

# Delivering a Sustainable Medium-Term Budget

<b>Report number:</b>	<b>PAS/WS/22/021</b>	
<b>Report to and date(s):</b>	<b>Performance and Audit Scrutiny Committee</b>	17 November 2022
	<b>Cabinet</b>	6 December 2022
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**Decisions Plan:** This item is included in the Decisions Plan.

**Wards impacted:** All wards

**Recommendation:** It is recommended that members:

- 1. Recommend to Cabinet the inclusion of the proposals, as detailed in section 2 and table 1 at paragraph 3.2 of this report, in the medium-term financial plans to 2027.**

## 1. Context to the 2023 to 2024 budget process

- 1.1 This report follows on from the September Performance and Audit Scrutiny Committee report (report number [PAS/WS/22/017](#)) that outlined the process and approach to set the council's 2023 to 2024 budget and the principles and challenges faced in achieving this. This report provides an update on assumptions and anticipated savings and initiatives proposed or delivered to date to achieve a sustainable and balanced budget for 2023 to 2024.
- 1.2 As reported previously there are several national and global pressures, including the war in Ukraine and energy prices, that are beyond our control that continue to challenge our budget and 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. However, these impacts, such as the cost of living and rise in inflation continue to worsen as time goes on and there are forecasts of a long-term national recession.
- 1.4 The 2023 to 2024 budget and medium-term plans are also being prepared in the context of significant uncertainties around Government policy in terms of:
- Comprehensive Spending Review,
  - 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.
- 1.5 West Suffolk Council's ongoing robust and responsible financial management has meant we have been able to be in a strong position to face many of the challenges that have so deeply affected all Local Government. However, as costs increase for our businesses and communities there is more demand, especially from the most vulnerable for our aid. At the same time the rising cost of goods, utilities and fuel that everyone is experiencing to deliver these services are also increasing for West Suffolk Council – doubling the challenge to our budget setting.

1.6 The economic situation, therefore, continues to be hugely challenging, with rising costs and increased demand for services, in particular for housing support. Suffolk, and West Suffolk through its Families and Communities as well as economic growth work, is at the forefront nationally supporting its communities and businesses by working in partnership across the public, private and voluntary sectors. This partnership working brings benefits to communities and businesses alongside efficiencies and savings. However, the impact of the economic situation and wider income recovery challenges on our partners including Suffolk County Council is uncertain at this stage. Therefore, it is not clear what indirect cost impacts may be experienced locally and, on the partnership working.

1.7 In the February 2022 Council meeting, the Budget and Council Tax Setting: 2022 to 2023 and Medium-Term Financial Strategy 2022 to 2026 report number ([COU/WS/22/003](#)) set out the financial plan to 2026. This plan set a balanced budget for 2022 to 2023 but included the following initiative budget gaps (which will be reviewed as part of this 2023 to 2024 budget process) in the subsequent years:

	<b>2023 to 2024</b>	<b>2024 to 2025</b>	<b>2025 to 2026</b>
Budget Gap	£1.16m	£1.71m	£3.0m

1.8 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 and November 2022 committee meeting-report (Report numbers [FRS/WS/22/003](#) and [FRS/WS/22/005](#))

1.9 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 January 2023 meeting.

## 2. **Proposals within this report – Key budget assumptions**

2.1 Report number [PAS/WS/22/017](#) set out a number of key budget assumptions proposed in the development of the 2023 to 2024 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 2022**

2.2 The UK Government Autumn Statement and Medium-Term Fiscal Plan is set to be delivered on 17 November 2022. At this point the only measures known to be included are the reversal of increases to National Insurance and the Health and Social Care Levy. What is not known at this time is the methodology, level or distribution of local government funding.

- 2.3 There is 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 2022 to 2023 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:
- That no Revenue Support Grant or New Homes Bonus allocation (or replacement) will be rolled forward into 2023 to 2024 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 2022 to 2023 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 BRR scheme resetting (potentially in 2025) 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 2023 and this assumption remains unchanged at this stage.
  - That Suffolk authorities will remain in a business rates pool for 2023 to 2024, 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. This includes following any announcements regarding the detailed funding allocations (expected following the Autumn Statement on 17 November 2022 but likely to be late 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.

