

Delivering a Sustainable Medium-Term Budget

Report number:	PAS/WS/22/017	
Report to and date(s):	Performance and Audit Scrutiny Committee	29 September 2022
	Cabinet	18 October 2022
Cabinet member:	Councillor Sarah Broughton Deputy Leader and Cabinet Member for Resources and Property Tel: 07929 305787 Email: sarah.broughton@westsuffolk.gov.uk	
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Decisions Plan: This item is not included in the Decisions Plan.

Wards impacted: All wards

Recommendation: It is **RECOMMENDED** that members:

- 1. Consider and agree the approach and timescales for the 2023 to 2024 budget setting process and medium-term plans to 2027.**

1. Context to the 2023 to 2024 budget process

1.1 This report outlines the approach and timetable to set the council’s 2023 to 2024 and medium-term budgets and the principles and challenges faced in achieving this.

1.2 There are several national, if not global, pressures that are challenging our budget or the process of putting one together. These include the:

- financial impact of the current economic situation, including high inflationary pressures,
- Increasing demand on our services and the role we want to continue to play in supporting our communities linked to the current cost of living crisis
- Our ability to recover income streams in both the current and post COVID19 context.
- Pressure to grow some of our core services in response to a growth in housing and demand.

1.3 West Suffolk is not alone, these challenges are being faced by councils up and down the country and are expected to continue into and throughout 2023 to 2024 and in some cases into the medium term.

1.4 The 2023 to 2024 budget and medium-term plans are also being prepared in the context of continued significant uncertainties around Government policy for the sector, in terms of the:

- Comprehensive Spending Review,
- Local Government Finance Settlement,
- Fairer Funding Review, Business Rates Retention (BRR) Scheme Review,
- Commercial Investment Policy,
- potential major reforms with the Resources and Waste Strategy (RAWS), Health and Social Care reforms and the Planning Reform White Paper.

1.5 At the February 2022 Council meeting the Budget and Council Tax Setting: 2022 to 2023 and Medium-Term Financial Strategy 2022 to 2026 report ([COU/WS/22/003](#)) set out the financial plan to 2026. This plan included the following indicative medium term budget gaps (which will be reviewed as part of this 2023 to 2024 budget process):

	2023 to 2024	2024 to 2025	2025 to 2026
Indicative Budget Gap as at February 2022	£1.2m	£1.7m	£3.0m

- 1.6 The 2022 to 2023 Budget and Medium-Term Financial Strategy 2022 to 2026, referenced above was developed during COVID-19 recovery and prior to the current economic situation and therefore does not make allowances for the high inflationary pressures currently being experienced as reported at the July 2022 committee meeting-report (Report number [PAS/WS/22/013](#)).
- 1.7 The plan agreed in February 2022 also made assumptions around recovery of our budgets taking shape, both income and expenditure, to pre-COVID levels from April 2023. In year monitoring is continually being reviewed to stress test these recovery assumptions to feed into the upcoming annual budget setting process.
- 1.8 The November budget update report to the Performance and Audit Committee will set out the key assumptions to underpin the development of the 2023 to 2024 budget. In that November report we should have a better understanding of:
- Further in year monthly (and quarter two) performance data on the recovery of our key local income streams, the council generates significant local fees and charges representing around 50% of our total income
 - The Government's intentions around funding for 2023 to 2024 and possibly 2024 to 2025. Given previous indications of a two-year settlement and the sector's expectations of a roll forward of the current year settlement, this will be a key assumption for our 2023 to 2024 budget and will offer some mitigation towards the expected pressures on the initial budget gap
 - Likely outcome of the 2022 to 2023 pay inflation discussions, given Unions have put the Employers pay offer to their members for a vote during September/October. Pay represents over 50% of our annual costs of running the council (reflecting the in-house delivery model for the majority of council services)
 - The outcome of budget holders and finance business partners line by line review of the council's budget lines, including those expenditure lines that are currently under significant pressure due to inflationary pressures such as energy costs
- 1.9 Whilst the 2023 to 2024 budget assumptions are being reviewed, this report sets out the approach to the development and delivery of a sustainable 2023 to 2024 budget and medium-term plan, alongside the timetable to achieve this. This flexible (enabling it to respond to the expected increase in the current 2023 to 2024 indicative budget gap) and responsive recovery plan will continue to follow (and test) our agreed Strategic Priorities and six key Medium-Term Financial Strategy (MTFS) themes.
- 1.10 Further reports including updates on assumptions and anticipated savings and initiatives required to deliver a sustainable and balanced budget for

