

# Delivering a Sustainable Medium-Term Budget

<b>Report number:</b>	<b>PAS/WS/24/001</b>	
<b>Report to and date(s):</b>	<b>Performance and Audit Scrutiny Committee</b>	25 January 2024
	<b>Cabinet</b>	6 February 2024
	<b>Council</b>	
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**Decisions Plan:** This is included in the Decisions Plan.

**Wards impacted:** All wards

**Recommendation:** It is recommended that the committee, recommend to Cabinet:

1. The inclusion of the proposals, as detailed in section 2 of this report and Appendix A - Budget Assumption Changes, in the 2024 to 2025 Revenue Budget.
2. The inclusion of the capital programme as set out at Appendix C (including annex i, ii, iii) in the 2024 to 2025 budget setting process.

## 1. Context to the 2024 to 2025 budget process

- 1.1 This report follows on from, and should be read in conjunction with, the November Performance and Audit Scrutiny Committee (PASC) report (report number [PAS/WS/23/023](#)) detailing the process and approach to setting the council's 2024 to 2025 budget and the principles and challenges faced in achieving this.
- 1.2 This report provides an update on the challenges all councils, including West Suffolk Council, face in the delivery of council services as well as an update on the latest funding details from Government. This report sets out that the council faces new pressures next year, from those already assumed in the indicative 2024 to 2025 budget set in February 2023, of around £5 million for the year, pressures that will now form (in the most cases) a new cost base for all future years budgets too. These pressures come through the continued impact of inflation, utility costs and the cost-of-living crisis which has inflated prices as well as demand for services.
- 1.3 Whilst the funding challenge remain significant in the medium to longer term the council continues to deliver year on year efficiencies, savings and drives the maximisation of its income streams to ensure its financial sustainability.
- 1.4 This means, that while our budget delivery plan work continues into the medium to longer term with further savings and initiatives needed to be achieved, the council can give reassurance that balanced budgets can be delivered for the two years 2024 to 2026.
- 1.5 **Appendix A** to this report provides proposed changes to the budget assumptions from those used in the February 2023 Budget and Council Tax report [COU/WS/23/003](#), alongside growth in service demand, support towards the new strategic priorities and anticipated savings and initiatives proposed or delivered to date to achieve a sustainable and balanced budget for 2024 to 2026 (a summary of the revenue budgets after the proposed changes in **Appendix A** are set out in **Appendix B**) and includes details of the medium-term budget estimates.
- 1.6 Attached at **Appendix C** is the proposed capital investment plans across the medium term. This proposed capital programme contains a number of already agreed strategic projects, including our commitment to achieving net zero by 2030 as well as significant investment plans in the councils operational assets, buildings and commercial estate. This programme is fully funded from a mixture of available reserves, capital receipt balances and prudential borrowing (in which case provision is allowed for within the proposed revenue budget to service the associated prudential borrowing costs through repayments and interest payable).
- 1.7 The medium-term budget plans (beyond April 2025) are being prepared in the context of significant uncertainties around the current economic climate and Government policy, such as:
  - the current cost of living and inflationary challenges
  - Local Government Finance Settlement (post April 2025)

- the Fairer Funding Review, Business Rates Retention (BRR) Scheme Review (post April 2025)
- commercial investment policy
- major reforms such as Simple Recycling, formally known as the Resources and Waste Strategy (RAWS)

- 1.8 The council will continue to lobby Government over financial support and funding together with partners and other local authorities. The government settlement is significantly lower than inflation and that required to deliver local services. It is also expected and has been calculated on the premise that all councils will supplement it with raising Council Tax to meet the financial challenges faced nationally. Currently Council Tax provides for under a fifth of the total income needed to cover the cost of delivering services with the rest having to be supplemented from other incomes, including locally generated fees and charges.
- 1.9 As outlined before all UK authorities are facing tough financial challenges caused by issues such as high inflation, cost of living and utility prices, and changes to the way communities spend which can often result in reduced income.
- 1.10 West Suffolk Council's ongoing robust and responsible financial management has meant we have been able to be in a strong position to face many of the challenges that have so deeply affected all local government authorities. However, as costs increase for our businesses and communities there is more demand, especially from the most vulnerable, for our aid. At the same time the rising cost of goods, utilities and fuel that everyone is experiencing to deliver these services are also increasing for West Suffolk Council and its strategic service partners, in particular its leisure operations – doubling the challenge to our budget setting.
- 1.11 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 greater benefits to communities and businesses alongside efficiencies and savings that would be delivered by agencies on their own. However, the impact of the economic situation and wider income recovery challenges on our system partners including Suffolk County Council is uncertain at this stage. Therefore, it is not clear what indirect cost impacts or knock on effects may be experienced locally and, on the partnership working due to their budgetary decisions.

