

East Suffolk Shadow Authority

SHADOW CABINET

Monday, 18th February 2019

DRAFT GENERAL FUND BUDGET & COUNCIL TAX REPORT 2019/20 (REP 33 (SH))

EXECUTIVE SUMMARY

1. The draft Medium Term Financial Strategy (MTFS) considered by the Shadow Cabinet on 10th December 2018, provided a baseline forecast of income and expenditure and looks at the overall financial climate. It provides a framework within which the Council's overall spending plans will be developed.
2. Overall, this period and the long-term Local Government financial picture continues to be characterised by an increased shift towards locally-generated resources, with an accompanying transfer of both risk and opportunity. The Government is working towards significant reform of the Local Government Finance System from 2020/21, which creates uncertainty for the Council going forward. This report sets out the assumptions made in identifying resources for the MTFS period.
3. The predecessor Councils had signed up to a 4 year Local Government Finance Settlement for the period 2016/17 – 2019/20 (with East Suffolk receiving the final year of the settlement), covering the elements of Revenue Support Grant, Transitional Grant, and Rural Services Delivery Grant. To take advantage of this offer, each authority needed to submit an Efficiency Plan. For East Suffolk Council, it will be the responsibility of the newly elected 55 Members to update the Efficiency Plan after the May 2019 elections and therefore this report focuses only on the MTFS.
4. The 2019/20 Final Local Government Finance Settlement was released on 29th January 2019. Under the Final Settlement, the Council is due to receive Revenue Support Grant and Rural Services Delivery Grant of £323k and £248k, respectively. Alongside the Final Settlement the Government also announced the allocations for New Homes Bonus (NHB) for 2019/20. This is £2.408m for East Suffolk.
5. The updated MTFS in this report highlights the difference between expenditure and sustainable resources. A balanced position for 2019/20 makes use of the In-Year Savings Reserve (£3.019m) which was set up in prior years to help fund future years' budget gaps. The currently reported budget gaps for 2020/21 to 2022/23 is just over £3.8m.
6. Having regard to the financial risks surrounding the budget planning process the Council maintains the level of General Fund balances at around 3%-5% of its budgeted gross expenditure. At 1st April 2018 the uncommitted General Fund balance stood at £8m. It is

proposed that £2.0m is transferred from the General Fund Balance to the earmarked Capital Reserve in 2019/20, to set aside additional revenue funding for the capital programme. Further use of the General Fund balance will be evaluated against an assessment of risk, to ensure financial sustainability for the Council is maintained, whilst supporting the strategy direction and ambitions of the new East Suffolk Council.

7. The MTFS appended to this report has been revised for updates including those resulting from the Chancellor’s Autumn Statement; budget monitoring forecasts and the Final Local Government Finance Settlement for 2019/20.
8. At the end of the 2019/20 budget process, in February 2019, the new East Suffolk Council is required to approve a balanced budget for the following financial year and set the Band D rate of Council Tax. This report sets out the proposals and parameters in order to achieve that objective and contribute towards a sustainable position going into the medium term and the major changes to the Local Government Finance environment.
9. In this report, the Shadow Cabinet is asked to consider and make recommendations to Shadow Council regarding the:
 - proposed Budget for 2019/20, and to note the position with regard to future years;
 - assessment of reserve and balance movements;
 - Council Tax Base for 2019/20 (for noting);
 - proposed Band D Council Tax for East Suffolk Council of £166.32 for 2019/20, an increase of £4.05 or 2.5%.

Is the report Open or Exempt?	Open
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Wards Affected:	All Wards across East Suffolk
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Cabinet Member:	Councillors Stuart Lawson and Bruce Provan Cabinet Members with Responsibility for Resources
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Supporting Officer:	Simon Taylor Chief Finance Officer and Section 151 Officer 01394 444570 simon.taylor@eastsoffolk.gov.uk Lorraine Rogers Finance Manager & Deputy Section 151 Officer 01502 523667 Lorraine.rogers@eastsoffolk.gov.uk
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1 INTRODUCTION

