



Medium Term Financial Strategy (MTFS) 2022 to 2026

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Foreword from the Portfolio Holder for Resources and Property of the council

I am delighted to introduce the West Suffolk Medium Term Financial Strategy (MTFS) for 2022 to 2026. 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 2023 to 2024 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 2022 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 to 2024.

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 & Property
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 Council'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 2022 to 2023. This is a one year only extension of the grant which was due to be phased out by this year.
- Government's treatment of eliminating 'negative' RSG through foregone business rates will continue for one more year into 2022 to 2023.
- The New Homes Bonus will be retained into 2022 to 2023 but for one year only without any further legacy payments. The baseline has been confirmed at 0.4 per cent.
- A new, one-off services grant in respect of 2022 to 2023 only has been announced. This has been awarded to all tiers of local government in recognition of the vital services they provide.
- Consultation will continue in 2022 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 current 50 per cent Business Rates Retention scheme is undergoing a full review and is expected to be replaced by a new scheme, accompanied by a full reset of the growth baseline, in April 2023.
- The government allows local authorities to spend up to 100 per cent 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 per cent or £5, whichever is the higher amount. In addition, local authorities with responsibility for social care (such as Suffolk County Council) may levy a precept to spend exclusively on adult social care.

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 council's 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
- 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 2023). Council tax income continues to be the main source of funding, in total value, for local authorities. Council tax income represents just under 22 per cent of West Suffolk's annual income (excluding Housing Benefit Subsidy).

It is expected that each of these funding streams will continue in 2022 to 2023 however beyond the one year spending round, 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 2023 to 2024. It is assumed there will also be a full baseline reset in 2023 to 2024 (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 the 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 now scheduled for 2023 to 2024, creating further uncertainty to the council's 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. For more information, please see West Suffolk Council's Strategic Framework.

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 Local Enterprise Partnership (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 177,302 (mid-year estimate 2020) across a predominantly rural area in the heart of East Anglia. This is projected to increase by 4.1 per cent to 184,556 by 2026 (sub national population projections 2018 based).

The mid-year estimates 2020 showed that the percentage of over 65s in West Suffolk had risen to 21.7 per cent; this is now above the England national average of 18.6 per cent and projected to increase to 22.9 per cent by 2026.

Many older people bring a wealth of experience and skills that 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 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 (December 2021), whilst giving certainty on continued funding through Revenue Support Grant and New Homes Bonus for 2022 to 2023, 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 fully 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 (£4.3 million in 2014 to 2015) being phased out completely by 2023.

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.

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.
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 added a further £850,000 per year savings and efficiencies to this success.

West Suffolk shares a number of services with neighbouring councils including Human Resources 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 2023, it is 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 include a series of service delivery reviews, began to take shape during the first quarter of 2021 to 2022. The resulting outcomes, both financial and improved services, will continue to contribute towards our financial challenges in 2022 to 2023.

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 taxpayers. 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 2022 to 2026. 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 2.75 per cent interest (based on a Public Works Loan Board, PWLB, rate over 40 years). MRP is calculated to ensure that the capital is fully repaid over the economic life of the asset. 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 MTFS, the new forms of local government finance will continue, in whatever guise it lands from April 2023, to be the key sources of income for councils. West Suffolk will therefore take the opportunity, through its service delivery and other MTFS 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 council regularly engages 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/>

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 from 2022 to 2026 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 2022 to 2023 and is on track to deliver a balanced result for 2023 to 2024.

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

| (Income) and expenditure: | Item | 2022 to 2023 Total budget £000s | 2023 to 2024 Projected budget £000s | 2024 to 2025 Projected budget £000s | 2025 to 2026 Projected budget £000s |
|---|-----------|---------------------------------------|---|---|---|
| Net service expenditure before interest | 1 | 20,739 | 18,036 | 19,064 | 20,859 |
| Interest received on investments | 2 | (40) | (40) | (40) | (40) |
| Dividends received | 3 | (240) | (240) | (240) | (240) |
| External interest paid | 4 | 170 | 170 | 170 | 170 |
| Interest on borrowing | 5 | 1,360 | 1,340 | 1,317 | 1,220 |
| Minimum Revenue Provision | 6 | 739 | 760 | 783 | 805 |
| Net expenditure after interest & capital for General Fund Purposes | 7 | 22,728 | 20,026 | 21,054 | 22,774 |
| Contribution from reserves in respect of Business Rates deficit funding (see item 14) | 8 | (5,696) | (782) | 0 | 0 |
| Transfer to/(from) General Fund | 9 | (475) | 0 | 0 | 0 |
| Net expenditure after interest & capital | 10 | 16,557 | 19,244 | 21,054 | 22,774 |
| Remaining budget gap | 11 | 0 | (1,156) | (1,711) | (2,982) |
| Budget Requirement (excluding parishes) | 12 | 16,557 | 18,088 | 19,343 | 19,792 |
| Collection Fund deficit/(surplus) - Council Tax | 13 | (459) | 30 | 0 | 0 |
| Collection Fund deficit/(surplus) - Business Rates | 14 | 5,696 | 782 | 0 | 0 |
| Business Rates Retention - Baseline funding | 15 | (4,524) | (4,549) | (4,574) | (4,599) |
| Business Rates Retention - Local Share of Growth/S31 Grants | 16 | (2,803) | (2,158) | (2,170) | (2,182) |
| Business Rates Retention - Share of Suffolk Pooling | 17 | (300) | (300) | (300) | (300) |
| Business Rates Retention - Renewable Energy | 18 | (581) | (518) | (521) | (524) |
| Business Rates Retention - Enterprise Zones | 19 | (186) | (239) | (241) | (242) |
| Revenue Support Grant | 20 | (207) | 0 | 0 | 0 |
| Rural Services Delivery Grant | 21 | (181) | 0 | 0 | 0 |
| New Homes Bonus Grant | 22 | (1,756) | 0 | 0 | 0 |
| Lower Tier Services Grant | 23 | (203) | 0 | 0 | 0 |
| Services Grant 2022 to 2023 | 24 | (312) | 0 | 0 | 0 |
| Amount to be charged to council taxpayers | 25 | 10,741 | 11,136 | 11,537 | 11,945 |
| Council Tax Base | 26 | 57,406.34 | 57,980.40 | 58,560.21 | 59,145.81 |
| Council Tax at band D - West Suffolk Council | 27 | £187.11 | £192.06 | £197.01 | £201.96 |
| Total Council Tax generated (excluding parishes) | 28 | 10,741 | 11,136 | 11,537 | 11,945 |
| Town and parish council precepts | 29 | 4,359 | 4,359 | 4,359 | 4,359 |
| Total Council Tax generated (including Parishes) - demand on the Council Tax Collection Fund | 30 | 15,100 | 15,495 | 15,896 | 16,304 |

