



# West Suffolk

## Council



# Medium Term Financial Strategy (MTFS) 2020-24



**CONTENTS**

	<b>Pages</b>
<b>Foreword from the Portfolio Holder for Resources of the Council</b>	<b>3</b>
<b>Purpose of this document</b>	<b>4</b>
<b>Local Government Financing</b>	<b>5</b>
<b>Local context</b>	<b>6</b>
<b>Responding to the financial challenges and opportunities</b>	<b>9</b>
<b>Our approach to engagement and consultation</b>	<b>13</b>
<b>Summary of our financial position – to be added</b>	<b>14</b>
• <b>Revenue Strategy and Budget Summary</b>	
• <b>Capital Strategy and Budget Summary</b>	
<b>Glossary of Terms</b>	<b>15</b>

For more information about this document, or to request a copy in an alternative format, please email [finance@westsuffolk.gov.uk](mailto:finance@westsuffolk.gov.uk) or call 01638 719000

**FOREWORD FROM THE PORTFOLIO HOLDER OF THE COUNCIL.**

I am delighted to introduce the West Suffolk Medium Term Financial Strategy (MTFS) for 2020-24. Working more efficiently, through transforming services, moving to digital forms of communication, behaving more commercially and a range of other initiatives will continue to be at the heart of West Suffolk's approach over the next few years.

This approach is designed with the aim to drive growth in our local areas and increase locally generated funding. This is, and will be, increasingly important as 2021-22 will see fundamental changes to the local government finance system with a national review of funding needs and funding allocation methods.

The wider economy is also extremely difficult to predict and as we move to having local responsibility for the majority of our funding any downturn will have a proportionally larger impact.

However, I welcome this opportunity to take control of our financial future in this way and we will be working with Government and other councils to ensure that the necessary checks and balances remain in place so that we can continue to support local families and communities,

Our strategy for managing the council's finances from 1 April 2020 will continue to be based on the six principles we adopted under the previous MTFS which have served us well and are set out within this document.

The aim in all of this is to continue to support and invest in our West Suffolk communities and businesses to encourage and manage ambitious growth in prosperity and quality of life for all – the vision we have set out in our West Suffolk Strategic Framework for 2020-24.

Working towards this vision, and achieving the priorities and actions that support it, will need to be done in partnership with a wide range of other organisations, communities, families and individuals.

To achieve these aims will require new funding arrangements and approaches to borrowing and investment, but I am confident that we can build on our strong track record of sound financial management in the past to meet the new, ever more demanding, challenges of the future.

**Councillor Sarah Broughton**

Portfolio Holder for Resources & Performance  
West Suffolk Council

## **PURPOSE OF THIS DOCUMENT**

The Medium Term Financial Strategy (MTFS) provides a high-level assessment of the financial resources required to deliver West Suffolk's strategic priorities and essential services over the next few years. It considers how the council can provide these resources within the anticipated financial context.

Like all local authorities, West Suffolk's MTFS is influenced by national government policy, funding and spending announcements. The government's spending plans continue to evolve, at the time of publication of the MTFS, highlights include:

- The main grant (revenue support grant - RSG) to local government has been continued into 2020-21. This is a one year extension of the 4-year settlement deal that was accepted by 97% of councils, including West Suffolk's, in return for publishing efficiency plans.
- Government's treatment of eliminating 'negative' RSG through foregone business rates will continue for one more year into 2020-21.
- The New Homes Bonus will be retained into 2020-21 but for one year only without any further legacy payments. The baseline has been confirmed at 0.4%.
- Consultation will continue in 2020 on changes to the local government finance system. This is including a review of local authorities' needs and resources (fairer funding review) to enable a new funding system to be devised.
- The next business rates revaluation would be occurring in 2021. This will be accompanied by a full reset of the growth baseline.
- The government allows local authorities to spend up to 100% of their fixed asset/capital receipts on the revenue costs of reform projects.
- The council tax referendum level (the level at which council tax can be increased) is currently set at 2% or £5, whichever is the higher amount. In addition, local authorities with responsibility for social care (e.g. Suffolk County Council) may levy a precept to spend exclusively on adult social care.
- Introduction of the National Living Wage, to reach 60% of average salaries by 2020.

