



Forest Heath & St Edmundsbury councils



# **West Suffolk**

working together

# **West Suffolk Medium Term Financial Strategy (MTFS) 2016-20**

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**FOREWORD FROM THE PORTFOLIO HOLDERS OF THE COUNCILS**

[INSERT FOREWORD ENCOMPASSING KEY MESSAGES LISTED BELOW - EARLY 2016]

- West Suffolk is now established as a shared service, collaboration is now the baseline.
- We are moving forward to integration and devolution.
- We continue to meet the financial challenges through the six themes.
- Comment on the overall financial position across West Suffolk

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## **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 and essential services over the next four years. It considers how the councils can provide these resources within the financial context and constraints likely to be faced.

Like all local authorities, Forest Heath and St Edmundsbury's MTFS is influenced by national government policy, funding and spending announcements. The government's spending plans for 2016-20 have been announced [to be updated nearer to publication]. This MTFS therefore provides an assessment of our financial strategy until 2020.

It must be stressed that we are two councils, with two separate budgets as shown in the 'summary of our financial position' section of this document. There are, however similarities in our approach to meeting the financial challenges. We are therefore working together to build common strategies, and to share learning from one another in designing new approaches, although how these approaches apply to the different localities in Forest Heath and St Edmundsbury, may still vary.

## **The economy**

The UK economy slowed a little in early 2015 but domestic demand growth remained relatively strong, helped by lower oil prices. Net exports continued to subtract from UK growth, reflecting sluggish growth in early 2015 in both the US and the Eurozone.

Britain's economy is expected, according to the government's independent forecasters, the Office for Budget Responsibility (OBR) to grow (GDP) around 2.4% in 2015 before dipping only slightly in 2016 when the pace of fiscal tightening is greatest. Consumer spending and business investment will be the main drivers of UK growth in these years. Risks to growth are weighted somewhat to the downside in the short term due to international risks, including uncertainties relating to Greece and the recent turbulence in the Chinese stock market. But there are also upside possibilities in the medium term if the global environment improves and real wage and productivity growth rates accelerate in the UK.

The UK's inflation rate turned positive in July, with the Consumer Prices Index measure rising to 0.1% from June's 0%. Inflation seems likely to remain very low for the rest of the year, then rising in 2016 and returning slowly to the 2 per cent target by 2020. Monetary policy has a critical role to play in supporting the economy with the Monetary Policy Committee (MPC) continuing to maintain Bank Rate at 0.5%, although indications are that they may start to raise interest rates gradually around quarter two in 2016.

## **Government borrowing and spending**

The Government's intention to reduce the UK's current budget deficit and level of debt, through public spending control, continues to be well documented, through its recent Spending Review and Budget announcements.

The July Budget confirmed plans for significant further fiscal tightening to eliminate the budget deficit before the end of this decade, but with a somewhat slower and smoother profile of public spending cuts and around £7 billion per annum of net tax rises to be phased in by 2020. The impact of £12 billion of welfare cuts will be offset for some lower earners by the new National Living Wage.

The Government has proposed two new fiscal targets in this Budget: to achieve a surplus on public sector net borrowing in 2019-20 (and then every year in 'normal times') and for public sector net debt to fall as a share of GDP every year up to 2019-20. The OBR's central forecast is consistent with meeting these targets.

## **Changes to local government financing**

Over the period of the previous Medium Term Financial Strategy (2014-16), a number of new local government financing mechanisms were embedded in the Councils' overall funding framework. For example:

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

It is expected that each of these mechanisms will continue into 2016-2020, although each is subject to further changes by central government.

Local government is now funded from three main sources; council tax, revenue support grant and a share of business rates income. Council tax income continues to be the main source of funding, in total value, for local authorities. However, both Forest Heath and St Edmundsbury have continued to deliver council tax freezes in the last five years.

[ADD MATERIAL ON THE SUFFOLK DEVOLUTION OFFER AND ANY MATERIAL ON FINANCIAL ASPECTS OF DEVOLUTION IN EARLY 2016]

## **LOCAL CONTEXT**

Both Forest Heath and St Edmundsbury financial position is based on each of our financial circumstances, local demand and opportunities. The 'summary of our financial positions' section of this document details each council's individual financial standing. The following section provides an overview of the local context in which both councils operate within West Suffolk.