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

- 2.1 The November Report [PAS/WS/23/023](#) outlined the process and principles that would be followed to develop the 2024 to 2025 budget and medium-term plans and the key work pillars that would provide the base for any budget assumptions. These assumptions are constantly under review, in

response to further data and intelligence. Since this last report, there have been the following updates as set out below.

### **Provisional Finance settlement 2023**

- 2.2 The Government published the provisional local government finance settlement (details of what government funding, across the various headings as set out below, will be available to individual councils to support the delivery of local services) for 2024 to 2025 on 18 December 2023. The announcement covered funding plans for 2024 to 2025 only. At this stage the settlement is essentially a rollover of the current funding principles with a 4.75 per cent core spending increase from that received in 2023 to 2024 (the government assumes in this the maximum 3 per cent Council Tax increase is utilised). Any funding reforms or changes in funding distribution have been communicated as not be implemented until 2025 to 2026 at the earliest.
- 2.3 This means a further delay to the Fair Funding Review and the Business Rates Retention Scheme (including the business rates baseline reset) – the assumption in our medium-term plans is that these reforms will be implemented now from April 2026 as, on a practical level, many believe these reforms are unlikely to be implemented until 2026 to 2027 due to the level of change and consultation that a new government is likely to need to go through. This position is reflected in the medium-term budget assumptions (no significant funding reforms until April 2026) and will therefore be kept under regular review.
- 2.4 The government settlement is significantly lower than inflation and that required to deliver local services. And in real terms, the settlement still doesn't make up for the years of austerity and Government funding cuts.
- 2.5 The maximum increases in Band D council tax have been confirmed by Government as the higher of 2.99% or £5 for district councils.

### **Revenue Support Grant**

- 2.6 Revenue Support Grant (RSG) allocations have been rolled forward for a further year. West Suffolk's allocation for 2024 to 2025 is £0.448 million and for 2025 to 2026 we have assumed the same amount. No further RSG allocations have been included in the MTFS from 2026 to 2027 onwards as it was always Government's intention to remove this grant.

### **Rural Services Delivery Grant**

- 2.7 The Rural Services Delivery Grant has been rolled forward unchanged from 2023 to 2024 and £0.203 million has been included in both 2024 to 2025 and 2025 to 2026 budgets, with nothing assumed beyond this.

### **Services Grant**

- 2.8 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 rolled this forward to 2023 to 2024 albeit at a lower level to reflect the reversal of the National Insurance increase. It has been rolled

forward again to 2024 to 2025, having been reduced further. West Suffolk's provisional allocation is £0.029 million for 2024 to 2025 and we have assumed the same for 2024 to 2025.

### **New Homes Bonus**

- 2.9 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 1), and the Government will decide whether to continue this into 2025 to 2026 before next year's settlement. The total money available for NHB was cut in 2023 to 2024 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 2022 to 2023 and 2024 to 2025 settlement. The NHB allocation for West Suffolk is £0.881 million for 2024 to 2025, along with £0.875 million included in the funding guarantee grant to maintain the £1.756 million received in 2022 to 2023 before the cut. 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 towards the delivery of strategic priorities.

### **Funding Guarantee Grant**

- 2.10 This grant ensures every authority has an increase in Core Spending Power (CSP) 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. West Suffolk has been given a provisional allocation of £1.281 million for 2024 to 2025 and we have assumed a similar allocation for 2025 to 2026. As this allocation includes £0.875 million transferred from NHB, the net £0.406 million will benefit the 2024 to 2025 and 2025 to 2026 budgets.
- 2.11 These Government funding assumptions will continue to be kept under constant review as part of future budget processes. This collection of assumptions has one of the biggest financial impacts on the council's budget in the medium term given the sums involved.