The latest local government spending announcements can be found at the following link: <https://www.gov.uk/government/policies/local-government-spending>

## **CHANGES TO LOCAL GOVERNMENT FINANCING**

Over the last decade, a number of local government financing mechanisms have become embedded in the Councils' overall funding framework. For example:

- a share of business rates growth is now retained locally by the council, and by a Suffolk "pool";
- the councils set council tax discounts locally, rather than eligible residents receiving council tax benefit;
- the New Homes Bonus; and
- the funding of Disabled Facilities Grants from the Better Care Fund.

Local government is now funded from three main taxation/finance settlement sources; council tax, new homes bonus and a share of business rates income (revenue support grant will be phased out from April 2021). Council tax income continues to be the main source of funding, in total value, for local authorities. Council Tax income represents around 11% of West Suffolk's annual income.

It is expected that each of these funding streams will continue in 2020-21 however beyond the one year spending round 2019, there is significant uncertainty in the basis and quantum of the business rates retention and new homes bonus schemes.

The reform of the business rates retention scheme is now due for 2021-22. It is assumed there will also be a full baseline reset in 2021-22 (as previously suggested by Government). For authorities who have business rate growth and are significantly above their current funding baseline, such as West Suffolk, this will have a significant impact, subject perhaps to any damping arrangements, on our existing funding levels through that business rates retention scheme.

The Fairer funding review, which looks at the overarching methodology that determines how much funding each authority receives each year is also scheduled for 2021-22, creating further uncertainty to the councils funding assessment from central government.

The changes to local government finance form part of the government's devolution agenda, by reducing local authorities' reliance on central government, and encouraging greater self-sufficiency. West Suffolk continues to work with other authorities in East Anglia to consider the longer term implications of these changes for the future shape of local government and economic growth in the region.

## **LOCAL CONTEXT**

West Suffolk Council's financial position is based on our financial circumstances, local demand and opportunities. The 'summary of our financial positions' section of this document details our financial standing. The following section provides an overview of the local context in which the Council operates.

### **The local economy**

#### 1) Economic growth

Our geographical position means while we are very much part of the county of Suffolk, we are also part of the wider Cambridge economy and the A14 and A11 transport links tie us into the wider geography of East Anglia for key issues. We play a significant part in the Cambridge Housing Sub-Region as well as the New Anglia LEP and the Greater Cambridge, Greater Peterborough LEP. Councillors recognise the opportunities this creates and are committed to maximising them but there is also recognition that this proximity brings challenges as well, including high house prices and rental levels alongside demand for housing that is not being supplied within the Cambridge area.

#### 2) Better housing

West Suffolk is facing increasing demands for housing both in the public and private sectors. There is a need to ensure housing is affordable whether to rent or buy, which is challenging in an area with historically low wages and pressures on house rental prices. We recognise the need not only for more homes but also a range of different types of housing suitable for the varying needs for our growing and ageing population as well as homes to suit local demand from first time buyers, those that are retiring, and sites for Gypsies and Travellers.

#### 3) Families and communities

When measured at the local authority level, the population of West Suffolk appear to be relatively affluent and experiencing lower levels of deprivation and social upheaval than many other parts of the country. However, this overall picture masks pockets of real deprivation in certain wards and a wider lack of social mobility.

### **Increase in service demands**

West Suffolk serves a population of 178,881 (MYE 2018) across a predominantly rural area in the heart of East Anglia. This is projected to increase by 3% to 184,400 by 2024 (SNPP 2016 based)

The Mid Year Estimates 2018 showed that the percentage of over 65s in West Suffolk had risen to 21%%; this is now above the England national average of 18.2% and projected to increase to 22.7% by 2024. Many older people bring a wealth of experience and skills which they are willing to share voluntarily

throughout their retirement, and these opportunities need to be developed. Some older people need extensive support to continue living independent lives and this inevitably creates pressures on all public sector services.

West Suffolk has also experienced a period of sustained increase in demand for some of the key services it provides to the most vulnerable members of the community, particularly within housing and our homelessness service.

West Suffolk faces challenges around closing the gaps in educational attainment across the area. While some schools are performing well, some still face challenges in raising educational attainment.

