 5 is a summary estimate of the likely level of capital reserve balance over the period 2019/20 to 2028/29.

Table 5: Estimated capital reserve balance 2019/20 to 2028/29

[Table to be inserted as part of detailed budget process]

Capital Investment – Alternative sources of funding

The West Suffolk Councils have a long tradition of investing in their communities.

Depleting capital and revenue reserves and increased pressure on external funding pots mean that West Suffolk will have to consider funding options away from the traditional investment methods. Instead focus is now on the use of;

- making loans, securing the return of the Councils' funds;
- joint ventures, sharing the investment required; or
- borrowing, introducing new funds into the Council.

Investment opportunities will be subject to a business case and risk assessment to ensure that the decision to implement the project is sound and that the Council can afford the long terms implications of each project. With this in mind, each business case that comes forward will make reference to a target 10% internal rate of return in order to cover the potential cost of borrowing.

GLOSSARY OF TERMS

Actuarial valuation

An independent report of the financial position of the Pension Fund that is carried out by an actuary every three years. Reviews the Pension Fund assets and liabilities as at the date of the valuation and the results of which, including recommended employer's contribution rates, the Actuary reports to the Council.

Baseline funding level

The amount of a local authority’s start-up funding allocation which is provided through the local share of the estimated business rates aggregate (England) at the outset of the scheme as forecast by the Government. It forms the baseline against which tariffs and top-ups will be calculated.

Budget Requirement

The Council’s revenue budget on general fund services after deducting funding streams such as fees and charges and any funding from reserves. (Excluding Council Tax, RSG, New Homes Bonus and Business Rates).

Business rate retention scheme

The Business Rates Retention Scheme introduced by Government from April 2013 is intended to provide incentives for local authorities to drive economic growth, as the authorities will be able to retain a share of the growth that is generated in business rates revenue in their areas, as opposed to the previous system where all business rates revenues are held centrally.

Under the scheme local authorities were also allowed to form pools for the purposes of business rates retention. Both West Suffolk authorities signed up along with the other Suffolk Authorities and the County Council to be designated as a Suffolk pool from April 2013.

In 2018 the Government announced ten new 100% business rate pilot schemes, the Suffolk authorities were successful in being one of those pilots.

Capital expenditure

Spending on assets that have a lasting value, for example, land, buildings and large items of equipment such as vehicles. Can also be indirect expenditure in the form of grants to other persons or bodies.

Capital Programme

Councils plan of future spending on capital projects such as buying land, buildings, vehicles and equipment.

Capital Receipts
The proceeds from the disposal of land or other assets. Capital receipts can be used to finance new capital expenditure but cannot be used to finance revenue expenditure.

CIPFA
Chartered Institute of Public Finance and Accountancy. One of the UK accountancy institutes. Uniquely, CIPFA specialise in the public sector. Consequently CIPFA holds the responsibility for setting accounting standards for local government.

Collection fund
A statutory account maintained by the council recording the amounts collected from council tax and Business Rates and from which it pays the precept to the major precepeting authorities.

Collection Fund surplus (or deficit)
If the Council collects more or less than it expected at the start of the financial year, the surplus or deficit is shared with the major precepting authorities - Suffolk County Council and Suffolk Police Authority.

Contingency
Money set-aside centrally in the Council's base budget to meet the cost of unforeseen items of expenditure, such as higher than expected inflation or new responsibilities.

Council Tax Base
The Council Tax base for a Council is used in the calculation of council tax and is equal to the number of Band D equivalent properties. To work this out, the Council counts the number of properties in each band and works what this equates to in terms of Band D equivalent properties. The band proportions are expressed in ninths and are specified in the Local Government Finance Act 1992.

General Fund Balance
The main unallocated reserve of the Council, set aside to meet any unforeseen pressures.

Gross Domestic Product (GDP)
GDP is defined as the value of all goods and services produced within the overall economy.

Gross expenditure
The total cost of providing the Council's services, before deducting income from Government grants, or fees and charges for services.

Individual authority business rates baseline
Derived by apportioning the billing authority business rates baseline between billing and major precepting authorities on the basis of major precepting authority shares.

Local share of Business rates
This is the percentage share of locally collected business rates that will be retained by local government. This is currently set at 50%. At the outset, the local share of the estimated business rates aggregate is divided between billing authorities on the basis of their proportionate shares.

Net Expenditure
Gross expenditure less services income, but before deduction of government grant.

National Non Domestic Rates (NNDR)
Also known as 'business rates', Non-Domestic Rates are collected by billing authorities such as West Suffolk Council and, up until 31 March 2013, paid into a central national pool, then redistributed to authorities according to resident population. From 2013-14 local authorities will retain 50% of the value of any increase in business rates. The aim is to provide an incentive to help businesses set up and grow.

New Homes Bonus
Under this scheme councils receive a new homes bonus (NHB) per property for the first four years following completion. Payments are based on match funding the council tax raised on each property with an additional amount for affordable homes. It is paid in the form of an unringfenced grant.

Precept
The precepting authority's council tax, which billing authorities collects on behalf of the major preceptor

Prudential Borrowing
Set of rules governing local authority borrowing for funding capital projects under a professional code of practice developed by CIPFA to ensure councils' capital investment plans are affordable, prudent and sustainable.

Referendum
Power under which the Government may limit the level of council tax increase year on year. Any major precepting authority in England wanting to raise council tax by more than 3% or £5 which ever if the higher amount, must consult the public in a referendum. Councils losing a referendum would have to revert to a lower increase in bills.

Revenue Expenditure
The day-to-day running expenses on services provided by Council.

Revenue Support Grant (RSG)
All authorities receive Revenue Support Grant from central government.

Risk Management
We define risk as being uncertainty of outcome, whether relating to 'positive' opportunities or 'negative' threats / hazards. Our new, positive approach to risk is based on context, proportionality, judgement and evidence-based decision making that considers risk on a case by case basis and is documented at all stages. We will be joined-up in our decisions, and will draw on one another's skills and experience to take responsibility for sound and reasonable decisions about the use of public funds, avoiding a blame culture when things go wrong.
http://westsuffolkintranet/howto/risk-management.cfm

Section 151 officer (or Chief Financial Officer)
Legally Councils must appoint under section 151 of the Local Government Act 1972 a named chief finance officer to give them financial advice, for West Suffolk councils case this is held by the post holder of Assistant Director (Resources and Performance).

Specific Grants
Funding through a specific grant is provided for a specific purpose and cannot be spent on anything else. e.g. Housing Benefits.

Spending Review
The Spending Review is an internal Government process in which the Treasury negotiates budgets for each Government Department.

Suffolk Business Rate Pool
All district/borough councils in Suffolk, along with Suffolk County Council have created the Suffolk Business Rates Pool. The pooling of business rates across Suffolk will:

- through its governance arrangement ensure no individual council is financially any worse off for being in the Suffolk pool;
- maximise the proportion of business rates that are retained in Suffolk;
- benefit the wider communities within the county led by the Suffolk Leaders' collective vision for a 'Better Suffolk';
- provide incentives for councils to work together to improve outcomes for Suffolk.

Tariffs and top-ups
Calculated by comparing an individual authority business rates baseline against its baseline funding level. Tariffs and top-ups are fixed at the start of the scheme and index linked to RPI in future years. West Suffolk is a 'tariff' authority.

Treasury Management

Managing the Council's cash flows, borrowing and investments to support the councils finances. ***Details are set out in the Treasury Management Strategy which will be considered and approved by Cabinet and Council in February.***

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