### **The local economy**

#### 1) Economic growth

Our geographical position means while we are very much part of the county of Suffolk, we are also part of the wider Cambridge economy and the A14 and A11 transport links tie us into the wider geography of East Anglia for key issues.

We play a significant part in the Cambridge Housing Sub-Region as well as the New Anglia LEP and the Greater Cambridge, Greater Peterborough LEP. Councillors recognise the opportunities this creates and are committed to maximising them but there is also recognition that this proximity brings

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challenges as well, including high house prices and rental levels alongside demand for housing that is not being supplied within the Cambridge area.

### 2) Better housing

West Suffolk is facing increasing demands for housing both in the public and private sectors. There is a need to ensure housing is affordable whether to rent or buy, which is challenging in an area with historically low wages and pressures on house rental prices. We recognise the need not only for more homes but also a range of different types of housing suitable for the varying needs for our growing and ageing population as well as homes to suit local demand from first time buyers, those that are retiring, and sites for Gypsies and Travellers.

### 3) Families and communities

When measured at the local authority level, the populations of Forest Heath and St Edmundsbury Borough Councils appear to be relatively affluent, and experiencing lower levels of deprivation and social upheaval than many other parts of the country. However, this overall picture masks pockets of real deprivation in certain wards and a wider lack of social mobility.

## **Increase in service demands**

West Suffolk serves a population of 170,700 across two predominantly rural districts in the heart of East Anglia.

The 2001 Census showed that the number of residents over 65 in West Suffolk was slightly below the national average. Improved health and wellbeing has shown an increase in ageing population both nationally and in West Suffolk. The 2011 census showed percentage of over 65s in West Suffolk had risen to 17.97%; this is now above the national average and projected to increase. Many older people bring a wealth of experience and skills which they are willing to share voluntarily throughout their retirement, and these opportunities need to be developed. Some older people need extensive support to continue living independent lives and this inevitably creates pressures on all public sector services.

West Suffolk has also experienced a period of sustained increase in demand for some of the key services it provides to the most vulnerable members of the community, particularly within housing and our homelessness service.

West Suffolk faces challenges around closing the gaps in educational attainment across the area. While some schools are performing well, some still face challenges in raising educational attainment.

Education is just one element of the complex social issues which have significant impacts on how we fund and deliver council services. As well as individual families, there are a number of neighbourhoods in West Suffolk where

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communities are experiencing real difficulties on a day-to-day basis. Many of the issues facing our residents today are not picked up in statistical analyses, such as loneliness and isolation, a lack of practical support, or mental health problems.

At the same time, our residents expect the public sector to match, or exceed, service levels delivered by the private sector. Council tax is the only visible tax – others are hidden, for example, in VAT on purchases or through pay as you earn (PAYE) deductions from salaries. People expect value for their council tax and prompt, professional and seamless services. The new customer service arrangements will transform our delivery but need resourcing for support systems, such as an efficient, easily accessible and transactional website where people can access services any time of day.

### **Challenges and opportunities within the changing local government financing regime**

The Government's new arrangements for funding local government present local authorities with a higher degree of uncertainty and risk than the previous arrangements. On the other hand, local authorities are now more able to control the level of funding they receive, due to the links to new commercial or housing development that they encourage and incentivise in their local areas. This presents West Suffolk with both challenges and opportunities as the new arrangements bed down.

#### **Funding reductions**

Both councils have already faced significant cuts in Government funding and are now expecting our revenue support grants to reduce by . **[to be updated nearer to publication]**.

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



## **RESPONDING TO THE FINANCIAL CHALLENGES AND OPPORTUNITIES**

Forest Heath and St Edmundsbury are separate councils, with their own individual budgets and requirements. However both councils' response to the challenges and opportunities they have in common are based on six key themes. These themes were developed for the 2014-16 MTFS period, and will continue into 2016-2020, as they represent an appropriate response to the ongoing financial situation:

1. Aligning resources to both councils' new strategic plan and essential services;
2. Continuation of the shared service agenda and transformation of service delivery;
3. Behaving more commercially;
4. Considering new funding models (e.g. acting as an investor);
5. Encouraging the use of digital forms for customer access; and
6. Taking advantage of new forms of local government finance (e.g. business rate retention).