Education is just one element of the complex social issues which have significant rural deprivation impacts on how we fund and deliver council services. As well as individual families, there are a number of neighbourhoods in West Suffolk where communities are experiencing real difficulties on a day-to-day basis. Many of the issues facing our residents today are not picked up in statistical analyses, such as loneliness and isolation, a lack of practical support, or mental health problems.

At the same time, our residents expect the public sector to match, or exceed, service levels delivered by the private sector. Council tax is the only visible tax – others are hidden, for example, in VAT on purchases or through pay as you earn (PAYE) deductions from salaries. People expect value for their council tax and prompt, professional and seamless services. The new customer service arrangements are transforming our delivery but need resourcing for support systems, such as an efficient, easily accessible and transactional website where people can access services any time of day.

### **Challenges and opportunities within the changing local government financing regime**

The Provisional Local Government Finance Settlement (Dec 2019), whilst giving certainty on continued funding through Revenue Support Grant and New Homes Bonus for 2020/21, gives no indication of funding beyond one year.

The Fair Funding and Business Rates Retention Reviews will bring new approaches and challenges in how West Suffolk Council will fund its services. We will full engage in these reviews and consultations to ensure our perspective is heard.

West Suffolk has already faced significant cuts in Government funding with revenue support grant (£4.3m in 2014-15) being phased out completely by 2021.

A sustainable future for West Suffolk in the face of funding cuts and spending pressures is dependent upon continuing to change the way we think about funding local government and how we manage the system.

DRAFT

**RESPONDING TO THE FINANCIAL CHALLENGES AND OPPORTUNITIES**

West Suffolk Council's response to the financial challenges and opportunities are based on six key themes. These themes have been developed for the new Council and they represent an appropriate response to the ongoing financial situation:

1. Aligning resources to West Suffolk's strategic framework and essential services;
2. Sharing services and transformation of service delivery;
3. Behaving more commercially;
4. Considering new funding models;
5. Encouraging the use of digital forms for customer access; and
6. Taking advantage of new forms of local government finance.

**1. Aligning resources to the West Suffolk strategic framework and essential services**

Continuing in this MTF, is the approach of allocating resources in line with the priorities set out in the West Suffolk Strategic framework 2020-2024 and essential services. This theme helps to identify areas of West Suffolk's work which could either be scaled back or where (either individually or together) further opportunities for the generation of income could be pursued. The budget-setting process focuses on these non-priority areas, and challenges whether West Suffolk should continue with the activities either at all, or in their current form, in order to ensure they provided value for money to council taxpayers.

The links to the changing role of local government from direct provision and reaction to enabling and preventing, as part our Families and Communities Strategy for West Suffolk, will also start to inform the allocation of the individual council's available resources.

The strategy builds from two key assumptions:

- Changing needs – challenging definitions of poverty and deprivation and also the presumption of public services' role as meeting needs rather than developing and working with the assets within communities.
- Preventing and reducing demand – there are fewer resources and a history of rising demands on public services; we cannot resolve this challenge by trying to do the same things with less money.

**2. Sharing services and transformation of service delivery**

The previous shared service agenda had already delivered in excess of £4 million per year in savings for West Suffolk which is in addition to other local savings. The creation of a single West Suffolk Council adds a further £850k per year savings and efficiencies to this success.

## **Attachment D**

West Suffolk shares a number of services with neighbouring councils including HR and ICT support to the Anglia Revenue Partnership and legal support services with Babergh and Mid Suffolk Councils and will continue to explore further opportunity for sharing services where appropriate.

With demands increasing and uncertainty in local government funding beyond April 2021, it critical that we continue to drive change and stay ahead of the financial curve to enable us to protect valuable local services and to continue to have the financial capacity to continue to invest in our communities. The growth in new and existing income streams will play a key role in our medium term sustainable and self-sufficient future, however our biggest focus must be on the continual review and transformation in the way we delivery our services.

The role that digital will play in our future state, alongside the role of our partners (public, private and voluntary) including the relationships across the tiers of local government within West Suffolk, will be critical in ensuring a system approach for our residents and businesses that is valued and sustainable. This transformational plan which will including a series of service delivery reviews will take shape during the first quarter of 2020/21 to ensure delivery of the outcomes both financial and improved services, can start taking shape to contribute towards our financial challenges in 2021/22.

