EAST SUFFOLK COUNCIL

MEDIUM TERM FINANCIAL STRATEGY 2019/20 – 2022/23

FEBRUARY 2019

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. This ensures Members have a sound basis for planning and decision making, the MTFS is reviewed and updated at key points in the year:

- 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 vision of the East Suffolk Business Plan is to "Maintain and sustainably improve the quality of life for everybody growing up, living in, working in and visiting East Suffolk". The MTFS underpins the **Efficiency Plan**, which outlines how the key Business Plan objective of Financial Self Sufficiency will be delivered.

1.4 The MTFS provides an integrated view of the Council's finances, recognising that the allocation and management of its human, financial and physical resources play a key role in delivering its priorities and ensuring that the Council works effectively with its partners locally, regionally and nationally.

1.5 The key underlying principles of the MTFS are:

- securing a balanced budget with reduced reliance on the use of reserves and general balances to support its everyday spending;
- setting modest increases in Council Tax when appropriate; and
- delivering service efficiencies and generating additional income where there are opportunities to do so.

1.6 Part of the process of delivering a robust MTFS 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**.

1.7 This will be the first MTFS for East Suffolk Council, based on Suffolk Coastal and Waveney District Councils being dissolved on 31st March 2019 and the creation of East Suffolk from 1st April 2019. For the purpose of an opening MTFS position for East Suffolk, this was based on the combined MTFS position for Suffolk Coastal and Waveney as approved by the respective Councils in February 2018. This position has then been updated for the MTFS presented in this report for East Suffolk Council.

1.8 **Sections 2** to **4** provide an update on the financial challenge facing the Council, taking into account economic factors, the local government finance environment, and the Council's key funding streams. **Sections 5** to **7** outline how the Council will respond to the challenge, as expressed in terms of its Budget and strategies towards reserves and capital.

2 PUBLIC FINANCES

2.1 The Chancellor of the Exchequer presented the Government's Autumn Budget to Parliament on 29th October 2018. The Autumn Budget provided a formal update on the state of the economy, response to new economic and fiscal forecasts from the Office for Budget Responsibility (OBR) and set out fiscal measures for the following year. This budget was earlier than usual due to the need to clarify financial decisions before a final Brexit deal is reached with the European Union (EU).

3 ECONOMIC INDICATORS

3.1 The national economic background affects the costs the Council incurs, the funding it receives, and contributes to the demand for services as residents are affected by economic circumstances. The inflation rate impacts on the cost of services the Council purchases, as the Council delivers much of its service provision through contractual arrangements where inflationary pressures have to be negotiated and managed. Specific contractual inflation has been incorporated into the Council's financial position, where appropriate, based on the actual contractual indices.

3.2 The economic outlook will depend significantly on the nature of the EU withdrawal.

Gross Domestic Product (GDP)

3.3 The Bank of England's overall forecast for growth in Gross Domestic Product as outlined in its February 2019 Inflation Report, are shown below.

Bank of England - February 2019			
Gross Domestic Product (GDP) Forecasts			
2019	**2020**	**2021**	**2022**
1.50%	1.3%	1.7%	2.0%

3.4 In the Government's Autumn Budget on the 29th October 2018, the latest Office for Budgetary Responsibility (OBR) forecasts GDP growth slightly higher than the Bank of England Forecasts in 2019 and 2020 and growth maintaining steady into 2021. The OBR has not attempted to predict the precise outcome of negotiations with the European Union (EU). Instead it has made broad assumptions, which have not changed since the Autumn Statement 2016. The OBR forecasts are set out in the table below.

OBR - October 2018		
Gross Domestic Product (GDP) Forecasts		
2019	**2020**	**2021**
1.60%	1.40%	1.40%

Consumer Pricing Index (CPI)

3.5 Inflation as measured by CPI was 2.1% for December 2018, down from 2.3% in November 2018. This is the lowest level in nearly two years and close to the Bank of England target rate of 2%. The Bank of England's latest forecast (as at February 2019) is set out below. CPI inflation is expected to dip temporarily below 2% in the coming months, mainly reflecting lower energy price inflation, before rising back above the target in 2020 and remaining a little above 2% as domestic inflationary pressures increase.

Bank of England - February 2019			
Consumer Pricing Index (CPI) Inflation Forecasts			
2019	**2020**	**2021**	**2022**
1.8%	2.3%	2.1%	2.1%

3.6 The OBR forecasts CPI inflation to be in the region of 2.0% for the forecast period to 2021.

Bank Interest Rate

3.7 At its meeting on 6th February 2019, the Bank of England Monetary Policy Committee voted unanimously to maintain the bank rate at 0.75%. The Bank of England is reluctant to increase the bank rate while uncertainty remains over Brexit.

4 LOCAL GOVERNMENT FINANCE

4.1 The introduction of the Local Business Rates Retention System in 2013/14, together with the Government's programme of fiscal consolidation since 2010, have combined to both reduce the level of funding available to the Council, and to shift the balance of funding significantly away from central to local sources.

4.2 The Final Local Government Finance Settlement 2019/20 was announced on 29th January 2019. The following paragraphs provide some information on each of the Council's key funding sources and the implications of the Final Settlement.

Government Grant Funding and Four-year Settlements

4.3 The 2016/17 Settlement offered councils a four-year settlement, giving greater certainty of funding until the end of the spending period (2019/20). The offer included:

- Revenue Support Grant (RSG);
- Business rates tariff and top-up payments;
- Rural Services Delivery Grant; and
- Transitional Grant.

4.4 The Government's current intention is that the 2019/20 Settlement will confirm the final year of the multi-year settlement that has provided some certainty to councils for four years.

4.5 On 13th December 2018 the Government launched a further consultation *'A review of local authorities relative needs and resources'*, which seeks views on the approach to measuring the relative needs and resources of local authorities, with the aim of determining new baseline funding allocations for local authorities in England in 2020/21.

4.6 The 2019 Spending Review will confirm overall local government resourcing from 2020/21, and the Government is working towards significant reform in the local government finance system in 2020/21. This includes an updated, more robust and transparent distribution methodology to set baseline funding levels and resetting business rates baselines.

4.7 Prior to these reforms in 2020/21, the Government is committed to testing aspects of the new system via 100% and 75% business rate retention pilot schemes in 2018/19 and 2019/20 respectively.

4.8 On 24th July 2018 the Ministry of Housing, Communities & Local Government (MHCLG) issued a technical consultation on the 2019/20 Local Government Finance Settlement. The consultation closed on 18th September 2018. The document set out the Government's proposed approach to the 2019/20 Settlement and outlined the following:

- The fourth year of the multi-year settlement;
- The Government's position on the New Homes Bonus threshold;
- The Government's proposal for Council Tax referendum principles for 2019/20; and
- The Government's proposal for dealing with the issue of 'Negative Revenue Support Grant'.

4.9 In April 2018 the former Secretary of State commissioned a review of the MHCLG oversight of the business rates system. On 24th October 2018 the report of an independent review of the governance and processes of the system was published. The terms of reference for the review were set out under five themes: complexity; governance and management; capacity and capability; openness; and culture. In general the review found that MHCLG and local authorities have managed the growing complexity of the system well, however noted that the Department's processes can be strengthened to ensure future challenges can be managed effectively.