### **Other income assumptions**

- 2.12 There has been a detailed line by line review of the 2023 to 2024 income budget assumptions across a best, base and worst-case scenario. The material outcomes of this review are included in **Appendix A** Budget Assumption Changes. This work will also feed into the S151 Officers report to Council on the robustness of estimates and balances.
- 2.13 In addition to reviewing the income assumptions there has also been a review of the fees and charges pricing used in the budget and medium term. This is to ensure:
- That we are recovering the cost of delivering these discretionary services on a user pays basis (also taking into account charging levels made by other local authorities)
  - Consistency of approach in line with the Fees and Charges policy

- Provide appropriate visibility for those pricing decisions that are likely to have significant public interest (including those over 5 per cent annual increase – in line with the council’s constitution).

The Fees and Charges that are changing and meet the requirements for reporting through to Cabinet are detailed in **Appendix E – Fees and Charges**.

### **Business Rates estimate for 2024 to 2025**

- 2.14 It was announced in the Autumn Statement that the government would use new powers under the Non-Domestic Rating Act 2023, to set the small business and standard business rate multipliers separately from one another. Previously, these two multipliers had to be increased by the same percentage with the standard multiplier being fixed at 1.3p higher than the small multiplier. For 2024 to 2025 the small multiplier will be frozen at 49.9p. The standard multiplier (payable by businesses with rateable values more than £51,000) will increase from 51.2p to 54.6p, resulting in the difference between the two multipliers increasing to 4.7p.
- 2.15 The increase in the Business Rates Retention Scheme (including baseline funding and tariff levels) is linked to the increase in the multipliers. The government will pay a Section 31 Cap Compensation grant to councils to make up the difference between the weighted average increase in their multipliers and CPI at September 2023 (6.62 per cent).
- 2.16 At the Autumn Statement on 22 November 2023 the Chancellor announced the extension of the business rates relief scheme at 75 per cent for retail, hospitality, and leisure (RHL) properties into the 2024 to 2025 financial year. Local authorities are expected to use their discretionary relief powers (section 47 of the Local Government Act 1988, as amended) to grant these reliefs in line with the relevant eligibility criteria set out in guidelines. However, the full cost of granting this relief will be compensated through a section 31 grant from Government.
- 2.17 RHL relief 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 maintained at 75 per cent with effect from 1 April 2024. 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 and is limited to £110,000 per business.
- 2.18 Business Rates are set by government through the Valuation Office. West Suffolk is responsible for administering business rates as a billing authority, including its collection. Since 2013, local authorities can benefit financially from retaining locally a share of the growth in the total rates collected locally (they are also responsible for a share if the total rates decline). This means that if the government makes national decisions around business rates, including offering new reliefs or changing the multiplier applied, then the government will issue a compensatory payment (through a S31 grant) to local authorities so they are not financially impacted by the business rate income they would have otherwise received a share of had a national policy decision been made.

### **3. Our current projections for 2024 to 2025 and beyond**

- 3.1 Our baseline medium term plans from the 2023 to 2024 budget (Report reference [COU/WS/23/003](#)) process already included the need to make significant savings across the medium-term financial plans.
- 3.2 The November PASC report (report number [PAS/WS/23/023](#)) set out the process and principles that would be followed in order to produce a sustainable budget for 2024 to 2025 and a MTFs out to 2027 to 2028. These processes have revealed a number of changes to assumptions and plans for those time periods.
- 3.3 The net impact of these key assumption changes are set out in **Appendix A – Budget Assumption Changes**. The changes give rise to a balanced position for 2024 to 2025 and 2025 to 2026, £5.71 million budget gap for 2026 to 2027 and £6.28 million budget gap for 2027 to 2028 (these are cumulative budget gaps and assume the government will remove 50 per cent of the current business rates retention growth for West Suffolk). The resultant Income and Expenditure statement taking these changes into account from the in-principle budget set at February 2023 Council for West Suffolk Council can be found in **Appendix B – Proposed Revenue Budget**.
- 3.4 West Suffolk council's response to the financial challenges and opportunities will follow our six key work pillars (report number [COU/WS/23/019](#) refers). Our opportunities include capturing and building on the learning and innovative ways of delivering our services, experienced during this time.
- 3.5 These projections assume a 3% council tax increase that will be set out in the February 2024 Council report and the introduction of a second homes council tax premium from April 2025. The setting of council tax is a matter for the February Council meeting.