### **1. Aligning resources to both councils' new strategic plan and essential services**

In previous years, both councils have addressed the need for financial savings by sharing the burden across a range of services and setting savings 'targets' for different parts of the council to achieve. In this MTFS, both councils have instead allocated their individual resources in line with the shared priorities set out in the West Suffolk Strategic Plan 2016-20 which is available here [\[insert hyperlink\]](#), and essential services. This has helped to identify areas of both councils' work which could either be scaled back or where (either individually or together) further opportunities for the generation of income could be pursued. The budget-setting process then focused on these non-priority areas, and challenged whether both councils should continue with the activities either at all, or in their current form, in order to ensure they provided value for money to council taxpayers.

The links to the changing role of local government from direct provision and reaction to enabling and preventing, as part our Families and Communities Strategy for West Suffolk, will also start to inform the allocation of the individual councils' available resources. The strategy builds from two key assumptions.

- Changing needs – challenging definitions of poverty and deprivation and also the presumption of public services' role as meeting needs rather than developing and working with the assets within communities.
- Preventing and reducing demand – there are fewer resources and a history of rising demands on public services; we cannot resolve this challenge by trying to do the same things with less money.

## **2. Continuation of the shared service agenda and transformation of service delivery**

The shared service agenda has already delivered in excess of £3.5 million per annum in savings for West Suffolk which is in addition to local savings made by each council alone. Further change management is planned. However a number of Business Process Re-engineering reviews were carried out during 2014-16 and the recommendations from these continue to be implemented. In particular, these reviews have resulted in the integration of customer facing systems (e.g. customer records management) with back-office systems, to allow customers to complete transactions online. Business Process Re-engineering reviews will also continue to be carried out in 2016-20 to ensure further streamlining and efficiencies can be achieved.

The Business Partner model will continue to be operated through the MTFS period, whereby corporate or support services provide specialist support and expertise to all service areas and project teams.

Sharing services has to be wider than just West Suffolk. The Councils are involved in a programme of Suffolk-wide working, supported by funding from central Government, through the Transformation Challenge Award. This work aims to integrate work by public sector partners across the Suffolk "system" so as to improve the lives of Suffolk residents and achieve savings for council tax payers. As well as working with those within the public sector "system", we are also continuing to work in partnership with local communities, enabling them to support themselves.

[ADD MATERIAL ON THE SUFFOLK DEVOLUTION OFFER AND ANY MATERIAL ON FINANCIAL ASPECTS OF DEVOLUTION IN EARLY 2016]

## **3. Behaving more commercially**

Over the period of the last MTFS (2014-16), more commercial behaviours have begun to be embedded in key parts of the councils' work, with implications for the councils' finances. On the one hand, a number of savings have been achieved as a result of more business-like behaviours, and on the other hand, additional income has been generated in some service areas. Behaving more commercially will therefore continue to be a key theme running through the work needed to deliver our outcomes and a sustainable MTFS.

#### 4. Being an 'investing authority' and considering new funding models

The councils have begun work on becoming "investing authorities" over the period 2014-16 and will look to continue to do so in 2016-2020. Both councils have a long tradition of investing in their communities and look to continue to do so, in support of the delivery of their shared strategic priorities, in particular to aid economic growth across West Suffolk.

Depleting capital and revenue reserves and increased pressure on external funding mean that both councils want to consider investing away from the traditional funding models such as using its own reserves. Instead focus is now on the use of:

- making loans, securing the return of the council's funds;
- joint ventures, sharing the investment required; or
- borrowing, introducing new funds into both councils.

The financing of the chosen funding model itself is a challenge for both councils with limited reserve balances available in the medium to longer term. In order to generate new cash into the authorities and to enable a position of becoming 'investing authorities' means that borrowing, in order to create new cash, is something that both councils are open-minded about.

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.

With this in mind and as borrowing is likely over the medium to long term for both authorities, 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 4.5% [to be updated nearer to publication] interest (based on a Public Works Loan Board –PWLB, rate over 25 years) and 4% MRP, and therefore in order to assess each project on a level playing field a target 10% internal rate of return (IRR) will be set in order to cover the cost of borrowing (loan rate to be determined). Naturally a change in interest rate or MRP rate would change the target rate of IRR.

