

**Medium Term
Financial Strategy
(MTFS)
2024 to 2028**



Contents

	Page
Foreword from the Portfolio Holder for Resources and Property of the Council [to be included as part of the budget setting process in February 2024]	3
Purpose of this document	4
Changes to local government financing	4
Local context	5
Responding to the financial challenges and opportunities	6
Our approach to engagement and consultation	9
Summary of our financial position [to be included as part of the budget setting process in February 2024]	10
• Revenue strategy and budget summary	
• Capital strategy and budget summary	
Glossary of terms	11

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Foreword from the Portfolio Holder for Resources and Property

[To be completed in February 2024 version]

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West Suffolk Council

Purpose of this document

The Medium Term Financial Strategy (MTFS) provides a high-level assessment of the financial resources required to deliver West Suffolk's strategic priorities from 2024 to 2028 and its essential services. It considers how the council can provide these resources within the anticipated financial context.

Like all local authorities, West Suffolk Council's MTFS is influenced by national government policy, funding and spending announcements. The Government's spending plans continue to evolve. At the time of publication of the MTFS, key confirmed elements include:

- The main grant (Revenue Support Grant - RSG) to local government has been continued into 2024 to 2025. Our working assumption is that this will be rolled forward for one more year.
- The New Homes Bonus (NHB) will remain for 2024 to 2025 and we are making the assumption that it will be rolled forward into 2025 to 2026 before ceasing. 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.
- The Funding Guarantee grant that was introduced in November 2022 will continue in 2024 to 2025 and, we assume, into 2025 to 2026, but will cease thereafter. This grant ensures every authority has an increase in Core Spending Power of 3 per cent before any Council Tax increases. It is funded from the now discontinued Lower Tier Services Grant and the reduced cost of NHB.
- The Fairer Funding Review and a form of Business Rate Retention scheme resetting will take place at some point beyond April 2026.
- The Council Tax referendum level (the level at which Council Tax can be increased) will remain at 3 per cent or £5, whichever is the higher amount. In addition, local authorities with responsibility for social care (such as Suffolk County Council) may levy a precept to spend exclusively on adult social care.

The latest local government spending announcements can be found at the following link: <https://www.gov.uk/government/policies/local-government-spending>

Changes to local government financing

Over the last decade, a number of local government financing mechanisms have become embedded in the council's overall funding framework. For example:

- a share of business rates growth is now retained locally by the council, and by a Suffolk 'pool'
- councils set Council Tax discounts locally, rather than eligible residents receiving Council Tax Benefit
- the New Homes Bonus
- the funding of Disabled Facilities Grants from the Better Care Fund.

Local government receives funding from three main taxation or finance settlement sources; Council Tax, a share of business rates income and, to a

lesser extent, government general grants as set out above. Council Tax income continues to be the main source of funding, in total value, for local authorities. Council Tax income represents around a fifth of West Suffolk's annual income (excluding Housing Benefit Subsidy) which means in practice that it only funds 20 per cent of the cost of running a service. It is worth noting that as a whole these three main funding streams only provide [TBC in 2024 to 2025 Budget] per cent of West Suffolk Council's total budget and, like the whole of Local Government, the rest has to be found from other sources such as income streams.

It is expected that each of these funding streams will continue in 2024 to 2026 however beyond this there is significant uncertainty over the basis and quantum of the business rates retention and government general grants.

The reform of the business rates retention scheme is now not expected to be any earlier than 2026 to 2027. It is assumed there will also be a full baseline reset in 2026 to 2027. For authorities who have business rate growth and are significantly above their current funding baseline, such as West Suffolk, this will have a significant impact, subject perhaps to any damping arrangements, on our existing funding levels through the business rates retention scheme. As a result our longer term financial position remain uncertain.

The Fairer Funding review, which the Government has said will look at the overarching methodology that determines how much funding each authority receives each year is also now not expected to be any earlier than 2026 to 2027, creating further uncertainty over the council's funding assessment from central government.

