

Delivering a Sustainable Medium-Term Budget

Report number:	PAS/WS/22/002	
Report to and date(s):	Performance and Audit Scrutiny Committee	27 January 2022
	Cabinet	8 February 2022
Cabinet member:	Councillor Sarah Broughton Cabinet Member for Performance and Property Tel: 07929 305787 Email: sarah.broughton@westsuffolk.gov.uk	
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Decisions Plan: This item is included in the Cabinet Decisions Plan

Wards impacted: All wards

Recommendation: It is recommended that the Performance and Audit Scrutiny Committee:

- 1. Recommend to Cabinet the inclusion of the proposals, as detailed in Section 2 and Table 1 at Paragraph 3.4 of this report, in the 2022 to 2023 Budget.**

1. Context to the 2022 to 2023 budget process

- 1.1 This report follows on from the November Performance and Audit Scrutiny Committee report (report no [PAS/WS/21/024](#)) that gave an updated position on the process and approach to set the council's 2022 to 2023 budget and the principles and challenges faced in achieving this. This report provides a further update on assumptions and anticipated savings and initiatives proposed or delivered to date to deliver a sustainable and balanced budget for 2022 to 2023. This will not only deliver services but also the strategic vision and priorities of the Council while meeting future challenges. This robust approach will enable the authority to invest in initiatives to meet our goals around areas such as the environment and managing growth while helping increase the health and economic wellbeing of our communities.
- 1.2 However, the financial impact of COVID-19 on the council's budget is likely to be felt for many years. Therefore, the council will need to make prudent provision, as it did in the current 2020 to 2021 financial year, in its medium-term budget plans for recovery to pre-covid levels. Any longer-term impact of COVID-19 on the council's services will only be established in due course.
- 1.3 The medium-term budget plans (beyond April 2023) are also being prepared in the context of significant uncertainties around Government policy in terms of:
- Local Government Finance Settlement,
 - the Fairer Funding Review, Business Rates Retention (BRR) Scheme Review,
 - commercial investment policy and
 - potential major reforms with the Resources and Waste Strategy (RAWS), Health and Social Care reforms and the Planning Reform White Paper on.

The Council will continue to lobby Government over financial support and funding together with partners and other local authorities.

- 1.4 The economic situation is also hugely challenging, and we continue to be faced with rising demand for services in particular housing support. Suffolk is at the forefront nationally supporting its communities and businesses by working in partnership across the public, private and voluntary sectors. This brings benefits to communities and businesses alongside efficiencies and savings, for example the opening of Mildenhall Hub last year is already showing significant benefits in terms of health and wellbeing across services as well as efficiencies made through sharing the building. However, the impact of the economic situation and added COVID recovery challenges on our partners including Suffolk County Council is uncertain at this stage. Therefore, it is unknown what indirect cost impacts may be experienced locally. These potential impacts will continue to be monitored through the performance management process.

- 1.5 In the February 2021 Council meeting the Budget and Council Tax Setting: 2021 to 2022 and Medium-Term Financial Strategy 2021 to 2025 report number ([COU/WS/21/003](#)) set out the financial plan to 2025.

This plan set a balanced budget for 2021 to 2022 but included the following initiative budget gaps (which will be reviewed as part of this 2022 to 2023 budget process) in the subsequent years:

	2022 to 2023	2023 to 2024	2024 to 2025
Budget Gap	£1.0m	£1.6m	£2.2m

- 1.6 This Medium-Term Financial Plan was developed in the midst of the initial COVID-19 outbreak and lockdown and therefore made significant assumptions on the duration and recovery from that situation. The February 2021 budget report assumption was that recovery to pre-COVID levels would take shape from April 2022, consequently a key element of this budget process has been to continually review that assumption.

2. Proposals within this report – Key budget assumptions

- 2.1 Report PAS/WS/21/024 provided an update on 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.

Provisional Finance settlement 2021

- 2.2 The Government published the provisional local government finance settlement for 2022 to 2023 on 16 December 2021. The announcement was for a one-year settlement and did not include any indication of funding for the remainder of the spending review period which runs to 2025. There have been signals around more fundamental changes in local government funding from 2023 to 2024, which makes this settlement appear to be more of a rollover from 2021 to 2022.
- 2.3 The council’s budget assumptions have been updated to include the following changes outlined in the provisional finance settlement, included in brackets is the previous communication on each of these grants:
- Revenue Support Grant £206,843 (previously communicated that this grant was to be removed from April 2020)
 - Rural Services Delivery Grant £181,414 (grant was to be wrapped up in the fairer funding review, deferred from April 2020)
 - Lower Tier Services Grant £202,922 (was previously communicated as a one-off grant for 2021 to 2022 only)