4.10 In addition to focus on the MHCLG's own processes, the report also considered the overall approach to annual decisions on the local government finance system. The report recommended that the Provisional Settlement should be released around 5th December (actual release date 13th December 2018) and the Final Settlement no later than the 5th January 2019. However, the Final Settlement was announced on 29th January 2019, following a consultation on the Provisional Settlement which ended on 10th January 2019.

Revenue Support Grant (RSG) and Rural Services Delivery Grant

4.11 RSG has been substantially reduced in recent years. The RSG for 2019/20 was confirmed in the Final Local Government Finance Settlement for 2018/19 (February 2018). Together with the Rural Services Delivery Grant it constituted the Government's four-year funding settlement offer to councils. As per the Final Local Government Finance Settlement

2019/20 the RSG for East Suffolk will be £323k. For the MTFS it has been assumed that 2019/20 will be the final year of RSG.

Revenue Support Grant (RSG)	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
East Suffolk	(323)	0	0	0

4.12 The Government's preferred approach to Negative RSG, is to eliminate it in full via forgone business rates receipts in 2019/20. The Government considers this approach to meet the key criteria of being both fair and affordable, plus the benefit of being simple and direct. Not resolving Negative RSG in its entirety would mean the Government failing to meet its commitment not to adjust tariffs and top-ups and undermine the incentive for local government to invest in local growth.

4.13 The Rural Services Delivery Grant is a Government grant recognising cost pressures associated with service delivery in rural sparse areas. The Final Finance Settlement provides for the grant to continue for East Suffolk in 2019/20. The grant is £248k, an increase of £49k on the opening MTFS position for East Suffolk. It has been assumed in the MTFS that this grant will not be received after 2019/20.

Business Rates – Business Rates Retention Proposals and Pilots

4.14 In its 2015 Spending Review, the Government announced proposals for Councils to retain all locally raised business rates by the end of the decade, and to end the distribution of core grant from central Government. This was planned to begin in 2019/20, but has been subject to delay, following the snap 2017 General Election and the subsequent fall of the Local Government Finance Bill 2016/17. However, the Government continues to be committed to give local government greater control over the money it raises and to address concerns about the fairness of current funding distributions.

4.15 To complement these changes the Government announced 'fair funding review' in February 2016. The Fair Funding review will affect how funding is allocated and redistributed between local authorities from 2020. How this will be done is the subject of further consultation between now and mid-2019. The Government is continuing to work with the Local Government Association (LGA) and local authority representatives to develop the new system. Indicative numbers for funding allocations to individual councils are expected to be available by spring-summer 2019, and the review is to be implemented in April 2020 via the Local Government Finance Settlement process.

4.16 In December 2017, the Government announced proposals for the proportion of business rates income to be retained by the local authority sector to be increased from the current 50% to 75% from April 2020, a development which does not require primary legislation, unlike the move to 100% local retention.

4.17 The new system of 75% rate retention will consist of a 'reset', which will involving assigning a new baseline funding level and subsequent new tariff or top-up values. Reset of the system and the establishment of new funding formulae could result in East Suffolk losing the financial advantage that it has under the current system – one of the predecessor authorities (Suffolk Coastal) has benefited from actual business rates income being significantly above the baseline, which was set at a low level in 2013/14.

4.18 General grants, e.g. RSG and the Rural Services Delivery Grant, will be few and far between after 2020, because the proportion of local business rate retention will rise. It is not yet clear whether any of these grants will be abolished when 75% retention is introduced. Local authorities have expressed the view that the additional revenue available with 75% retention should be available to meet existing spending pressures, instead of being matched with new responsibilities or being offset by the removal of grant funding. The sector will not initially, at least, have more funding. Over the longer term that will depend on whether business rates grow faster or slower than local authority service demands and costs.

4.19 In 2017/18 local authorities in England were invited to bid to pilot 100% Business Rates Retention scheme in 2018/19 and to pioneer new pooling and tier-split models. Suffolk was one of ten successful bids with its “Inclusive Growth” focus. The Suffolk Pilot is expected to result in over £30m of retained business rate income for Suffolk. This is £10.5m more retained income than the previous 50%, with East Suffolk’s share in the region of £3.6m.

4.20 In July of this year, the Government invited local authorities in England to apply for a 75% business rates retention pilot scheme for 2019/20. In order for the Government to test its proposals for a reformed business rates system, the successful pilot authorities will again be expected to forego RSG and Rural Services Delivery Grant. Suffolk submitted an application for the 2019/20 pilot but was unsuccessful. Successful bids were announced on 13th December 2018.

Business Rates

4.21 Since 2013/14, business rates income has tended to be characterised by a high degree of volatility and uncertainty. Variances between estimated and actual business rate income are realised in the form of deficits or surpluses on the business rates element of the Collection Fund. For each year, the amount of business rates income credited to the General Fund is the amount estimated on the National Non Domestic Rate (NNDR1) return to Government submitted in January in the preceding year, including a calculation of the estimated Collection Fund deficit or surplus to be charged to the General Fund. As a result, in practice, variances between business rates estimates and actual figures are reflected as an element of the Collection Fund deficit or surplus two years after they take place.

4.22 The impact of appeals by businesses against their rating valuations has been the main cause of this volatility in recent years, particularly where the financial impact of these has been backdated. Since April 2017, there has been a new regime for appeals entitled “Check, Challenge, Appeal”. This change has been introduced at the same time as the 2017 Revaluation has come into effect. As a result, there is currently very little data available on which to base the estimation of the provisions that are required to be made in respect of the potential financial impact of appeals. However, there is a possibility that the ultimate financial impacts of appeals on local authority finances may be less than under the previous regime.

4.23 In the Autumn Budget on 29th October 2018 the Chancellor announced Business Rates will be cut by one-third for retailers in England with a rateable value below £51k, which will benefit up to 90% of retail properties for two years from April 2019, subject to state aid limits. The Chancellor also announced 100% business rate relief for all public conveniences from 2020/21. It was stated in the Budget that local authorities will be fully compensated for the loss of income as a result of these measures.

4.24 *Second Properties* - The Autumn Budget did make reference to second properties, to ensure that they are subject to the appropriate tax. The Government has now released a consultation on the Business Rates treatment of self catering accommodation. This consultation ended on 15th January 2019. The Council has submitted a response to this consultation.

4.25 **Suffolk Pool** - In order to reduce the amounts paid to Government in levy, in 2012, all Suffolk Councils agreed to enter a pooling arrangement which would allow them to retain a larger proportion of their share of growth by reducing their individual rate of levy. The estimated Pooling benefit for 2019/20 is dependent on all of the NNDR1 returns being prepared by the Suffolk Councils and then collated by Suffolk County Council (SCC) in January. This figure has been confirmed as £1.623m for 2019/20. This has been transferred to the Business Rates Equalisation Reserve.

4.26 Business Rates income for 2019/20 is based on the NNDR1 return. As detailed earlier in the report, the Business Rates system 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 future years. 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. The MTFS currently includes the following estimates for Business Rates income and related S31 Grant.

Business Rates	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**
Business Rates income*	(10,585)	(7,018)	(7,229)	(7,301)
Section 31 Grant	(4,557)	(2,782)	(2,865)	(2,894)

**2019/20 includes: £1.188m of income above the Baseline, £1.623m of Pooling Benefit and Collection Fund Surplus of £416k.*

Council Tax

4.27 Council Tax is one of the Council’s most important and stable income streams, funding approximately 50% of the net budget requirement of the Council. In the 2019/20 Final Local Government Finance Settlement, the Government has proposed that the Council Tax increase referendum limits continue as at present, i.e. shire districts in two-tier areas will be able to increase Council Tax by a maximum of £5 or 3%, whichever is the higher. An increase of 2.5% is proposed for East Suffolk, and equates to an increase of around £4.05 (the current District Band D Council Tax is £162.27). An increase of £4.05 would therefore provide a Band D Council Tax for East Suffolk of £166.32 for 2019/20.

