

# Delivering a Sustainable Medium-Term Budget

<b>Report number:</b>	<b>PAS/WS/23/001</b>	
<b>Report to and date(s):</b>	<b>Performance and Audit Scrutiny Committee</b>	26 January 2023
	<b>Cabinet</b>	7 February 2023
<b>Cabinet member:</b>	Councillor Sarah Broughton Cabinet Member for Resources and Property Tel: 07929 305787 Email: <a href="mailto:sarah.broughton@westsuffolk.gov.uk">sarah.broughton@westsuffolk.gov.uk</a>	
<b>Lead officer:</b>	Rachael Mann Director, Resources and Property Tel: 01638 719245 Email: <a href="mailto:rachael.mann@westsuffolk.gov.uk">rachael.mann@westsuffolk.gov.uk</a>	

**Decisions Plan:** This item is included in the 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 2023 to 2024 Budget.**

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

- 1.1 This report follows on from, and should be read in conjunction with, the November Performance and Audit Scrutiny Committee (PASC) report (report number [PAS/WS/22/021](#)) that gave an updated position on the process and approach to set the council's 2023 to 2024 budget and the principles and challenges faced in achieving this. It will outline the challenges all councils, including West Suffolk Council, face as well as an update on the latest funding details from Government. While the funding challenge remains significant the council has been carrying out work to reduce these pressures and the Government has now released details of the settlement which has brought further certainty.
- 1.2 This means, that while our budget delivery plan work continues and savings and initiatives must be achieved, the council can give reassurance that balanced budgets can be achieved for the two years 2023 to 2025. As referred to at Council on 13 December 2022 this balanced position includes continuation of the assumed Council Tax increase plans included in the 2022 to 2023 Budget reports (report reference: [COU/WS/22/003](#)) across the medium term. This is below the higher increase amount Government expects councils to take to balance budgets around 2023 to 2025. This means that the council can continue to deliver high quality services as well as meet its strategic vision to bring prosperity, improve wellbeing and tackle climate change for our communities.
- 1.3 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 2023 to 2024 and includes details of the medium-term budget estimates. 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.
- 1.4 The medium-term budget plans (beyond April 2024) are being prepared in the context of significant uncertainties around the current economic climate and Government policy, such as:
  - the long-term financial impact of behavioural change following the COVID-19 pandemic and restrictions, the current cost of living and inflationary challenges
  - Local Government Finance Settlement (post April 2025)
  - the Fairer Funding Review, Business Rates Retention (BRR) Scheme Review (post April 2025)
  - commercial investment policy
  - potential major reforms with the Resources and Waste Strategy (RAWS), Health and Social Care reforms and the Planning Reform White Paper

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

- 1.5 As outlined before all UK authorities are facing tough financial challenges caused by issues such as soaring inflation, cost of living and energy prices, the war in Ukraine and changes to the way communities spend which reduces income. At our last meeting we reported this provided a pressure for 2023 to 2024 alone of £3.7 million.
- 1.6 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 authorities. 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 and its strategic service partners, in particular its leisure operations – doubling the challenge to our budget setting.
- 1.7 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 system 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.

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

- 2.1 The November Report [PAS/WS/22/021](#) provided an update on 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.

### **Provisional Finance settlement 2022**

- 2.2 The Government published the provisional local government finance settlement for 2023 to 2024 on 12 December 2022. The announcement covered funding plans for both 2023 to 2024 and 2024 to 2025. At this stage the settlement is essentially two roll-overs of the current funding principles with firm numbers for 2023 to 2024 and broader principles for 2024 to 2025. Any funding reforms or changes in funding distribution will not be implemented until 2025 to 2026 at the earliest. This means a further delay to the Fair Funding Review and the Business Rates Retention Scheme (including the business rates baseline reset) – the assumption in our medium-term plans is that these reforms will be implemented now from

April 2025 as that is the earliest that these could be delivered. However, on a practical level many believe these reforms are unlikely to be implemented until 2026 to 2027. This position will therefore be kept under regular review.

2.3 The actual provisional settlement allocations for 2023 to 2024 were released on 19 December 2022 and have been included in the 2023 to 2024 budget. The settlement was better than expected. However, in real terms, the settlement still doesn't make up for the years of austerity and Government funding cuts, nor does it cover the additional pressure on councils' budgets linked to recovery from COVID and the current cost of living crisis. The financial implications of the provisional settlement for West Suffolk are generally positive and an additional £0.83 million net benefit (after the agreed transfer of the New Homes Bonus to the Strategic Priority and MTFS reserve) compared to the previous settlement assumptions for 2023 to 2024 is included in the proposed budget.