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The choice of funding model for each investment opportunity/project will be based on their individual merits, financial return/costs including the comparison to the agreed target internal rate of return and 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. Encouraging the use of digital forms for customer access**

The ongoing 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 savings programme. The single customer support team created in 2013 has already proven the benefits of both integrated first-point-of-contact support and promoting channel shift.

There will always be some customers 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 customers 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.

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

### **6. Taking advantage of new forms of local government finance (e.g. business rate retention)**

During the period covered by the MTFs, the new forms of local government finance will continue to be the key sources of income for councils. Both councils will therefore take the opportunity to grow our own funding through a strong, and growing, local economy alongside the skills, infrastructure and housing to sustain it.

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## **OUR APPROACH TO ENGAGEMENT AND CONSULTATION**

We already have a number of routes to our urban, rural, business and other communities. We have a variety of different mechanisms in place to engage with residents and other interested groups and we have in the past used focus groups and questionnaires, for example, on budget consultation with residents.

We recognised that there is a place for large scale consultation on the future, type and scale of public services and service delivery in West Suffolk. In the summer of 2014 we carried out a public survey on the budget. We held focus groups across a range of demographics and interests to discuss both councils' priorities and commercial agenda. We used feedback from those groups to develop a public questionnaire asking residents for their views on the real choices on the future of service delivery.

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**SUMMARY OF OUR FINANCIAL POSITIONS**

**REVENUE STRATEGY AND BUDGET SUMMARY**

The approach taken to financial management over the period of the Medium Term Financial Strategy (MTFS) seeks to achieve the following objectives:

- keeping council tax low and at an affordable level;
- deliver the necessary savings to continue to live within our means;
- continuously improve efficiency by transforming the ways of working;
- making prudent budget provisions for the replacement of key service delivery assets such as waste freighters, ICT systems;
- ensure that the financial strategy is not reliant on contributions from working balances; and
- maximising revenue from our assets.

**Key budget assumptions within the MTFS**

There are limitations on the degree to which both Councils can identify all of the potential changes within its medium term financial projections. It is important to remember that these financial models have been produced within a dynamic financial environment and that they will be subject to significant change over time. However the revenue position as currently forecast is summarised below in table 1 and detailed further in Appendix 1 [to be included as part of 2016/17 budget setting process].

**Table 1: Annual savings** [to be updated nearer to publication].

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>Annual saving *</b>	<b>Annual saving *</b>	<b>Annual saving *</b>
Forest Heath DC			
St Edmundsbury BC			
<b>Both Councils</b>			

- **Annual savings required to achieve a balanced budget**

Both council's medium term financial projections include the following key budget assumptions, detailed in table 2 below. Budget assumptions continue to be reviewed as more accurate information becomes available.

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**Table 2 : Key assumptions in the MTFS [to be updated nearer to publication].**

Type of Expenditure	2014/15		2015/16		2016/17		2017/18	
	Forest Heath	St Eds	Forest Heath	St Eds	Forest Heath	St Eds	Forest Heath	St Eds
<b>General inflation</b>	2%		2%		2%		2%	
<b>Fees and charges</b>	2%		2%		2%		2%	
<b>Employee pay increase *</b>	1%		1%		1%		1%	
<b>Utilities</b>	5%		5%		5%		5%	
<b>Employer's pension contribution based on actuarial valuation reports</b>	22.4%	21.7%	24.7%	23.7%	27%	25.7%	30%	27.7%
<b>Vacancy savings</b>	2.5%		2.5%		2.5%		2.5%	
<b>Transport Fuel</b>	5%		5%		5%		5%	
<b>Return on Investments</b>	1.9%	1.5%	1.75%	1.5%	2.15%	2.25%	2.5%	2.25%
<b>Grant reduction as % of RSG (reducing balance)</b>	49% reduction Forest Heath 48% reduction SEBC over two years				-24%	-24%	-28%	-28%

*\* no pay award will be made unless in accordance with national negotiations, but an allowance must be made for it in the budget, as information is not received in time for budget setting.*

### General Fund balance

Each council is required to maintain adequate financial reserves to meet the needs of the authority. The reserves we hold can be classified as either working balances – known as the general fund balance, or as specific reserves which are earmarked for a particular purpose – known as earmarked reserves.

