

Recommendation of the Performance and Audit Scrutiny Committee: 18 November 2021 - Delivering a Sustainable Medium-Term Budget

Report number:	CAB/WS/21/056	
Report to and date(s):	Cabinet	7 December 2021
	Council	14 December 2021
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Decisions Plan: **The decision 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, the proposals as detailed in Section 2 and Table 1 at paragraph 3.6 of Report number: PAS/WS/21/024, be included in the medium-term financial plans to 2026.**

1. Context to this report

1.1 At its meeting on 30 September 2021, Report number [PAS/WS/21/016](#), outlined the process and approach to setting the Council's 2022 to 2023 budget and the principles and challenges faced in achieving this

1.2 The Committee on 18 November 2021, received an update on assumptions and anticipated savings and initiatives proposed or delivered to date to deliver a sustainable and balanced budget for 2022 to 2023. Proposed key budget assumptions were set out in Section 2 of the report (and below).

1.3 **Extract from Report number: PAS/WS/21/024: (Section 2 and Table 1)**

1.3.1 **2. Proposals within this report – key budget assumptions**

2.1 Report number [PAS/WS/21/016](#) set out a number of key budget assumptions proposed in the development of the 2022 to 2023 budget and medium-term plans and the rationale behind those assumptions. These assumptions are constantly under review, in response to further data and intelligence. Since this last report, there have been the following updates as set out below.

Government funding – Spending Review 2021

2.2 In the Spending Review 2021 of 27 October 2021 there were several statements about funding for local government. A £4.8 billion increase (over 3 years) in direct grant funding was declared. However, £3.6 billion of this amount is targeted for social care reform, so aimed at County/Unitary Councils and its also expected that any new spending pressures announced (such as the national insurance increase) will also need to be funded through this allocation. What is not known at this time is the detail on how the headline 'Local Government funding' will be distributed to councils and whether this directly translates into winners and losers at individual Council level.

2.3 There was also no confirmation on local government funding reforms relating to the Fairer Funding Review and 75 per cent Business Rates Retention (BRR) scheme. The Government remain committed to these reforms, although have not set out any confirmed timeframe for when they would be completed and implemented. A roll forward of the 2021 to 2022 settlement hasn't been ruled out at this stage.

2.4 As a result of this current uncertainty about the detail of future government funding we continue to include the following assumptions in our medium-term financial plans:

- There will be no further COVID-19 support for either costs incurred or loss of Fees and Charges income.
- That no Revenue Support Grant or New Homes Bonus allocation (or replacement) will be rolled forward into 2022 to 2023 as it was always the Government's intention to phase out these grant streams.

- The budget estimates assume a continuation of the 10 per cent reductions in the centrally held un-ringfenced grants budget for 2021 to 2022 in line with previous Government funding reductions. This includes grants such as Housing Benefit Administration.
- There will be no Fairer Funding Review and some form of Business Rate Retention (BRR) scheme resetting from April 2022 will take place. The current projections already assume a significant loss of BRR scheme growth (accumulated since the scheme was implemented in 2013) from April 2022 and this assumption remains unchanged at this stage.
- That Suffolk authorities will remain in a business rates pool for 2022 to 2023, retaining additional BRR scheme income for Suffolk than that of individual authorities.

2.5 These Government funding assumptions will be kept under constant review as part of the budget process and following any announcements regarding the detailed funding allocations (expected 5 December 2021 but likely to be much later in December as per previous years) and grant payments and/or consultations from central Government. This collection of assumptions has the biggest financial impact on the council's budget given the sums involved.

Other income assumptions

2.6 There has been a detailed line by line review of the 2022 to 2023 income budget assumptions across a best, base and worst-case scenario. The material outcomes of this review are included on Table 1 below. Where there is uncertainty linked to continued COVID-19 impact the approach will be to access the use of a further years COVID impact provision, created from the Councils General Fund balance, with the expectation that there will be a full return to budgeted income levels in the medium term. There is expected to be a greater level of volatility in these income assumptions given the relationship between recovery and income generation for the council. This volatility will need to be closely monitored and reflected in the Section 151 report to members on the robustness of estimates and balances as part of the budget process.