- 1.1 The **Medium Term Financial Strategy** (MTFS) sets the strategic financial direction for the Council and is regularly updated as it evolves and develops throughout the year to form the framework for the Council's financial planning. To ensure Members have a sound basis for planning and decision making, the MTFS is reviewed and updated at key points in the year. These are:
- October/November – as a framework for initial detailed budget discussions for the forthcoming financial year;
 - January – an update to include additional information received at a national level and corporate issues identified through service planning and the detailed budget build; and
 - February – with the final budget for the new financial year.
- 1.2 The purpose of the MTFS is to set out the key financial management principles, budget assumptions and service issues. It is then used as the framework for the detailed budget setting process to ensure that resources are managed effectively and are able to deliver the aspirations of the Council as set out in the Business Plan, over the medium term.
- 1.3 The **Efficiency Plan** at **Appendix A** is an overarching document sitting between the East Suffolk Business Plan and the MTFS. This report does not cover the Efficiency Plan as it will be the responsibility of the newly elected 55 Members from May 2019 to decide the direction of this plan so it is provided for information only. However, the report does seek approval of the MTFS, which will be subsequently updated during the course of the 2019/20 budget process.

2 MEDIUM TERM FINANCIAL STRATEGY

- 2.1 The updated MTFS for this period is attached as **Appendix B**. This incorporates the Draft General Fund Budget and Council Tax proposals for 2019/20, reflecting the detailed budget process. The MTFS has also been updated to reflect the details announced in the Final Local Government Finance Settlement on 29th January 2019, following a consultation on the Provisional Settlement which ended on 10th January 2019.
- 2.2 The MTFS includes a number of Appendices that form part of the Council's Budget, including the Council Tax Base, budget summary by Head of Service and a summary of Reserves and Balances.
- 2.3 Business Rates income for 2019/20 is based on the NNDR1 return submitted in January. As outlined in the Executive Summary, the Local Government Finance environment is to be reformed from 2020/21, including a resetting of the Business Rates Baseline. Due to the uncertainty this reform will have on the income to the Council, the Council has taken a prudent approach with the estimates for Business Rates income. The income figures included for 2020/21 and beyond, are based on the current Business Rates system and only include estimates of Baseline income, which is approximately £7m, plus S31 Grant.
- 2.4 The table below outlines the updated MTFS Forecasts for 2019/20 to 2022/23. From 2020/21 onwards, these forecasts represent a base MTFS position giving the underlying budget gap - the reported budget gaps below do not include incentivised external income due to the high degree of uncertainty.

MTFS Forecast - East Suffolk	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
February 2018	3,592	3,933	3,914	3,914
October 2018	4,172	4,402	4,381	4,379
November 2018	3,246	3,472	3,446	3,439
January 2019	0	4,112	4,414	4,538
February 2019	0	3,841	3,849	3,872

2.5 The proposed Capital Programme for 2019/20 to 2022/23 was considered by the Shadow Cabinet on 21st January 2019 and Shadow Council on 28th January 2019.

3 LOCAL COUNCIL TAX REDUCTION SCHEME (LCTRS) AND COUNCIL TAX DISCOUNTS

3.1 The consideration of an annual review and potential proposed changes to the LCTRS scheme is a statutory requirement under the Local Government Finance Act 2012 which brought in the provisions for localisation of council tax support in April 2013. Where it is determined to retain the existing scheme this must be decided by the statutory deadline. For 2019/20 this deadline is 11th March 2019 – the budget setting process provides for such a determination.

3.2 The LCTRS for Suffolk Coastal and Waveney District Council were aligned for 2018/19 and it has been determined not to make any changes for 2019/20, and for the existing scheme to be adopted by East Suffolk Council.

3.2 In addition to LCTRS, the Council has the discretion to set their own policy on Council Tax Discounts. It is a statutory requirement for the Council to set and review annually its Discretionary Council Tax Discounts. The discounts to be applied from 1st April 2019 were approved by the Shadow Council at its meeting on 3rd December 2018 (REP 9(SH)).

4 RISK ASSESSMENT AND REPORT OF THE CHIEF FINANCIAL OFFICER

4.1 Part of the process of delivering a robust medium term strategy to enable the Council to manage its affairs soundly, is to have regard to both external and internal risks, and to identify actions to mitigate those risks. MTFS key principles and a risk analysis together with mitigating actions are provided in **Appendix B1** of the MTFS.