The Business Partner model will continue to be operated through the MTFS period, whereby corporate or support services provide specialist support and expertise to all service areas and project teams.

West Suffolk is involved in a programme of Suffolk-wide working, supported by funding from central Government, through the Transformation Challenge Award. This work aims to integrate work by public sector partners across the Suffolk "system" so as to improve the lives of Suffolk residents and achieve savings for council tax payers. As well as working with those within the public sector "system", we are also continuing to work in partnership with local communities, enabling them to support themselves.

The Councils are also working with partners to maximise the opportunities offered by the Government's devolution agenda for example by working in partnership with the Greater Cambridge Greater Peterborough Local Enterprise Partnership and considering where responsibilities best sit within the Suffolk "system".

### **3. Behaving more commercially**

Over the last few years more commercial behaviours have been embedded in key parts of the councils' work, with implications for the councils' finances. On the one hand, a number of savings have been achieved as a result of more business-like behaviours, and on the other hand, significant additional income has been generated in some service areas. Behaving more commercially will therefore continue to be a key theme running through the work needed to deliver our outcomes and a sustainable MTFS.

### **4. Considering new funding models**

The West Suffolk council will continue its work on being an "investing authority" over the period 2020-24. The West Suffolk councils have had a long tradition of investing in their communities in support of the delivery of their strategic priorities, in particular to aid economic growth across West Suffolk.

Depleting capital and revenue reserves and increased pressure on external funding mean that the Council will need to consider investing away from the traditional funding models such as using their own reserves. Instead focus is now on the optimum use of borrowing and the various options for accessing that capital that are available.

The financing of the chosen funding model itself is a challenge, with limited reserve balances available in the short to medium term. In order to generate new cash into the authorities and to enable our continued ambition of being an 'investing authority' means that borrowing or appropriate financing transactions, in order to create new cash, is something that West Suffolk will have to embrace in order to deliver on its ambitious capital and investment programme.

There are ample precedents which demonstrate that prudential borrowing has become a valuable tool for local government to achieve its strategic objectives. The use of unsupported borrowing (no security to a particular council asset) is both flexible and relatively straightforward.

With this in mind and as borrowing is required over the medium to long term for the authority, it is considered prudent to assess each investment opportunity/project on the basis of borrowing and its cost, assessing each project on an equal playing field regardless of their timings within the MTFS or the funding model used.

There are two annual costs associated with borrowing:

- servicing the debt – the interest payable on the loan; and
- repayment of the loan/capital – effectively through a minimum revenue provision (MRP) into the revenue account.

At the time of writing this plan, these costs would be in the region of 3.26% interest (based on a Public Works Loan Board –PWL, rate over 40 years) and 2.5% MRP, and therefore in order to assess each project on a level playing field these costs will be included in each business case. Naturally a change in interest rate or MRP rate would change the rates used in each potential project.

The choice of funding model for each investment opportunity/project will be based on its individual merits, financial return/costs including the overall risk exposure, considered as part of each business case. Any decision to invest or borrow would be subject to full scrutiny by councillors, through the usual democratic process.

## **5. Encouraging the use of digital forms for customer access**

The ongoing implementation of our Customer Access Strategy is also an important part of our next phase of development and is inextricably linked to the need for commercial thinking and wider transformation programme.

The customer support team continues to embed the benefits of both integrated first-point-of-contact support and promoting channel shift.

There will always be some customers who cannot or do not want to access our services online – whether because they have limited access to the internet, or because they are unfamiliar with this technology. These customers will always be able to reach us in the traditional way. Our goal, though, is to encourage those people who can do their business with us online to do so.

In addition to making customer contact easier to handle, this solution can automate many of the duplicated tasks council employees normally perform when handling customer contact, thereby reducing call times and improving the quality of service.

## **6. Taking advantage of new forms of local government finance (e.g. business rate retention)**

During the period covered by the MTF, the new forms of local government finance will continue, in whatever disguise it lands from April 2021, to be the key sources of income for councils. West Suffolk will therefore take the opportunity, through its service delivery and other MTF themes mainly 'behaving more commercially' and being an 'investing authority', to grow our own funding through a strong, and growing, local economy alongside the skills, infrastructure and housing to sustain it.

