West Suffolk Council

Budget and Council Tax setting: 2023 to 2024 and Medium Term Financial Strategy 2023 to 2027

Report number:	**CAB/WS/23/008**	
Report to and dates:	**Cabinet**	7 February 2023
	Council	21 February 2023
Cabinet member:	Councillor Sarah Broughton Portfolio Holder Resources and Property Tel: 07929 305787 Email: sarah.broughton@westsuffolk.gov.uk	
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Decisions Plan: **The decision made as a result of this report will usually be published within 48 hours. The majority of the recommendations contained in this report will be referred to Council for a final decision and are, therefore, not subject to call-in. The recommendation listed under 6. below constitutes a Key Decision and therefore if approved, is subject to call-in. This item is included on the Decisions Plan.**

Wards impacted: **All wards**

Recommendation: **It is recommended that, subject to the approval of Council:**

1. **The revenue and capital budget for 2023 to 2027, plus 2022 to 2023 capital projects that subsequently require to be carried forward at the year end, attached at Attachment A and as detailed in Attachment D (Appendices 1-5), Attachment E, and Attachment F to Report number: CAB/WS/23/008, be approved.**

2. **Having taken into account the conclusions of the Director's (Resources and Property) report on the adequacy of reserves and the robustness of budget estimates (Attachment C) and the Medium Term Financial Strategy (MTFS) (Attachment D), particularly the Scenario Planning and Sensitivity Analysis (Attachment D, Appendix 5) and all other information contained in Report number: CAB/WS/23/008, the level of council tax for 2023 to 2024 be established at £192.06 for an average band D property (the level of council tax beyond April 2024 will be set in accordance with the annual budget process for the relevant financial year).**

3. **The Director (Resources and Property), in consultation with the Portfolio Holder for Resources and Property, be authorised to vire funds between existing Earmarked Reserves (as set out at Attachment D, Appendix 3) as deemed appropriate throughout the medium term financial planning period.**

4. **Approval be given to delegate authority to the Director (Resources and Property) in consultation with the Portfolio Holder for Resources and Property to formulate and implement in full, Government grant, discount or relief schemes (examples include but not limited to those set out in paragraphs 3.13-3.19 and 4.7-4.9 of Report number: CAB/WS/23/008), so long as they are as a minimum, revenue cost neutral to the Council.**

5. **Approval be given to the change to the Long Term Empty Property Premium set out in paragraphs 4.10 to 4.13, and to the further class of property not attracting the premium set out in paragraph 4.12.**

6. **Approval be given for the fees and charges price increases (as set out in Attachment D appendix 6a).**

7. **Approval be given to the Flexible Use of Capital Receipts Strategy (as set out in Attachment F).**

1. Summary

1.1 West Suffolk Council has an exemplary track record in robust financial management which has meant it has continued to deliver high quality services as well as meeting the strategic vision of the authority.

1.2 This is despite a series of challenges. For example, the COVID-19 pandemic and recovery which has not only reduced income through behavioural changes (Government policy has been that councils create income to supplement reduction in national funding) but also costs to the council in playing its role to support communities and businesses. All UK authorities are now 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. National finances have also been reduced significantly over the last decade for local councils and added burdens have been placed on authorities too during this time.

1.3 This budget has been created not only to be balanced and sustainable but as an investment in the priorities of our residents and businesses. It is designed to make the communities of West Suffolk greener, healthier and more prosperous.

1.4 This budget has been created to meet the needs of the Council’s strategic framework and benefit all West Suffolk. It will see the continuation of investments in a range of initiatives to meet priorities such as meeting zero carbon emissions by 2030 following the authority declaring both climate and environmental emergencies. This investment builds on years of carbon reduction initiatives by West Suffolk and its predecessor councils. Not only will this reduce the impact the council has on the climate but also actually produce a net income towards the cost of running much valued council services – a win-win for taxpayers and the environment.

1.5 The Council will continue to concentrate, with councillors, on its health and wellbeing agenda, including investing in its hubs, LifeLink, housing and families and communities work – as well as the hub network across West Suffolk, investing in new and better ways to work with our partners on the wellbeing of our residents.

1.6 In addition, the budget includes an additional £240,000 investment per annum in our waste and grounds maintenance team in recognition of the importance of this service to our communities and the continued demands through the housing growth in the district. The budget also includes £1.3 million (2023 to 2027) for capital investment in our open spaces and parks as well as our popular museums and attractions that are vital to the wellbeing and health of residents as well as doing their part to protect and improve the local environment.

2. Context to this report

2.1 West Suffolk Council (and its predecessor councils Forest Heath District Council and St Edmundsbury Borough Council) has a good track record of delivering high quality services that our communities demand and value. It also has a strong vision and programme to deliver, through our West Suffolk Strategic Framework 2021 to 2024, to bring greater prosperity for our communities and businesses.

2.2 This has been underpinned by robust financial planning and management enabling the Council to deliver both services and the strategic aims of West Suffolk. This can be seen in year-on-year savings and income generation, alongside the £5 million in annual savings made from shared services and the creation of a single council in April 2019, to put the Council on a stronger financial footing as well as the right size to better champion West Suffolk communities. Due to this financial management, and despite previous reductions in national funding as well as the severe impact of COVID-19 and the cost of living crisis on finances, the Council can put forward a balanced budget for 2023 to 2024 and an indicative balanced budget for the following year 2024 to 2025.

