

Informal Joint Performance and Audit Scrutiny Committee



Forest Heath
District Council

Title of Report:	Approach to Delivering a Sustainable West Suffolk Budget 2019-2020 and Medium Term Plan	
Report No:	PAS/FH/18/032	
Report to and date:	Performance and Audit Scrutiny Committee	27 September 2018
Portfolio holder:	Councillor Stephen Edwards Portfolio Holder for Resources and Performance Tel: 01799 530325 Email: Stephen.edwards@forest-heath.gov.uk	
Lead officer:	Greg Stevenson Service Manager – Finance and Performance Tel: 01284 757264 Email: Gregory.stevenson@westsuffolk.gov.uk	
Purpose of report:	The purpose of this report is to update members on progress made towards delivering a balanced budget for 2019/20 and sustainable budget in the medium term.	
Recommendation:	Performance and Audit Scrutiny Committee: It is <u>RECOMMENDED</u> that members consider and <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.	

Key Decision: <i>(Check the appropriate box and delete all those that do not 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"/>		
Consultation:	<ul style="list-style-type: none"> Engagement with Leadership team (LT), Portfolio Holders and staff will take place during this budget process 		
Alternative option(s):	<ul style="list-style-type: none"> Other approaches could be proposed and considered by members. 		
Implications:			
<i>Are there any financial 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 staffing implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>		
<i>Are there any ICT implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>		
<i>Are there any legal and/or policy 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 equality 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.		
Risk/opportunity assessment: <i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>			
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (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
Ward(s) affected:		All Wards	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		Shadow Executive Agenda 17 July 2018 – Item 5 West Suffolk Council – Setting the Strategic Context for the Development of the 2019/2020 Budget and Medium Term Financial Plans Informal Joint PASC – Approach to Delivering a Sustainable West Suffolk Budget 2019-2020 and Medium term Plan (25 July 2018)– Report No: PAS.FH.18.023	
Documents attached:		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).
- 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 approach and methodology of constructing the budget and MTFS in order to work to the above principles was set out in report PAS/SE/18/024 – Approach to Delivering a Sustainable Budget 2019-2020 and Medium Term Plan.

3. Progress and Budget Assumption

- 3.1 At this stage in the budget and MTFS process there have been a set of adverse trends identified which give rise to an estimated annual budget deficit of £0.5m for 2019/20 and 2020/21 for West Suffolk Council. The major causes of this revision of the plan are:

- The lower growth trend in car parking income as seen in 2018/19 and anticipated to continue into 2019/20.
- The increased cost relating to recycling charge per tonne.
- The estimated impact of revising the pay-line.
- The new business case for Barley Homes.

- 3.2 This budget gap does not include, at this stage, any variation or profile changes in respect to the projects related to delivering our growth agenda or the savings anticipated from moving to a single council. The current expectation is that these projects will deliver to the existing plan.

- 3.3 Having identified these pressures on the delivery of a balanced budget for 2019/20 and 2020/21 the focus is clearly on assessment on areas and assumptions that, if changed, could close this gap. These include:

- Major income stream trends (including ongoing work on Car Parking)
- Cost base assumptions, efficiency trends.
- Assumptions relating to the wider macro environment which require a change in approach.

4. Timescales and next Steps

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

Action	Timescales
Budget preparations following agreed approach	July 2018 – January 2019
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