

Recommendation of the Performance and Audit Scrutiny Committee: 30 January 2020: Delivering a Sustainable Medium-Term Budget 2020-2021

Report No:	CAB/WS/20/024	
Report to and dates:	Cabinet	11 February
	Council	25 February 2020
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Decisions Plan: The decisions made as a result of this report will usually be published within 48 hours. This item will be referred to Council for a final decision and is, therefore, not subject to call-in. This item is included on the Decisions Plan.

Wards impacted: All wards
Recommendation: It is **RECOMMENDED** that, subject to the approval of Council as part of the budget setting process, the proposals detailed in Section 2 and Table 1 of Report No: PAS/WS/20/002, be included in securing a balanced budget for 2020/2021 and the medium-term financial plans.

1. Background / Context

- 1.1 At its meeting on 26 September 2019, the Performance and Audit Scrutiny Committee (PASC) agreed the principles and approach for delivering a balanced budget in 2020/21 and a medium-term financial plan for the years up to 2023/24. Those principles were:
- The 2020/21 budget and medium-term financial plans will continue to follow the West Suffolk Council Strategic Framework (three priorities) and Medium-Term Financial Strategy (six themes).
 - The budget and MTFS will reflect any new initiatives developed as part of the revised Strategic Plan.
 - The budget and MTFS will include the forecast impact of initiatives that address our financial challenges and seize opportunities to reduce the existing budget gaps.
 - 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.
- 1.2 Workshops took place during August-December 2019 alongside a detailed "line by line" review of each services cost base to ensure that budgets were only set for planned and understood expenditure. A report setting out the changes in cost and income assumptions that had been identified at that point through that process was presented to PASC on 28 November 2019.
- 1.3 The Committee on 30 January 2020, was updated on the workshops and line by line reviews which had now concluded and any further proposed changes in cost and income assumptions, as a result had been included in Table 1 of the report, including those relating to budget assumption changes:
- Confirmation received for the continuation of the Rural Services Delivery Grant in the Spending Round.
 - Confirmation of the increase in the tax base for council tax setting purposes (number of properties chargeable for council tax)
 - Known changes to property lease changes and renewals (retail and industrial units)
 - An additional year of Housing Support Grant allocation to fund the additional resources within the housing team.
- 1.4 The net impact of each of these assumption changes was included in Table 1 of the report. These changes and the outcomes from the Budget Challenge workshops gave rise to a budget gap (cumulative) of £0.06m for 2020-2021, £1.7m for 2021-2022, £2.2m for 2022-2023 and £2.7m for 2023-2024.
- 1.5 At this stage the report did not include assumptions on the final outcomes of the Parking Review Group or the Council Tax.

- 1.6 The report also included information on corporate reviews – expenditure; corporate reviews – income assumptions; the current outlook; timescales and next steps.

2. Extract from Report No: PAS/WS/20/002: (Section 2 and Table 1)

2.1 2. Provisional Local Government Finance Settlement

- 2.1 *On 20 December 2019 the newly formed government issued their provisional local government finance settlement for 2020/21. This settlement was effectively an extension to the 4-year settlement that covered the period 2016/17 – 2019/20 and was very much expected to be a roll forward of allocations received in the current year (2019/20) and in the main that was the case. The provisional settlement sets out (as expected) the further delay in both the fairer funding review and the reform of business rates which is now due to take place in time for the 2021/22 budget process. While we have included existing business rates retention allocations in our medium-term budget assumptions, this delay creates a greater level of uncertainty over the Council's medium-term financial plans, this is the same for all local authorities.*
- 2.2 *The provisional settlement also sets out the proposed roll forward (as a one off) of the revenue support grant and rural services delivery grant allocation that both Council's had received in 2019/20 but had not assumed for 2020/21. An additional years Housing Support Grant was also allocated. The tables provided to members at both the November PASC and at para 5.2 now include those one-off allocations.*
- 2.3 *The provisional settlement also confirmed the council tax referendum principles of an average band D for a district council to be able to increase up to 2% or £5, whichever is the maximum for 2020/21.*