### **Pay Assumptions**

- 2.6 Agreement has been reached on pay awards for local government services ('Green Book employees) between the National Joint Council for local government services and Trade unions, Unison and GMB for 2022 to 2023. A pay rise of £1,925 per annum has been agreed across all pay scales. This is effective from April 2022. The impact of this award and future estimates for pay has been included in Table 1 below.
- 2.7 The pay assumptions beyond April 2023 (previously assumed at 2 per cent) are currently under review and economic reports and assumptions expected within the Autumn Statement on 17 November will also help form a view on the final assumptions to be used in the medium-term budgets. Based on discussions with other Suffolk and partners authorities within Anglia Revenues Partnership, we have updated the 2023 to 2024 budget to assume a 4 per cent pay award, with the assumption then returning to 2 per cent from April 2024. The 2023 to 2024 pay

assumption change in Table 1 also assumes the removal of the additional 1.25 per cent national insurance health and social levy.

- 2.8 The tri-annual pension report has been received and discussions are taking place regarding the level of contributions required for the pension fund from April 2023. The recent report stated that the West Suffolk pension fund is currently 102 per cent funded which provides for the opportunity to look at a reduction in pension contribution rates from those paid 2020 to 2023. Sensitivity analysis over rates is currently underway. An update on the next three years pension contribution rate will be included in the January 2023 Performance and Audit Scrutiny Committee report.

### **Other income assumptions**

- 2.9 There has been a detailed line by line review of the 2023 to 2024 income budget assumptions across a best, base and worst-case scenario. The material outcomes of this review are included on Table 1 below and in most cases are based on levels currently being experienced during the current 2022 to 2023 financial year (further details are contained in the Quarter 2 Budget Monitoring report number **PAS/WS/22/023**). There is expected to be a significant level of volatility in these income assumptions given the relationship between wider economic trends 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 2023 to 2024**

- 2.10 The Autumn Statement on 17 November will deliver the Government plans for taxation and local authority funding. Until that date (and receipt of the following detail of allocation of funds) it is difficult to predict the impact that this will have on the financial position of the council. The current assumption included in this Medium-Term Financial Plan is that Business Rates Retention Scheme will continue under its current guise.

## **3. Our current projections for 2023/2024**

- 3.1 As stated in paragraph 1.6 our baseline medium term plans from the 2022 to 2023 budget process already included the need to make significant savings across the medium-term financial plans.

3.2 **Table 1:**

<b>Budget assumption changes pressures/ (improvements)</b>	<b>2023 to 2024 £m</b>
<b>Savings requirement – February 2022 budget process</b>	<b>1.16</b>
<b>Pressures:</b>	
Income Assumption reviews (primarily based on 2022 to 2023 forecast levels): - Car Parking (recovery across West Suffolk car parks, however still not to pre-COVID levels for some within Bury St Edmunds), £1.1m impact - Grounds Maintenance, cleansing and tree services – reduced income levels to focus resources towards increase demand for these type of council services £0.18m impact - Other incomes, £0.06m impact	1.34
Review of the council’s (and our contribution towards the Anglia Revenue Partnership) establishment and overall cost of employment assumptions as set out in paragraph 2.6 to 2.8.	1.82
Additional utilities energy charges, resulting from worldwide economic pressures. Reduced by both £0.43m to reflect recharges to partners in shared buildings and £0.67m to reflect the use of the Toggam Solar generation in Council buildings (this will ultimately show as an income to the solar cost centre in the final budgets).	0.18
Vehicle fuel costs, increased to reflect current prices	0.27
Land Charges income, element of fee income now payable to HM Land Registry	0.06
Increased bank charges from transactional volumes as a result of customer behavioural changes	0.03
Increased third party contractual payments resulting from inflationary and economic pressures	0.08
<b>Total pressures:</b>	<b>3.78</b>
<b>Improvements:</b>	
Increased solar income as a result of improved rates for 2023 to 2025. Total benefit to the solar cost centre to be £1.75m additional income, allowing for use of solar generation to Council buildings under the new contract from April 2023. Reduced by £0.03m for increased R&M allowance and contractually increase in land lease.	(1.05)
Net overall increase in property rents as a result of improved occupancy and lease reviews	(0.32)
Increased investment interest as a result of rising interest rates on cash balances assumed during 2023 to 2024	(0.67)
Delivery of Solar for Business programme, increased power purchase rates on excess generation contracts. Reduced by £0.01 increase repairs and maintenance costs.	(0.10)
CCTV - net additional contract income, after allowing for increased costs	(0.08)