2.3 Despite our successes the pressures on local government finances, with or without a pandemic and cost of living crisis, still require local authorities nationally to continue to deliver more with less. So, we must continue to transform the way we work and the way we are funded in response to these challenges to meet future savings.

2.4 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 – doubling the challenge to our budget setting.

2.5 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.

2.6 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 and 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.

2.7 Councils nationally are expected to balance the budget through savings and producing local income to fund services due to reduced Government funding. This year, to assist with the expected impact on demand for council services, the Council will see an increase in funding from the Government. However, this will not completely neutralise the impact expected from the recovery from the pandemic or the current cost of living crisis. Nor will it address the financial challenges that already existed for local government following a decade of funding reductions and increases in the demand for our services such as housing and homelessness support.

2.8 Despite all of this, through prudent budgeting, our commitment to our six financial themes, investment as well as transformation, West Suffolk Council is in a good financial position. However, while this means a balanced budget can be set for 2023 to 2024 and 2024 to 2025 there are gaps to be met in later years – currently forecast at £2.67 million in 2025 to 2026 growing to £3.69 million in 2026 to 2027. Government has made it clear that budgets have to be balanced by councils through reducing the cost of delivery, investment, income generation and local taxation.

2.9 Whilst the 2023 to 2024 budget includes some previously committed income proposals, cost certainty has played a particular focus in this year's budget process (the detail being shown in Attachment B) to enable, where possible, greater certainty in the Council's financial plans given the volatility of income streams and the uncertainty around the impact of the current cost of living crisis and the continued recovery of income streams post COVID.

2.10 Currently council tax makes up approximately one fifth of the authority's budget (exclusive of housing benefit) and therefore only goes a fifth of the way to actually paying for services. Council tax goes on the base budget, which means it has a cumulative effect and a greater impact in future years. It is recognised that any increase provides an extra burden on taxpayers but does mean the protection of vital services which would otherwise possibly have to be considered for reductions. West Suffolk Council uses around 11 percent of a local council taxpayer's bill with the rest made up by the County Council, Police and Crime Commissioner, as well as Parish or Town Council. Councillors are asked and expected by Government to look at local taxation levels to meet the authority's financial needs to support its communities and help future proof from financial uncertainty. Council tax levels are considered further in Section 4 of this report.

Investing in our growth agenda

2.11 National policy also encourages councils to grow their local, and therefore the UK, economy by supporting business, investment and housing to bring in local income, including consideration of new income streams. Bridging the gap between income and demand remains, cost of living crisis aside, the single biggest challenge facing local government across the country.

2.12 The financial challenges and national funding policies means that councils can no longer rely on Government grants but must look at more innovative ways to finance the current services and create financial capacity to invest and meet the needs of our communities and businesses. West Suffolk Council recognises this and continues to take a proactive investment role through our Investing in our Growth Agenda Strategy and fund, not only to meet the challenges brought by funding for councils, but also importantly to manage growth, reduce our carbon footprint and ensure prosperity for our communities. We must, therefore, maintain and where appropriate grow the local income we receive now (and reduce the cost of delivering services) but also deliver our investment projects, enable the building of homes, through Barley Homes and increase our investment base so that we deliver new income streams to replace those lost. This will enable us to continue delivering the services and wider community support which people value and make West Suffolk an attractive place to live, work and invest.

2.13 Our medium-term financial plans continue to place reliance on delivery of our strategic projects as set out in our capital programme at Attachment D Appendix 2, such as Barley Homes, the Innovation Units at Suffolk Park and our Net Zero Carbon investment plans (see Attachment G for further details). As we have started to gain more certainty around our anticipated returns (through a dividend) from the Council's wholly owned Housing Company - Barley Homes - we now see these returns coming through the current budget process, smoothed out at an estimated £300,000 across the medium term (an additional £100,000 per annum from last year's estimates), to support the delivery of future years' budgets.

2.14 Over recent months there have been some consultations and announcements that indicate the Government's wish to ensure that local government focuses on its core functions rather than expanding into what are seen as more 'commercial' type activities. These include:

- Changes to the Public Works Loan Board (PWLB) lending criteria to exclude the ability to borrow to invest in commercial property to generate income.

- Consultations on the CIPFA Treasury Management and Prudential Codes to strengthen the intention around commercial investments and provide clarity about borrowing and investments
- Current Government consultation about minimum revenue provision and use of capital receipts from commercial activity

2.15 There has been no need to change our outcome-based investment approach to date. However, as we continue to shape our investing in our growth agenda projects, focusing in and around recovery and our growth and climate agendas, we will continue to review and have regard to any changes and the new operating parameters when considering future activity under our capital programme and investment plans.

2.16 Some of our projects will need considerable investment, both in money - including creating new funds where needed through borrowing (supported by robust business cases) – and resources and time. But that investment will build a more financially resilient and self-sufficient council, with less reliance on uncertain national or other funding streams. That focus on projects that are also income-generating, which may span several years before they deliver a return, means we no longer look simply to balance a budget for one year.

2.17 Importantly these economic growth projects will bring wider long-term benefits to our areas than purely being a financially robust council, such as jobs, reducing our carbon footprint, better health outcomes and investment in working with communities and place-based initiatives.