4.28 The Government intends to defer the setting of referendum principles to Town and Parish Councils and will continue to review this area. In 2018/19 the average Band D parish precept increased by 4.9% (£3.02), compared to 6.3% (£3.63) in 2017/18. It was the lowest year-on-year increase since 2015/16 and the Government encourages parish councils to continue this downward trend.

4.29 **Council Tax Base** - As per the CTB1 forms submitted to Government on 12th October 2018, growth in the tax base for East Suffolk is 1.36%, 1,161.96 Band D equivalent properties. This means the overall tax base for East Suffolk has increased from 85,593.18 to 86,755.14 Band D equivalents for 2019/20. This equates to around £188k of additional Council Tax income to the Council based on the current District Band D Council Tax of £162.27.

4.30 **District Band D Council Tax 2019/20** – An increase of £4.05 for 2019/20 would equate to a District Band D Council Tax for East Suffolk of £166.32. For 2018/19 Suffolk Coastal and Waveney, the District Band D Council Tax is already aligned at £162.27. An increase of £4.05 would generate £351k of income for East Suffolk in 2019/20. The overall Council Tax income for East Suffolk for 2019/20 based on a Band D equivalent of £166.32 is £14.429m.

4.31 Based on the above data, the table below sets out the estimated Council Tax income as included in the latest update of the MTFS for East Suffolk.

Council Tax Income	2019/20 £'000	Estimate 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000
Council Tax Base	(13,890)	(14,429)	(15,011)	(15,619)
Growth in Tax Base (1.36% in 2019/20)	(188)	(145)	(151)	(157)
Council Tax Increase (£166.32 in 2019/20)	(351)	(437)	(457)	(469)
Total Council Tax Income	**(14,429)**	**(15,011)**	**(15,619)**	**(16,245)**

** Assumptions from 2020/21: Growth in the tax base of 1% and Council Tax increases of 3% or £5, which ever is the higher.*

4.32 **The Council Tax Collection Fund** – The Collection Fund is monitored closely throughout the financial year. A breakeven position has been declared for 2018/19, so there is no surplus or deficit on the Collection Fund to be accounted for in 2019/20.

New Homes Bonus (NHB)

4.33 The Government established the New Homes Bonus in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. Over £7 billion has been allocated to local authorities through the scheme to reward additional housing supply.

4.34 NHB is funding allocated to councils based on the building of new homes and bringing empty homes back into use. The intention for the New Homes Bonus is to ensure that the economic benefits of growth are returned to the local authorities and communities where growth takes place. Over the past few years, NHB has become an extremely important source of incentivised income.

4.35 The NHB allocations for 2017/18 (Year 7) reflected a previous Government consultation which had the objectives of diverting at least £800m of funding to Social Care (the Better Care Fund), and of sharpening the incentives for authorities. Although the Bonus has been successful in encouraging authorities to welcome housing growth, it has not rewarded those authorities who are the most open to growth, and in December 2016 the Government announced reforms to the system. The key features in the new NHB allocations included:

- The allocation period being reduced from 6 to 4 years in 2018/19, with 2017/18 as a transition year with a 5 year allocation; and
- The introduction of a national baseline for housing growth was set at 0.4% of Council Tax base growth (weighted by band) for 2017/18 and remained at this level for 2018/19. The purpose of the baseline is to remove "deadweight" growth that would occur normally without active delivery by councils – councils will only receive NHB for new properties above this level.

4.36 **NHB Baseline 2019/20** - In the July Technical Consultation on the 2019/20 Local Government Finance Settlement, the Government stated that any change to the baseline for 2019/20 would be detailed in the Provisional Settlement in December 2018. After consideration of representations made in the Technical Consultation and the housing stock numbers reported through the council tax base data, the Government has decide not to change the baseline for 2019/20. Therefore, the NHB baseline will remain at 0.4% for 2019/20.

4.37 The Government has retained the option to review and make adjustment to the baseline in future years to reflect significant housing growth and to remain within the spending limits set at the Spending Review 2015.

4.38 **NHB Allocation -** The Council Tax Base return to Government (CTB1) provides the basis for calculating the NHB allocation each year. Based on the existing methodology for 2019/20 the total NHB allocation for East Suffolk is provided in the table below.

New Homes Bonus	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
February 2018 - Estimate	(2,431)	(2,209)	(2,192)	(2,192)
November 2018 - Estimate	(2,392)	(2,133)	(2,077)	(2,039)
December 2018 - Final *	(2,408)	(2,164)	(2,124)	(2,102)

**2019/20 allocated was confirmed as part of the Final Finance Settlement. Future years are estimates.*

4.39 As part of the in-year NHB allocation, the Council receives payment for each affordable home completed (80% of £350 per property). For the 2019/20 NHB allocation this amounts to £92.4k for the Council (330 properties). This is included in the above figure of £2.408m.

4.40 Prior to 2019/20 the approach to using NHB funding has differed between Suffolk Coastal and Waveney. Suffolk Coastal has used NHB funding to support specific community related projects and initiatives, whereas Waveney has used the income as part of its core funding to support the General Fund budget. With inconsistent treatment between the two Councils it has been necessary to agree a way forward for East Suffolk. The application of NHB income has been considered by the relevant Member Working Groups for the East Suffolk project and it has been agreed that a modified version of the Suffolk Coastal approach be adopted for East Suffolk. This approach for East Suffolk will provide an expansion to supporting community initiatives across East Suffolk but also to be balanced against the overriding need to retain financial sustainability. The table below outlines the proposed use of NHB funding for East Suffolk over the MTFS period covered by this report.

	2019/20 Revised Budget £'000	2020/21 Revised Budget £'000	2021/22 Revised Budget £'000	2022/23 Revised Budget £'000
NHB Reserve Balance Brought Forward	(4,415)	(4,590)	(5,170)	(6,054)
NHB In-Year Allocation	(2,408)	(2,164)	(2,124)	(2,102)
Total NHB Funding Available	**(6,823)**	**(6,754)**	**(7,294)**	**(8,156)**
Proposed Use of NHB				
Enabling Communities Budget:				
*55 Councillors * £7.5k each*	413	413	413	413
Community Partnerships:				
*8 Partnership * £25k each*	200	200	200	200
Resourcing & Engagement	120	120	120	120
Strategic Community Partnerships (£200k per annum)	200	200	200	200
Exemplar Grants	110	110	110	110
East Suffolk Partnership (ESP)	100	0	0	0
Wi-Fi Provision in Market Towns	200	0	0	0
Commitments Pre 2019/20:				
Tour of Britain - Womens Tour 2019 & 2020	112	113	0	0
Housing Enabling Support	50	46	41	0
LGA Coastal SIG (Special Interest Group)	6	6	6	6
Landguard	18	18	18	18
Felixstowe Forwards	106	106	0	0
Leiston Together	23	0	0	0
Lowestoft Rising	15	8	0	0
Total NHB Use to Support Community Initiatives & Projects	**1,673**	**1,340**	**1,108**	**1,067**
% of In Year NHB allocation	69%	62%	52%	51%
Set Aside to Support the Budget				
To Support Transition of NHB use to East Suffolk	560	244	132	0
% of In Year NHB allocation	23%	11%	6%	0%
Total NHB use for the Year	**2,233**	**1,584**	**1,240**	**1,067**
NHB Reserve Balance Carried Forward	(4,590)	(5,170)	(6,054)	(7,089)

4.41 **NHB baseline 2020 Onwards** – As 2019/20 represents the final year of funding agreed through the 2015 Spending Review, the Government's intention is to consider how to effectively incentivise housing growth, e.g. rewarding delivery or incentivising plans that meet or exceed local housing need.