2.4 The maximum increases in Band D council tax have been confirmed as the higher of 2.99% or £5 for district councils.

### 2.5 **Revenue Support Grant**

Revenue Support Grant (RSG) allocations have been rolled forward from 2022 to 2023 and inflated by CPI before rolling in two pre-existing grants (Family Annexe Council Tax Discount grant and Local Council Tax Support Administration Subsidy grant) that will now be included in the Settlement Funding Assessment going forward. West Suffolk's allocation for 2023 to 2024 is £0.420 million and for 2024 to 2025 we have assumed a further increase in line with forecast CPI of 7.4 per cent amounting to £0.451 million. No further RSG allocations have been included in the MTFS from 2025 to 2026 onwards as it was always Governments intention to remove this grant.

### 2.6 **Rural Services Delivery Grant**

The Rural Services Delivery Grant has been rolled forward unchanged from 2022 to 2023 and £0.181 million has been included in both 2023 to 2024 and 2024 to 2025 budgets, with nothing assumed beyond this.

### 2.7 **Services Grant**

This was communicated as a one-off grant for 2022 to 2023 distributed to every authority to support all services delivered by councils and included the reimbursement of the National Insurance increase from April 2022. However, the Government has rolled this forward to 2023 to 2024 albeit at a lower level to reflect the reversal of the National Insurance increase. West Suffolk's provisional allocation is £0.176 million for 2023 to 2024 and we have assumed a similar sum for 2024 to 2025.

## 2.8 **New Homes Bonus**

There has been considerable uncertainty regarding New Homes Bonus (NHB) as the consultation on the future of NHB and potential alternative incentives for the provision of new housing has been postponed. However, there will now be a further one-year-round of NHB funding (year 13), and the Government will decide whether to continue this into 2024 to 2025 before next year's settlement. The total money available for NHB has been cut partly to fund the new Funding Guarantee (see below) and will not attract any legacy payments. However, our funding guarantee grant (below) includes provision to replace the NHB lost between the current year 2022 to 2023 and 2023 to 2024 settlement. The NHB allocation for West Suffolk is £0.815 million for 2024 to 2025, along with £0.941 million included in the funding guarantee grant to maintain the £1.756 million received in the current financial year. The full allocation (£1.756 million in total) will be transferred to the Strategic Priorities and Medium-Term Financial Strategy Reserve for future utilisation across the medium-term plans.

## 2.9 **Funding Guarantee Grant**

This new grant has been created to ensure every authority has an increase in Core Spending Power (CSP) of 3 per cent before any council tax increases. It will be funded from the now discontinued Lower Tier Services Grant and the reduced cost of NHB. West Suffolk has been given a provisional allocation of £1.166 million for 2023 to 2024 and we have assumed a similar allocation for 2024 to 2025, with no further allocations beyond that date. As this allocation includes £0.941 million transferred from NHB, the net £0.225 million will benefit the 2023 to 2024 and 2024 to 2025 budgets.

- 2.10 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**

- 2.11 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 were included in part in the November report and any additional changes to those as a result of recent trend development is included in **table 1** below at **paragraph 3.4**.
- 2.12 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 Chief Financial Officers (Section 151) report to members on the robustness of estimates and balances as part of the budget process.

- 2.13 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 per cent annual increase – in line with the council’s constitution).

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 2023 to 2024**

- 2.14 It had already been announced in the Autumn Statement that the business rate multiplier would be 49.9p in 2023 to 2024. The settlement policy statement confirms that position. Compensation for the difference between CPI (10.1 per cent) and the inflation in the multiplier (3.8 per cent) will be paid through a Section 31 grant cap compensation grant.
- 2.15 This multiplier has been calculated with an adjustment to reflect the change in rateable values that will be reflected in the 2023 Valuation Office Agency (VOA) Revaluation. This adjustment is based upon national changes in rateable value so it remains to be seen what variance will result from the effect of local changes against this metric.
- 2.16 The Government announced in November 2022 that following the revaluation of properties for non-domestic rates, effective from 1 April 2023, that Retail, Hospitality and Leisure Relief (RHL) and Supporting Small Business Relief (SSB) will be extended into the 2023 to 2024 financial year. Local authorities are expected to use their discretionary relief powers (section 47 of the Local Government Act 1988, as amended) to grant these reliefs in line with the relevant eligibility criteria set out in guidelines. However, the full cost of granting this relief will be compensated through a section 31 grant from Government.
- 2.17 RHL and SSB reliefs are automatically applied to accounts without the need for businesses to apply. RHL relief is applicable to occupied properties which fall within the definitions within the guidelines of being retail, hospitality or leisure premises. RHL relief is being increased from 50 per cent relief to 75 per cent with effect from 1 April 2023. The 75 per cent reduction is applied after Transitional and Small Business Rate Reliefs have been applied to reduce the amount payable by the ratepayer.
- 2.18 SSB is being implemented to assist ratepayers following the 2023 revaluation. Any business that was in receipt of Small Business Rate Relief

prior to 2023, and who lost part or all of that relief following the 2023 revaluation, would have their rates bill increase limited to a maximum of £600 per annum. The remainder of any increase would be subject to SSB relief.