Transforming West Suffolk Council

2.18 It is important now more than ever, with the uncertainties around income generation during a pandemic, that we balance growth in existing and new income streams with controlling our cost base and delivering an efficient council. We have transformed what we do and will continue to do so – examples being the sharing of services and the most recent creation of a new single West Suffolk council, achieving and protecting annual savings in excess of £5 million a year. Our Families and Communities work is making real changes in people's lives, delivering locally alongside our elected members.

2.19 The partnership work that we started through the Families and Communities work has been invaluable during the pandemic in strengthening the community response that has been vital to supporting the vulnerable. This has led to partners in the public, private and voluntary sectors working in new ways to find local solutions. The Council and community have also, through the pandemic, adapted to using online and digital solutions and the benefits that brings alongside more traditional methods. The council recognises the vital role that our communities play in the COVID-19 response and in the future recovery.

2.20 The Council's change and service programme, which will accelerate the delivery of a number of our financial strategy themes such as transformation of service delivery, encouraging the use of digital forms for customer access and behaving more commercially, will feature as our key approach to delivering across our medium-term plans. Our opportunities include capturing and building on the learning and innovative ways of delivering our services experienced during this time.

2.21 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 go towards ensuring delivery of the outcomes of both financial and improved services, will take shape to contribute towards our financial challenges in 2023 to 2024 and across the medium term.

Net Zero Carbon Emissions by 2030

2.22 In September 2019, West Suffolk Council declared a climate emergency, and in 2020 Cabinet approved the council's Environment and Climate Change Taskforce report and action plan. This work built on years of significant focus and investment by West Suffolk Council and its predecessor councils on this important matter. The Taskforce made a series of recommendations on the council's future role in protecting and enhancing the environment and tackling climate change, both in the way in which it carries out its operations and through specific initiatives.

2.23 The Taskforce developed a broad Action Plan and Trajectory to achieve Net Zero Emissions by 2030. The plan focused on the greenhouse gas emissions arising from the council's operations. Work has completed now to decarbonise a number of buildings, with the council securing £1.4 million from the Government's Public Sector Decarbonisation Fund as well as its own investment. The council has also invested in a range of renewable technologies at the new Mildenhall Hub and plans to make further investment in the Western Way Development.

2.24 The 2023 to 2024 budget continues the commitment to the £9 million investment facility in our Net Zero Emissions by 2030 journey. Attachment G sets out more detail on the facility, created within the Investing in Our Growth Agenda Fund (funded in the main by external borrowing, £650,000 from revenue), specifically allocated within the capital programme to deliver environmental projects which are anticipated to deliver a 31 per cent carbon saving on council operations, together with a return to the council of two per cent after allowing for borrowing costs.

2.25 This £9 million fund is to be utilised across the following proposed projects:

- Council buildings: improve the energy efficiency and incorporate renewable energy (electricity and/or heat) into buildings

- Electric vehicle fleet (EV) investment: replace small vehicles on fleet with EVs when replacement falls due
- Expansion of our West Suffolk Solar for Business scheme

2.26 In addition to this £9 million capital facility, the revenue budget 2023 to 2024 includes a £100,000 per annum provision to support a planned switch to use Hydrotreated Vegetable Oil (HVO) derived fuel in the larger diesel-powered fleet once the fuel market prices settle. No vehicle modifications would be required, and this would achieve carbon savings of nearly 400 tonnes Co2e per annum, having regard to emissions resulting from production as well as use. It will also deliver air quality improvements.

2.27 In total the projects proposed would deliver 2,279 tCo2e savings per annum once fully implemented. This should mean that the council would meet its Carbon Budget target for 2026 putting the Council on the right path to meet its net zero ambition. The carbon performance of the fund will be monitored and reported on as part of the Council’s annual Environmental Statement. The overall performance of the fund will be reviewed regularly and will help inform any further funding requirements for the third and fourth periods of the net zero plan.

3. Provisional local government finance settlement

3.1 The Government set out its intentions for the local government finance settlement for 2023 to 2024 and 2024 to 2025 in a policy statement published on 12 December 2022. The statement confirmed that the next two years will essentially be two rollover settlements, although in practice there would be firm figures for 2023 to 2024 only with just the principles for 2024 to 2025 being set out. The anticipated funding reforms (Fair Funding Review and business rates baseline reset) will not now be implemented until 2025 to 2026 at the earliest.

3.2 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 and MTFS. The settlement was better than expected, and in cash terms is the best that local government has received in several years. In real terms, however, the settlement still doesn’t make up for the years of austerity and Government funding cuts. The financial implications of the provisional settlement for West Suffolk are generally positive and an additional £1.17 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.

Revenue Support Grant

3.3 Revenue Support Grant 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.

Rural Services Delivery Grant

3.4 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.

Services Grant

3.5 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.

New Homes Bonus

3.6 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 2023 to 2024, 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.

Funding Guarantee Grant

3.7 This new grant has been created to ensure every authority has an increase in Core Spending Power (CSP) of three 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.

3.8 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.

Business rates and business rates revaluation

3.9 The Government has confirmed that there will be no reset of the Business Rates Retention system and implementation of the Fair Funding Review in 2023 to 2025. It is anticipated that some form of reset or review will take place in 2025 to 2026 at the earliest. There is a commitment from Government that they will work closely with the sector on the challenges and opportunities before consulting on any potential changes. Part of this work is expected to look at options to support local authorities through transitional protection.