5 MEDIUM TERM FINANCIAL POSITION

MTFS Forecasts 2019/20 to 2022/23

East Suffolk MTFS Opening Position

5.1 The opening MTFS position for East Suffolk is the combined position of Suffolk Coastal and Waveney as approved by Full Council at each authority in February 2018. This is summarised in the table below and has subsequently been updated as per the following section.

Budget Gap (February 2018)	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Suffolk Coastal	1,317	1,268	1,325	1,325
Waveney	2,275	2,665	2,589	2,589
East Suffolk	**3,592**	**3,933**	**3,914**	**3,914**

East Suffolk MTFS Updates - February 2019

5.2 The Finance team works with Services Areas to review their budget requirements and budget monitoring is an ongoing process between Finance, Service Areas and the Corporate Management Team. This work leads to continual updating of the MTFS for the Council. A summary analysis of the key movements to date is provided in the following table. This table is supported by **Appendix B2**.

MTFS Updates - February 2019	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Key Budget Movements:				
Additional Income	(3,653)	(1,794)	(1,878)	(1,906)
Operational Savings	(799)	(799)	(799)	(799)
Operational Requirements	2,451	2,217	2,244	2,780
Reduced Income	88	88	146	146
Reserve Movement	2,452	186	424	637
Funding:				
Rural Services Delivery Grant	(49)	0	0	0
Revenue Support Grant (RSG)	(313)	11	11	11
Council Tax Income	22	24	23	(603)
Business Rates	(3,791)	(25)	(236)	(308)
Net Total of Updates	**(3,592)**	**(92)**	**(65)**	**(42)**

5.3 The table below outlines the updates to the East Suffolk MTFS forecasts since February 2018 until February 2019. The forecasts have been updated in respect of external funding issues referred to in previous sections of the report and ongoing budget monitoring.

MTFS Forecast - East Suffolk	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
February 2018	3,592	3,933	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

5.4 The latest MTFS position as at February 2019 represents a base MTFS position giving the underlying budget gaps for East Suffolk - the reported budget gaps in the above table do not yet include:

- Incentivised external income due to the high degree of uncertainty;
- Any other actions or use of balances to address the currently forecast budget gap.

Budget Planning Assumptions

5.5 **Goods & Services** - The Council's financial strategy assumes that any inflationary pressures incurred on goods and services expenditure are contained within existing budgets, or through more efficient spending. This will be kept under review to ensure this planning assumption remains adequate. This does not impact on inflation for specific contracts where the budget planning assumptions reflect specific contract increases.

5.6 Contracts have been inflated based on the specified inflation indices within each individual contract. Additional negotiation has taken place with contractors to determine how these cost increases can be reduced where possible. This negotiation and retendering of contracts is part of the Council's strategy for cost reduction and will continue over the medium-term.

5.7 **Fees and Charges** are based on the Council's agreed principles of increasing existing fees and charges on a market forces basis whilst having regard to the Council's policies and objectives. As a minimum, fees and charges should be increased by price inflation. The Council will also review opportunities to introduce new fees as appropriate. Proposed fees and charges were agreed by the Shadow Cabinet in December 2018.

5.8 **Public Sector Pay** – In December 2017 the National Employers made a final pay offer covering the period 1st April 2018 to 31st March 2020, which included a 2% increase in 2018/19 and 2019/20. The opening MTFS position for East Suffolk had assumed a 2% increase in pay for 2019/20 followed by 1% per annum thereafter. After a number of years of pay restraint on public sector pay there appears to be indications of some relaxation of this. The MTFS is therefore updated with a pay award assumption of 2% per annum from 2020/21 onwards. This increase in pay equates to approximately £200k per annum. In addition to pay increases, pay costs include incremental progression and on-costs such as employer national insurance and pension contributions.

5.9 **Actuarial Valuation** - The latest triennial actuarial valuation of the assets and liabilities of the Suffolk County Pension Fund was completed on 31st March 2016. To ensure the Council stays in line with the policy of aiming to have its share of the pension fund fully funded within the next 20 years, the employers pension contribution rate for 2017/18, 2018/19 and 2019/20 was increased for Suffolk Coastal and Waveney to 22.7% and 22.9% respectively. Given that the rates are different for the two Councils, a new joint rate is required for East Suffolk. This has been confirmed as 22.8% for 2019/20 for East Suffolk. The rate from 1st April 2020 will be determined by the 2019 Actuarial Valuation. At the same time of adjusting for a joint rate for East Suffolk, the annual pension back funding amount for the Council will be revised in 2019/20 to £3m.

5.10 In formulating its detailed spending plans, the Council has also taken account of past performance and the previous year's outturn position.

5.11 The Council's financial planning assumptions are summarised below:

Budget Area	**Assumption**
Inflation	
Goods & Services	Met within existing budgets (exception is contract)
Utilities	3.6% RPI (utilities) August 2018
Fees & Charges	3.4% RPI June 2018
Staffing Costs	2% per annum plus incremental progression
In-Year Vacancy Saving	£400k per annum
Investment Income	0.62% Term Investments (average) 0.4% Call Accounts 4.27% Property Fund
Interest Payable	0.5% every 6 months

5.12 **Other Pressures** – Ranging from increased demand for services or changes in national policy, the Council's MTFS will be adjusted to reflect the financial implications of these changes. The budget monitoring work is ongoing with the Finance Team working with service areas to review their budget requirements. This work will continue to update the MTFS over the coming weeks.

6 RESERVES AND BALANCES

6.1 In order to manage its financial affairs soundly, the Council needs to hold an appropriate level of reserves and balances. These allow it to:

a) manage its cash flows economically and avoid temporary borrowing pending receipt of income due during the year;

b) deal promptly and efficiently with emergencies if they occur, as this year;

c) take previously unseen opportunities to secure benefits that may arise during the year;

d) mitigate reliance on volatile sources of funding;

e) set money aside for known events but where the timing or precise amount required is not yet certain; and

f) accumulate monies to meet costs that it would be unreasonable for taxpayers to meet in a single year.

6.2 In addition to the General Fund Balance, the Council keeps a number of earmarked reserves on the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans or potential liabilities.

6.3 The Council has continued to develop its prudent financial management arrangements, through the development of earmarked reserves to mitigate potential future risks. As issues arise, the potential requirement for an earmarked reserve is considered. New earmarked reserves are formally considered as part of the detailed budget process, to ensure that risks identified are adequately mitigated, and throughout the annual budget monitoring process as risks arise or become clearer.

General Fund Balance and Earmarked Reserves

6.4 The detailed budget process includes an assessment of risk, the adequacy of General Fund Reserves and a review of earmarked reserves. This review evaluates the need to create and/or change earmarked reserve levels and to also release reserves which are no longer required, thereby becoming a one-off resource for the Council. A risk assessment of the General Fund Balances informs the Chief Finance Officer's view of the adequacy of reserves to provide assurance to the budget. 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 (in the region of £120m for East Suffolk). This would equate to maintaining a General Fund balance for East Suffolk, in the region of between £4.0m and £6.0m. As at 1st April 2018, the combined General Fund balance of Suffolk Coastal and Waveney stood at £8.0m (£4.0m at each authority).