2023 to 2024 will be presented to this committee at its November 2022 and January 2023 meetings.

2. Approach to delivering a sustainable 2023 to 2024 budget and beyond

- 2.1 West Suffolk Council's Budget Delivery Plan and response to the financial challenges and opportunities will continue to follow our six key themes. Our opportunities include capturing and building on the learning and innovative ways of delivering our services experienced during recent times.
- 2.2 These themes are considered to still 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.
- 2.3 At its November 2022 and January 2023 meetings, the Committee will receive an update on the key assumptions, saving and initiatives that will be developed through the budget process. Cost certainty will continue to play a particular focus in this year's budget process to enable, where possible, greater certainty on the council's financial plans given the volatility of income streams.

Our 2023 to 2026 Budget Delivery Plan - Proposed approach

- 2.4 Below sets out the key work pillars for the 2023 to 2026 Budget Delivery Plan and follows our well established MTFS themes.
- 2.5 **Aligning resources and transforming our service delivery and customer access**
- Work is underway to review and prioritise the work of all of our services. This includes collating a detailed understanding of all council activity as well as an analysis of the volume and type of demand and performance levels.
 - Based on our detailed analysis we will identify opportunities for process change and improvement, as well as ensuring that resources are allocated appropriately.
 - We continue to implement our agreed target operating model for customer services which ensures that how customers access our services and how we process customer contact is undertaken as efficiently as possible. Ensuring that our digital strategy supports

efficiencies and improvements. Making changes to service delivery in line with customer demands and expectations.

- We will also look at further opportunities to develop new delivery partnerships
- Our performance management information also gives us the opportunity to review our services using data, for example, by identifying trends in customer behaviour or adjusting levels of service to maximise value for money

2.6 **Behaving more commercially**

- We will be reviewing all commercial and service level agreements income streams, ensuring we continue to work within the parameters and principles of our approved fees and charges policy and that the user pay and cost recovery principles are reflected in our 2023 rates given increases in our cost base
- In some commercial income areas, we will explore if there is opportunity to increase our opportunity such as trade waste services or in some cases it might be to reduce our commercial exposure and offering to focus on core service delivery
- Work is underway on maximising the use of our resources in particular our asset portfolio where we have surplus assets that could deliver council priorities whilst also becoming income generating assets and where rent and lease renewals are due on our non-operational assets such as industrial units
- We continue to review our most significant value contracts, reviewing their specification, the way they are procured and their management to see if there is the opportunity to reduce costs and/or improve the value for money offered from those external contracts
- Work has commenced and projects already commissioned from the Net Zero investment fund delivery on both our net zero ambition and net financial return towards the delivery of council services. Future allocations and opportunities to support the councils medium term plans will be considered during the upcoming budget process
- We will be reviewing business plans and dividend assumptions relating to our subsidiary companies Verse and Barley Homes, with a view of increasing where possible their contribution(s) across the medium term

2.7 **Future of local delivery and funding models**

- Under the principles of subsidiarity highlighted in the original business case for a single council, we will be looking to support the delivery of local government services and ownership of community assets at the level which is most appropriate in terms of empowering local communities and efficiencies for local taxpayers.
- The immediate focus of this work will be West Suffolk's relationship with town and parish councils, building on work already started in specific service areas, for instance markets and street-lighting. However, the aim will be to approach this 'in the round' rather than service-by-service, in keeping with the set of principles agreed by

Cabinet in June 2022. This work will start, as planned, after the 2023 elections, led by the new administration.