The changes to local government finance form part of the government's devolution agenda, by reducing local authorities' reliance on central government, and encouraging greater self-sufficiency. West Suffolk is working with other authorities in East Anglia to consider the longer-term implications of these changes for the future shape of local government and economic growth in the region.

Local context

West Suffolk Council's financial position is based on our financial circumstances, local demand and opportunities. The 'summary of our financial position' section of this document details our financial standing. The following section provides an overview of the local context in which the council operates. For more information, please see the data and statistics on our About the area webpage [About the area \(westsuffolk.gov.uk\)](https://www.westsuffolk.gov.uk).

West Suffolk's Strategic Priorities 2024 to 2028 [\[add link\]](#) describes the local context to the district; data and information on the challenges and opportunities; and the council's priorities for housing, environment, growth and communities.

West Suffolk Council serves a population of 182,228 (mid-year estimate 2022) across a predominantly rural area in the heart of East Anglia. This is projected to increase by 2.6 per cent to 184,523 by 2027 (sub national population projections 2018 based).

The 2021 census showed that the percentage of over 65s in West Suffolk was 20.7 per cent; this is now above the England national average of 18.4 per cent and projected to increase to 23.3 per cent by 2027.

Challenges and opportunities within the changing local government financing regime

The Provisional Local Government Finance Settlement, should provide more certainty on continued funding through Revenue Support Grant and New Homes Bonus for 2024 to 2025, and hopefully an indication of the funding methodology for 2025 to 2026.

The Fair Funding and Business Rates Retention reviews, when they happen, will bring new approaches and challenges in how West Suffolk Council will fund its services. We will fully engage in these reviews and consultations to ensure our perspective is heard.

A sustainable future for West Suffolk in the face of funding cuts and spending pressures is dependent upon changing the way we think about funding local government and how we manage the system.

Responding to the financial challenges and opportunities

West Suffolk Council's response to the financial challenges and opportunities are based on six key themes. These themes have been further developed for the council and they represent an appropriate response to the ongoing financial situation:

1. Aligning resources to the West Suffolk strategic priorities and the delivery of essential services.
2. Sharing services and innovation in service delivery.
3. Behaving commercially, delivering a return to our communities
4. Considering new funding models.
5. Supporting online access to council services.
6. Taking advantage of new forms of local government finance.

1. Aligning resources to the West Suffolk strategic priorities and the delivery of essential services

At the heart of this this MTFs, is the approach of allocating resources in line with the new priorities set out in the West Suffolk Strategic Priorities 2024-2028 and with getting the essentials right. This theme helps to ensure resources are focused on the priority areas of housing, sustainability, growth and communities, and to identify areas of West Suffolk's work which could either be scaled back or done differently or. The budget-setting process focuses on these lower-priority areas, and challenges whether West Suffolk should continue with the activities either at all, or in their current form, in order to ensure they provide value for money to Council Tax payers.

2. Sharing services and innovation in service delivery

The previous shared service agenda had already delivered in excess of £4 million each year in savings for West Suffolk which is in addition to other local savings. The creation of a single West Suffolk Council added a further £850,000 per year savings and efficiencies to this success.

West Suffolk shares a number of services with neighbouring councils including Human Resources and ICT support to the Anglia Revenues Partnership and Legal and information governance support services with Babergh and Mid Suffolk councils and will explore further opportunity for sharing services where appropriate.

With demands increasing and uncertainty in local government funding beyond April 2026, it is critical that we drive change and stay ahead of the financial curve to enable us to protect valuable local services and to have the financial capacity to invest in communities.

This will mean:

- driving forward our approach to Change and Service Improvement, through which we are reviewing business processes to drive out efficiencies.
- building on our business partner model, whereby corporate or support services provide specialist support and expertise to all service areas and project teams.
- reviewing the responsibilities of the different tiers of local government in order to ensure the principles of subsidiarity are followed.
- working in a 'system-working' way with other public and voluntary sector partners in Suffolk, to maximise the benefits of integration of services.
- working with Suffolk partners on the implementation of the Suffolk 'County Deal' that was signed by the Leader of Suffolk County Council and the Parliamentary Under-Secretary of State for Local Government and Building Safety on 8 December 2022.