#### **Longer term financial challenges**

- 3.6 There is a significant amount of uncertainty with the government grant and business rate retention scheme assumptions that underpin the indicative 2026 to 2028 budget projections contained in **Appendix A and B**. The current assumption within these projections is that government funding will be significantly reduced from the levels currently received, as detailed under each of the grant headings in section 2 above.
- 3.7 The following table sets out the potential range, as a best and worst case scenario depending on whether the current level of grants and business rate retention scheme growth continue across the longer term (best case scenario) or that all growth currently received through the business rates retention scheme is removed alongside no grant being provided, so the other 50 per cent of the business rates retention growth also goes from that currently assumed (worst case). It is very unlikely that a new government would implement the worst-case scenario, so this should be seen as an illustration of impact and if that was to happen, it is envisaged that transitional funding would be made available to soften the reduction over a period of time so not to create such a cliff edge.

	<b>2024 to 2025 £m</b>	<b>2025 to 2026 £m</b>	<b>2026 to 2027 £m</b>	<b>2027 to 2028 £m</b>
<b>Current budget gap as set out in 3.4 above</b>	<b>0.00</b>	<b>0.00</b>	<b>5.71</b>	<b>6.28</b>
<b>Best case scenario:</b> Additional income to that currently assumed – retain the current level of grants and all business rate retention scheme growth from 2026/27	0.00	0.00	(5.22)	(5.30)
<b>Revised budget gap – best case scenario</b>	<b>0.00</b>	<b>0.00</b>	<b>0.49</b>	<b>0.98</b>
<b>Worst case scenario:</b> Reduced income – remove all business rate retention scheme growth from 2026/27 alongside no grant provided	0.00	0.00	3.27	3.34
<b>Revised budget gap – worst case scenario</b>	<b>0.00</b>	<b>0.00</b>	<b>8.98</b>	<b>9.62</b>

- 3.8 The above shows, for illustrative purposes, a budget gap range in 2027 to 2028 of £0.98 million to £9.62 million between the best and worst case scenario around government funding assumptions (assuming all other budget assumptions remain the same as detailed in the proposed 2024 to 2025 budget and medium term plans). This also illustrates our continued reliance of government funding to deliver local services.
- 3.9 In the absence of certainty from government over grant levels in the medium to longer term, work continues on developing annual saving, income and initiative plans (following the agreed MTFs themes) of £1 million per annum from April 2026 across the medium term to remain ahead of the curve and to address any longer-term financial challenges for West Suffolk Council. The Council also maintains the business rates equalisation reserve (current balance £6.1 million) to support any cliff edge reductions in business rates funding (including appeals) that might be created from future government funding announcements. This reserve covers this risk and would provide short to medium term funding (albeit one off), allowing certainty and time so further savings and income plans can be delivered to address reduced funding in the medium to longer term if that was to be the outcome of future funding settlements.

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

- 3.10 A proposed West Suffolk 10 Year Capital Programme is attached at **Appendix C** for members consideration. This £131 million investment programme takes into consideration both strategic capital and investment projects alongside the operational requirements and improvements/initiatives linked to service delivery such as our operational vehicle replacements and asset management requirements.