**OUR APPROACH TO ENGAGEMENT AND CONSULTATION**

The councils regularly engage with residents, businesses, community groups and interest groups through a range of consultation mechanisms. Sometimes these are formal exercises, for example, public consultations or public meetings, and sometimes they are more informal, for example, focus groups, community engagement within localities and stakeholder liaison on a topic by topic basis. Our overall aim is to carry out timely and proportionate consultation that is available in an accessible format for everyone who wants to give us their views on a particular matter. Details of current and closed consultations by the councils are available here:

<http://www.westsuffolk.gov.uk/council/consultations/>

DRAFT

**SUMMARY OF OUR FINANCIAL POSITION**

The Medium Term Financial Strategy developed using the six themes laid out above gives rise to a financial plan containing forecasts for the revenue, capital and reserves position out to 2023/24 for West Suffolk Council.

The uncertain nature of local government funding and the volatile nature of locally generated funding streams means that there are limitations on the degree to which West Suffolk can identify all of the potential changes within these medium term financial projections.

However these plans have been developed within insight and challenge from across the organisation to be as robust as possible given the current information available.

There is a legal requirement for a local authority to deliver an annual balanced budget position for the following year. West Suffolk Council has a balanced budget for 2020/21 and is on track to deliver a balanced result for 2019/20.

## Revenue Position

This is a statement of all the income and expenditure required to deliver the services of West Suffolk Council in each year. A summary statement is laid out in Table 1 below:

**Table 1**

Description	Item	2020/21 Total Budget £000s	2021/22 Projected Budget £000s	2022/23 Projected Budget £000s	2023/24 Projected Budget £000s
<b>Net Service Expenditure before Interest</b>	<b>1</b>	<b>16,187</b>	<b>14,609</b>	<b>15,307</b>	<b>15,648</b>
Interest received on Investments	2	(126)	(130)	(130)	(130)
Dividends	3	(40)	(40)	(40)	(40)
External Interest Paid	4	170	170	170	170
Interest on Borrowing	5	1,362	1,955	1,954	1,954
Minimum Revenue Provision	6	1,810	2,516	2,516	2,514
<b>Net Expenditure after Interest &amp; Capital</b>	<b>7</b>	<b>19,363</b>	<b>19,080</b>	<b>19,777</b>	<b>20,116</b>
Remaining Budget Gap	8	0	(950)	(1,331)	(1,644)
<b>Budget Requirement (excluding Parishes)</b>	<b>9</b>	<b>19,363</b>	<b>18,130</b>	<b>18,446</b>	<b>18,472</b>
Collection Fund Deficit/(Surplus) - Council Tax	10	(222)	0	0	0
Collection Fund Deficit/(Surplus) - Business Rates	11	0	0	0	0
Revenue Support Grant	12	(199)	0	0	0
Business Rates Retention - Baseline funding	13	(4,524)	(4,601)	(4,679)	(4,758)
Business Rates Retention - Local Share of Growth/S31 Grants	14	(1,677)	(1,705)	(1,734)	(1,764)
Business Rates Retention - Share of Suffolk Pooling	15	(300)	(300)	(300)	(300)
Business Rates Retention - Renewable Energy	16	(513)	(521)	(530)	(539)
Rural Services Delivery Grant	17	(173)	0	0	0
New Homes Bonus Grant	18	(1,811)	(679)	(487)	0
<b>Amount to be charged to Council Taxpayers</b>	<b>19</b>	<b>9,944</b>	<b>10,324</b>	<b>10,716</b>	<b>11,111</b>
Council Tax Base	20	56,138.14	56,699.52	57,266.52	57,839.18
Council Tax at Band D - former Forest Heath Taxpayers	21	£163.98	£175.59	£187.11	£192.06
Council Tax at Band D - former St Edmundsbury Taxpayers	22	£183.78	£185.40	£187.11	£192.06
<b>Total Council Tax generated (excluding Parishes)</b>	<b>23</b>	<b>9,944</b>	<b>10,324</b>	<b>10,716</b>	<b>11,111</b>
Town and Parish Council Precepts	24	3,952	3,952	3,952	3,952
<b>Total Council Tax generated (including Parishes) – Demand on the Council Tax Collection Fund</b>	<b>25</b>	<b>13,896</b>	<b>14,276</b>	<b>14,668</b>	<b>15,063</b>

This revenue forecast includes several key assumptions, detailed in Table 2 below. Budget assumptions continue to be reviewed as more accurate information becomes available.