3. Behaving commercially, delivering a return to our communities

'Behaving commercially' summarises the council's approach to delivering the outcomes that local communities need, while ensuring that through 'business-like behaviours', the council acts as efficiently as possible. This includes making sure its investment decisions both secure better outcomes for communities and also a financial return that can be reinvested into council services. Achieving this 'double bottom-line' means that the council is able to make financially astute decisions, thereby ensuring it can protect essential services in the future. As discussed earlier the funding for any local authority requires the council to achieve an income to produce a balanced budget due to the shortfall from the three main taxation or finance settlement sources Behaving commercially will therefore be a key theme running through the work needed to deliver our outcomes and a sustainable MTF5.

4. Considering new funding models

West Suffolk Council will be an 'investing authority' over the period 2024 to 2028. West Suffolk Council has had a long tradition of investing in its

communities in support of the delivery of its strategic priorities, in particular to aid economic growth across West Suffolk.

Depleting capital and revenue reserves and increased pressure on external funding mean that the council will need to consider investing away from the traditional funding models such as using its own reserves. Instead, focus is now on the optimum use of borrowing and the various options for accessing the capital that is available.

The financing of the chosen funding model itself is a challenge, with limited reserve balances available in the medium term. In order to generate new cash into the authority and to enable our ambition of being an 'investing authority' means that prudent borrowing or appropriate financing transactions, is something that West Suffolk will have to embrace in order to deliver on its ambitious capital and investment programme.

There are ample precedents which demonstrate that prudential borrowing has become a valuable tool for local government to achieve its strategic objectives. The use of unsupported borrowing (no security to a particular council asset) is both flexible and relatively straightforward however its important the council continues to support any borrowing with robust business cases and due diligence.

With this in mind, and as borrowing is required over the medium to long term for the authority, it is considered prudent to assess each investment opportunity/project on the basis of borrowing and its cost, assessing each project on an equal playing field regardless of their timings within the MTFS or the funding model used.

There are two annual costs associated with borrowing:

- servicing the debt – the interest payable on the loan; and
- repayment of the loan/capital – effectively through a minimum revenue provision (MRP) into the revenue account.

At the time of writing this plan, these costs would be in the region of seven per cent including interest (based on a Public Works Loan Board, PWLB, rate over 40 years). MRP is calculated to ensure that the capital is fully repaid over the economic life of the asset. In order to assess each project on a level playing field these costs will be included in each business case. Naturally a change in interest rate or MRP rate would change the rates used in each potential project.

The choice of funding model for each investment opportunity/project will be based on its individual merits, financial return/costs including the overall risk exposure, considered as part of each business case. Any decision to invest or borrow would be subject to full scrutiny by councillors, through the usual democratic process.

5. Supporting online access to council services

The implementation of our Customer Access Strategy is also an important part of our next phase of development and is inextricably linked to the need for commercial thinking and wider innovation. In addition residents increasingly

want to and expect to engage with the council or carry out transactions through digital and online means.

The customer support team embeds the benefits of both integrated first-point-of-contact support and promoting channel shift.

There will always be some people who cannot or do not want to access our services online – whether because they have limited access to the internet, or because they are unfamiliar with this technology. These people will always be able to reach us in the traditional way. Our goal, though, is to encourage those people who can do their business with us online to do so. The aim is to put digital first, but not digital only with support available to those who need it.

In addition to making contact easier to handle, this solution can automate many of the duplicated tasks council employees normally perform when handling contact from residents, businesses and visitors, thereby reducing call times and improving the quality of service.

6. Taking advantage of new forms of local government finance (for example business rate retention)

During the period covered by the MTFS, the new forms of local government finance will continue, in whatever guise it lands from April 2026, to be the key sources of income for councils. West Suffolk will therefore take the opportunity, through its service delivery and other MTFS themes, to grow our own funding through a strong, and growing, local economy alongside the skills, infrastructure and housing to sustain it. At the same time we will lobby Government and other influential parties for the case for better funding or means of finance to meet the challenges faced by the council and local government.

