

Delivering a Sustainable Medium-Term Budget

Report number:	PAS/WS/23/023	
Report to and date(s):	Performance and Audit Scrutiny Committee	23 November 2023
	Cabinet	5 December 2023
Cabinet member:	Councillor Diane Hind Portfolio Holder Resources and Property Email: diane.hind@westsuffolk.gov.uk	
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Decisions Plan: This item is included in the Decisions Plan.

Wards impacted: All wards

Recommendation: It is recommended that members:

- 1. Consider and agree the approach and timescales for the 2024 to 2025 budget setting process and medium-term plans to 2028.**

1. Context to the 2024 to 2025 budget process

- 1.1 This report outlines the approach and timetable to develop the council's budget for 2024 to 2025 as well as its medium-term financial strategy. It looks at the principles as well as the challenges faced in achieving this. The adoption of the 2024 to 2028 Strategic Direction for West Suffolk Council will be key for the development of the 2025 to 2026 budget and medium-term plans as the budget underpins the delivery of the council's priorities.
- 1.2 As well as local considerations, there are national and global pressures beyond our control that continue to challenge our budget. These include the:
- Continuing high inflationary pressures,
 - Increasing demand on our services,
 - Our role in supporting our communities through the continuing cost-of-living crisis,
 - The recognised need to deliver more housing growth in West Suffolk and the resultant pressures on our services to meet future demand.
- 1.3 West Suffolk is not alone, these challenges are being faced by councils up and down the country and are expected to continue throughout the next financial year and into our medium-term plans. For some councils these challenges have resulted in the issuing of s114 notices meaning the council cannot spend any more money on anything other than its statutory services.
- 1.4 The 2024 to 2025 budget and medium-term plans are also being prepared in the context of significant uncertainties around Government policy in terms of:
- Comprehensive Spending Review,
 - Local Government Finance Settlement, including:
 - the Fairer Funding Review, and
 - Business Rates Retention (BRR) Scheme Review,
 - commercial investment policy and
 - potential major reforms with the Resources and Waste Strategy (RAWS), Health, the Planning Reform White Paper as well as the Social Care reforms which although not directly linked to our services could nevertheless have an impact both on service demand and funding from Government possibly being weighted more toward county and unitary authorities and less so to districts.
- 1.5 West Suffolk Council's ongoing robust and responsible financial management has meant we have been able to be in a strong position to face many of the challenges that have so deeply affected all Local Government. However, as costs increase for our businesses and communities, there is more demand, including 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 have also increased for West Suffolk Council.

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

1.7 In the February 2023 Council meeting, the Budget and Council Tax Setting: 2023 to 2024 and Medium-Term Financial Strategy 2023 to 2027 report number ([COU/WS/23/003](#)) set out the indicative financial plan to 2027. This indicative plan set a balanced budget for 2023 to 2024 and 2024 to 2025 but included the following initiative budget gaps (which will be reviewed as part of this 2024 to 2025 budget process) in the subsequent years:

	2024 to 2025	2025 to 2026	2026 to 2027
Budget Gap	£0.00m	£2.67m	£3.69m

1.8 The 2023 to 2024 Budget and Medium-Term Financial Strategy 2023 to 2027, referenced above was developed in the last quarter of 2022 and, whilst inflation rates were high at this point and were reflected in the assumptions made, the actual cost increases we have since seen have been in excess of what we anticipated. This is the case for some of our utilities, contractual and consumables cost as well as pay inflation. Details on the pressures we are experiencing in 2023 to 2024 were reported for quarter 1 in the July 2023 committee meeting-report (Report number [PAS/WS/23/014](#) and this agenda for quarter 2 (PAS/WS/23/024).

1.9 Further reports including updates on assumptions, proposals to support the 2024 to 2028 Strategic Direction and Priorities, and anticipated savings and initiatives required to deliver a sustainable and balanced budget for 2024 to 2025, will be presented to this committee at its January 2024 meeting.

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

2.1 This report sets out a number of key budget assumptions proposed in the development of the 2024 to 2025 budget and medium-term plans and the rationale behind those assumptions. Appendix A also sets out key assumptions that underpin the current 2024 to 2028 medium term budget development process. These assumptions are constantly under review, in response to further data and intelligence.

New Administration Strategic Direction and Priorities

- 2.2 Following the May 2023 local elections, progress is underway to develop and adopt the 2024 to 2028 West Suffolk strategic direction and priorities. The 2024 to 2025 budget and medium-term plans will underpin the delivery of these priorities for West Suffolk.
- 2.3 Any financial impact and opportunities of these priorities will be included in the January 2024 'Delivering a Sustainable Budget' report to the Performance and Audit Scrutiny Committee.

