

# Recommendations of the Performance and Audit Scrutiny Committee: 17 November 2022: Delivering a Sustainable Medium-Term Budget

<b>Report number:</b>	<b>CAB/WS/22/066</b>	
<b>Report to and date(s):</b>	<b>Cabinet</b>	6 December 2022
	<b>Council</b>	13 December 2022
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**Decisions Plan:**

**The decision made as a result of this report will usually be published within 48 hours and cannot be actioned until five clear working days of the publication of the decision have elapsed. This item is included in the Decisions Plan.**

**Wards impacted:**

**All wards.**

**Recommendation:**           **That Cabinet be recommended to:**

- 1. Include the proposals as detailed in Section 2 and Table 1 at Paragraph 3.2 of report number PAS/WS/22/021, in the medium-term financial plans to 2027.**
- 2. Note the concerns raised by some members of the Committee of the absence of specific funding for street lighting in the former Forest Heath area.**

## 1. Context to this report

1.1 At its meeting on 29 September 2022, report number [PAS/WS/22/017](#) outlined the process and approach to setting the council's 2023 to 2024 budget and the principles and challenges faced in achieving this.

1.2 The Committee on 17 November 2022, received an update on key budget assumptions proposed in the development of the 2023 to 2024 budget and medium-term plans. The proposed key budget assumptions were set out in Section 2 of the report (and below).

### 1.3 **Extract from Report number PAS/WS/22/021: (Section 2 and Table 1)**

#### 1.3.1 **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 has not 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.

### **3.2 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>

- 1.4 The Performance and Audit Scrutiny Committee considered the report in detail and asked questions to which comprehensive responses were provided. Discussions were held on the budget gap; pensions and the tri-annual pension report; recruitment freeze; pay award; outsourcing; the ground maintenance service and whether the council was charging commercial rates, for example for grass cutting; car park revenue; the impact of the capital programme on the budget, and the announcement made on 17 November 2022 about a possible Devolution Deal for Suffolk and whether this would have an impact on the council's budget.
- 1.5 Detailed discussions were also held on street lighting. Some members raised concerns that there was no financial provision made in the budget for the street lighting disparity and felt there was no definitive move to resolve the issue and

were sceptical that Cabinet would look at this further in 2023. They felt that unless financial provision was made for street lighting for the medium-term, then it would slip again. Officers advised that Cabinet on 8 November 2022 received a report on street lighting (report number: CAB/WS/22/058), setting out the timescales and the process. In terms of the budget, there was provision for street lighting for those currently in the council's ownership. The Committee was informed that when Forest Heath and St Edmundsbury councils joined up, street lighting had not been highlighted as an issue, and asked members to bear with Cabinet and officers given the focus over the last few years, since becoming a single council, had been supporting the West Suffolk businesses and communities through a pandemic.

- 1.6 The Performance and Audit Scrutiny Committee has put forward recommendations as set out on pages one and two of this report.

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

- 2.1 Not applicable.

## **3. Consultation and engagement undertaken**

- 3.1 See report number: [PAS/WS/22/021](#)

## **4. Risks associated with the proposals**

- 4.1 See report number: [PAS/WS/22/021](#)

## **5. Implications arising from the proposals**

- 5.1 Financial: See Report number: [PAS/WS/22/021](#)

## **6. Appendices referenced in this report**

- 6.1 None

## **7. Background documents associated with 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](#))

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

17 November 2022: Delivering a Sustainable Medium-Term Budget- Report number: [PAS/WS/22/021](#)

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