- A one-off Services Grant for 2022 to 2023 £311,855 (new grant for 2022 to 2023 in recognition that the fairer funding review has been deferred and as a result the settlement continues to be calculated using out of date data)
- New Homes Bonus £1,756,110 (previously communicated that 2022 to 2023 would be the final year of this scheme with only a legacy payment due)

2.4 None of the above grants had been assumed in the original budgets for 2022 to 2023 (as a result of the context included in brackets next to each of the grants above), with the exception of New Homes Bonus where a smaller award assumed of £487,000, so overall the council has benefitted from the settlement rollover by around £2.1 million as a one off. The majority of this benefit relates to an additional year of the New Homes Bonus scheme. In line with previous budget setting principles and as agreed in the last sustainable budget report, the New Homes Bonus allocation for 2022 to 2023 will be transferred to the Strategic Priorities and MTFs Reserve and utilised in line with that reserve.

2.5 As this is a one-year settlement, and there still a high degree of 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.
- The Services Grant for 2022 to 2023 is a one-off payment and no future year assumptions have been included.
- A discontinuation of the New Homes Bonus grant scheme from 2023 to 2024.
- 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 for 2022 to 2023. However, there is likely to be a review of some format from 2023 to 2024 onwards. 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.

2.6 These Government funding assumptions will continue to be kept under constant review as part of future budget processes. This collection of assumptions has one of the biggest financial impacts on the council's budget in the medium term given the sums involved.

Other income assumptions

- 2.7 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 were included in part in the November report. Where there is uncertainty linked to continued COVID-19 impact the approach will be to access the use of a further year's COVID impact provision of £0.5 million (a similar approach to that used in our 2021 to 2022 budget), equating to around 1.6% of our total fees and charges budget. This provision will be created from the council's General Fund balance, with the expectation that there will be a full return to budgeted income levels in the medium term (from 2023 to 2024).
- 2.8 There is expected to be a greater level of volatility in the short term 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.
- 2.9 In addition to reviewing the income assumptions there has also been a review of the fees and charges pricing used in the budget and medium term. This is to ensure:
- That we are recovering the cost of delivering these discretionary services on a user pays basis (also taking into account charging levels made by other local authorities)
 - Consistency of approach in line with the new Fees and Charges policy
 - Provide appropriate visibility for those pricing decisions that are likely to have significant public interest (including those over 5% annual increase – in line with the council's constitution) **Appendix A(i)**.

The Fees and Charges that are changing and meet the requirements for reporting are detailed in **Appendix A – Fees and Charges**

Business Rates estimate for 2022 to 2023

- 2.10 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 have recently received guidance and around the COVID-19 Additional Relief Fund (CARF) to help businesses that have not previously been eligible for rate relief during the pandemic. Our funding allocation is £4 million of the national £1.5 billion CARF fund created for 2021 to 2022. At the time of writing this report Officers are reviewing the guidance and undertaking modelling with Anglia Revenues Partnership.

2.11 The Spending Review 2021 on 27 October 2021 did include some changes to business rates for the next 3 years, with a commitment that councils will be fully reimbursed under the current Business Retention Scheme through Section 31 grants, these are included in the 2022 to 2023 assumptions:

- 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. Our current projections for 2022/2023 and beyond

3.1 As stated in paragraph 1.5 our baseline medium term plans from the 2021 to 2022 budget process already included the need to make significant savings across the medium-term financial plans.

3.2 The net impact of the key assumption changes set out above in addition to the saving requirements discussed at 1.5 are set out in **Table 1 below**. The changes give rise to a balanced position for 2022 to 2023, £1.16 million budget gap for 2023 to 2024, £1.71 million budget gap for 2024 to 2025 and £2.98 million budget gap for 2025 to 2026 (these are cumulative budget gaps).

3.3 West Suffolk Council’s response to the financial challenges and opportunities will continue to follow our six key themes (Report no PAS/WS/21/016 30 September 2021 refers). Our opportunities include capturing and building on the learning and innovative ways of delivering our services, experienced during this time.

3.4 **Table 1**

Budget Assumption Changes Pressure/(Benefit)	2022 to 2023 £m	2023 to 2024 £m	2024 to 2025 £m	2025 to 2026 £m
Budget Gap as reported November 2021 (PAS/WS/21/024)	0.42	1.46	2.06	2.60
Pressures/Investments:				
Environmental Health, Licensing and Regulatory restructure changes. As part of the wider review of resourcing in regulatory services that has been underway over the last 6 months, the Licensing Team has been reviewed. The structure was previously set up in 2014 and since this time demands on the service have increased, owing to new statutory guidance and changing local demands. As part of a 3-year plan across regulatory services, the team has been reconfigured to enable the competent and effective delivery of the licensing service.	0.13	0.13	0.13	0.14
Assumptions around Street Trading and Vending licence income reduction forecast to October 2022 as Pavement Licenses at nil cost are in place, as a result of continued business recovery support. If Pavement Licenses continue beyond October 2022 these will be charged at £100 per annum to recover the cost of the service	0.01	0.00	0.00	0.00
Additional contribution to Vehicle and Plant reserve (to recognise the incremental cost) in respect of the move towards Net Zero electric vehicle purchases and to reduce our carbon impact	0.65	0.00	0.00	0.00
Revenue cost impact of moving vehicle fleet to Hydrogenated Vegetable Oil (HVO) fuel to reduce our carbon impact	0.10	0.10	0.10	0.10