6.5 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.

6.6 One of the key underpinning financial principles of the MTFS is to not use the Council's Reserves (and other one-off resources) as a primary method to balance the ongoing pressures in the budget. Earmarked reserves are used for specific one-off purposes to support the delivery of corporate objectives and to mitigate risks.

6.7 The current projected position on Reserves and Balances for East Suffolk is summarised in the following table. This is supported by a detailed summary in **Appendix B4**.

Reserves	**Projected April 2019 £'000**	**Projected April 2020 £'000**	**Projected April 2021 £'000**	**Projected April 2022 £'000**	**Projected April 2023 £'000**
General Fund	8,000	6,000	6,000	6,000	6,000
Earmarked Reserves:					
Business Rates	10,045	7,793	7,593	7,543	7,493
Business Rates Pilot	2,321	1,421	1,421	1,421	1,421
Capital	4,074	8,475	7,806	7,564	7,387
Other Earmarked	21,413	17,785	18,190	18,910	19,900
Port Health	4,902	4,904	4,908	4,879	4,889

7 CAPITAL PROGRAMME STRATEGY

7.1 Capital planning is about financial investment on the purchase of new assets, the creation of new assets and enhancing and/or extending the useful life of existing assets. The Council's approach is being enhanced with the aim of achieving the optimum balance between the future needs of East Suffolk (including the need to drive growth) and the ongoing challenge of public sector austerity. Key principles include:

- Developing asset and capital strategies that facilitate a long-term approach to decision-making;
- Ensuring that assets are only held as needed to achieve Council objectives;
- Maximising efficiency in the management and use of assets;
- Ensuring that pressure to achieve short-term savings does not compromise the value of assets through lack of investment; and
- Ensuring that capital investment is targeted where it will achieve the greatest long-term benefit.

7.2 Enhancing the management of the Council's existing asset base and looking beyond the traditional medium-term financial planning horizon is a major priority. Most notably, an updated (and more detailed) Asset Strategy is being developed that will feature:

- Good (and comprehensive) information on existing assets;
- An optimal asset base for the efficient delivery of Council objectives;
- The gap between existing assets and optimal assets;
- Strategies for purchasing and constructing new assets, investment in existing assets, transferring assets to other organisations and the disposal of surplus assets; and
- Plans for individual assets.

7.3 The new Asset Strategy will also be shaped by the priorities of the newly elected Council in May 2019, forming the cornerstone of the future Capital Programme. For the purposes of setting the budget for 2019/20 and medium-term financial planning, the current rolling Capital Programme will be updated to reflect the existing projects transferring from Suffolk Coastal and Waveney, and the latest capital investments plans for the period 2019/20 to 2022/23.

7.4 The Capital Programme including both General Fund and HRA elements is subject to the scrutiny process and formally adopted by Full Council each year and the decision to accept individual projects onto the Programme is driven by the overriding requirement to support the priorities communicated in the East Suffolk Business Plan.

7.5 As well as adequately maintaining the asset base, a range of other important factors also have to be considered, especially when deciding upon the allocation of General Fund resources. Notably:

- Legislation – the need for capital investment due to changes in legislation, including those with health and safety implications, is given due priority; and
- Resource Availability – the sustainability of the Capital Programme is a primary consideration and integral to the MTFS.

7.6 Where required, capital projects are supported by a detailed business case, which demonstrates a set of clear objectives and measurable benefits, as well as detailed financial implications. This includes the on-going revenue implications of a capital project, to ensure these are built into the MTFS revenue assumptions.

7.7 Major capital projects are delivered by dedicated project managers, with leadership and oversight provided by the Senior Management Team.

7.8 The 2019/20 Capital Programme for the Council was considered by the Shadow Scrutiny Committee and Shadow Cabinet at their respective meetings on 17th December 2018 and 21st January 2019, with Shadow Council approval on 28th January 2019.

EAST SUFFOLK MEDIUM TERM FINANCIAL STRATEGY - KEY PRINCIPLES

1 PRIORITIES, AIMS AND OBJECTIVES

1.1 The **East Suffolk Business Plan** provides the overarching vision for East Suffolk. In fulfilment of the Plan, the Council makes use of significant resources to achieve its aims including money, people, property and technology. In order to allocate resources to competing demands, achieve effective and efficient use of its resources, best value and ultimately achieve its vision, the Council has several strategies and plans which give a clear sense of direction and underpin the deployment of those resources. The **Medium Term Financial Strategy** sits under the **Efficiency Plan,** and combined with other strategies and plans, they support and embrace the strategic direction of East Suffolk.

2 STRATEGY OBJECTIVES

2.1 The Council's MTFS aims to ensure the provision of the best quality services possible within the resources available. To do so it must maximise the use of its resources to ensure they are used efficiently and effectively to support the development of longer term sustainable objectives.

2.2 The specific objectives of the MTFS are to:

a) ensure that the Council sets a balanced, sustainable budget year by year, so that forecast spending does not exceed forecast resources available to it;

b) plan for a level of Council Tax that the Council, its residents and Government see as necessary, acceptable and affordable to ensure that it has the financial capacity to deliver the Council's policies and objectives;

c) redirect resources over time to adequately support and resource the priorities of the both the Council and the wider community; and

d) maintain sufficient reserves and balances to ensure that the Council's long term financial health remains sound.

3 STRATEGY PRINCIPLES

3.1 The principles set out below provide a framework within which the Council will develop its detailed financial plan over the medium term.

General

There are a number of overarching principles that will apply across the Council's detailed financial accounting, planning and monitoring:

a) that the Council's budgets, financial records and accounts will be prepared and maintained in line with approved Accounting Standards, the CIPFA Code of Practice on Local Government Accounting, the CIPFA Prudential Code and the relevant sections of the Council's Constitution and Financial Procedure Rules;

b) prior to setting a budget, the Council will always analyse potential risks and ensure these are minimised in line with its Risk Management Strategy;

c) that the Council's Corporate Management Team will review the budget proposals for reasonableness and adherence to corporate policies and objectives prior to the budget being submitted to Cabinet;

d) the Council will monitor its revenue and capital budgets effectively. Monitoring will be undertaken monthly by Heads of Service together with their portfolio holders, and integrated quarterly monitoring reports will be reported to Cabinet. In cases where significant financial and service performance deviates from that planned, action plans setting out corrective action will be drawn up by Heads of Service / Cabinet Members and reported to Cabinet as appropriate;

e) that the Council's Corporate Management Team will take appropriate steps to continue to maintain and improve the accuracy and quality of data that it uses throughout the Council thereby ensuring that budget and other decisions are taken on a sound basis; and

f) the Council will seek to maximise external contributions towards revenue and capital spending for example through bidding for specific grants, attracting levered funding, participating in new funding streams and engaging in further strategic partnering opportunities where appropriate.