Our approach to engagement and consultation

While our strategic priorities and MTFS set the framework for the next four years, it is vital that the detail of our spending decisions is shaped by input from councillors, residents, businesses, communities and partners.

Our approach to engagement and consultation is set out in our Strategic Priorities document.

Summary of our financial position

[to be included as part of the budget setting process in February 2024]

Glossary of terms

Actuarial valuation

An independent report of the financial position of the Pension Fund that is carried out by an actuary every three years. Reviews the Pension Fund assets and liabilities as at the date of the valuation and the results of which, including recommended employer's contribution rates, the Actuary reports to the Council.

Baseline funding level

The amount of a local authority's start-up funding allocation which is provided through the local share of the estimated business rates aggregate (England) at the outset of the scheme as forecast by the Government. It forms the baseline against which tariffs and top-ups will be calculated.

Budget requirement

The Council's revenue budget on general fund services after deducting funding streams such as fees and charges and any funding from reserves. (Excluding Council Tax, Revenue Support Grant, New Homes Bonus and Business Rates).

Business rate retention scheme

The Business Rates Retention Scheme introduced by Government from April 2013 is intended to provide incentives for local authorities to drive economic growth, as the authorities will be able to retain a share of the growth that is generated in business rates revenue in their areas, as opposed to the previous system where all business rates revenues are held centrally.

Under the scheme local authorities were also allowed to form pools for the purposes of business rates retention. West Suffolk along with the other Suffolk Authorities and the County Council have been designated as a Suffolk pool from April 2013.

In 2018 the Government announced the new 100% business rate pilot schemes, the Suffolk authorities were successful in being one of those pilots during 2018 to 2019.

The planned 75 per cent business rates retention scheme and re-baselining as part of the fairer funding review will be postponed until April 2026 at the earliest.

Capital expenditure

Spending on assets that have a lasting value, for example, land, buildings and large items of equipment such as vehicles. Can also be indirect expenditure in the form of grants to other persons or bodies.

Capital Programme

Council's plan of future spending on capital projects such as buying land, buildings, vehicles and equipment.

Capital Receipts

The proceeds from the disposal of land or other assets. Capital receipts can be used to finance new capital expenditure but cannot be used to finance revenue expenditure.

CIPFA

Chartered Institute of Public Finance and Accountancy. One of the UK accountancy institutes. Uniquely, CIPFA specialise in the public sector. Consequently, CIPFA holds the responsibility for setting accounting standards for local government.

Collection fund

A statutory account maintained by the council recording the amounts collected from council tax and business rates and from which it pays the precept to the major precepting authorities.

Collection Fund surplus (or deficit)

If the council collects more or less than it expected at the start of the financial year, the surplus or deficit is shared with the major precepting authorities - Suffolk County Council and Suffolk Police Authority.

Contingency

Money set-aside centrally in the council's base budget to meet the cost of unforeseen items of expenditure, such as higher than expected inflation or new responsibilities.

Council Tax Base

The Council Tax Base for a council is used in the calculation of council tax and is equal to the number of Band D equivalent properties. To work this out, the council counts the number of properties in each band and works out what this equates to in terms of Band D equivalent properties. The band proportions are expressed in ninths and are specified in the Local Government Finance Act 1992.

Fairer Funding Review

Central government funding for local authorities is currently based on an assessment of its relative needs and resources. The overarching methodology that determines how much funding each authority receives each year was introduced over ten years ago and has not been updated since funding baselines were set at the start of the 50 per cent business rates retention scheme in 2013 to 2014.

The government is undertaking a 'Fairer Funding Review'. This is aimed at designing a new system for allocating funding between councils, the review will:

- set new baseline funding allocations for local authorities
- deliver an up-to-date assessment of the relative needs of local authorities
- examine the relative resources of local authorities
- focus initially on the services currently funded through the local government finance settlement
- be developed through close collaboration with local government to seek views on the right approach

The Fairer Funding review is expected to come into force from April 2026.