3.10 The next business rates revaluation will take effect from 1 April 2023 and the Government has confirmed that it will adjust each local authority’s tariff or top-up to ensure that retained income from business rates is the same as it would have been had the revaluation not taken place.

3.11 The Government has also confirmed that the decision to freeze the business rates multiplier again will be fully funded and, from 2023 to 2024 onwards, compensation for under-indexation of the multiplier will be paid based on the Consumer Price Index (CPI) rather than the higher Retail Price Index (RPI).

3.12 Compensation to authorities will be part-paid via an uplift to Baseline Funding Level of 3.74 per cent, with the remainder paid via cap compensation section 31 grant.

Retail, Hospitality and Leisure Relief and Supporting Small Business Relief

3.13 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 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.

3.14 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.

3.15 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.

3.16 Both reliefs require the granting of the Council's discretionary relief powers. Members are asked to approve the extension of these rate reliefs (which will be fully funded by the Government through section 31 grants) in order to support West Suffolk's businesses through support of recommendation 4.

Local Authority Housing Fund

3.17 In late December 2022, Government announced details of a £500 million Local Authority Housing Fund (LAHF) aimed at providing accommodation for Afghan and Ukrainian refugees in the first instance, and to address local housing and homelessness pressures in the future. Based on a formula calculating the number of Ukrainian arrivals per 1,000 head of population and current housing pressures, West Suffolk Council has been offered up to £2,226,000 towards providing a minimum of 21 homes, plus a further £419,239 towards a minimum of two larger homes (four bedrooms plus). In addition, £20,000 per property is provided for other costs such as refurbishment. These amounts equate to 40 to 60 percent of the cost of the average lower quarter property price in the area. The expectation from Government is that councils and/or registered housing providers provide the remaining funding.

3.18 As a non-stock holding authority, the council is working with local registered housing providers to agree how the funding could be used to purchase properties in the area. Initial discussions indicate that purchasing off the open market is the most effective solution and would secure homes within the timescales set by Government. The intention being that the registered providers would own and manage the stock, with the Council passporting the funding from central Government. Officers are working on principle that the use of this fund should be revenue cost neutral to the Council.

3.19 The Government has set a deadline of 1 March 2023 for councils to agree involvement in this scheme by way of a Memorandum of Understanding (MoU) with funding potentially allocated from March onwards. The MoU details how many properties could be secured, with the Government wishing to understand how many properties could be procured by November 2023. Delegation 4 of this report allows for the Section 151 officer to implement this scheme including to be authorised to submit a MoU to central Government to secure funding from this scheme on the basis that this is revenue cost neutral to the council.

Collection Fund deficits

3.20 Detailed proposals for changing the accounting treatment of the 2020 to 2021 Collection Fund deficits were previously confirmed in regulations, and Collection Fund deficits in relation to 2020 to 2021 will be spread over three years (2021 to 2024), as reflected in the medium-term budgets.

Council tax referendum limits

3.21 In 2023 to 2024, local authorities will be given greater council tax flexibility. The core referendum threshold will increase from two per cent to three per cent (with district councils able to increase by the higher of £5 or three per cent). Police and crime commissioners will be able to increase their precept by £15 in 2023 to 2024 and £10 in 2024 to 2025. Social care authorities will be able to apply a further two per cent increase in 2023 to 2024 and 2024 to 2025 (five per cent in total). The medium-term budgets currently assume no change to the previously agreed £4.95 annual band D increase.

4. Council tax for 2023 to 2024

Council tax level 2023 to 2024

4.1 The budget for council tax for 2023 to 2024 and future years is based on maximising our council tax receipts to protect services and to support our investment plans. For 2023 to 2024 the planned average Band D council tax level is proposed at £192.06, this represents an average band D weekly increase of just under 10 pence. Noting that just over 70 per cent of our residents are in bands A to C so will actually see a lower increase. This increase is still below the expectation from Government for a greater rise in council tax up to 3 percent for district councils.

Local Council Tax Support Scheme 2023 to 2024

4.2 Council on 13 December 2022 (COU/WS/22/021) agreed to a one year only change to the West Suffolk Local Council Tax Reduction Scheme (LCTRS). The maximum reduction on Council Tax paid by LCTRS claimants, from 1 April 2024, has increased from 91.5 per cent to 100 per cent.

4.3 The proposal is highly targeted to reach those who are already on means-tested benefits, many of whom are working, and has low administrative cost. This could benefit around 4,700 residents and represents a one year only £500,000 investment by organisations that set Council Tax precepts in supporting those most in need that meet the criteria.

4.4 It is part of a range of ways the Council is supporting communities including those with the highest risk of financial hardship as a result of the current cost of living crisis. The cost (our share is approximately £50,000) to the Council has been worked through the 2023 to 2024 budget setting process and is reflected in a reduced tax base for 2023 to 2024.

4.5 By providing additional support to residents the aim is to help avoid crisis situations, for example, homelessness and fewer applications for Exceptional Hardship Payments from those in receipt of Council Tax support.

4.6 This is a short-term measure for the financial year 2023 to 2024 only. After this period West Suffolk Council's LCTRS would revert to the current minimum 8.5 per cent contribution rate.

