

East Suffolk Shadow Authority

Agenda
Item
12

SHADOW COUNCIL

Thursday 28 February 2019

GENERAL FUND BUDGET & COUNCIL TAX REPORT 2019/20 (REP 37(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 (Suffolk Coastal and Waveney) had signed up to a four year Local Government Finance Settlement for the period 2016/17 to 2019/20 (with East Suffolk receiving the final year of the settlement). The settlement covers the elements of Revenue Support Grant (RSG), 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 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 Council.
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 aims to maintain 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. The 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. Since April 2013 Councils have the discretion to charge up to 50% Long Term Empty Property Premium. Both predecessor Councils have had this charge in place. The Government has recently passed legislation which give Councils the power to increase the Long Term Empty Property Premium to 100% from 1st April 2019, 200% from 1st April 2020 and 300% from 1st April 2021. This is detailed further in **Section 4** of this report.
10. In this report, the Shadow Council is asked to:
 - consider the Chief Financial Officer’s report attached at **Appendix D**;
 - approve the Medium Term Financial Strategy for 2019/20 to 2022/23 attached as **Appendix B**, incorporating the General Fund Revenue Budget;
 - approve the movements to and from Earmarked Reserves and the General Fund Balance for 2019/20 to 2022/23 as set out in **Appendix B4** of the MTFS;
 - approve a proposed Band D Council Tax for East Suffolk Council of £166.32 for 2019/20, an increase of £4.05 or 2.5%.
 - approve the Efficiency Strategy attached as **Appendix C**;
 - approve that the predecessor Councils Local Council Tax Reduction Scheme is adopted without amendment by East Suffolk Council, attached as **Appendix G**;
 - approve the increase to the discretionary Council Tax Premium for Long Term Empty properties as set out in **Section 4.2**;
 - approve the Pay Policy Statement attached as **Appendix E**;
 - approve the Council Tax Resolutions in **Appendix F**;
 - approve the items to be treated as special items in 2019/20 as set out in **Section 7**;
 - note the Business Rates tax base for 2019/20; and
 - note the Council Tax base for 2019/20 of 86,755.14 Band D equivalents.

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:	<p>Simon Taylor Chief Finance Officer and Section 151 Officer 01394 444570 simon.taylor@eastsoffolk.gov.uk</p> <p>Lorraine Rogers Finance Manager & Deputy Section 151 Officer 01502 523667 Lorraine.rogers@eastsoffolk.gov.uk</p>
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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 2019. 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 2018/19, for the predecessor Councils, was aligned and approved in January 2018, following a consultation on the scheme in November 2017. It has been determined not to make any amendments for 2019/20, and it is proposed for the predecessors scheme to be adopted by East Suffolk Council. A copy of scheme is attached as **Appendix G**.

3.3 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 LONG TERM EMPTY PROPERTY PREMIUM

4.1 Since April 2013 Councils have the discretion to charge up to 50% Long Term Empty Property Premium for properties that have been empty (unoccupied and substantially unfurnished) for over two years. This discretionary charge has been in place for both predecessor Councils.

4.2 Parliament has recently approved legislation to give Councils the power to increase the Long Term Empty Property Premium as follows:

- 100% premium on Long Term Empty properties, empty for more than two years, raising the Council Tax to 200% from 1st April 2019,
- 200% premium on Long Term Empty properties, empty for longer than five years, raising the Council Tax to 300% from 1st April 2020, and
- 300% premium on Long Term Empty properties, empty for longer than 10 years, raising the Council Tax to 400% from 1st April 2021.

4.3 The Council continues to have discretion to award individual discounts or waive the Long Term Empty Property Premium for specific cases that require individual consideration. Guidance issued in 2013 states the Government expects billing authorities to consider the reasons why properties are unoccupied and unfurnished, including whether they are available for sale or rent. Under current legislation the empty homes premium cannot apply

to homes that are empty due to the occupant living in armed forces accommodation for job-related purposes, or to annexes being used as part of a main property.

- 4.4 Based on long term empty property information (as at 15th January 2019), this policy would generate additional Council Tax income for the Council of around £21k per annum. Also, under the current New Homes Bonus scheme, the Council benefits from long term empty properties brought back into use. At present the Council receives £1.4k for each property for four years and this funding is re-invested into community projects and initiatives.
- 4.5 It is proposed that the Council adopts the Long Term Empty property premium as set out in **Section 4.2** above. This policy supports the Council's Business Plan action of continuing to reduce the number of long term empty properties and will generate additional income for the Council via Council Tax income and NHB funding (under the current system).

5 RISK ASSESSMENT AND REPORT OF THE CHIEF FINANCIAL OFFICER

- 5.1 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.
- 5.2 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. This report is attached as **Appendix D**.
- 5.3 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.

6 PAY POLICY STATEMENT

- 6.1 Section 38 (1) of the Localism Act 2011 requires local authorities to produce a Pay Policy for each financial year. There is a requirement for the Council to compare the policies on remunerating Chief Officers and other employees, and to set out the policy on the lowest paid employees.
- 6.2 The interpretation of the meaning of "Chief Officer(s)" as used above in the context of the Pay Policy Statement includes the Chief Executive, the Strategic Directors, the Heads of Service, and the Chief Finance Officer. The Pay Policy Statement for 2019/20 is attached in **Appendix E**.
- 6.3 The Council is also required by law to report annually in April, on their gender pay gap and publish this information. This must include mean and median gender pay gaps; the mean and median gender bonus gaps; the proportion of men and women who received bonuses; and the proportions of male and female employees in each pay quartile.