<b>Budget assumption changes pressures/ (improvements)</b>	<b>2023 to 2024 £m</b>
Recycling Performance Payment - higher commodity prices (net impact as garden and multi bank rate/tonnage assumed to reduce creating a budget impact).	(0.04)
Housing Options - provision of two additional properties, amount net of operational costs	(0.09)
West Suffolk Taxi licence fee levels from April 2023 as per Cabinet report CAB/WS/22/052	(0.04)
Other minor budget changes including WSOH and Mildenhall Hub various budget changes to reflect more recent cost profiles - netting off in the main.	(0.02)
<b>Total improvements:</b>	<b>(2.41)</b>
<b>Remaining budget gap</b>	<b>2.53</b>

3.3 The net impact of the key assumption changes to date, set out above in addition to the saving requirements discussed at 1.6, give rise to a working budget deficit for 2023 to 2024 of £2.53 million (this excludes any provision to replenish the general fund from the utilisation for the 2022 to 2023 deficit -current estimated is an additional £1.1m). The medium-term plans are still under review but with the working assumption that the 2023 to 2024 budget assumptions changes will in the main, need to roll forward into future years.

3.4 West Suffolk Council’s response to the financial challenges and opportunities will continue to follow our six key themes (Report no PAS/WS/22/017 refers)

1. Aligning resources to our strategic plan and essential services;
2. Continuation of the shared service agenda and transformation of service delivery;
3. Behaving more commercially;
4. Considering new funding models (for example, acting as an investor);
5. Encouraging the use of digital forms for customer access; and
6. Taking advantage of new forms of local government finance (for example, business rate retention).

Our opportunities include capturing and building on the learning and innovative ways of delivering our services, experienced during this time.

3.5 Significant work continues to take place to achieve a 2023 to 2024 balanced budget by the February committee cycle. A number of areas are already in progress including:

- Use of the latest data available to conclude the income and expenditure line by line review and the identification of saving initiatives and opportunities
- Modelling and reflecting the impact of any changes to central government funding
- the setting of the Councils Council Tax Base for council tax setting purposes – December Council decision.

the monitoring of the Council’s in year Council Tax Collection

- 3.6 The council is required to set a balanced budget for the forthcoming year. At this stage of the budget process and given the opportunities and approach set out above, delivery of a balanced budget for 2022 to 2023 is deemed achievable (based on what we know at this stage of the process and subject to the detailed funding settlement being positive for West Suffolk). Having said that and given the future medium-term challenges facing the council, proposals are likely to be put forward at the January Performance and Audit Scrutiny Committee meeting and as part of the main February 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. This is good financial management and will enable greater certainty for the delivery of a sustainable medium-term financial plan for West Suffolk.
- 3.7 These projections assume no change to the current Council Tax level assumption. This assumption is a matter for Council in February 2023.
- 3.8 The Capital Programme is currently being revised and updated with known changes. This will be presented to this committee for review in January 2023.
- 3.9 The following high-level timetable is proposed for delivery and agreement of a budget and medium-term plan for West Suffolk Council for 2023-2024.

<b>Action</b>	<b>Timescales</b>
Autumn Statement	17 November 2022
Performance and Audit Scrutiny Committee – delivering a sustainable budget update report	17 November 2022
Cabinet – delivering a sustainable budget update/referral from the Performance and Audit Scrutiny Committee report	6 December 2022
Provisional Local Government Finance Settlement	w/c 19 December 2022
Performance and Audit Scrutiny Committee – delivering a sustainable budget update report	26 January 2023
Member Development Session(s) and briefing(s) – MTFS	January-February 2023
Cabinet – 2022-2023 Budget and Council Tax setting report	February 2023
Council - 2022-2023 Budget and Council Tax setting report	February 2023

## **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 Performance.

## **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. Background papers referenced in this report**

- 7.1 Budget and Council Tax Setting: 2022 to 2023 and Medium-Term Financial Strategy 2022 to 2026 report ([COU/WS/22/003](#))

Treasury management reports July and November 2022 (Report numbers [FRS/WS/22/003](#) and [FRS/WS/22/005](#))

29 September 2022: Delivering a Sustainable Medium-Term Budget - Report number: [PAS/WS/22/017](#)

17 November 2022: 2022 to 2023 Performance Report (Q2) – Report number: PAS/WS/22/023