Council Tax Support Fund 2023 to 2024

4.7 The Council will also be administrating (hopefully in time for the 2023 to 2024 bills) its share - £227,547, of the new £100 million Council Tax Support Fund announced in the finance settlement in December. The fund recognises the impact of rising bills on residents. The Government expects local authorities to use the majority of their funding allocations to reduce bills for current working age and pension age LCTRS claimants by up to £25.

4.8 The Council is expected to deliver this using their discretionary powers under s13A(1)(c) of the Local Government Finance Act 1992.

4.9 As West Suffolk has already committed to go further than that with its LCTRS scheme change to up to 100 per cent reduction for 2023 to 2024, we expect to have a higher discretionary element to use to support more vulnerable households with council tax bills. It is recommended that the Director (Resources and Property) be given a delegation to implement this scheme, as it is fully funded by Government.

Changes to the Long-Term Empty Property Premium and Second Homes

4.10 The Levelling Up and Regeneration Bill (the Bill) announced in May 2022 confirmed that the Government will be changing the qualifying period for use of the council tax long term-empty homes premium, and also introducing a discretionary council tax premium on second homes. The new powers reinforce the incentive for owners to bring empty properties back into use and support councils in addressing the impacts of empty and second homes.

4.11 Section 72 of the Bill will give billing authorities the opportunity to charge the Long Term Empty Premium after one year, rather than the current 2 years. This will be effective from April 2024 and will require billing authorities to use their discretionary powers. Therefore, members are requested to approve this change (which will be subject to the Bill receiving Royal Assent).

4.12 The Council currently has a policy applying waivers on the Long Term Empty Premium being applied in certain circumstances (as set out in report CAB/WS/19/044). It is recommended that a further class of property that will not attract the premium is added to the policy as follows:

- Where a long term empty property has recently been purchased and is actively being renovated with a view to sell, rent or inhabit, provided that the owners apply for the suspension within six months of purchasing the property, and the project is completed within six months of purchase. If the work is not completed within the six month timeframe, the premium charge will be reinstated and backdated to the purchase date. In exceptional circumstances, such as very good progress having been made at six months, the Council may use its discretion to grant a further extension to the premium waiver.

4.13 In addition to this, Section 73 of the Bill gives billing authorities the power to charge 100 percent premium on dwellings occupied periodically (second homes). To be able to charge this premium the billing authority needs to make a determination at least one year before the beginning of the financial year to which the change relates. It is unclear at the moment whether this will be a more widely adopted policy or targeted at those areas that have a particularly high proportion of second homes such as some coastal areas. For this reason, it is not being recommended to adopt this change currently and officers will keep the situation under review.

5. Setting the budget - 2023 to 2024 and across the medium term to 2026 to 2027

5.1 On 22 February 2022 the Council approved a budget for 2022 to 2023 and medium term financial plan for West Suffolk Council to 2026. This medium term financial plan was balanced for the first year and then showed a budget gap of £1.16 million in 2023 to 2024, £1.71 million in 2024 to 2025 and £2.98 million in 2025 to 2026 (these are cumulative amounts).

5.2 At its meeting on 29 September 2022, Report number: PAS/WS/22/017, the Performance and Audit Scrutiny Committee (PASC) supported Cabinet with the next steps and principles for future financial planning across the medium term. Our approach is designed to enable the Council to respond effectively to changing circumstances while maintaining a medium-term focus on the council's financial sustainability.

5.3 West Suffolk Council's 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 this time. These themes are considered to still represent an appropriate response to the ongoing financial situation:

- Aligning resources to West Suffolk's strategic framework and essential services.
- Sharing services and transformation of service delivery.
- Behaving more commercially.
- Considering new funding models.
- Encouraging the use of digital forms for customer access.
- Taking advantage of new forms of local government finance.

5.4 Attachment A is the revenue budget summary, which provides an overview of the proposed income and expenditure for 2023 to 2027. The total proposed revenue expenditure in 2023 to 2024 is £63.40 million (excluding housing benefits).

5.5 This revenue forecast includes several inflation assumptions as detailed in the following table.

Inflation assumptions assumed in the MTFS

DETAILS	2023 to 2024	2024 to 2025	2025 to 2026	2026 to 2027
INFLATIONARY CHANGES				
Pay inflation	4.0%	2.0%	2.0%	2.0%
Employers Pension Contribution	26.00%	26.00%	26.00%	28.00%
Pension Take-Up Assumption	97.00%	97.00%	97.00%	97.00%
Vacancy Savings	2.5%	2.5%	2.5%	2.5%
Drainage board precepts inflation	3.0%	3.0%	3.0%	3.0%
General Inflation	0.0%	0.0%	0.0%	0.0%
ICT Inflation	3.0%	3.0%	3.0%	3.0%
Business Rates Inflation - CPI at Sept	0.00%	7.40%	2.10%	2.00%
Business Rates Inflation - 0%	0.0%	0.0%	0.0%	0.0%
Fees & Charges	Varies	2.0%	2.0%	2.0%
Utilities	5.0%	5.0%	5.0%	5.0%
Electricity	7.5%	7.5%	7.5%	7.5%
Transport - Fuel	5.0%	5.0%	5.0%	5.0%
Insurance Premium Increases	10.0%	7.5%	5.0%	5.0%

Further details around the assumptions used in the MTFS are set out in Attachment D – Medium Term Financial Strategy 2023 to 2027. Budget assumptions continue to be reviewed as more accurate information becomes available.