4.2 Section 25 of the Local Government Act 2003 places a personal duty on an authority's "Chief Financial Officer" to make a report to Council about the robustness of the estimates made for the purposes of the council tax calculations and the adequacy of financial reserves and balances. The Act also requires the Council to have regard to the report before it makes its budget and council tax decisions.

4.3 In relation to the statutory duty under the Act, the Chief Financial Officer considers that the estimates are robust, the General Fund Balance is within the guideline levels established as part of the Medium Term Financial Strategy and the contributions to and use of earmarked reserves will assist the Council to deliver its required changes in this period of uncertainty.

4.4 The Chief Finance Officer will make this statement to Full Council when it considers the budget for 2019/20 on 28th February 2019. The statement will clearly set out the budget assumptions used to arrive at the final recommendations.

5 HOW DOES THIS RELATE TO EAST SUFFOLK BUSINESS PLAN?

5.1 The MTFS sits beneath the East Suffolk Business Plan in both councils' hierarchy of plans and strategies, and is effectively the mechanism by which the key Business Plan objective of

Financial Self-Sufficiency will be delivered over the medium term. The 2019/20 General Fund Budget is a key part of the Council's Budget and policy framework, representing delivery of the MTFS over the coming year.

6 FINANCIAL AND GOVERNANCE IMPLICATIONS

6.1 All Finance and Governance implications are contained within the MTFS documents.

7 OTHER KEY ISSUES

7.1 This report has been prepared having taken into account the results of an Equality Impact Assessment.

8 CONSULTATION

8.1 The Council will consult on its strategy and detailed financial plans for the coming year with staff, partners, and business through a variety of methods. During December 2018 and January 2019, a forum for Town and Parish Councils was held, to present and discuss the financial plans of the Council, Suffolk County Council and the Police and Crime Commissioner for Suffolk.

8.2 The Shadow Scrutiny Committee considered the draft MTFS at its meeting on 15th November 2018, and the detailed budget plans at its meeting on 4th February 2019.

9 OTHER OPTIONS CONSIDERED

9.1 MTFS and General Fund Budget – The MTFS is an essential element in achieving a balanced budget and a sustainable medium term position, whilst setting a balanced budget for the coming year is a statutory requirement. Consequently, no other options are appropriate in respect of this.

9.2 Efficiency Plan – The Council could have chosen not to submit an Efficiency Plan in order to take advantage of the Secretary of State's four-year finance settlement offer. However, it was clear from the offer that if the offer was not to be accepted then future levels of Government funding could not be guaranteed, so this option was not considered to be appropriate.

10 REASON FOR RECOMMENDATION

10.1 To bring together all the relevant information to enable Members to review, consider and comment upon the Council's General Fund revenue budgets before making recommendations to Council on 28th February 2019.

10.2 To seek wider Member consideration of the forward budgets beyond 2019/20, and Council Tax proposals in this report to balance the budget for 2019/20 and future years.

RECOMMENDATIONS

To recommend that Shadow Council, on behalf of East Suffolk Council:

1. Approves the General Fund Revenue Budget as set out in this report and summarised in **Appendix B4**, and notes the budget forecast for 2020/21 and beyond;
2. Approves the Reserves and Balances movements as presented in **Appendix B5**;
3. Approves that no changes are made to the Local Council Tax Reduction Scheme;
4. Adopts the existing Local Council Tax Reduction Scheme scheme for East Suffolk;
5. Note the Council Tax Base of 86,755.14 for 2019/20; and
6. Approve a Band D Council Tax for 2019/20 of £166.32.

APPENDICES

Appendix A	Efficiency Plan
Appendix B	Medium Term Financial Strategy
Appendix B1	Medium Term Financial Strategy – Key Principles
Appendix B2	Council Tax Base 2019/20
Appendix B3	Medium Term Financial Strategy – Key Budget Movements
Appendix B4	General Fund Revenue Budget Summary 2019/20 to 2022/23
Appendix B5	General Fund Reserves Summary 2019/20 to 2022/23

BACKGROUND PAPERS

Date	Type	Available From
January 2019	Budget Working Papers	Chief Finance Officer