Both councils hold general fund balances as a contingency to cover the cost of unexpected expenditure or events during the year. Both council's policies regarding the level of general fund are as follows, to hold a balance of:

- £2m for Forest Heath District Council; and
- £3m for St Edmundsbury Borough Council

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These amounts equate to approx. X% of net expenditure at the 2015/16 budget level. [to be updated nearer to publication].

### Earmarked Reserves levels

Both councils hold earmarked reserves, which are earmarked for a particular purpose and are set aside in order to meet known or predicted future expenditure in relation to that purpose. The planned use of working balances over the period covered by this strategy is shown in Appendix 3 [to be included as part of 2016/17 budget setting process].

Based on existing contributions the levels of earmarked reserves at the end of 2014/15 are expected to be as follows:

- £Xm for Forest Heath DC; and
- £Xm for St Edmundsbury BC.

Both councils make prudent budget provisions for the replacement of key service delivery assets. Table 3 below summarises these annual provisions within the revenue budgets.

**Table 3: Annual revenue provisions**

	2016/17		2017/18		2018/19	
	Forest Heath	St Eds	Forest Heath	St Eds	Forest Heath	St Eds
Asset Management Plans	£ k	£k	£ k	£k	£k	£k
Waste freighters and plant replacements	£ k	£ k	£ k	£k	£k	£k
ICT systems	£ k	£ k	£ k	£k	£k	£k

### Investment Framework

With the emphasis on 'investing' in key strategic projects to support the delivery of the shared priorities, it is important that both councils set out their approach to considering each project on its own merits alongside a set of desired collective 'investing' programme outcomes. This is particularly important when set against the backdrop of continued financial challenges for local government associated with medium to long term funding uncertainties.

During 2015/16, both Councils [adopted – subject to Cabinet/Full Council in Sept] a new West Suffolk Investment Framework which set out the desired collective 'investing' programme outcomes to support staff and members throughout the initial development stages to the decision making stages of our key strategic projects, particularly those that require the Councils to invest.



The Investment Framework also supports the Councils' compliance with 'The Prudential Code for Capital Finance in Local Authorities (the Code)' and sets out the links with a number of Councils strategic documents and policies including its Treasury Management Strategy and Code of Practice.

### **Treasury management**

Both Council's capital and revenue budget plans inform the development of their Treasury Management Strategies, which are agreed annually as part of its budget setting report. The Treasury Management Annual Strategy details; who the Council can invest with and the maximum amount that can be invested, alongside the Councils borrowing requirements and sources. The Strategy can be found on the councils' website (link provided at the end of the MTFs).

### **Risk management**

In setting the revenue and capital budgets, both councils take account of the known key financial risks that may affect their plans. In addition, the impacts of varying key assumptions in the medium term financial strategy are modelled to assess the sensitivity of the indicative budget figures, as detailed at Appendix 5 [to be included as part of 2016/17 budget setting process]. This informs decisions about the level of working balances needed to provide assurance as to the robustness of the budget estimates.

As West Suffolk changes direction, begins to operate in new ways and seeks new opportunities, the type of decisions we are now having to make will feel unfamiliar, more complex and could carry greater risks. For example, the councils' increasing focus on investment and on new delivery vehicles requires decisions that bring new risks and opportunities into play.

During 2015/16, both Councils adopted a new, positive approach to risk (link provided at the end of the MTFs) based on seven core principles as detailed below. Our approach considers risk on a case by case basis and is documented at all stages.

- A positive approach;
- Contextual decision making;
- Informed risk-taking;
- Proportionate;
- Decision risks vs delivery risks;
- A documented approach; and
- Continuous improvement

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**CAPITAL STRATEGY AND BUDGET SUMMARY**

**Summary position** [to be updated nearer to publication].

The Capital Strategy sets out the Council’s approach to the allocation of capital resources. Appendix 2 [to be included as part of 2016/17 budget setting process] shows the 5 year planned capital expenditure for 2014/15 to 2018/209, together with information on the funding of that expenditure (i.e. grants and contributions, use of earmarked revenue reserves and usable capital receipts reserve).

The Capital Strategy is supported by the Council’s Corporate Asset Management Plan which includes an objective to optimise the Council’s land and property portfolio through proactive estate management and effective corporate arrangements for the acquisition and disposal of land and property assets.

