

# Informal Joint Performance and Audit Scrutiny Committee

<b>Title of Report:</b>	<b>Approach to Delivering a Sustainable West Suffolk Budget 2019-2020 and Medium Term Plan</b>	
<b>Report No:</b>	<b>PAS/SE/18/024</b>	
<b>Report to and date:</b>	<b>Performance and Audit Scrutiny Committee</b>	25 July 2018
<b>Portfolio holder:</b>	Councillor Ian Houlder Portfolio Holder for Resources and Performance <b>Tel:</b> 01359 250912 <b>Email:</b> <a href="mailto:ian.houlder@stedsbc.gov.uk">ian.houlder@stedsbc.gov.uk</a>	
<b>Lead officer:</b>	Rachael Mann Assistant Director (Resources and Performance) <b>Tel:</b> 01638 719245 <b>Email:</b> <a href="mailto:rachael.mann@westsuffolk.gov.uk">rachael.mann@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	This paper set out the proposed approach and timescales around the 2019/2020 budget setting process against the agreed principles, as we head in to the new West Suffolk Council.	
<b>Recommendation:</b>	<b>Performance and Audit Scrutiny Committee:</b>  <b>It is <u>RECOMMENDED</u> that members consider and agree (<u>note</u>) the approach and timescales for the 2019/2020 budget setting process and medium term plans as we head in to the new West Suffolk Council.</b>	

<b>Key Decision:</b> <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>		<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
<b>Consultation:</b>		<ul style="list-style-type: none"> <li>Engagement with Leadership team (LT), Portfolio Holders and staff will take place during this budget process</li> </ul>	
<b>Alternative option(s):</b>		<ul style="list-style-type: none"> <li>Other approaches could be proposed and considered by members.</li> </ul>	
<b>Implications:</b>			
<i>Are there any <b>financial</b> implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> As detailed in the body of this report	
<i>Are there any <b>staffing</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<i>Are there any <b>ICT</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Whilst it should be stated that this is an unlikely event there is a requirement under The Local Government Finance Act 1988 (S114) - for the Chief Finance Officer to report to councillors if there is or is likely to be an unbalanced budget.	
<i>Are there any <b>equality</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> No significant implications anticipated, however further consideration will be given as part of the implementation of any service changes.	
<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)
	Low/Medium/ High*		Low/Medium/ High*
Lack of approach results in an unsustainable 2019-20 budget for West Suffolk	Medium	Approval of the proposed approach set out in this paper	Low
Savings/income projections are not achieved resulting in budget deficit.	Medium	Budgetary control, including reporting of variances to members. Use of general fund reserves to cover budget deficits.	Low
The business rate retention scheme underachieving the yield assumed in the MTFS which impacts on the budget gap requirement.	High	Work with the Anglia Revenues Partnership team to monitor the position and deliver a realistic forecast.	Medium
Adverse changes in the assumptions, for example changes to the provisional formula grant settlement, used in the MTFS resulting in a larger budget gap.	Medium	The assumptions are regularly monitored and updated. Use of general fund reserves to cover budget deficits.	Low

100% Business rates Retention implementation prior to 2019/20 and rules therein.	Low	Constant monitoring of guidance issued and reflection in assumption	Low
<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="#">Shadow Executive Agenda 17 July 2018</a> – Item 5 West Suffolk Council – Setting the Strategic Context for the Development of the 2019/2020 Budget and Medium Term Financial Plans	
<b>Documents attached:</b>		None	

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

- 1.1 At its meeting of 17 July 2018, Shadow Council considered the recommendations from the Shadow Executive- Cabinet (Report no. EXC/SA/18/002) regarding the adoption of the new West Suffolk Council's Strategic Framework and Medium Term Financial Strategy (supported by the Capital Strategy). As this report was published prior to that date, the report is written on the basis that those recommendations were supported by the Shadow Council.
- 1.2 The interaction between the agreed West Suffolk Strategic Framework and West Suffolk Medium Term Financial Strategy (MTFS) continues to be increasingly important in the setting of budgets, as the council's priorities will need to be used to inform real choices about the allocation of limited resources.
- 1.3 Shadow Council was also asked to support the key principles set out in report EXC/SA/18/002 for the development of the 2019-20 budget and medium term financial plans for the new West Suffolk Council, set out below at 1.4 for ease of reference. Recognising the important role Performance and Audit Scrutiny Committees plays in the development of the budget, it was also agreed that a report be brought to this committee meeting, setting out the proposed approach to achieve these principles.
- 1.4 The approach to setting the 2019/20 budget along with the medium term financial strategy is 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).
  - 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 proposed approach/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. Chartered Institute of Public Finance and Accounting - 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.

## **2. Proposed Approach**

- 2.1 The following approach is therefore proposed in order to work to the above principles;
- a) A review of Councils key budget assumptions (taking into account the recent year end performance and forthcoming Q1 data), potential impact of pay line review, service demands, planned housing growth, sensitivities and risks.
  - b) Review of the current annual provisions that are planned for by each Council, for example, the annual contribution to the vehicle replacement reserve, building reserve for repairs and maintenance, ICT renewals, insurance claims, bad debt provisions etc.
  - c) Significant review of the Councils Capital Programmes and investment plans, including funding, to create a new West Suffolk Capital Programme spanning a 10 year period.
  - d) Significant review of the Councils reserves balances including potential amalgamations, redistribution and reduction in the overall reserve categories under a new West Suffolk Council.
  - e) Review of the Councils medium to longer term treasury management challenges and opportunities including borrowing requirements, revenue provisions for serving borrowing requirements, overall risk and budget exposure.
  - f) Review of the savings proposals embedded into the base budget in respect of single council, key projects and review their robustness and timing.
  - g) Review and capture of the medium to longer term saving/income generating initiatives (i.e. Growth agenda, Enterprise Zones, Asset Management Strategy) to provide narrative for future budgetary challenges and opportunities.
  - h) Review of medium to longer term direct and indirect reliance on government grant income streams i.e. Business rates retention, New Homes Bonus, Disabled Facilities Grant (through better care fund).
  - i) Trend analysis and financial risk profiling, historical and across the MTFS including income sources and key expenditure areas.
  - j) Continual engagement with MHCLG regarding government grant income, whether current working assumption is that both Councils will continue to receive their allocations based on a 1+1=2 assumption with 2020 being the opportunity for a re-baseline of that funding in line with the introduction of 75% Business Rate Retention and the ending of the Revenue Support Grant.
  - k) Review of the emerging 'financial resilience' commentary from CIPFA and provide some indication of key performance indicators in this area.

### 3. Timescales and next Steps

- 3.1 The following high level timetable was supported by the Shadow Executive and considered by Shadow Council recently.

<b>Action</b>	<b>Timescales</b>
PASC report – 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 2018
Member Development Session(s) and briefing(s) – MTFS	January- February 2019
Shadow Executive – 2019-20 Budget and Council Tax setting report	5 February 2019
Shadow Council - 2019-20 Budget and Council Tax setting report	19 February 2019
West Suffolk budget – implementation/go live date	1 April 2019