Government funding – Spending Review 2023

- 2.5 The UK Government Autumn Statement and Medium-Term Fiscal Plan is set to be delivered on 22 November 2023. Until the content of this statement is delivered, we do not have any further insight into the plans for the methodology, level or distribution of local government funding beyond the broad principles established in the 2022 Provisional Finance settlement until April 2025. The detail settlement information for individual authorities will then not be expected until just before the Christmas break (December 2023).
- 2.6 There is also no confirmation on local government funding reforms relating to the Fairer Funding Review and the Business Rates Retention (BRR) scheme beyond these principles in place until April 2025. The current position is that any funding reforms or changes in funding distribution will not be implemented until 2025 to 2026 at the very earliest and assuming it is a priority for Government at that time. This delay to the Fair Funding Review and the Business Rates Retention Scheme review (including the business rates baseline reset) means the assumptions in our medium-term plans from April 2025 are uncertain. The general feeling amongst local government and its advisors is that its unlikely to be before April 2026 before these reforms are implemented, therefore the proposed assumption to be included in the medium-term plans are that the current funding levels (with the exception of New Homes Bonus) will remain until April 2026.
- 2.7 Beyond April 2026 and as a result of this uncertainty about the detail of future Government funding, we will include the following assumptions in our medium-term financial plans:
- Revenue Support Grant (RSG) of £0.451m is included in 2024 to 2025. This assumes an inflationary increase in line with the Consumer Price Index of 7.4 per cent. No further RSG allocations have been included in the MTFs from April 2026 onwards as it was always Government's intention to remove this grant.
 - New Homes Bonus (NHB) of £0.815m will remain for 2024 to 2025 but will cease thereafter. It was always Government's intention to remove this grant and this element remains the most uncertain to continue beyond next year (which in itself is still a risk). The New Homes Bonus allocation will continue to be contributed to the Strategic Priorities and MTFs reserve.
 - The Funding Guarantee Grant that was introduced last November, put in place to ensure that every authority had an increase in Core Spending Power (CSP) of

three per cent before council tax increases, will continue in 2024 to 2026 but will cease thereafter.

- The budget estimates assume a continuation of the 10 per cent reductions in the centrally held, un-ringfenced grants budget for 2023 to 2024, in line with previous Government funding reductions. This includes grants such as Housing Benefit Administration.
- The Fairer Funding Review and some form of Business Rate Retention (BRR) scheme resetting will take place beyond April 2026. A 50 per cent reduction in BRR scheme growth (accumulated since the scheme was implemented in 2013) is assumed from April 2026. An analysis of this loss will be included in the February budget reports along with further reduction scenarios above and below 50 per cent.
- That Suffolk authorities will remain in a business rates pool, if available, for 2024 to 2026, retaining additional BRR income for Suffolk.

2.8 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 22 November 2023 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

2.9 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 the current year 2023 to 2024. The accepted offer is of a pay rise of £1,925 per annum for all staff on points 2 to 43 and 3.88 per cent for points 44 and above.

2.10 The above pay agreement will form the baseline for the establishment budget from April 2024 with a 4 per cent pay inflation assumption for 2024 to 2025. The pay assumptions beyond April 2025 (assumed at 2 per cent) are currently under review. Economic reports and assumptions expected in the Autumn Statement on 17 November will help finalise these assumptions for our medium-term budgets.

2.11 The tri-annual pension report received in 2023 stated that the West Suffolk pension fund is 102 per cent funded which provided the opportunity to reduce pension contribution rates to 26 per cent for 2023 to 2024. The current assumption is that this contribution rate will continue across the MTFS.

3. Our 2024 to 2028 Budget plans - Proposed approach

3.1 Below sets out the key work pillars for the 2024 to 2028 Budget plans following our well-established Medium Term Financial Strategy (MTFS) themes. The 2024 to 2028 MTFS will be formally adopted alongside the strategic direction and priorities work.

3.2 **Aligning resources and transforming our service delivery and customer access**

- We will review and prioritise the work of all of our services to align to the 2024 to 2028 strategic direction and priorities. This includes collating a detailed understanding of all council activity as well as an analysis of the volume and type of demand and performance levels.
- We will continue to identify opportunities for process change and improvement, as well as ensuring that resources are allocated appropriately.
- We will continue to implement our agreed target operating model for customer services which ensures customers can access our services as efficiently as possible. Our digital strategy not only supports efficiencies and improvements but also allows us to make changes to service delivery in line with customer demands.
- We will also look at further opportunities to develop new delivery models and partnerships.
- Our performance management information also gives us the opportunity to review our services using data, for example, by identifying trends in customer behaviour or adjusting levels of service to maximise value for money.