New Bury Leisure Centre investment as part of Western Way Development as per Business Case, report reference COU/WS/21/007	0.00	0.00	0.00	0.72
Provision arising from potential income pressures from continued COVID-19 impacts, assuming full income recovery from 2023 to 2024	0.50	0.00	0.00	0.00
Fund COVID-19 provision from General Fund	(0.50)	0.00	0.00	0.00
Improvements/Savings:				
Updated council tax base, report reference CAB/WS/21/050	(0.28)	(0.29)	(0.30)	(0.31)
Change to estimate for Council Tax Surplus (one off)	(0.49)	0.00	0.00	0.00
Provisional finance settlement - details set out in paragraphs 2.3 and 2.4	(2.15)	0.03	0.03	0.03
Contribute 2022/23 New Homes Bonus to Strategic Priorities and MTFS reserve, see also previous sustainable budget report, reference PAS/WS/21/024 paragraph 2.4	1.76	0.00	0.00	0.00
Provisional Barley Homes dividend (awaiting confirmation of amount and timing, set up reserve and release annually to support the delivery of Council services)	(0.20)	(0.20)	(0.20)	(0.20)
Revenue return/savings from Net Zero initiatives	0.00	(0.10)	(0.15)	(0.20)
Other minor changes	0.05	0.03	0.04	0.11
Remaining Budget Gap at January 2022	0.00	1.16	1.71	2.98

- 3.5 These projections assume no change to the current agreed Council Tax plan for harmonisation from April 2022, between the predecessor areas of St Edmundsbury and Forest Heath. This assumption is a matter for Council in February 2022.

10-year West Suffolk Capital Programme

- 3.6 A draft West Suffolk 10 Year Capital Programme is attached at **Appendix B** for members consideration. This programme takes into consideration the previously agreed capital strategic projects such as the Innovation Units, Barley Homes and Western Way Development, alongside the operational requirements and improvements/initiatives linked to service delivery such as our operational vehicle replacements and asset management requirements.

Next steps and timetable

- 3.7 The following high-level timetable is proposed for delivery and agreement of a budget and medium-term plan for West Suffolk Council for 2022 to 2023.

Action	Timescales
PASC – delivering a sustainable budget update report	27 January 2022
Member Development Session(s) and briefing(s) – MTFS	February 2022
Cabinet – 2022-2023 Budget and Council Tax setting report	February 2022
Council - 2022-20203Budget and Council Tax setting report	February 2022

4. Consultation and engagement undertaken

- 4.1 The budget assumptions set out in this report have been prepared in consultation with Leadership Team and the Portfolio Holder for Resources and Property.

5. Risks associated with the proposals

- 5.1 The budget report in February 2022 will set out the key risk assumptions alongside the report from the Section 151 Officer on the robustness of estimates and balances.

6. Implications arising from the proposals

- 6.1 Financial – Contained in the main body of this report.
- 6.2 Legal Compliance – The council has a legal requirement to set a balanced budget for the forth coming year. This report and future reports to this committee are part of the process designed to deliver on that legal requirement.
- 6.3 Personal Data Processing/Equalities/Crime and Disorder/Changes to existing policies/Environment or Sustainability/HR or Staffing/External organisations – No significant implications arising directly from this report. Implications under each of these headings will be considered as part of individual savings or initiatives as part of the budget process.

7. Appendices referenced in this report

- 7.1 Appendix A – Fees and Charges 2022 to 2023
 - Appendix A(i) – Price Increase over 5%
 - Appendix B – Draft West Suffolk 10 Year Capital Programme

8. Background papers

- 8.1 [COU/WS/21/003](#) – 23 February 2021: Budget and Council Tax Setting 2021 to 2022 and Medium-Term Financial Strategy 2021 to 2025
 - [PAS/WS/21/012](#) - 29 July 2021: 2021-22 Performance Report (Q1)
 - [PAS/WS/21/016](#) - 30 September 2021 - Delivering a Sustainable Medium-Term Budget
 - [PAS/WS/21/024](#) - 18 November 2021 – Delivering a Sustainable Medium-Term Budget