### **3. Our current projections for 2023 to 2024 and beyond**

- 3.1 Our baseline medium term plans from the 2022 to 2023 budget (Report reference [COU/WS/22/003](#)) process already included the need to make significant savings across the medium-term financial plans.
- 3.2 The November PASC report (report number [PAS/WS/22/021](#)) set out the council's 2023 to 2024 estimated budget gap and the additional savings and pressures that had been identified up to that point. **Appendix B** shows those impacts across the medium term from 2023 to 2024 up to 2026 to 2027.
- 3.3 The net impact of the key assumption changes set out above in addition to the saving requirements discussed at 3.1 are set out in **Table 1 below**. The changes give rise to a balanced position for 2023 to 2024 and 2024 to 2025, £2.67 million budget gap for 2025 to 2026 and £3.69 million budget gap for 2026 to 2027 (these are cumulative budget gaps).

3.4 **Table 1**

<b>Budget assumption changes pressures/(improvements)</b>	<b>2023 to 2024 £m</b>	<b>2024 to 2025 £m</b>	<b>2025 to 2026 £m</b>	<b>2026 to 2027 £m</b>
<b>Remaining budget gap as at November PASC/ Appendix B</b>	<b>2.53</b>	<b>3.47</b>	<b>5.19</b>	<b>5.84</b>
<b>Pressures:</b>				
Additional costs relating to operational capacity and growth within district. Includes investments in additional waste and ground maintenance staff (including cost pressure from the reduction in some external ground maintenance contracts to focus on district wide work)	0.24	0.24	0.25	0.26
Verse facility management increases, resulting from national living wage and inflation changes, net of Suffolk County Council contribution	0.06	0.06	0.06	0.06
Replacement bins - reduction to expected income due to take up	0.05	0.05	0.05	0.05
Market fees - income not recovered to pre-pandemic levels. Overview and Scrutiny review outcome and action plan in progress, likely to improve this position in the medium term.	0.10	0.10	0.10	0.10
Shared Legal Service - increased costs from Babergh Mid Suffolk linked to shared service agreement, mainly related to pay inflation.	0.03	0.03	0.03	0.03
Members Allowances assumption only, members allowances will be the subject of a future report to Council in 2023.	0.03	0.03	0.03	0.03
Reduce business rate growth from 2025 to 2026 to reflect expected reset of national business rates system (offset by removal of the contribution to the Business Rates Equalisation reserve shown below)	0.00	0.00	1.33	1.33
Removal of contribution to Business Rates Retention Reserve from 2025 to 2026	0.00	0.00	(1.33)	(1.33)
Adjust funding from Housing Benefit (HB) reserve following revised HB forecasts	0.07	0.04	0.04	0.01
Remove funding towards shop and industrial unit rents following review of Industrial Rents reserve - position now consistent across the medium term	0.11	0.10	0.00	0.00
General Fund (GF) Replenishment - based on October forecast and replenishment to £5million GF policy level	0.83	0.00	0.00	0.00
One off support towards increased utility pressures at council owned leisure centres in West Suffolk	0.30	0.00	0.00	0.00
Support for utilities pressure at council owned leisure centres funded from the Strategic Priorities and MTFS reserve	(0.30)	0.00	0.00	0.00
<b>Total pressures:</b>	<b>1.52</b>	<b>0.65</b>	<b>0.56</b>	<b>0.54</b>