New Homes Bonus

- 2.4 *The big change included in the provisional local government settlement was around the future of new homes bonus, a funding allocation from central government that's future has been uncertain for a number of years. The government's provisional settlement sets out a final round of allocations of new homes bonus for 2020/21 (over and above the growth baseline of 0.4%). However, it will only attract a one-year allocation instead of the previous four- year allocation. There will be no further allocations beyond 2020/21, with legacy payments (from 2018-20) only then being paid in future years - effectively phasing out the grant over the next 3 years.*
- 2.5 *The government have announced that they will consult on the future of housing incentives in the spring, including the potential of moving to a new, more targeted approach that rewards local authorities where they are ambitious in delivering the homes needed, and which is aligned with other measures around planning performance. It is uncertain how this will be funded alongside the fairer funding review, reform of business rates and the demands from the whole system (see 2.7 below).*

- 2.6 *West Suffolk has been prudent over the years in allocating the new homes bonus direct to a strategic priority and MTFS reserve which has been utilised towards strategic projects and financial initiatives. However, there are a couple of areas within the council's budgets that continue to be funded from this reserve such as locality budgets and proportion of the community chest fund, that would now need to be put into the base budget and as a result will create a budget pressure in future years (likely to be beyond this current MTFS period).*
- 2.7 *The provisional settlement continues to reaffirm central governments thoughts and approach to local government funding. In that local authorities need to balance their books in future from efficiencies in the way that they work and through locally generated income streams and taxation along with a move to be more self-sufficient. This combined with the need to address the system wide challenges such as social care and children service provides further uncertainty to the level of funding available. Members will need to take this into consideration when considering the role that locally generated income streams play in delivering a sustainable budget for West Suffolk in the longer term.*

Table 1:

	2020/21	2021/22	2022/23	2023/24
Budget Gap - February 2019	0	2,700	3,900	4,400
Budget Gap (as per Nov PASC Report PAS/WS/19/019)	286	1,980	2,947	3,031
<u>Budget Assumptions Review (see paragraph 3.1)</u>	(112)	(57)	(476)	26
<u>Additional Cost Pressures</u>				
Private Sector Renewal Grant <i>Annual revenue contribution (previously funded from capital receipts) to enable scheme to be fully funded in the medium/longer term</i>	100	100	100	100
Scrap Metal sales <i>Current pricing available for sale of scrap metal significantly lower than in previous MTFS</i>	68	69	71	72
Contribution to 20/21 Cycle Tour <i>Partial contribution to costs of Suffolk stage of Cycling Tour of Britain</i>	20	0	0	0
Total Additional Pressures	188	169	171	172
<u>Income/Savings items</u>				
Revised Treasury Management interest income <i>Higher expected cash balances planned at a lower average rate of return (based on advisor guidance)</i>	(71)	(69)	(60)	(60)
<u>Fees & Charges Reviews</u>				
Increase in Trade Waste income <i>Based on Ro-ro trend and good customer retention</i>	(148)	(179)	(213)	(249)
Increase in Apex activity <i>Net surplus driven by continuing 19/20 levels of venue usage</i>	(33)	(33)	(34)	(34)
Markets income reduction <i>Trend in income particularly driven by Newmarket market</i>	47	44	44	44
Solar Feed-In Tariffs <i>£0.5m capital investment to drive increased returns</i>	(68)	(69)	(71)	(72)
Aggregate of smaller budget movements	(30)	(112)	(73)	(128)
Total Income/Savings items	(303)	(418)	(406)	(499)
Net Balance	59	1,674	2,236	2,730

- 2.2 The Performance and Audit Scrutiny Committee considered the report in detail and the budget assumptions changes. Discussions were held on the budget gaps from 2021-2022 to 2022-2023; precepts, realised the savings from the creation of West Suffolk Council and the budget briefings being held on 4 and 10 February 2020.
- 2.3 The Performance and Audit Scrutiny Committee has put forward a recommendation as set out on page one of this report.

3. Alternative Options

- 3.1 N/A

4. Consultation and engagement

- 4.1 N/A

5. Risks

- 5.1 N/A

6. Implications arising from the proposal

- 6.1 Financial

See Report No: [PAS/WS/20/002](#)

- 6.2 Equalities

N/A

7. Appendices

- 7.1 N/A

8. Background documents

- 8.1 N/A