General Fund (Revenue)

3.2 In relation to its revenue budgets the Council will:

a) set a balanced budget each year that will be constructed to reflect its objectives, priorities and commitments. In particular, the budget will influence and be influenced by the Business Plan, the Organisational and Development Strategy, Capital and Asset Management Strategies, the Risk Management Strategy, its Comprehensive Equality Scheme and its Consultation and Engagement Strategies;

b) within the constraints of the resources available to it, set a sustainable budget each year that meets on-going commitments from on-going resources. The Council will continue to aim to maintain its level of general balances when it sets its revenue budget each year now that a prudent level of balances has been achieved;

c) seek to identify annual efficiency savings through business process improvement, shared service initiatives, service best value reviews and benchmarking and strategic partnering opportunities within and across county borders;

d) review the appropriateness of service delivery between the Council, parishes and other partners;

e) increase existing fees and charges on a market forces basis whilst having regard to the Council's policies and objectives. As a minimum fees and charges should be increased by price inflation. The Council will also review opportunities to introduce new fees as appropriate; and

f) within Government guidelines, set a level of Council Tax that the Council, its residents and Government see as necessary, acceptable and affordable to deliver the Council's policies and objectives.

Capital

3.3 When considering its capital investment the Council will:

a) maximise the generation of capital receipts and grants to support its planned investment programmes;

b) enhance its capital investment by applying specific grants and contributions, capital receipts, earmarked reserves and revenue contributions, with any balance being met by external borrowing;

c) not recognise capital receipts until there is certainty that the receipt will materialise, and will not be earmarked against specific developments without express Cabinet approval;

d) allocate its capital resources in line with its Capital Strategy and Asset Management Plan whilst recognising that other priorities may emerge that may require those plans to be amended and resources to be diverted;

e) annually review and prioritise capital schemes in accordance with Council objectives having regard to:

f) the business case for any given project; asset management planning; and

g) affordability in line with the application of the Prudential Code.

Balances and Reserves

3.4 In relation to its balances and earmarked reserves, the Council will:

- each year, maintain the level of General Fund balances at around 3% - 5% of its budgeted gross expenditure. This would lead the Council to maintain a General Fund balance in a range of around £4m to £6m.
- have regard to the financial risks surrounding the budget planning process, including those associated with the structural deficit, inflationary pressures, interest rates, partnerships, the treatment of savings, new burdens and demand led expenditure.
- review its earmarked reserves, which have been established to meet known or predicted liabilities, to ensure that the level of those reserves are still appropriate; and
- return reserve balances no longer required to the General Fund as appropriate.

Treasury Management and Investment

3.5 The Council will:

a) having regard to risk, maximise investment income and minimise borrowing costs within the overall framework set out in the Council's annual Treasury Management and Investment Strategy; and

b) secure the stability of the Council's longer term financial position rather than seeking to make short-term one-off gains which may lead to higher costs in the long term.

c) having regard to risk, seek to diversify its investment portfolio; maximise investment income; and deliver economic development objectives through the Asset Investment Strategy (in development).

4 OTHER CONSIDERATIONS

4.1 The Council's spending will have regard to:

a) the base budget position for the current financial year, adjusted for in year grant changes;

b) the Council's medium term priorities;

c) the refocusing of service expenditure through transactional, shared services and other efficiencies to support the achievement of its medium term priorities and satisfy Government funding changes;

d) demographic and welfare changes;

e) consultation outcomes; and

f) fiscal matters including:

- price inflation;
- the effect on the level of General Fund balances and reserves;
- the impact of any changes to the capital programme on the potential costs of borrowing;
- triennial revaluation of the pension fund;
- ongoing commitments, arising in part, from initiatives that have previously been funded from specific grants;
- achieving budgeted savings from outsourcing, shared services and service reviews; and
- the likely passporting of some Government departmental savings targets to councils.

RISKS	PROBABILITY HIGH (H) MEDIUM (M) LOW (L)	IMPACT HIGH (H) MEDIUM (M) LOW (L)	MITIGATING ACTIONS
Strategic Risks			
The absence of a robust Medium Term Financial Strategy could adversely affect the Council's budget and resource planning and projections.	**L**	**H**	Continually monitor and refine the strategy in line with changing influences. Update Corporate Management Team and Cabinet.
Failure to understand changing community needs and customer expectations can result in the Council providing levels of service which are not appropriately aligned to the needs of communities and customers.	**L**	**H**	Continuously engage with key stakeholders and take advantage of existing consultation methodologies. Continue to monitor and more closely align service levels to demand and need.
Government is continuously reducing its departmental spending budget. Failure to respond to these funding pressures may adversely impact on the Council's ability to service delivery.	**M**	**H**	Take advantage of the Council's growth opportunities to reduce dependency on government funding. Align service delivery to funding levels, improve exist strategy to minimise risk.
Budget pressures arising from housing and economic growth and other demographic changes.	**H**	**H**	Take advantage of technological advancements to understand and reduce unit costs, monitor demand for services and proactively manage resourcing requirements, invest in schemes to promote skills and developments.

RISKS	PROBABILITY HIGH (H) MEDIUM (M) LOW (L)	IMPACT HIGH (H) MEDIUM (M) LOW (L)	MITIGATING ACTIONS
Financial			
Uncertain medium term sustainability of incentivised income areas subject to Government policy, economic factors, and revaluation e.g. Brexit, business rates and New Homes Bonus.	**H**	**H**	Constantly monitor information and update risk appraisals and financial projections. Provide timely briefings and updates to Members/ key stakeholders to facilitate decision making. Adopt prudent budgeting approach not placing undue reliance on uncertain funding sources.
Uncertainty surrounding the Government's change agenda including, business rates and welfare reform over the medium term.	**H**	**H**	Constantly monitor information from Government and update risk appraisals and financial projections. Provide timely briefings and updates to Members/ key stakeholders to facilitate decision making. Lobby through the LGA as appropriate.
Budget pressures from demand led services and income variances reflecting the wider economy.	**M**	**M**	Monitor pressures throughout the budget process and take timely actions.
Costs arising from the triennial review of the Local Government Pension Scheme.	**H**	**M**	Review and monitor information from Government and actuaries. Update forecasts as necessary.
Interest rate exposure on investments and borrowing.	**L**	**L**	Review cash flows, ensuring the Council has a flexible and forward looking Treasury management policy.
Information			
The Council itself has no influence over the outcome of some of the other bigger assumptions such as formula grant, national pay awards, interest rates, inflation and statutory fees and charges.	**L**	**M**	Key assumptions made are regularly reviewed from a variety of sources. Forecasts are updated as necessary.

RISKS	PROBABILITY HIGH (H) MEDIUM (M) LOW (L)	IMPACT HIGH (H) MEDIUM (M) LOW (L)	MITIGATING ACTIONS
Operational			
The Council has entered into a number of strategic partnerships and contracts and is therefore susceptible to price changes.	**M**	**H**	Effective negotiation, sound governance arrangements and regular reviews of performance and partnership risks.
There is a potential risk to the Council if there is a financial failure of an external organisation, providing services to the public on behalf of the Council.	**L**	**H**	Ensure rigorous financial evaluations are carried out at tender stage. Consideration of processes to ensure annual review of the successful organisation, and review any external auditor comments.
People			
Loss of key skills, resources and expertise.	**M**	**L**	Continue to invest in staff developments, service continuity measures. Monitor succession planning. Keep staff consulted and informed. Ensure employment terms and conditions are competitive and development needs identified through 'My Conversation' programme with staff are satisfied.
Regulatory			
Changes of responsibility from Government can adversely impact on service priorities and objectives.	**L**	**L**	Sound system of service and financial planning in place. Lobby as appropriate.
Reputation			
Loss of reputation if unforeseen resource constraints result in unplanned service reductions.	**L**	**H**	Identify and implement robust solutions in response to changes. Consult widely. Seek to achieve a prudent level of balances and reserves.