5.6 The PASC committee received two further ‘delivering a sustainable budget’ reports during the 2023 to 2024 budget process. These reports (reference PAS/WS/22/021 and PAS/WS/23/01) detailed a number of budget pressures, investments and saving proposals. These have all been worked through the 2023 to 2024 budget process and are detailed in Attachment B.

Fees and charges

5.7 As part of the budget setting process, and as reported to the Performance and Audit Scrutiny Committee PAS/WS/23/001 on 26 January 2023, the council has undertaken a review of its fees and charges pricing used in the budget and medium term. This is to ensure:

- That we are recovering the cost of delivering discretionary services on a user pays basis (taking into account charging levels made by other local authorities)
- Consistency of approach in line with the new fees and charges policy
- Appropriate visibility for those pricing decisions that are likely to have significant public interest (including those over five per cent annual increase – in line with the Council’s constitution).

The fees and charges that are changing and meet the reporting requirements are detailed in attachment D appendices 6 and 6a.

Delivering our sustainable future – beyond 2023 to 2024

5.8 With demands increasing and uncertainty in local government funding beyond April 2025, 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. In order to provide greater certainty to our budget and to not over rely on income until such time we understand the true impact of the current pandemic, our biggest savings focus must be on the continual review and transformation in the way we deliver our services through our emerging Change and Service Improvement programme (paragraphs 2.18 to 2.21).

5.9 The financial impact of the current cost of living crisis has also introduced considerable uncertainty (on top of what was already uncertain times) in predicting the Government's approach to financial resources for local government in future years. Therefore, the resource assumptions from April 2025 should be treated with caution and will be updated as we go through future budget setting processes and further Government announcements are made.

6. Capital Programme 2023 to 2027

6.1 The capital expenditure of the Council through its investment approach has an impact on the revenue budget and is part of the overall preparation of the revenue proposals for the coming year. Its overall capital expenditure is not just about creating a return income but also has greater benefits such as much needed new leisure and health facilities; providing infrastructure for businesses, our high streets and rural areas; reducing our carbon footprint; protecting jobs; helping prevent homelessness and improving access to services.

6.2 It is estimated that £48.11 million will be spent on investment through our capital schemes during 2023 to 2024 which are to be funded by a combination of grants and contributions (£1.05 million), earmarked revenue reserves (£4.57 million), our usable capital receipts reserve (£7.45 million) and borrowing (£35.04 million).

6.3 Looking ahead, the total value of the capital programme over the next four years is approximately £137 million. Attachment D, Appendix 2 shows the planned capital expenditure in financial year 2023 to 2024 and future years, together with information on the funding of that expenditure (that is, grants and contributions, use of earmarked revenue reserves, useable capital receipts reserve and external borrowing) and is summarised in the table below.

Planned capital expenditure over four years to 2026 to 2027

	2023 to 2024 millions	2024 to 2025 millions	2025 to 2026 millions	2026 to 2027 millions	Total millions
Gross capital expenditure	**£48.11**	**£54.27**	**£31.07**	**£3.19**	**£136.64**
Funded by: Grants and contributions	£1.05	£0.90	£0.90	£0.90	£3.75
Earmarked revenue reserves	£4.57	£3.31	£3.30	£2.29	£13.47
Capital receipts reserve	£7.45	£0.20	£0.12	£0.00	£7.77
External borrowing	£35.04	£49.86	£26.75	£0.00	£111.65
Total	**£48.11**	**£54.27**	**£31.07**	**£3.19**	**£136.64**

6.4 Subject to the year-end outturn position, any carry forwards from the 2022 to 2023 budget will be added to the 2023 to 2024 capital programme budget at the year-end.

Disposal of surplus assets

6.5 Part of the funding arrangements for the capital programme has been the disposal of surplus assets. The council has plans to review its programme of asset disposals as part of the development of its Asset Management Strategy. The following table is a summary estimate of the likely level of income from asset disposals over the period 2023 to 2027.

Estimated income from asset disposals 2023 to 2027

	2023 to 2024 millions	2024 to 2025 millions	2025 to 2026 millions	2026 to 2027 millions
Council share of right to buy receipts	£0.50	£0.50	£0.50	£0.50
Barley Home loan repayments to be made available through agreed loan facility	£0.00	£6.01	£0.89	£0.00
Other asset disposals	£3.36	£0.06	£0.17	£0.05
Total	**£3.86**	**£6.57**	**£1.56**	**£0.55**

6.6 The above capital programme and asset disposals programme will, in the short to medium term, move the council's usable capital receipts reserves from £10.69 million to £14.01 million. This assumes that all borrowing included within current and future business cases will be drawn down. Note that the Barley Homes repayments are likely to be reinvested in the delivery of further housing sites as subsequent business plans are agreed.

6.7 The calculation of interest income used in the medium-term plans is based on the use of existing and anticipated capital expenditure and receipts, and external borrowing where the business cases assumed funding would come from borrowing.