During 2015/16, the capital programme has been reviewed taking into account both the emerging priorities for West Suffolk detailed in our 2016-20 Strategic Plan, and the six key themes of the Council’s response to the challenges and opportunities highlighted within this MTFs.

The Prudential Code for Capital Finance and matters relating to the affordability of the Capital Programme are detailed in Appendix 4 [to be included as part of 2016/17 budget setting process].

**Capital Receipts**

An essential part of the funding arrangements for the capital programme is the disposal of surplus assets. The Council has an agreed programme of asset disposals, which has already been severely affected by the recession. Table 4 is a summary estimate of the likely level of income from asset disposals over the period 2014/15 to 2017/18.

**Table 4: Estimated income from asset disposals 2015/16 to 2018/19**

	2015/16		2016/17		2017/18		2018/19	
	Forest Heath	St Eds	Forest Heath	St Eds	Forest Heath	St Eds	Forest Heath	St Eds
Estimated income from asset disposals	£m	£m	£m	£m	£m	£m	£m	£m

## Capital Reserves

Following the transfer of the local authority housing stocks, both Councils have had extensive capital programmes covering the last 5-10 years. These programmes have predominately been funded from the Councils' housing stock transfer capital receipt or through the use of new capital receipts from the sale of other Council assets. Table 5 is a summary estimate of the likely level of capital reserve balance over the period 2015/16 to 2018/19.

**Table 5: Estimated capital reserve balance 2014/15 to 2017/18**

	2015/16		2016/17		2017/18		2018/19	
	Forest Heath	St Eds	Forest Heath	St Eds	Forest Heath	St Eds	Forest Heath	St Eds
Estimated capital reserve balance	£m	£m	£m	£m	£m	£m	£m	£m

## Capital Investment – Alternative sources of funding

Both councils have a long tradition of investing in their communities.

Depleting capital and revenue reserves and increased pressure on external funding pots mean that both Councils will have to consider funding options away from the traditional investment methods. Instead focus is now on the use of;

- making loans, securing the return of the Councils' funds;
- joint ventures, sharing the investment required; or
- borrowing, introducing new funds into the Council.

Investment opportunities will be subject to a business case and risk assessment to ensure that the decision to implement the project is sound and that the Council can afford the long terms implications of each project. With this in mind, each business case that comes forward will make reference to a target 10% internal rate of return in order to cover the potential cost of borrowing.

## **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, RSG 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. Both West Suffolk authorities signed up along with the other Suffolk Authorities and the County Council to be designated as a Suffolk pool from April 2013.

### **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**

Councils 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.

### **Capping**

Power under which the Government may limit the maximum level of local authority spending or increases in that level year on year, which it considers excessive. It is a tool to restrain increases in council tax. Any major precepting authority in England wanting to raise council tax by more than 2% in 2014/15 must consult the public in a referendum, the government has said. Councils losing a referendum would have to revert to a lower increase in bills.

### **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 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.

### **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 will be set at 50%. At the outset, the local share of the estimated business rates aggregate will be 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 Forest Heath District Council and St Edmundsbury Borough Council and, up until 31 March 2013, paid into a central national pool, then redistributed to authorities according to resident population. From 2013-14 local authorities will retain 50% 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 first six years 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 the Council's capital investment plans are affordable, prudent and sustainable.

**Revenue Expenditure**

The day-to-day running expenses on services provided by Council.

### **Revenue Support Grant (RSG)**

All authorities will receive Revenue Support Grant from central government in addition to its baseline funding level under the new system from 1 April 2013.

### **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.

[link].

### **Section 151 officer (or Chief Financial Officer)**

Legally Councils must appoint under section 151 of the Local Government Act 1972 a named chief finance officer to give them financial advice, in both West Suffolk councils case this is the post of Head of Resources and Performance.

### **Specific Grants**

As the name suggests funding through a specific grant is provided for a specific purpose and cannot be spent on anything else. e.g. Housing Benefits.

### **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 RPI in future years. Forest Heath and St Edmundsbury BC are 'top-up' authorities.

## **Treasury Management**

Managing the Council's cash flows, borrowing and investments to support both councils finances. Details are set out in the Treasury Management Strategy which is approved by both Cabinets and Full Councils in February. [\[link\]](#)



DRAFT



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District Council



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