MEDIUM TERM FINANCIAL STRATEGY-KEY BUDGET MOVEMENTS APPENDIX B2

	2019/20	2020/21	2021/22	2002/23
Budget Shortfall / (Surplus) - February 2018	**3,592,200**	**3,932,900**	**3,913,900**	**3,913,900**
Additional Income				
Green waste income	(600,000)	(600,000)	(600,000)	(600,000)
Interest earning on investments	(210,000)	(210,000)	(210,000)	(210,000)
Planning fee income	(198,900)	(198,900)	(198,900)	(198,900)
Southwold Caravan & Camping site	(122,000)	(122,000)	(122,000)	(122,000)
Discretionary Housing Payments (DHP) Grant	(112,900)	(112,900)	(112,900)	(112,900)
Planning - CIL admin fee	(100,000)	(100,000)	(100,000)	(100,000)
Car Parking income	(94,100)	(94,100)	(94,100)	(94,100)
License income (including taxi licence income)	(60,000)	(60,000)	(60,000)	(60,000)
Bellwin Funding to fund tidal barrier deployment	(38,200)	0	0	0
HB Admin Grant	(21,700)	(50,600)	(50,600)	(50,600)
S31 Grant	(2,095,700)	(245,800)	(329,200)	(357,900)
	(3,653,500)	**(1,794,300)**	**(1,877,700)**	**(1,906,400)**
Savings				
Payment to SCC - Share of green waste income	(400,000)	(400,000)	(400,000)	(400,000)
Partnerships	(300,000)	(300,000)	(300,000)	(300,000)
Car park rent	(50,000)	(50,000)	(50,000)	(50,000)
General Fund Housing costs transferred to the HRA	(30,000)	(30,000)	(30,000)	(30,000)
Corporate subscriptions	(18,600)	(18,600)	(18,600)	(18,600)
	(798,600)	**(798,600)**	**(798,600)**	**(798,600)**
Increase to Budget (Operational Requirements)				
Waste Management Contribution to SCC	500,000	500,000	500,000	500,000
Partnerships	264,400	275,300	275,300	275,300
HB Subsidy & HB overpayments	216,200	216,200	216,200	216,200
Transfer between the GF & HRA	207,700	157,500	191,700	157,000
Legal fees	200,000	200,000	200,000	200,000
Planning legal costs provision (Sizewell)	170,000	0	0	0
Admin buildings	74,700	74,700	74,700	74,700
Asset Management - planned maintenance	83,700	25,000	25,000	25,000
Green Waste scheme operational costs	63,200	63,200	63,200	63,200
Contribution to the Suffolk Office of Data & Analytics (SODA)	40,000	0	0	0
Business Rates - Non-Admin buildings	31,200	18,900	14,100	47,300
Local Plan consultancy fees	20,000	20,000	20,000	20,000
Drainage Board Levy	15,000	15,000	15,000	15,000
Net other variances	(14,700)	71,300	56,400	84,800
Direct Staffing Costs				
Direct Staffing costs - growth	579,100	379,900	392,400	471,700
Provision for National pay award after 2019/20	0	200,000	200,000	400,000
Roll forward of establishment budgets	0	0	0	230,000
	2,450,500	**2,217,000**	**2,244,000**	**2,780,200**
Reduced Income				
DWP Universal Credit funding support	57,000	57,000	114,600	114,600
Beccles sports ground	31,300	31,300	31,300	31,300
	88,300	**88,300**	**145,900**	**145,900**
Reserve Movements	**2,452,100**	**186,500**	**423,500**	**637,500**
Financed By:				
Revenue Support Grant (RSG)	(313,000)	10,500	10,500	10,500
Rural Services Delivery Grant	(49,100)	0	0	0
Council Tax Income	22,000	24,000	23,000	(603,000)
Business Rates	(3,790,900)	(25,400)	(235,900)	(308,200)
	(4,131,000)	**9,100**	**(202,400)**	**(900,700)**
Total of Budget Movements	**(3,592,200)**	**(92,000)**	**(65,300)**	**(42,100)**
Budget Shortfall / (Surplus) - February 2019	**0**	**3,840,900**	**3,848,600**	**3,871,800**

GENERAL FUND REVENUE BUDGET SUMMARY 2019/20 TO 2022/23 APPENDIX B3

	MTFS 2019/20	MTFS 2020/21	MTFS 2021/22	MTFS 2022/23
Head of Service	**£**	**£**	**£**	**£**
Customer Services	2,006,000	2,025,700	2,059,200	2,100,400
Communities	1,938,200	1,583,900	1,600,300	1,607,800
Economic Development & Regeneration	1,320,600	1,234,400	1,029,500	987,500
Environmental Services and Port Health	733,800	861,400	937,500	959,300
Financial Services, Corporate Performance and Risk Management	4,128,400	3,565,200	3,603,700	3,637,400
Housing Operations and Landlord Services	1,575,000	1,368,300	1,396,600	1,426,000
ICT Services	2,420,900	2,445,900	2,469,600	2,498,500
Internal Audit	585,600	604,200	622,400	635,300
Legal & Democratic Service	2,466,900	2,271,800	2,308,200	2,338,800
Operations	7,530,700	7,497,600	7,693,600	7,781,900
Planning & Coastal Management	2,031,000	1,952,800	2,077,500	2,192,800
Revenue and Benefits	1,892,100	2,012,900	2,172,100	2,238,300
Senior and Corporate Management	2,666,300	2,582,800	2,637,900	2,692,200
Net Cost of Service	**31,295,500**	**30,006,900**	**30,608,100**	**31,096,200**
Non-Cost of Service Expenditure Adjustments				
Direct Revenue Financing (DRF)	6,418,000	1,828,000	1,269,000	1,174,000
Revenue provision for the repayment of debt (MRP)	830,100	1,055,300	1,081,600	1,081,600
Recharges to the Housing Revenue Account (HRA)	(1,869,900)	(1,913,800)	(1,958,600)	(2,004,500)
Other Accounting Adjustments	34,500	34,500	34,500	34,500
Other Operating Expenditure				
Town & Parish Precepts	6,066,300	6,066,300	6,066,300	6,066,300
Levies	140,000	140,000	140,000	140,000
Financing and Investment Income and Expenditure				
Interest Payable	463,000	488,000	488,000	488,000
Interest Receivable	(550,000)	(550,000)	(550,000)	(550,000)
HRA Share of Interest Payable & Receivable	(148,900)	(177,500)	(189,800)	(183,600)
Investment Property Income & Expenditure	(153,000)	(153,000)	(153,000)	(153,000)
Other Financing Charges	517,300	517,300	517,300	517,300
Non-Specific Grant Income				
New Homes Bonus	(2,408,000)	(2,163,600)	(2,124,300)	(2,101,800)
S31 Grant	(4,557,000)	(2,781,800)	(2,865,200)	(2,893,900)
Capital Grants	(50,000)	0	0	0
Net Budget Expenditure before Reserve Movements	**36,027,900**	**32,396,600**	**32,363,900**	**32,711,100**
Net Movements on Reserves				
General Fund Balance	(2,000,000)	0	0	0
Revenue Earmarked Reserves	(6,777,700)	209,000	640,900	950,200
Capital Reserves	4,400,600	(669,000)	(242,000)	(177,000)
Net Budget Expenditure After Reserve Movements	**31,650,800**	**31,936,600**	**32,762,800**	**33,484,300**
Financed By:				
Council Tax Income (District Council)	(14,429,000)	(15,011,000)	(15,619,000)	(16,245,000)
Council Tax Income (Town & Parish Precepts)	(6,066,300)	(6,066,300)	(6,066,300)	(6,066,300)
Business Rates Income*	(10,584,900)	(7,018,400)	(7,228,900)	(7,301,200)
Revenue Support Grant	(322,500)	0	0	0
Rural Services Delivery Grant	(248,100)	0	0	0
Total Financing	(31,650,800)	(28,095,700)	(28,914,200)	(29,612,500)
Budget Shortfall / (Surplus) - February 2019	**0**	**3,840,900**	**3,848,600**	**3,871,800**