6.8 Borrowing rates have been assumed in line with previous business case assumptions. A review of the total interest payable budget assumption has been carried out during the 2023 to 2024 budget process to assess the adequacy of the total annual budget given the increase in external borrowing rates. This review has considered the councils overall need to borrow based on its cash flow requirements (including the revised capital programme and assumed borrowing requirements) and the current and future external interest rate projections. The outcome of that review is that the current total interest payable budget, supported by any in year fluctuations from the capital financing reserve, is sufficient to cover the interest payable expected over the medium-term plans.

6.9 The Prudential Code for Capital Finance and matters relating to the affordability of the capital programme are addressed in attachment D, appendix 4. The revenue cost of the capital programme is achievable across the medium term provided the savings and income streams indicated in the MTFS are implemented.

7. Minimum revenue provision (MRP)

7.1 The Treasury Management and Annual Investment Strategy included elsewhere on this agenda (Report number: CAB/WS/23/007) and the Prudential Indicators (Attachment D Appendix 4), provide a framework within which borrowing limits for the Council are established and will confirm our MRP policy for 2023 to 2024.

8. General fund balance

8.1 The revenue budget, Attachment A, based on current budget projections, shows a balanced budget position for 2023 to 2024 and 2024 to 2025. However, many of the assumptions supporting the budget projections for 2023 to 2024 (and future years) are subject to significant uncertainty. This includes assumptions regarding:

- sustainability of income stream estimates (including commercial property rental, car parking, trade waste and planning income)
- impact of business rates retention scheme and Suffolk pooling arrangements
- pay inflation and employer's pension liabilities.

8.2 The Council holds general fund balances as a contingency to cover the cost of unexpected expenditure during the year. As outlined in Attachment C (Adequacy of Reserves and Robustness of Budget Estimates) the council's general fund balance is set at a minimum of £5 million.

8.3 The recommended level of general fund balance has been established by taking into account the following:

- allowance for a working balance to cushion the impact of any unexpected events or emergencies
- the new risks placed at a local level under the new business rates retention scheme, such as appeals
- the addition of greater income targets and project returns linked to being more commercial and the selling of council services
- other risks detailed in the Scenario Planning and Sensitivity Analysis provided at Attachment D, Appendix 5.

9. Earmarked reserves

9.1 At the beginning of the 2023 to 2024 financial year the Council will have an estimated £39.95 million in earmarked reserves. The current level of earmarked reserves and contributions during 2023 to 2024 has been reviewed and where appropriate annual contributions have been adjusted. Attachment D, Appendix 3, provides details of the proposed contributions to, and projected expenditure from, earmarked reserves during 2023 to 2027.

9.2 At the end of 2026 to 2027 these reserve balances are estimated to fall to £34.15 million, in support of financing a number of key investment projects. It should be noted that the closing balance at attachment D appendix 3 includes around £5.5 million contributed to reserves for the 2 years 2023 to 2025 in respect of business rates retention of growth at present. This is likely to be rebased going forward as part of Government reforms to the scheme, and as such has not been included in the £34.15 million closing balance as referenced in this paragraph.

9.3 The Council has a five-year asset management plan that is included within the proposed revenue and capital budgets. The capital element is detailed in attachment D appendix 2a. The five-year asset management plan is fully funded through an annual revenue contribution and use of the building maintenance reserve with the exception of larger leisure centre replacements beyond that of Bury Leisure centre in the medium term and an historical paths liability in the former Forest Heath area - estimated to be in the region of £500,000 to £1 million. Work is scheduled on urgent repairs and maintenance for these works. However, a longer term management plan is being prepared along with funding options. Work will continue during 2023 to 2024 to establish the Council's full liability and to consider options for future budget processes.

10. Strategic priorities and MTFS reserve

10.1 This reserve acts as a one-off fund to provide the financial capacity, either through direct investment (revenue and/or capital) or through servicing external borrowing, for the council to drive forward the delivery of a sustainable Medium Term Financial Strategy (MTFS) and the West Suffolk Strategic Plan priorities. This reserve is forecast to move from £3.97 million at the beginning of 2023 to 2024 up to £4.95 million by the end of 2026 to 2027.

10.2 The following table shows the total New Homes Bonus (NHB) grant payments made to the predecessor councils since the scheme began in 2011 to 2012, including the expected West Suffolk Council receipts in both 2023 to 2024 and 2024 to 2025, as well as the NHB element of the Funding Guarantee Grant. These NHB allocations were all put into this Strategic Priorities and MTFS reserve up to the financial year 2019 to 2020. In 2020 to 2021, £1.2 million of the grant was utilised towards the overall budget pressures which arose as a result of the COVID-19 pandemic. The council also budgeted to utilise £0.7 million of the 2021 to 2022 grant as part of its budget position and the continued impact of COVID-19. For 2022 to 2023 onwards the full grant allocation has been contributed to the reserve.