- 3.11 Included within the strategic capital projects are a number of previously agreed projects such as the AME Units Suffolk Park, Rougham Hill redevelopment, Barley Homes, Provincial House, alongside a number of proposed new capital projects that will be subject to Council approval as part of the budget reports. These include:
- A £1.2 million investment in the commercial unit at Anglian Lane site in Bury St Edmunds to regenerate the asset whilst increasing its rental income – exempt business case at **Exempt Appendix F i**.
  - A £1.1 million investment in the commercial unit at 2 Hollands Road in Haverhill regenerate the asset whilst increasing its rental income – exempt business case at **Exempt Appendix F ii**.
  - A £30.0 million capital funding provision to support our Investment in our Growth Agenda Fund, which will be subject to separate business cases. This fund will be available to support projects such as the redevelopment of the Olding Road site (Business Case due in the coming months), temporary accommodation acquisitions and other capital project as they come forward in support of the new strategic priorities.
  - £2.75 million of investment to top up the Net Zero fund to support further investment in our assets, including our leisure portfolio and in our solar for business scheme.
  - An additional £3 million capital budget (£15.1 million in total) for the AME units, Suffolk Park, to reflect increased construction costs from the latest project gateway review, funded by prudential borrowing with the cost of borrowing to be funded by increasing the pot B business rate income share (subject to partners agreement).
  - A £6.2 million investment in Bury Leisure Centre, funded over 10 years by the one off £0.45 million AMP provision and the annual £0.724 revenue budget to create a capital budget through prudential borrowing.
  - A £2.0 million investment towards a total £4.0 million capital project delivering a new sport and leisure provision at the St Felix site in Newmarket – **exempt business case at Appendix F iii**.
  - £1.7 million for transitional costs associated with the introduction of weekly food waste collections, relating to the purchase of bins and new vehicles.
- 3.12 The council's capital programme is fully funded through a mixture of capital grants, capital receipts, prudential borrowing and revenue reserves (mainly relates to operational requirements such as vehicle replacements and asset management). Each capital project is subject to a business case including the basis at which the project is to be funded and detailed risk assessment – those relating to the new projects are attached at **Exempt Appendix F i, F ii** and **F iii** Operational projects are linked to asset management requirements, through condition surveys and assessments. The disabled facilities budget is based on the external grant received by West Suffolk.

### **Reserves**

- 3.13 The reserves of West Suffolk council are split between the general fund (held as a contingency to cover unexpected expenditure or reduced income) and the earmarked reserves (held for specific identified uses).

- 3.14 The general fund is forecast to remain at £5.0 million over the extent of this MTFS with no requirement to draw upon or top-up this balance out to 2027 to 2028.
- 3.15 Earmarked reserves are planned to move from a forecast opening balance at the 1 April 2024 of £41.1 million to a closing balance of £35.9m million by the 31 March 2028. This reduction in reserves held is predominantly driven by the utilisation of the Strategic Priorities and MTFS reserve (which will also be further drawn upon during the year as projects are assessed against the new strategic priorities) and the Building Repairs reserve which is held to cover the asset management plan of maintenance of our operational, housing, leisure and commercial buildings.
- 3.16 The statement of all earmarked reserve balances and movements can be found in **Appendix D** – Earmarked Reserves. There are also separate appendices with more detail for the following reserves:
- Strategic Priority and MTFS – **Appendix D (i)**
  - Investing in our Growth – **Appendix D (ii)**
  - Business Rates Retention Pilot – **Appendix D (iii)**
  - Capital Financing Reserve – **Appendix D (iv)**
  - Building Repairs Reserve – **Appendix D (v)**

#### **Next steps and timetable**

- 3.17 The following high-level timetable is proposed for delivery and agreement of a budget and medium-term plan for West Suffolk Council for 2023 to 2024.

<b>Action</b>	<b>Timescales</b>
PASC – delivering a sustainable budget update report	25 January 2024
Cabinet – 2024 to 2025 Budget and Council Tax setting report	6 February 2024
Member Development Session(s) and briefing(s) – 2024 to 2025 Budget and MTFS	8 February 2024
Council – 2024 to 2025 Budget and Council Tax setting report	20 February 2024

## **4. Consultation and engagement undertaken**

- 4.1 The budget assumptions, growth items, savings and initiatives set out in this report have been prepared in consultation with Leadership Team, the Portfolio Holder for Resources and Property and other relevant Portfolio Holders.

## **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 referenced in this report**

- 7.1 Appendix A - Budget Assumption Changes  
Appendix B – Proposed Revenue Budget following changes set out in Appendix A  
Appendix C (including Appendix C i, ii and iii) – Proposed West Suffolk Capital Programme  
Appendix D (including Appendix D i, ii, iii, iv and v)– Revenue Reserves  
Appendix E (including Appendix Ei) – Fees and Charges 2024 to 2025  
**EXEMPT Appendix F i, ii and iii (Exempt Business cases to support new strategic capital projects)**

### **Background Papers**

February 2023 - Budget and Council Tax Setting 2023 to 2024 and Medium-Term Financial Strategy 2023 to 2027

[COU/WS/23/003](#)

November 2023 - Delivering a Sustainable Medium Term Budget

[PAS/WS/23/023](#)