Business rates estimate for 2022 to 2023

- 2.7 It is very difficult to predict the ongoing impact of COVID-19 on businesses within the district and the impact this may have on the level of business rates income collected. In 2020 to 2021 Government announced significant retail reliefs to support business through the pandemic. They continued that support, in part, during the current year 2021 to 2022. We are yet to receive any guidance or funding allocations for the announced national £1.5 billion discretionary business rate relief fund for 2021 to 2022.
- 2.8 The Spending Review 2021 on 27 October 2021 did include some changes to business rates for the next three years, with a commitment that councils will

be fully reimbursed under the current Business Rate Retention Scheme through Section 31 grants:

- The planned increase in the business rates multiplier has been cancelled. The multiplier was due to be increased by 3.1 percent, in line with the September increase in the Consumer Price Index (CPI). Local authorities will receive “cap compensation” funding to offset this.
- 50 percent discount for retail, hospitality and leisure sectors (up to a maximum of £110,000).
- Other reforms, including more frequent revaluations (from 2023), and investment reliefs to encourage green investment and premises improvements (any increase in rates payable delayed for 12 months). These changes will affect uplift in valuations, which will be handled administratively by the Valuation Office Agency (VOA) – but will also affect local government because growth in rates will take longer to be recognised.

3.6 Table 1

Budget assumption changes Pressure/(Benefit)	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
	£m	£m	£m	£m
Budget Gap at February 2021	0.97	1.62	2.21	2.65
<u>Pressures:</u>				
Review of the Council’s establishment and overall cost of employment assumptions (Includes the announced National Insurance increase for employers)	0.28	0.23	0.24	0.25
Housing benefits: Reduce rent allowances subsidy rate (recovered from Government for administering the scheme) across medium term to reflect transfer of 100% subsidy cases to Universal Credit	0.00	0.04	0.04	0.05
Insurance premiums review (including arts, culture and heritage assets and new solar for business rate changes)	0.04	0.05	0.05	0.05
Provisional increase in audit fees (to be confirmed by Public Sector Audit Authority)	0.02	0.02	0.02	0.02
<u>Improvements:</u>				
Ongoing savings relating to public access (see report CAB/WS/21/026)	(0.10)	(0.10)	(0.10)	(0.10)

Review of Council wide electricity budgets (combination of reduced usage and price inflation allowance)	(0.14)	(0.15)	(0.16)	(0.17)
Solar farm sale income- increased income assumptions after sale price for 2022 to 2023 generation has been fixed at auction. Longer term prices based on market estimates.	(0.44)	(0.07)	(0.06)	(0.06)
Increased shop rent income – linked to securing tenant beyond previous lease renewal date	(0.07)	(0.07)	(0.07)	(0.03)
Revised public sector decarbonisation savings and income generation from £2.2 million capital investment, linked to CO2 reduction plan	(0.06)	(0.06)	(0.05)	(0.05)
Industrial units: increased income assumption linked to improved performance of portfolio-linked to market rent levels and expectations	(0.04)	(0.04)	(0.04)	(0.04)
Other minor changes	(0.06)	(0.03)	(0.03)	(0.04)
Remaining budget gap at November 2021	0.42	1.46	2.06	2.60

- 1.4 The Performance and Audit Scrutiny Committee considered the report in detail and the key budget assumptions, and asked questions to which responses were provided. In particular the Committee discussed the solar farm additional income of £400,000 for next year and the working budget deficit for 2022 to 2023 of £0.42 million.
- 1.5 The Performance and Audit Scrutiny Committee did not raise any issues at this time to be brought to the attention of Cabinet.
- 1.6 The Performance and Audit scrutiny Committee **noted** the timescales for the 2022 to 2023 budget and medium-term plan as well as a further update being presented to the Committee on 27 January 2022.
- 1.7 The Performance and Audit Scrutiny Committee has put forward a recommendation as set out on page one of this report.

2. **Alternative options that have been considered**

- 2.1 Not applicable.

3. **Consultation and engagement undertaken**

- 3.1 See Report number: [PAS/WS/21/024](#)

4. Risks associated with the proposals

4.1 See Report number: [PAS/WS/21/024](#)

5. Implications arising from the proposals

5.1 Financial: See Report number: [PAS/WS/21/024](#)

6. Appendices referenced in this report

6.1 None

7. Background documents associated with this report

7.1 [COU/WS/21/003](#) – 23 February 2021: Budget and Council Tax Setting 2021 to 2022 and Medium-Term Financial Strategy 2021 to 2025

7.2 [PAS/WS/21/012](#) - 29 July 2021: 2021-22 Performance Report (Q1)

7.3 [PAS/WS/21/016](#) - 30 September 2021 - Delivering a Sustainable Medium-Term Budget