

# Recommendations of the Performance and Audit Scrutiny Committee: 25 January 2024: Delivering a Sustainable Medium-Term Budget

<b>Report number:</b>	<b>CAB/WS/24/007</b>	
<b>Report to and date(s):</b>	<b>Cabinet</b>	6 February 2024
	<b>Council</b>	20 February 2024
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**Decisions Plan:** This item is included in the Decisions Plan.

**Wards impacted:** All wards.

**Recommendation:** That Cabinet be recommended to:

1. Include the proposals as detailed in Section 2 of report number [PAS/WS/24/001](#), and [Appendix A](#) (budget assumption changes) in the 2024 to 2025 Revenue Budget.
2. Include the capital programme as set out at [Appendix C](#) (including annex [Ci](#), [Cii](#) and [Ciii](#)) in the 2024 to 2025 budget setting process.

# 1. Context to this report

- 1.1 At its meeting on 23 November 2023, report number [PAS/WS/23/023](#) outlined the process and approach to setting the council's 2024 to 2025 budget and the principles and challenges faced in achieving this.
- 1.2 The Committee on 25 January 2024, received an update on key budget assumptions proposed in the development of the 2024 to 2025 budget and medium-term plans. The proposed key budget assumptions were set out in Section 2 of the report (and below).
- 1.3 **Extract from Report number PAS/WS/24/001: (Section 2)**
- 1.3.1 **2. Proposals within this report – key budget assumptions**
- 2.1 *The November 2023 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. 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 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.*

1.4 Attached at [Appendix C](#) is the proposed capital investment plans across the medium-term. The proposed capital programme contains a number of already agreed strategic objectives, including our commitment to achieving net zero by 2030 as well as significant investment plans in the council's 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).

#### 1.5 **Performance and Audit Scrutiny Committee**

The Performance and Audit Scrutiny Committee scrutinised the report in detail and asked questions to which comprehensive responses were provided. In particular discussions were held on the projected future budget gaps and whether the budget was prudent enough and future proof; council tax; Appendix C - charging points across the district; Appendix D - coin payment machines; industrial units' income/rental and where there were any future proposals for the West Way site.

- 1.6 In response to a question raised in relation to the budget proposal of £200k for more staff in the planning department, the Committee was advised that the proposal for was extra capacity in the local plan which was a new requirement from central government.
- 1.7 The Committee voted to consider in detail the **Exempt Appendices** in private session.
- 1.8 At the conclusion of discussions held in private session, the press and public were readmitted.
- 1.9 The Performance and Audit Scrutiny Committee has put forward its recommendations as set out on page one of this report.

## **2. Alternative options that have been considered**

- 2.1 Not applicable.

## **3. Consultation and engagement undertaken**

- 3.1 See report number: [PAS/WS/24/001](#)

## **4. Risks associated with the proposals**

- 4.1 See report number: [PAS/WS/24/001](#)

## **5. Implications arising from the proposals**

- 5.1 Financial: See Report number: [PAS/WS/24/001](#)

## **6. Appendices referenced in this report**

- 6.1 None

## **7. Background documents associated with this report**

- 7.1 21 February 2023 - Budget and Council Tax Setting 2023 to 2024 and Medium-Term Financial Strategy 2023 to 2027 - [COU/WS/23/003](#)  
  
23 November 2023 - Delivering a Sustainable Medium Term Budget  
[PAS/WS/23/023](#)