Table 2

DETAILS	2019/20	2020/21	2021/22	2022/23	2023/24
<b>INFLATIONARY CHANGES</b>					
Salaries Increase	2.8%	2.0%	2.0%	2.0%	2.0%
Incremental Progression	£240,000	£240,000	£240,000	£240,000	£240,000
Employers Pension Contribution	32.30%	32.30%	32.30%	32.30%	32.30%
Pension Take-Up Assumption	91.93%	96.54%	97.00%	97.00%	97.00%
Vacancy Savings	2.5%	2.5%	2.5%	2.5%	2.5%
General Inflation	0.0%	0.0%	0.0%	0.0%	0.0%
ICT Inflation	3.0%	3.0%	3.0%	3.0%	3.0%
Business Rates Inflation - CPI at Sept	2.3%	1.70%	1.70%	1.70%	1.70%
Business Rates Inflation - 0%	0.0%	0.0%	0.0%	0.0%	0.0%
Fees & Charges	2.0%	2.0%	2.0%	2.0%	2.0%
Utilities	5.0%	5.0%	5.0%	5.0%	5.0%
Electricity	5.0%	5.0%	7.5%	7.5%	7.5%
Transport - Fuel	5.0%	5.0%	5.0%	5.0%	5.0%
Insurance Premium Increases	2.7%	8.3%	8.3%	8.3%	8.3%
Zero Inflation	0.0%	0.0%	0.0%	0.0%	0.0%
<b>INTEREST ON INVESTMENTS</b>					
Projected average interest rate	0.90%	0.65%	0.75%	0.75%	0.75%

## Capital Position

The Capital Programme is a statement of planned investment in the creation, purchase or improvement of West Suffolk Councils assets and how this investment will be funded.

There is significant investment planned within this medium term financial projection to support the key strategic priorities and the six key themes.

The Capital Strategy (Attachment F) sets out West Suffolk Council's approach to the allocation of capital resources and how future investment is evaluated and assessed and how it will be funded.

The planned capital expenditure and the source of funding out to 2023/34 is laid out in the table below:

Table 3

	2020/21 millions	2021/22 millions	2022/23 millions	2023/24 millions	Total millions
<b>Gross capital expenditure</b>	<b>£66.1</b>	<b>£64.0</b>	<b>£57.6</b>	<b>£9.7</b>	<b>£197.4</b>
<b>Funded by:</b>					
Grants and contributions	£3.3	£0.9	£0.9	£0.9	£6.0
Earmarked revenue reserves	£6.4	£0.8	£1.7	£1.4	£10.1
Capital receipts reserve	£7.3	£1.0	£0.0	£0.0	£8.3
External borrowing	£49.2	£61.3	£55.0	£7.4	£172.9
<b>Total</b>	<b>£66.1</b>	<b>£64.0</b>	<b>£57.6</b>	<b>£9.7</b>	<b>£197.4</b>

The revenue forecast in Table 1 includes the cost of servicing the planned external borrowing included in Table 3.

Capital receipts are generated through the sale of assets. This income can only be used for future capital expenditure (with one exception – see Attachment G – Flexible Capital Receipts Strategy).

### Reserves Position

West Suffolk is required to maintain adequate financial reserves to meet the needs of the authority. The reserves that are held are classified as either working balances (known as the general fund balance) or as specific reserves which are defined with a particular purpose (known as earmarked reserves).

The general fund balance is held as a contingency to meet the cost of unexpected expenditure or events during the year. The West Suffolk policy is to hold a balance of £5m at all times. This equates to 9% of annual expenditure.

Earmarked reserves are set aside to meet a known or predicted future expenditure. The planned movement in the balances of these reserves is laid out in the table below:

Table 4

	<b>2019/20 millions</b>	<b>2020/21 millions</b>	<b>2021/22 millions</b>	<b>2022/23 millions</b>	<b>2023/24 millions</b>
Earmarked Reserves Closing Balance	£32.8	£27.0	£28.1	£28.9	£29.3

The revenue position in Table 1 includes prudent budget provisions for the replacement of key service delivery assets. The full schedule showing all the earmarked reserves and the annual forecast movements is in Attachment D Appendix 3.