General Fund Balance

The main unallocated reserve of the council, set aside to meet any unforeseen pressures.

Gross Domestic Product (GDP)

GDP is defined as the value of all goods and services produced within the overall economy.

Gross expenditure

The total cost of providing the council's services, before deducting income from Government grants, or fees and charges for services.

Individual authority business rates baseline

Derived by apportioning the billing authority business rates baseline between billing and major precepting authorities on the basis of major precepting authority shares.

Local share of business rates

This is the percentage share of locally collected business rates that will be retained by local government. This is currently set at 50 per cent. At the outset, the local share of the estimated business rates aggregate is divided between billing authorities on the basis of their proportionate shares.

Net expenditure

Gross expenditure less services income, but before deduction of government grant.

National Non Domestic Rates (NNDR)

Also known as 'business rates', Non-Domestic Rates are collected by billing authorities such as West Suffolk Council and, up until 31 March 2013, paid into a central national pool, then redistributed to authorities according to resident population. From 2013 to 2014 local authorities will retain 50 per cent of the value of any increase in business rates. The aim is to provide an incentive to help businesses set up and grow.

New Homes Bonus

Under this scheme councils receive a new homes bonus (NHB) per property for the year following completion. Payments are based on match funding the council tax raised on each property with an additional amount for affordable homes. It is paid in the form of an unringfenced grant.

Precept

The precepting authority's council tax, which billing authorities collect on behalf of the major preceptor.

Prudential Borrowing

Set of rules governing local authority borrowing for funding capital projects under a professional code of practice developed by CIPFA to ensure councils' capital investment plans are affordable, prudent and sustainable.

Referendum

Power under which the Government may limit the level of council tax increase year on year. Any shire district authority in England wanting to raise council tax by more than 3 per cent or £5 whichever is the higher amount, must consult the public in a referendum. Councils losing a referendum would have to revert to a lower increase in bills.

Revenue Expenditure

The day-to-day running expenses on services provided by the council.

Revenue Support Grant (RSG)

All authorities receive Revenue Support Grant from central government but this is expected to be phased out by April 2025.

Risk Management

We define risk as being uncertainty of outcome, whether relating to 'positive' opportunities or 'negative' threats/hazards. Our new, positive approach to risk is based on context, proportionality, judgement and evidence-based decision making that considers risk on a case by case basis and is documented at all stages. We will be joined-up in our decisions, and will draw on one another's skills and experience to take responsibility for sound and reasonable decisions about the use of public funds, avoiding a blame culture when things go wrong.

<http://westsuffolkintranet/howto/risk-management.cfm>

Section 151 officer (or Chief Financial Officer)

Legally Councils must appoint under section 151 of the Local Government Act 1972 a named chief financial officer to give them financial advice, for West Suffolk Council this role is held by the post holder of Director (Resources and Property).

Specific Grants

Funding through a specific grant is provided for a specific purpose and cannot be spent on anything else, for example: Housing Benefits Subsidy.

Spending Review

The Spending Review is an internal Government process in which the Treasury negotiates budgets for each government department.

Suffolk Business Rate Pool

All district/borough councils in Suffolk, along with Suffolk County Council have created the Suffolk Business Rates Pool. The pooling of business rates across Suffolk will:

- through its governance arrangement ensure no individual council is financially any worse off for being in the Suffolk pool
- maximise the proportion of business rates that are retained in Suffolk
- benefit the wider communities within the county led by the Suffolk Leaders' collective vision for a 'Better Suffolk'
- provide incentives for councils to work together to improve outcomes for Suffolk.

Tariffs and top-ups

Calculated by comparing an individual authority business rates baseline against its baseline funding level. Tariffs and top-ups are fixed at the start of the scheme and index linked to the Consumer Price Index (CPI) in future years. West Suffolk is a 'tariff' authority.

Treasury Management

Managing the council's cash flows, borrowing and investments to support the council's finances. Details are set out in the Treasury Management Strategy

which will be considered and approved by Cabinet and Council in February each year.