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

| MTFS ASS. | DETAILS | 2022 to 2023 | 2023 to 2024 | 2024 to 2025 | 2025 to 2026 |
|-----------|--|-----------------|-----------------|-----------------|-----------------|
| | INFLATIONARY CHANGES | | | | |
| SAL | Salaries Increase | 2.0% | 2.0% | 2.0% | 2.0% |
| INC | Incremental Progression | £240,000 | £240,000 | £240,000 | £240,000 |
| ERS | Employers Pension Contribution | 32.30% | 32.30% | 32.30% | 32.30% |
| | Pension Take-Up Assumption | 97.00% | 97.00% | 97.00% | 97.00% |
| VAC | Vacancy Savings | 2.5% | 2.5% | 2.5% | 2.5% |
| CPI | CPI Inflation | 3.0% | 3.0% | 3.0% | 3.0% |
| GEN | General Inflation | 0.0% | 0.0% | 0.0% | 0.0% |
| ICT | ICT Inflation | 3.0% | 3.0% | 3.0% | 3.0% |
| BR1 | Business Rates Inflation - CPI at Sept | 0.00% | 0.55% | 0.55% | 0.55% |
| BR2 | Business Rates Inflation - 0% | 0.0% | 0.0% | 0.0% | 0.0% |
| FEES | Fees & Charges | 2.0% | 2.0% | 2.0% | 2.0% |
| UTIL | Utilities | 5.0% | 5.0% | 5.0% | 5.0% |
| ELEC | Electricity | 7.5% | 7.5% | 7.5% | 7.5% |
| FUEL | Transport - Fuel | 5.0% | 5.0% | 5.0% | 5.0% |
| INS | Insurance Premium Increases | 8.3% | 8.3% | 8.3% | 8.3% |
| ZERO | Zero Inflation | 0.0% | 0.0% | 0.0% | 0.0% |
| | INTEREST ON INVESTMENTS | (45,000) | (45,000) | (45,000) | (45,000) |
| | Projected average interest rate | 0.25% | 0.25% | 0.25% | 0.25% |
| | Borrowing Rate (per KPI) | 2.81% | 2.81% | 2.81% | 2.81% |

Capital Position

The Capital Programme is a statement of planned investment in the creation, purchase or improvement of West Suffolk Council's 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 2025 to 2026 is laid out in the following table:

Table 3

| | 2022 to 2023 | 2023 to 2024 | 2024 to 2025 | 2025 to 2026 | Total |
|----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------|
| | millions | millions | millions | millions | millions |
| Gross capital expenditure | £38.37 | £49.25 | £53.46 | £18.02 | £159.10 |
| Funded by: | | | | | |
| Grants and contributions | £2.64 | £0.90 | £0.90 | £0.90 | £5.34 |
| Earmarked revenue reserves | £4.42 | £2.70 | £2.50 | £1.67 | £11.29 |
| Capital receipts reserve | £4.91 | £0.00 | £0.00 | £0.00 | £4.91 |
| External borrowing | £26.40 | £45.65 | £50.06 | £15.45 | £137.56 |
| Total | £38.37 | £49.25 | £53.46 | £18.02 | £159.10 |

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 £5 million at all times. This equates to around 25 per cent of annual net 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 following table:

Table 4

| | 2021 to 2022 millions | 2022 to 2023 millions | 2023 to 2024 millions | 2024 to 2025 millions | 2025 to 2026 millions |
|------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Earmarked Reserves Closing Balance | £40.9 | £35.3 | £34.0 | £34.2 | £35.4 |

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, Revenue Support Grant, 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 to 2019.

The planned 75 per cent business rates retention scheme and re-baselining as part of the fairer funding review will be postponed until April 2023.

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

Council's 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 per cent business rates retention scheme in 2013 to 2014.

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 2023.

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 per cent. 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 to 2014 local authorities will retain 50 per cent 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 per cent 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 the 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 Council this role is held by the post holder of Director (Resources and Property).

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 the Consumer Price Index (CPI) 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.