<b>Budget assumption changes pressures/(improvements)</b>	<b>2023 to 2024 £m</b>	<b>2024 to 2025 £m</b>	<b>2025 to 2026 £m</b>	<b>2026 to 2027 £m</b>
<b>Improvements:</b>				
Pension rate decrease due to triennial review (26 per cent for 2023 to 2024, increasing to 28 per cent in 2026 to 2027)	(1.48)	(1.42)	(1.45)	(0.98)
Increase garden waste subscriptions by £2 to reflect increased cost of delivering the service.	(0.04)	(0.04)	(0.04)	(0.04)
Revised ARP partnership costs incorporating efficiency target	(0.04)	(0.06)	(0.03)	(0.03)
Review of council business rate payments assuming multiplier freeze	(0.03)	(0.03)	(0.03)	(0.03)
Strategic Housing structure review including additional Barley Homes service level agreement income	(0.09)	(0.17)	(0.17)	(0.17)
Increased dividend from Barley Homes, the council's wholly owned housing company (£0.3m in total per annum)	(0.10)	(0.10)	(0.10)	(0.10)
Budget delivery programme savings through reduced supplies and services and service and change programme.	(0.62)	(0.63)	(0.63)	(0.64)
Collection Fund surplus	(0.34)	0.00	0.00	0.00
Business Rate Reduction following 2023 revaluation	(0.32)	(0.27)	(0.26)	(0.26)
<b>Provisional finance settlement:</b>				
Revenue Support Grant including Family Annexe and Local Council Tax Support funding	(0.42)	(0.45)	0.00	0.00
Remove Family Annexe and Local Council Tax Support funding	0.18	0.18	0.18	0.18
Additional Business Rate Baseline Funding	(0.14)	0.00	0.00	0.00
Transfer to Business Rates Equalisation Reserve	0.14	0.00	0.00	0.00
Rural Services Delivery Grant	(0.18)	(0.18)	0.00	0.00
New Homes Bonus (NHB)	(0.82)	(0.82)	0.00	0.00
Transfer NHB to Strategic Priorities and MTFS reserve	0.82	0.82	0.00	0.00
Services Grant	(0.18)	(0.18)	0.00	0.00
Funding Guarantee - NHB	(0.94)	(0.94)	0.00	0.00
Funding Guarantee - all other grants	(0.23)	(0.22)	0.00	0.00
Transfer Funding Guarantee - NHB element to Strategic Priorities and MTFS reserve	0.94	0.94	0.00	0.00
Additional Business Rate Baseline Funding Level resulting from update of CPI assumptions following provisional settlement	0.00	(0.40)	(0.50)	(0.57)
<b>Total improvements:</b>	<b>(3.89)</b>	<b>(3.97)</b>	<b>(3.03)</b>	<b>(2.64)</b>
Other minor budget changes	(0.16)	(0.15)	(0.05)	(0.05)
<b>Remaining budget gap</b>	<b>0.00</b>	<b>0.00</b>	<b>2.67</b>	<b>3.69</b>

- 3.5 West Suffolk Council’s response to the financial challenges and opportunities will continue to follow our six key themes (report number [PAS/WS/22/017](#) 29 September 2022 refers). Our opportunities include capturing and building on the learning and innovative ways of delivering our services, experienced during this time.
- 3.6 These projections assume no change to the current council tax increase assumptions set out in 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](#)). The setting of council tax is a matter for the February Council meeting.

### **10-year West Suffolk Capital Programme**

- 3.7 A draft West Suffolk 10-Year Capital Programme is attached at **Appendix C** for members consideration. This programme takes into consideration the previously agreed strategic capital projects such as the Innovation Units Suffolk Park, Barley Homes, replacement leisure centre in Bury St Edmunds and the wider Western Way Development, alongside the operational requirements and improvements/initiatives linked to service delivery such as our operational vehicle replacements and asset management requirements.
- 3.8 The council’s capital programme is fully funded through a mixture of capital grants, capital receipts, prudential borrowing and revenue reserves (mainly relates to operational requirements such as vehicle replacements and asset management). Each strategic project is subject to a full business case including the basis at which the project is to be funded and detailed risk assessment. Operational projects are linked to asset management requirements, through condition surveys and assessments. The disabled facilities budget is based on the external grant received by West Suffolk.

### **Next steps and timetable**

- 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 to 2024.

<b>Action</b>	<b>Timescales</b>
PASC – delivering a sustainable budget update report	26 January 2023
Member Development Session(s) and briefing(s) – MTFS	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

## **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 2023 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 (including Appendix A i) – Fees and Charges 2023 to 2024  
Appendix B – Major Budget changes at November 2022  
Appendix C (including Appendix C i, ii and iii) – Draft West Suffolk Capital Programme

### **7.2 Background Papers**

February 2022 - Budget and Council Tax Setting 2022 to 2023 and Medium-Term Financial Strategy 2022 to 2026

[COU/WS/22/003](#)

September 2022 - Delivering a Sustainable Medium-Term Budget

[PAS/WS/22/017](#)

November 2022 - Delivering a Sustainable Medium-Term Budget

[PAS/WS/22/021](#)