## **GLOSSARY OF TERMS**

### **Actuarial valuation**

An independent report of the financial position of the Pension Fund that is carried out by an actuary every three years. Reviews the Pension Fund assets and liabilities as at the date of the valuation and the results of which, including recommended employer's contribution rates, the Actuary reports to the Council.

### **Baseline funding level**

The amount of a local authority's start-up funding allocation which is provided through the local share of the estimated business rates aggregate (England) at the outset of the scheme as forecast by the Government. It forms the baseline against which tariffs and top-ups will be calculated.

### **Budget Requirement**

The Council's revenue budget on general fund services after deducting funding streams such as fees and charges and any funding from reserves. (Excluding Council Tax, RSG, New Homes Bonus and Business Rates).

### **Business rate retention scheme**

The Business Rates Retention Scheme introduced by Government from April 2013 is intended to provide incentives for local authorities to drive economic growth, as the authorities will be able to retain a share of the growth that is generated in business rates revenue in their areas, as opposed to the previous system where all business rates revenues are held centrally.

Under the scheme local authorities were also allowed to form pools for the purposes of business rates retention. West Suffolk along with the other Suffolk Authorities and the County Council have been designated as a Suffolk pool from April 2013.

In 2018 the Government announced the new 100% business rate pilot schemes, the Suffolk authorities were successful in being one of those pilots during 2018-19.

In September 2019 the Government announced that the planned 75% business rates retention scheme and re-baselining as part of the fairer funding review will be postponed until April 2021.

### **Capital expenditure**

Spending on assets that have a lasting value, for example, land, buildings and large items of equipment such as vehicles. Can also be indirect expenditure in the form of grants to other persons or bodies.

**Capital Programme**

Councils plan of future spending on capital projects such as buying land, buildings, vehicles and equipment.

**Capital Receipts**

The proceeds from the disposal of land or other assets. Capital receipts can be used to finance new capital expenditure but cannot be used to finance revenue expenditure.

**CIPFA**

Chartered Institute of Public Finance and Accountancy. One of the UK accountancy institutes. Uniquely, CIPFA specialise in the public sector. Consequently CIPFA holds the responsibility for setting accounting standards for local government.

**Collection fund**

A statutory account maintained by the council recording the amounts collected from council tax and Business Rates and from which it pays the precept to the major precepting authorities.

**Collection Fund surplus (or deficit)**

If the Council collects more or less than it expected at the start of the financial year, the surplus or deficit is shared with the major precepting authorities - Suffolk County Council and Suffolk Police Authority.

**Contingency**

Money set-aside centrally in the Council's base budget to meet the cost of unforeseen items of expenditure, such as higher than expected inflation or new responsibilities.

**Council Tax Base**

The Council Tax base for a Council is used in the calculation of council tax and is equal to the number of Band D equivalent properties. To work this out, the Council counts the number of properties in each band and works what this equates to in terms of Band D equivalent properties. The band proportions are expressed in ninths and are specified in the Local Government Finance Act 1992.

**Fairer Funding Review**

Central government funding for local authorities is currently based on an assessment of its relative needs and resources. The overarching methodology that determines how much funding each authority receives each year was

introduced over ten years ago and has not been updated since funding baselines were set at the start of the 50 % business rates retention scheme in 2013-14.

The government is undertaking a 'Fair Funding Review'. This is aimed at designing a new system for allocating funding between councils, the review will:

- set new baseline funding allocations for local authorities,
- deliver an up-to-date assessment of the relative needs of local authorities,
- examine the relative resources of local authorities,
- focus initially on the services currently funded through the local government finance settlement, and
- be developed through close collaboration with local government to seek views on the right approach

The Fairer funding review is expected to come into force from April 2021.

### **General Fund Balance**

The main unallocated reserve of the Council, set aside to meet any unforeseen pressures.

### **Gross Domestic Product (GDP)**

GDP is defined as the value of all goods and services produced within the overall economy.

### **Gross expenditure**

The total cost of providing the Council's services, before deducting income from Government grants, or fees and charges for services.

