

Informal Joint Performance and Audit Scrutiny Committee



Title of Report:	Approach to Delivering a Sustainable West Suffolk Budget 2019-2020 and Medium Term Plan	
Report No:	PAS/FH/18/039	
Report to and dates:	Performance and Audit Scrutiny Committee	28 November 2018
	Shadow Executive Cabinet	5 February 2019
	Shadow Council	19 February 2019
Portfolio holders:	<p>Councillor Ian Houlder Portfolio Holder for Resources and Performance Tel: 01359 250912 Email: ian.houlder@stedsbc.gov.uk</p> <p>Councillor Stephen Edwards Portfolio Holder for Resources and Performance Tel: 01799 530325 Email: Stephen.edwards@forest-heath.gov.uk</p>	
Lead officer:	<p>Greg Stevenson Service Manager – Finance and Performance Tel: 01284 757264 Email: Gregory.stevenson@westsuffolk.gov.uk</p>	
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:	<p>It is <u>RECOMMENDED</u> that the Performance and Audit Scrutiny Committee:</p> <p>1) Consider and agree the approach and timescales for the 2019/2020 budget setting process and medium term plans for West Suffolk Council.</p> <p>2) Recommends to the Shadow Executive (Cabinet) the inclusion of the proposals, as detailed in Section 2 and Table 1 and Table 2 of Report No: PAS/FH/18/039.</p>		
<p>Key Decision:</p> <p><i>(Check the appropriate box and delete all those that do not 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>		
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. They would need to take into account core principles such as deliverability, affordability and risk. 		
Implications:			
<p>Are there any financial implications? If yes, please give details</p>		<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <p>As detailed in the body of this report</p>	
<p>Are there any staffing implications? If yes, please give details</p>		<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>	
<p>Are there any ICT implications? If yes, please give details</p>		<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>	
<p>Are there any legal and/or policy implications? If yes, please give details</p>		<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <p>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.</p>	
<p>Are there any equality implications? If yes, please give details</p>		<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>No significant implications anticipated, however further consideration will be given as part of the implementation of any service changes.</p>	
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:	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 Report No: PAS/FH/18/032		
Documents attached:	None		

1. Key issues and reasons for recommendation(s)

- 1.1 At its meeting of 17 July 2018, Shadow Council supported 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. Progress and Budget Assumption

2.1 At the September PASC the budget position was reported as a gap of £0.5m in report PAS/FH/18/032 - Approach to Delivering a Sustainable West Suffolk Budget 2019-2020 and Medium Term Plan. This position included the following set of adverse trends:

- 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.

2.2 This position has been updated to account for developing trends and revised information as it becomes available and confirmed as far as possible. This information gives rise to a budget gap of £1.1m for 2019/20 and £1.1m for 2020/21.

The updated position for each year is laid out in the table below (next page).

Table 1: Budget Proposals for 2019-23

	2019/20	2020/21	2021/22	2022/23
Existing Savings Targets within MTFS	0	300	1,914	2,745
<u>Additional Pressures</u>				
Salary Revision (impact of 18/19 changes)	508	430	453	477
Payline Alignment	228	233	241	249
LT Salary	40	41	42	42
Members Allowances (inc. Special Responsibility)	88	88	88	88
Blue Bins - Increased Tipping Charges	423	424	425	426
Car Park Income	394	254	209	209
Growth Fund - Revised Outlook	300	150	0	0
Barley Homes - Revised Business Case	197	(96)	(37)	(35)
Trade Waste Costs	60	60	60	60
Local Plan Costs	70	70	70	70
Information Security Role	60	61	62	64
Rough Sleeper Costs	41	41	41	41
Total Additional Pressure	1,900	1,325	1,200	1,214
<u>Additional Income/Savings</u>				
Solar Income	(160)	0	0	0
Solar Costs	(40)	(40)	(40)	(40)
Professional Fees	(100)	(100)	(100)	(100)
Trade Waste Income	(160)	(84)	(42)	(42)
Ground Maintenance Income	(100)	(102)	(104)	(106)
Housing Options - HB Income	(72)	(72)	(72)	(72)
Apex Booking Fee	(34)	(34)	(34)	(34)
Shared Legal Service Income (BMS/Babergh)	(90)	(90)	(90)	(90)
Other Waste Services Income	(46)	(47)	(48)	(48)
Total Additional Income/Savings	(802)	(569)	(530)	(532)
Net Impact	1,098	1,056	2,584	3,427

2.3 There are a set of proposed actions that can be taken that will reduce this budget gap for 2019-2021 significantly. These include reserve funding

proposals and approaches to corporate budgets. These proposals are laid out in the table below.

Table 2: Proposed Solutions

Proposed Solutions

Reserve Fund:				
- Growth Fund - Revised Outlook	(300)	(150)	0	0
- WSOH Business Management posts (2 years)	(150)	(150)	0	0
- Revised reserve contributions	(215)	(215)	0	0
- Blue Bins - Increased Tipping Charges	(142)	0	0	0
Budget for 18/19 Collection Fund surplus	(100)	0	0	0
Reduce Corporate Agency Budget (from £200k)	(150)	(150)	(150)	(150)
Total Potential Solutions	(1,057)	(665)	(150)	(150)
Net Impact (incl all Solutions)	41	391	2,434	3,277

- 2.4 The adoption of the solutions would bring the budget gap down to **£41k** for 2019/20 and **£391k** for 2020/21.
- 2.5 Work will continue of monitoring the trends included in **Table 1** (above) and driving to agree assumptions that will close the remaining budget gap for presentation to Council in February 2019. A further update will be brought to PASC in January 2019.
- 2.6 The budget gap for the future years beyond 2021 is significant but given the expectation of changes to local government funding due to come out of the Fair Funding Review these plans will have to be reviewed from base principles up when more specific information becomes available. This is anticipated in Spring/Summer 2019 with a potential transition date of April 2020.
- 2.7 This budget assumes no change to the 7 year Council Tax plan for harmonization between St Edmundsbury and Forest Heath.
- 2.8 It is important to note that there are limitations on the degree that all of the potential changes within its medium term financial projections can be identified. The financial environment that we operate in is constantly changing and will be subject to significant change over time.
- 2.9 The Capital Programme is currently being revised and updated with known changes. This will be brought for Performance and Audit Committee review in January 2019.

3. Timescales and next Steps

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

Action	Timescales
Budget preparations following agreed approach	July – 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 (Cabinet) – 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