3.3 **Behaving more commercially**

- We will review all income streams from commercial and service level agreements, to ensure that we are continuing to work within the parameters and principles of our approved fees and charges policy and that, given increases in our cost base, the user pay and cost recovery principles are still being properly reflected in our 2024 rates rather than being subsidised through the tax base.
- In some commercial areas, we will explore if there is opportunity to increase our income such as trade waste services or in some cases we may wish to reduce our commercial exposure and focus on core service delivery.
- We will look to at our asset portfolio for new opportunities to deliver the council's priorities while at the same time generating income. Alongside this we will continue to review rent and leases for our non-operational assets to ensure they are more in line with the market.
- We will review our major service contracts, reviewing their specification, the way they are procured and their management to see if there is the opportunity to reduce costs and/or improve the value for money offered from these.
- We will reflect the impact of the Net Zero investment fund delivery on both our net zero ambition and net financial return towards the delivery of council services. Future allocations and opportunities to support the councils medium term plans will be considered during the budget process.
- The business plans and dividend assumptions relating to our subsidiary companies Verse and Barley Homes, will be reviewed with a view to increasing where possible their contributions across the medium term.

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

Under the principles of subsidiarity highlighted in the original business case for a single council, we will continue to empower town and parish councils and local communities to take responsibility for community assets. We will also explore the local delivery of services such as by trusts and other charitable vehicles.

3.5 **Local Government Finance**

- West Suffolk will lobby and make representations to central Government for multi-year fairer funding settlements, including the future of new homes bonus and any major reforms such as Business Rates as well as the ongoing impact of overseas forces exemptions on council tax receipts.
- The council receives a number of one-off grants including for the delivery of front-line services such as for tackling homelessness. These one-year grants create uncertainty for the council and the services themselves, so we will continue to lobby Government to consolidate these grants into a medium-term funding settlement for local government.
- The council will continue to be a member of the Suffolk Business rates pooling scheme while that opportunity and Suffolk wide benefit continue to exist.
- We will continue to work with Suffolk colleagues on the Levelling up agenda and the transition of the Local Enterprise Partnership (LEP) arrangements to the Suffolk system.

3.6 **Managing our Workforce**

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

3.7 The council is required to set a balanced budget for the forthcoming year. At this stage of the budget process, a good financial standing, our history and the opportunities and approach set out above, mean that delivery of a balanced budget for 2024 to 2025 is considered achievable (based on what we know at this stage of the process and subject to the detailed funding settlement remaining positive for West Suffolk). That said, given the future medium-term uncertainties regarding

local government funding, particularly for district councils, new proposals are likely to be put forward at the January 2024 meeting of the Performance and Audit Scrutiny Committee and the February Budget and Council Tax report. These will enable the council to set out its plans across the next four years and to deliver ahead of the curve, bringing forward where possible saving proposals and initiatives. This is good financial management and will enable greater certainty for the delivery of a sustainable medium-term financial plan for West Suffolk.

- 3.8 These projections assume no change to the current Council Tax level assumption. This assumption is a matter for council in February 2024.
- 3.9 The capital Programme is currently being revised and updated with known changes. This will be presented to the Performance and Audit Committee for review in January 2024.
- 3.10 The following high-level timetable is proposed for delivery and agreement of a budget and medium-term plan for West Suffolk Council for 2024-2025.

Action	Timescales
Autumn Statement	22 November 2023
Performance and Audit Scrutiny Committee – delivering a sustainable budget update report	23 November 2023
Cabinet – delivering a sustainable budget update/referral from the Performance and Audit Scrutiny Committee report	5 December 2023
Cabinet/Council – adoption of the 2024 to 2028 West Suffolk Strategic Direction and Prioritises and the 2024 to 2028 West Suffolk MTFS	5 and 19 December 2023
Provisional Local Government Finance Settlement	w/c 19 December 2023
Review 2024 to 2025 Budget and medium-term plans alongside the 2024 to 2028 Strategic Direction and Priorities	December -January 2024
Performance and Audit Scrutiny Committee – delivering a sustainable budget update report	25 January 2024
Member Development Session(s) and briefing(s) – MTFS	January-February 2024
Cabinet – 2022-2023 Budget and Council Tax setting report	6 February 2024
Council - 2022-2023 Budget and Council Tax setting report	20 February 2024

4. Consultation and engagement undertaken

- 4.1 The key 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 2024 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

- 7.1 Appendix A – Key Budget Assumptions

8. Background papers referenced in this report

- 7.1 2023 to 2024 Performance Report (Quarter 1) ([PAS\WS\23\014](#))
2023 to 2024 Performance Report (Quarter 2) (PAS/WS/23/024)