New homes bonus (including Funding Guarantee from 2023 to 2024) – grant receipts

Year	Forest Heath millions	St Edmundsbury millions	West Suffolk millions
2011 to 2012	£0.562	£0.268	£0.830
2012 to 2013	£1.436	£0.559	£1.995
2013 to 2014	£1.679	£0.757	£2.436
2014 to 2015	£2.166	£0.886	£3.052
2015 to 2016	£2.437	£1.219	£3.656
2016 to 2017	£2.644	£1.754	£4.398
2017 to 2018	£1.278	£1.553	£2.831
2018 to 2019	£0.718	£1.272	£1.990

2019 to 2020	N/A	N/A	£1.848
2020 to 2021	N/A	N/A	£1.811
2021 to 2022	N/A	N/A	£1.320
2022 to 2023	N/A	N/A	£1.756
2023 to 2024	N/A	N/A	£1.756
2024 to 2025	N/A	N/A	£1.756

10.3 The 2023 to 2024 budget and MTFS includes a number of draws on this reserve as previously approved or under consideration through the democratic process. Attachment D Appendix 3a summarises the proposed draws on this reserve as part of the 2023 to 2024 budget and the medium term budgets. The proposed future of the New Homes Bonus scheme is set out in section 3 above.

11. Adequacy of reserves

11.1 Section 25 of the Local Government Act 2003 requires the Section 151 Officer (Director (Resources and Property)) to report to Council, as part of the tax setting report, her view of the robustness of estimates and the adequacy of reserves. The Council is required to take these views into account when setting the council tax at its meeting on 21 February 2023. The full statement is set out in Attachment C.

11.2 In summary, the Section 151 Officer's overall assessment is that the estimates are robust (taking into account known risks and mitigating strategies) and reserves are adequate for the 2023 to 2024 budget plans.

12. Alternative options that have been considered

12.1 The Council is required by statute to set a balanced budget and therefore there are no alternative options.

13. Consultation and engagement undertaken

13.1 All budget changes have been reviewed by and discussed with Leadership Team, Service Managers and Members.

14. Risks associated with the proposals

14.1 A risk assessment is included at Attachment C as part of the report by the Director (Resources and Property) (Section 151 Officer). Her conclusion is that overall, the estimates are robust, taking into account known risks and mitigating strategies and the reserves are adequate for the 2023 to 2024 budget plans. Cabinet and Council are advised to have regard to this report when making their decisions on the 2023 to 2024 budget.

15. Legal implications arising from the proposals

15.1 The Local Government Act 2003 imposed duties on local authorities in relation to financial management which covers the following areas:

a. A power for the Secretary of State to determine a minimum reserve level for local authorities by regulations. The Government has indicated that their preference is to keep this power in reserve.

b. Section 25 of the Act places a requirement on the S151 Officer to report on the adequacy of reserves and robustness of budget estimates as part of the authority's annual budget setting process. The council is required to take these views into account when setting the council tax at its meeting on 21 February 2023. This is included as Attachment C of the report.

c. Sections 28 and 29 of the Act place a statutory duty on local authorities to monitor their budgets and take such action as considered necessary in the case of overspends and shortfalls of income.

15.2 Section 30 of the Act relates to the provisions preventing local authorities entering into agreements following a Section 114 Report which a S151 Officer must produce when it appears that expenditure of the authority in a financial year is likely to exceed the resources available to meet the expenditure. No such report has been produced for West Suffolk this year.

16. Appendices referenced in this report

16.1 **Attachment A** – Revenue budget summary

16.2 **Attachment B** – Summary of major budget changes

16.3 **Attachment C** – Report by the Director (Resources and Property)

16.4 **Attachment D** – Medium Term Financial Strategy 2023 to 2027

16.5 **Attachment D Appendix 1** – 5 year revenue budget (MTFS)

16.6 **Attachment D Appendix 2 –** Capital programme

16.7 **Attachment D Appendix 2a** - 2023 to 2024 Capital Programme - Property Asset Management Plan Breakdown

16.8 **Attachment D Appendix 2b** - 2023 to 2024 Capital Programme - Leisure Asset Management Plan Breakdown

16.9 **Attachment D Appendix 2c** - 2023 to 2024 Capital Programme - Car Parking Improvements Breakdown

16.10 **Attachment D Appendix 3 –** Earmarked revenue reserves

16.11 **Attachment D Appendix 3a –** Strategic Priorities and Medium Term Financial Strategy Reserve

16.12 **Attachment D Appendix 3b -** Investing in Our Growth Agenda reserve

16.13 **Attachment D Appendix 3c -** Business Rates Retention Pilot: Place-Based reserve

16.14 **Attachment D Appendix 3d -** Building Maintenance Reserve - Property

16.15 **Attachment D Appendix 4 –** Prudential code for capital finance

16.16 **Attachment D Appendix 5 –** Scenario planning and sensitivity analysis

16.17 **Attachment D Appendix 6** – Fees and charges changes

16.18 **Attachment D Appendix 6a** – Fees and charges prices increases

16.19 **Attachment E –** Capital Strategy

16.20 **Attachment F** – Flexible use of capital receipts strategy

16.21 **Attachment G** – Investing in the West Suffolk Council Net Zero 2030 Emissions Target

17. Background documents associated with this report

17.1 Delivering a Sustainable Medium-Term Budget – report number: PAS/WS/22/017 29 September 2022

17.2 Delivering a Sustainable Medium-Term Budget – report number: PAS/WS/22/021 17 November 2022

17.3 Delivering a Sustainable Medium-Term Budget – report number: PAS/WS/23/001 26 January 2023

17.4 2022-2023 Performance Report (Quarter 3) - report number: PAS/WS/23/002 26 January 2023

17.5 Financial Resilience – Strategy Statement 2022 to 2023 and Treasury Management Code of Practice (CAB/WS/22/006)