7. SPECIAL ITEMS

7.1 Section 35 of the Local Government Finance Act 1992 provides for certain items of expenditure to be treated as ‘special items’ chargeable to part only of the District when setting the Council Tax. The items referred to are:

- (a) any precepts issued or anticipated by the Council in calculating its budget requirement believed to be applicable to part of the area; i.e.: precepts of town and parish councils;
- (b) any expenses of the Authority which are its special expenses and which were included in the budget requirement.

7.2 The item to be treated as special items in 2019/20 under s35 (2) of the Act is the precepts by Town/Parish Councils and parish meetings.

8. PROPOSALS FOR COUNCIL TAX

8.1 In the Key Principles of the MTFs, the Council Tax strategic objective is to “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”.

8.2 In considering the budget for 2019/20, the Cabinet proposed that the Council increases its Band D Council Tax by £4.05 or 2.5% from £162.27 to £166.32.

8.3 The Council’s Council Tax is only a small proportion of the total Council Tax required to fund all local authority and police services in the Suffolk Coastal area. The following table shows the approved tax to be levied in 2019/20. The Band D tax for Suffolk County Council has been increased by 3.99% and includes 1% increase for the Social Care Precept as permitted by Government. The Police and Crime Commissioner for Suffolk has recommended an increase of 12.68%. The Council Tax resolutions are set out in **Appendix F**.

	2018/19 £	2019/20 £	Increase %
East Suffolk Council	162.27	166.32	2.50
Suffolk County Council	1,242.54	1,292.13	3.99
Police and Crime Commissioner for Suffolk	188.82	212.76	12.68
Sub-Total	1,593.63	1,671.21	4.87
Town & Parish Councils (average)	63.33	69.92	10.41
Total	1,656.96	1,741.13	5.08

9 HOW DOES THIS RELATE TO EAST SUFFOLK BUSINESS PLAN?

9.1 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.

10 FINANCIAL AND GOVERNANCE IMPLICATIONS

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

11 OTHER KEY ISSUES

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

12 CONSULTATION

12.1 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.

12.2 The Shadow Scrutiny Committee considered the Draft General Fund Budget at its meeting on 4th February 2019.

13 OTHER OPTIONS CONSIDERED

13.1 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.

13.2 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 (2016/17 to 2019/20). 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.

14 REASON FOR RECOMMENDATION

14.1 To bring together all the relevant information to enable Members to review, consider and comment upon the Council's General Fund revenue budget.

14.2 The Council is required to set a balanced budget for the following financial year and to agree the Council Tax for 2019/20.

14.3 There is a statutory requirement under the Local Government Finance Act 2012 to annually consider the Local Council Tax Reduction Scheme.

14.4 Implementation of additional discretionary charge for the Council Tax Long Term Empty Premium with effect from 1st April 2019 to 1st April 2021 requires Council approval.

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

RECOMMENDATIONS

That Shadow Council, on behalf of East Suffolk Council is recommended to:

1. Consider the Chief Financial Officer's report attached at **Appendix D**;
2. Approve the Medium Term Financial Strategy for 2019/20 to 2022/23, including the General Fund Revenue Budget proposed for 2019/20; and forecast budgets for 2020/21 to 2022/23 as set out in **Appendix B**;
3. Approve the movements to and from Earmarked Reserves and the General Fund Balance for 2019/20 to 2022/23 as set out in **Appendix B4**;
4. Approve the items to be treated as special items in 2019/20 as set out in **Section 7** – the precepts by town/parish councils and parish meetings;
5. Approve a Band D Council Tax for 2019/20 of £166.32, representing an increase of £4.05 or 2.5% on 2018/19.
6. Approve the Efficiency Strategy attached as **Appendix C**;
7. Approve the Pay Policy Statement set out in **Appendix E**;
8. Approve the Council Tax Resolutions in **Appendix F**;
9. Approve no changes are made to the Local Council Tax Reduction Scheme in **Appendix G**; and
10. Adopt the existing Local Council Tax Reduction Scheme for East Suffolk in **Appendix G**;
11. Approve increasing the discretionary Long Term Empty Property Premium as set out in Recommendations 12 to 14 as follows:
12. Increase to a 100% premium on Long Term Empty Properties, empty for more than two years, raising the Council Tax to 200% from 1st April 2019,
13. Increase to a 200% premium on Long Term Empty Properties, empty for longer than five years, raising the Council Tax to 300% from 1st April 2020, and
14. Increase to a 300% premium on Long Term Empty Properties, empty for longer than 10 years, raising the Council Tax to 400% from 1st April 2020
15. Note the overall Business Rates Tax Base for 2019/20 (total net rates income) for the district of £92.792m; and
16. Note the Council Tax Base of 86,755.14 for 2019/20.

APPENDICES

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

Appendix C	Efficiency Strategy 2016/17 to 2021/22
Appendix D	Report by the Chief Finance Officer
Appendix E	Pay Policy Statement 2019/20
Appendix F	Council Tax Resolutions 2019/20
Appendix G	Local Council Tax Reduction Scheme for East Suffolk 2019/20

BACKGROUND PAPERS		
Date	Type	Available From
January 2019	Budget Working Papers	Chief Finance Officer simon.taylor@eastsoffolk.gov.uk