**It should be noted that the Business Rates income for 2020/21 onwards is based on the current system. Due to the high degree of uncertainty regarding the future reform of the Local Government financing System, income above the Baseline has not been included at this time.*

GENERAL FUND RESERVES SUMMARY 2019/20 to 2022/23

East Suffolk Council
East Suffolk General Fund and Earmarked Reserves

	Closing Balance 31/03/19 £'000	2019/20 Transfers In £'000	2019/20 Transfers Out £'000	**Closing Balance 31/03/20 £'000**	2020/21 Transfers In £'000	2020/21 Transfers Out £'000	**Closing Balance 31/03/21 £'000**	2021/22 Transfers In £'000	2021/22 Transfers Out £'000	**Closing Balance 31/03/22 £'000**	2022/23 Transfers In £'000	2022/23 Transfers Out £'000	**Closing Balance 31/03/23 £'000**
Revenue Balances:													
General Fund	8,000		(2,000)	6,000			6,000			6,000			6,000
General Fund Balance	**8,000**	**0**	**(2,000)**	**6,000**	**0**	**0**	**6,000**	**0**	**0**	**6,000**	**0**	**0**	**6,000**
Earmarked Reserves - Revenue:													
Actuarial Contributions	467			467			467			467			467
Admin Building	0			0			0			0			0
Air Quality	97			97			97			97			97
HCA - AAP land contamination grant	167			167			167			167			167
Better Broadband	36			36			36			36			36
Budget Carry Forward Requests	222		(2)	220			220			220			220
Building Control	503		(4)	499		(12)	487		(19)	468		(19)	449
Business Incentive	5			5			5			5			5
Business Plan Delivery	234	16		250			250			250			250
Business Rate Equalisation	10,045	2,811	(5,063)	7,793		(200)	7,593		(50)	7,543		(50)	7,493
Business Rates Pilot	2,321		(900)	1,421			1,421			1,421			1,421
Climate Change	33			33			33			33			33
Coastal Protection - Revenue Works	136			136			136			136			136
Communities	116		(5)	111			111			111			111
Community Health	27		(25)	2			2			2			2
Community Housing Fund	2,192		(346)	1,846			1,846			1,846			1,846
County Sports	706			706			706			706			706
Customer Services	82			82			82			82			82
District Elections	404	60	(240)	224	60		284	60		344	60		404
Domestic Violence Support Funding	53		(53)	0			0			0			0
Deployment of Flood Barrier	38		(38)	(0)			(0)			(0)			(0)
East Suffolk Partnership	300			300			300			300			300
Economic Development	29			29			29			29			29
Economic Regeneration	114			114			114			114			114
Empty Properties and Houses in disrepair	100	85		185			185			185			185
Enterprise Zone	566		(59)	507		(72)	435		(41)	394			394
Flood Prevention	21			21			21			21			21
Great Places	13			13			13			13			13
HB Subsidy	260			260			260			260			260
HCA Development Grant	75			75			75			75			75
Homelessness Prevention (Inc Mortgage Rescue)	106	7		113	32		145	30		175	28		203
Housing Condition Survey and Improvements	97			97			97			97			97
Homelessness New Burdens	40		(42)	(2)			(2)			(2)			(2)
Homelessness- Rough Sleeper	14			14			14			14			14

GENERAL FUND RESERVES SUMMARY 2019/20 to 2022/23

	Closing Balance 31/03/19	2019/20 Transfers In	2019/20 Transfers Out	**Closing Balance 31/03/20**	2020/21 Transfers In	2020/21 Transfers Out	**Closing Balance 31/03/21**	2021/22 Transfers In	2021/22 Transfers Out	**Closing Balance 31/03/22**	2022/23 Transfers In	2022/23 Transfers Out	**Closing Balance 31/03/23**
Homlessness - Flexible Homelessness Grant	86	91		177		(52)	125		(53)	72		(53)	19
Individual Electoral Registration	237			237			237			237			237
Indoor Leisure	120			120			120			120			120
Insurance	166			166			166			166			166
In-Year Contingency	400			400			400			400			400
In-Year Savings	4,813		(3,019)	1,794			1,794			1,794			1,794
Key Capital Programme	200			200			200			200			200
Land Charges	335			335			335			335			335
Local Development Framework	477	50	(45)	482	50	(45)	487	50	(45)	492	50	(45)	497
Lowestoft Rising	41			41			41			41			41
New Homes Bonus	4,415	175		4,590	580		5,170	884		6,054	1,035		7,089
Planning Delivery	182			182			182			182			182
Planning Policy	281		(20)	261		(20)	241		(20)	221		(20)	201
Planning Training	13			13			13			13			13
Private Sector Housing	17	4		21	4		25	4		29	4		33
Renovation Grants	828			828		(50)	778		(50)	728		(50)	678
Rent Guarantee Scheme	14			14			14			14			14
Revenues & Benefits Administration	203		(28)	175		(70)	105		(80)	25			25
SEAL	6	4		10	4		14	4		18	4		22
Transformation	1,264		(190)	1,074			1,074			1,074			1,074
Warmer Homes Healthy People	46		(4)	42		(4)	38		(4)	34		(4)	30
WHHP - RAD	7			7			7			7			7
Youth Leisure	10			10			10			10			10
Earmarked Reserves - Revenue sub-total	**33,779**	**3,303**	**(10,083)**	**26,999**	**730**	**(525)**	**27,204**	**1,032**	**(362)**	**27,874**	**1,181**	**(241)**	**28,814**
Earmarked Reserves - Port Health:													
Port Health	**4,902**	**102**	**(100)**	**4,904**	**15**	**(11)**	**4,908**	**1**	**(30)**	**4,879**	**10**	**0**	**4,889**
Earmarked Reserves - Capital:													
Capital	3,176	4,660	(330)	7,506	330	(917)	6,919	330	(665)	6,584	330	(600)	6,314
Coastal Protection - Capital Works	176			176			176			176			176
Short Life Assets	547	596	(525)	618	618	(525)	711	618	(525)	804	618	(525)	897
Southwold Beach Front	175			175		(175)	0			0			0
Earmarked Reserves - Capital sub-total	**4,074**	**5,256**	**(855)**	**8,475**	**948**	**(1,617)**	**7,806**	**948**	**(1,190)**	**7,564**	**948**	**(1,125)**	**7,387**
Total Earmarked Reserves	**42,755**	**8,661**	**(11,038)**	**40,378**	**1,693**	**(2,153)**	**39,918**	**1,981**	**(1,582)**	**40,317**	**2,139**	**(1,366)**	**41,090**

APPENDIX B4