- Obviously, there are also other options to explore for the local delivery of services. For instance, trusts and other charitable vehicles. These will also be explored under the same principles.

2.8 **Local Government Finance**

- We will continue to lobby and make representations to central Government for the sectors for multiyear fairer funding settlements, including the future of new homes bonus and any major reforms (Business rates)
- The council receives a number of one-off grants including for the delivery of front-line services such as homelessness services. These one-year grants create uncertainty for the council and teams so we will continue to lobby Government to consolidate these grants into a medium-term funding settlement for local government
- The council will continue to be a member of the Suffolk Business rates pooling whilst that opportunity and Suffolk wide benefit exists.
- We will continue to work with Suffolk colleagues on the Levelling up agenda and Suffolk Deal conversations. As these conversations develop, we will start to understand the opportunities available to West Suffolk and the implications on our medium-term financial plans.

2.9 **Managing our Workforce**

- We will continue to ensure that structures are kept under review and remain fit for purpose as they adapt to changing demands and new ways of working. This will include looking at those areas within the council that are seeing increased demands from current and planned housing growth such as our waste and operational teams.
- Look at opportunities and ways we could act in a more joined up way with our resources to improve resilience – internally and across public sector partnerships
- To continue to develop a strong understanding of our establishment and monitor how this evolves closely to support the key aims of the workforce and financial strategies.
- Continue to be agile and flexible and look at ways resources can be used in different ways building on our one team ethos and using redeployment where possible to support short term requirements for replacement or increased capacity.

2.10 The council is required to set a balanced budget for the forthcoming year but given the future medium-term challenges facing the council, proposals are likely to be put forward at future meetings and as part of the February 2023 Budget and Council Tax report, to enable the council to set out its plans across the next three years and to deliver ahead of the curve, bringing forward, where possible, saving proposals and initiatives into the current year and 2023 to 2024.

- 2.11 The council has a strong track record in terms of both a sustainable budget for day-to-day service delivery alongside an ambitious capital investment programme in support of our priorities. This will continue to be the desired outcome. However, following years of austerity and continued increasing demands on our services, our ability to deliver on this outcome will require us to continue to think innovatively and act boldly with some difficult decisions likely across the medium term.
- 2.12 This is good financial management and will enable greater certainty for the delivery of a sustainable medium-term financial plan for West Suffolk. Significant work is already underway to shape the saving and initiatives required to achieve this.
- 2.13 The following high-level timetable is proposed for delivery and agreement of a budget and medium-term plan for West Suffolk Council for 2022-2023.

Action	Timescales
Budget preparations following agreed approach	September - October 2022
2022 Spending Review Announcement	TBC
Member budget briefing(s)	TBC (During November/December)
PASC – delivering a sustainable budget update report	17 November 2022
Cabinet – delivering a sustainable budget update/referral from PASC report	8 November 2022
PASC – delivering a sustainable budget update report	26 January 2023
Member Development Session(s) and briefing(s) – MTFS	January - February 2023
Cabinet – 2023 to 2024 Budget and Council Tax setting report	7 February 2023
Council – 2023 to 2024 Budget and Council Tax setting report	21 February 2023

3. Consultation and engagement undertaken

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

4. Risks associated with the proposals

- 4.1 The budget report in February 2023 will set out the key risk assumptions alongside the report from the Section 151 Officer on the robustness of estimates and balances.

5. Implications arising from the proposals

- 5.1 Financial – Contained in the main body of this report.
- 5.2 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.
- 5.3 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.

6. Background documents referenced in this report

- 6.1 [COU/WS/22/003](#) - Council February 2022 Budget Report
[PAS/WS/22/013](#) - July 2022 – Performance Monitoring Report