### **Individual authority business rates baseline**

Derived by apportioning the billing authority business rates baseline between billing and major precepting authorities on the basis of major precepting authority shares.

### **Local share of Business rates**

This is the percentage share of locally collected business rates that will be retained by local government. This is currently set at 50%. At the outset, the local share of the estimated business rates aggregate is divided between billing authorities on the basis of their proportionate shares.

### **Net Expenditure**

Gross expenditure less services income, but before deduction of government grant.

### **National Non Domestic Rates (NNDR)**

Also known as 'business rates', Non-Domestic Rates are collected by billing authorities such as West Suffolk Council and, up until 31 March 2013, paid into a

central national pool, then redistributed to authorities according to resident population. From 2013-14 local authorities will retain 50% of the value of any increase in business rates. The aim is to provide an incentive to help businesses set up and grow.

**New Homes Bonus**

Under this scheme councils receive a new homes bonus (NHB) per property for the first four years following completion. Payments are based on match funding the council tax raised on each property with an additional amount for affordable homes. It is paid in the form of an unringfenced grant.

**Precept**

The precepting authority's council tax, which billing authorities collect on behalf of the major preceptor

**Prudential Borrowing**

Set of rules governing local authority borrowing for funding capital projects under a professional code of practice developed by CIPFA to ensure councils' capital investment plans are affordable, prudent and sustainable.

**Referendum**

Power under which the Government may limit the level of council tax increase year on year. Any major precepting authority in England wanting to raise council tax by more than 2% or £5 whichever is the higher amount, must consult the public in a referendum. Councils losing a referendum would have to revert to a lower increase in bills.

**Revenue Expenditure**

The day-to-day running expenses on services provided by Council.

**Revenue Support Grant (RSG)**

All authorities receive Revenue Support Grant from central government.

**Risk Management**

We define risk as being uncertainty of outcome, whether relating to 'positive' opportunities or 'negative' threats / hazards. Our new, positive approach to risk is based on context, proportionality, judgement and evidence-based decision making that considers risk on a case by case basis and is documented at all stages. We will be joined-up in our decisions, and will draw on one another's skills and experience to take responsibility for sound and reasonable decisions about the use of public funds, avoiding a blame culture when things go wrong. <http://westsuffolkintranet/howto/risk-management.cfm>

**Section 151 officer (or Chief Financial Officer)**

Legally Councils must appoint under section 151 of the Local Government Act 1972 a named chief finance officer to give them financial advice, for West

Suffolk councils case this is held by the post holder of Assistant Director (Resources and Performance).

### **Specific Grants**

Funding through a specific grant is provided for a specific purpose and cannot be spent on anything else, for example: Housing Benefits.

### **Spending Review**

The Spending Review is an internal Government process in which the Treasury negotiates budgets for each Government Department.

### **Suffolk Business Rate Pool**

All district/borough councils in Suffolk, along with Suffolk County Council have created the Suffolk Business Rates Pool. The pooling of business rates across Suffolk will:

- through its governance arrangement ensure no individual council is financially any worse off for being in the Suffolk pool;
- maximise the proportion of business rates that are retained in Suffolk;
- benefit the wider communities within the county led by the Suffolk Leaders' collective vision for a 'Better Suffolk';
- provide incentives for councils to work together to improve outcomes for Suffolk.

### **Tariffs and top-ups**

Calculated by comparing an individual authority business rates baseline against its baseline funding level. Tariffs and top-ups are fixed at the start of the scheme and index linked to RPI in future years. West Suffolk is a 'tariff' authority.

### **Treasury Management**

Managing the Council's cash flows, borrowing and investments to support the Council's finances. Details are set out in the Treasury Management Strategy which will be considered and approved by Cabinet and Council in February each year.



# West Suffolk



## Council

District Offices  
College Heath Road  
Mildenhall IP28 7EY  
Tel: 01638 719000

West Suffolk House  
Western Way  
Bury St Edmunds IP33 3YU  
Tel: 01284 763233

Email: [customer.services@westsuffolk.gov.uk](mailto:customer.services@westsuffolk.gov.uk)

Chief Executive: Ian Gallin  
email: [ian.gallin@westsuffolk.gov.uk](mailto:ian.gallin@westsuffolk.gov.uk)