

Informal 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/19/006	
Report to and dates:	Performance and Audit Scrutiny Committee	31 January 2019
	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:	<p>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.</p>	

Recommendation:		Performance and Audit Scrutiny Committee:	
		<p>It is <u>RECOMMENDED</u> that members:</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 <u>Section 2</u> and <u>Table 1</u> of Report No: (PAS/FH/19/006) be approved.</p>	
Key Decision:		<i>Is this a Key Decision and, if so, under which definition?</i>	
<i>(Check the appropriate box and delete all those that do not apply.)</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. They would need to take into account core principles such as deliverability, affordability and risk. 	
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 - PAS/FH/18/039		
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 November PASC the budget position was reported as a gap of £41k for 2019/20 and £391k for 2020/21 in report PAS/SE/18/039 - Approach to Delivering a Sustainable West Suffolk Budget 2019-2020 and Medium Term Plan. This position included the following set of 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.
- Improved pricing fixed for 2019/20 on the Solar Farm tariffs.
- Increased income generated from Trade Waste and other Operations activities.

This net position was offset by reduced corporate costs and temporary use of reserves to support the revised Growth Fund outlook and reduce the volatility on the recycling charges.

2.2 This position has been updated to account for the revised capital programme and cashflow assumptions. This information gives rise to a budget that is balanced for 2019/20 and 2020/21.

The updated position for each year is laid out in the table below.

Table 1: Proposals for Budget Gap closure for 2019-2023

	2019/20	2020/21	2021/22	2022/23
Budget Gap as at PASC 28/11/18	41	391	2,434	3,277
Revised Interest Payable (revised borrowing date)	(274)	(369)	(326)	(327)
Revised Interest Receivable (revised borrowing date)	299	373	379	370
Revised MRP (based on revised project timing)	(252)	(263)	75	78
Unallocated Project Spend - Capital Costs	227	0	0	0
Extend assumption on Solar Pricing	0	(160)	(160)	0
Other minor changes	(41)	28	(124)	144
Total Proposed Solutions	(41)	(391)	(156)	265
Final Budget Position	0	0	2,278	3,542

2.3 These further proposed solutions primarily relate to the phasing of the West Suffolk cash balances and the associated need for borrowing. The current cashflow forecast, based upon the capital programme, shows borrowing will be required in Q4 of 2019/20. The previous MTFs assumed a full years borrowing for the full Growth Fund and other capital projects.

2.4 An unallocated capital project budget of £3.0m has been included in the capital programme to be called upon for as yet unspecified capital requirements. This amount has been assumed to be fully funded from borrowing with an associated MRP cost.

- 2.5 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. A consultation has been issued on the needs and resources assessment and the associated business rates retention review. The deadline for response on these issues is 21st February 2019. Further clarification is anticipated in Spring/Summer 2019 with a potential transition date of April 2020.
- 2.6 The current position from MHCLG is for a full reset of the baseline funding level through business rates retention. This would have the effect of stripping out any business rates retained as a result of growth over the existing baseline. This would be a loss of income of £1.5m in 2020/21 versus this MTFs.
- 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.

3. Capital Programme

- 3.1 The Capital Programme has been revised and updated with known changes and is summarised in the table below.

	2018/19	2018/19	2018/19	2019/20	2020/21	2021/22	2022/23
Project Description	Revised Budget	Forecast Spend	Carry Forward Requested	Total Budget	Total Budget	Total Budget	Total Budget
Total Project Spend	95,324,352	26,323,099	63,750,709	17,223,177	16,196,000	1,829,000	2,723,126
Unallocated Capital	0	0	0	3,000,000	0	0	0
Total Capital Spend	95,324,352	26,323,099	63,750,709	20,223,177	16,196,000	1,829,000	2,723,126

- 3.2 The carry forward from the 2018/19 budget is estimated to be £63.7m and will be added to the 2019/20 budget at year-end. This will make a total capital programme spend for 2019/20 of £74.4m.
- 3.3 This carry forward includes the full amount of the remaining Growth Fund (£34.5m), Mildenhall Hub (£9.0m), 19/20 Cornhill (£6.3m) and the WSOH (£3.6m).
- 3.4 The funding for the 4 Year Budget plan will be as follows:

Project Description	2019/20 Total Budget £	2020/21 Total Budget £	2021/22 Total Budget £	2022/23 Total Budget £
Capital Receipts	2,736,000	2,450,000	250,000	250,000
Capital Borrowing	14,533,177	10,284,000	0	0
Earmarked Reserves	2,054,000	2,562,000	679,000	1,573,126
Grants & Contributions	900,000	900,000	900,000	900,000
Total Capital Financing:	20,223,177	16,196,000	1,829,000	2,723,126

4. Reserve Balances

- 4.1 The reserve movements as a result of the revenue and capital plans are as follows:

£m	2018/19	2019/20	2020/21	2021/22	2022/23
Strategic	14.8	4.9	4.8	4.9	5.6
Financial Planning	9.3	9.5	10.0	11.1	12.3
Service Delivery	8.4	6.8	5.1	5.3	4.6
S106	1.3	1.1	1.0	0.9	0.8
Other	0.6	0.6	0.6	0.6	0.6
Closing Reserve Balances	34.3	22.9	21.4	22.8	23.9

- 4.2 The usage of the Strategic Priorities and MTFS reserve for the capital programme (Budget and the estimated carry forward from 2018/19) and support of the revenue budget results in the reduction of the overall reserve position. This is still 42% of our annual expenditure for 2022/23.

5. Timescales and Next Steps

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

Action	Timescales
PASC report(s) – delivering a sustainable budget update report	31 January 2018
Member Development Session(s) and briefing(s) – MTFS	23 January, 14 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