



# Approach to Delivering a Sustainable West Suffolk Council Budget: 2020-2021 and Medium Term Financial Strategy (MTFS) 2020-2024

<b>Report No:</b>	<b>PAS/WS/19/015</b>	
<b>Report to and dates:</b>	<b>Performance and Audit Scrutiny Committee</b>	26 September 2019
	<b>Cabinet</b>	8 October 2019
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<b>Decisions Plan:</b>	<b>This item is included in the Cabinet's Decisions Plan</b>	
<b>Wards impacted:</b>	<b>All wards</b>	
<b>Recommendation:</b>	<b>Performance and Audit Scrutiny Committee:</b>  <b>It is <u>RECOMMENDED</u> that Members consider and note the approach and timescales for the 2020/2021 budget setting process and medium term plans out to 2024.</b>	

## **1. Background / Context**

- 1.1 At its meeting of 19 February 2019, the Shadow Council approved a budget for 2019/2020 (current financial year) and Medium Term Financial Plan for West Suffolk Council to 2023. This Medium Term Financial Plan delivered a balanced position for the first two years (2019-2021), followed by a budget gap of £2.7m\* in 2021/2022 and £3.9m\* in 2022/2023 (based on the indicative budget forecasts for those years). Note the budget gaps quoted here are cumulative figures, meaning if £2.7m of reoccurring savings/income initiatives are identified for 2021/2022 then only a further £1.7 (£3.9m - £2.7m) will be required in 2022/2023.
- 1.2 To go into an annual budget process and have an indicative balanced budget position for the forthcoming year is a credit to the former councils and their excellent track record of good financial management, decision making and delivery. It is not uncommon for local authority financial plans to identify budget challenges in the later years of their medium term financial plans, especially given anticipated inflationary and demand pressures and the uncertainties inherent in longer term forecasting.
- 1.3 The focus of this year's budget setting process is to identify material and realistic savings and income initiatives linked to our investing, transforming and behaving commercially MTFs themes (see 2.1 below) that can then enable a financially sustainable medium term position. These will cover both locally controlled and nationally driven initiatives and also any changes in the wider economic environment.

\* This is the £2.3m and £3.5m budget gap as set out in the February 2019 budget and council tax paper plus £0.4m of pre-existing corporate savings targets included in the MTFs.

### **Future budget pressure and challenges**

- 1.4 West Suffolk continues to face considerable financial challenges as a result of increased cost and demand, plus pressures and constraints on public sector spending from central government. It is clear that even without the proposed removal in Revenue Support Grant (RSG), the council has underlying net cost pressures. This includes costs rising faster than income inflation.
- 1.5 There continues to be increasing demand for support and advice relating to housing options and homelessness. Whilst the council has already increased staffing levels in the housing team, this additional demand is likely to continue for the foreseeable future. Demand pressures are as a result of continued welfare reform challenges, including the introduction of Universal Credit, the affordability of the local housing market and changes to Homelessness legislation which came into force from April 2018.
- 1.6 The future of public sector spending from central government is uncertain. The 2020/2021 one year spending round provides some comfort in the assumptions that underpin our indicative budget for 2020/2021, however setting a medium term plan beyond 2020/2021 with any degree of certainty is extremely challenging.

- 1.7 The government continues to show their commitment to the increased business rates retention scheme to 75% (from the current 50%) alongside the fairer funding review (needs based assessment/funding), this is predicted now to be from April 2021.
- 1.8 The worst case scenario for the review of the needs based assessment / formula could be to re-set our financial needs settlement right back to a steady level of growth from 2013 rather than that actually experienced in West Suffolk, thus removing the majority of the growth we retain under the current 50% BRR scheme. This would remove a significant amount of income (£2.5m) from the budget in 2021/2022, which is not taken into account as yet in the budget gap numbers presented in 1.1 above. This situation will be monitored and reviewed as information becomes available. We will continue to lobby and input into DCLG consultations in order to make our position clear.

## **2. Key Assumptions**

- 2.1 The 2020/2021 budget and medium term financial plans and approach will continue to follow the current West Suffolk Council Strategic Framework (three priorities – Growth, Housing and Families and Communities) and Medium Term Financial Strategy (six themes) below, until such time as a new set of priorities and themes emerge.
  1. aligning resources to both West Suffolk councils' strategic plan 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).
- 2.2 The 2020/2021 budget and medium term financial plans assumes the seven year (now six year) council tax harmonisation plan as set out in the Budget and Council Tax setting report to Shadow Council in February 2019. As is the case every year, the formal setting of council tax will be subject to the annual democratic process through to February Council in 2019.
- 2.3 It is important to note that 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 also important to remember that these financial models have been produced within a financial environment that is constantly changing and that they will be subject to significant change over time.

## **3. Proposed Approach for securing a balanced budget 2020-2024**

- 3.1 The starting position is from the existing approved medium term financial plan which at February 2019 was balanced for 2020/2021 followed by a budget gap of £2.7m in 2021/2022 and £3.9m (cumulative from 2021/2022) in 2022/2023. This has enabled the methodology for revising this outlook to be focussed on three areas:

- 1 Challenging the pre-existing assumptions and updating these to reflect new knowledge and information.
  - 2 Collating new items or making changes to existing plans to reflect the outcome of the development of the West Suffolk 2020-2024 Strategic Framework and MTFs.
  - 3 Reflect any changes in the wider macro environment which require a change in approach.
- 3.2 The following approach will seek to validate these areas with their findings to be reporting through this committee during November 2019 and January 2020, in preparation of the Budget and Council Setting report to Council in February 2020.
- a) A round of Budget Challenge workshops across all service areas to review the Councils key budget assumptions (taking into account the 2018/2019 year end performance and current 2019/2020 data), service demands, planned housing growth, sensitivities and risks.
  - b) A detailed 'line by line' review of each services cost base to ensure that budgets are only set for planned and understood expenditure.
  - c) Reflect the forecast financial impact of our Service Delivery plans that will focus on benefits realisation of existing projects, transforming our processes and the way we work.
  - d) Significant review of the Capital Programme and investment plans, including funding, to revise the West Suffolk Capital Programme.
  - e) Significant review of the Councils reserves balances to ensure financial resilience is at the forefront of our planning.
  - f) 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.
  - g) Review of the savings proposals embedded into the base budget in respect of delivery of key projects and review their robustness and timing.
  - h) Review and capture of the medium to longer term saving/income generating initiatives (i.e. Investing in our Growth agenda, Asset Management Strategy, Barley Homes) to provide narrative for future budgetary challenges and opportunities.
  - i) 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).
  - j) Trend analysis and financial risk profiling, historical and across the MTFs including income sources and key expenditure areas.

k) Review and challenge of known risk areas within the existing MTFS.

#### 4. Timescales and Next Steps

4.1 The following high level timetable is proposed for delivery and agreement of a budget and medium term plan for West Suffolk Council for 2020/2021

Action	Timescales
PASC report – setting out a proposed approach to the 2020-2021 Budget and medium term plans	26 September 2019
Budget preparations following agreed approach	Sep-Nov 2019
PASC report – delivering a sustainable budget update report	28 November 2019
PASC report – delivering a sustainable budget update report	30 January 2020
Member Development Session(s) and briefing(s) – MTFS	January- February 2020
Cabinet – 2020-2021 Budget and Council Tax setting report	11 February 2020
Council - 2020-2021 Budget and Council Tax setting report	25 February 2020