



CABINET

Tuesday, 03 January 2023

Subject	General Fund Budget 2023/24 and Medium Term Financial Strategy (MTFS)
Report by	Councillor Maurice Cook Cabinet Member with responsibility for Resources
Supporting Officer	Brian Mew Chief Finance Officer & S151 Officer brian.mew@eastsuffolk.gov.uk

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is NOT in the public interest to disclose the exempt information.	Not applicable
Wards Affected:	All Wards

Purpose and high-level overview

Purpose of Report:

This report sets out a further update to the draft Medium Term Financial Strategy (MTFS), taking account of new and revised risks, and presents an initial draft of the Council's General Fund Budget for 2023/24.

At the end of the 2023/24 budget process, the Council is required to approve a balanced budget for the following financial year and set the Band D rate of Council Tax.

The report brings together the relevant information to enable Cabinet to review, consider, and comment upon the Council's General Fund revenue budgets before making recommendations to Council on 22 February 2023. This report also forms the basis of Scrutiny Committee's review of the Budget at its meeting on 19 January 2023 as required under the Budget and Policy Framework.

Options:

The consideration of the MTFS by members as part of the budget process is essential, especially in order to commence actions to achieve a balanced budget and sustainable medium-term position. Setting a balanced budget for the coming year is a statutory requirement, therefore no other options are considered appropriate.

Recommendation/s:

Cabinet is recommended to:

1. Approve the updated draft Medium Term Financial Strategy attached as **Appendix A** including the draft 2023/24 General Fund Revenue Budget summarised in **Appendix A5** for review and consideration by the Scrutiny Committee as part of the Budget process.
2. Approve an initial proposed Band D Council Tax for East Suffolk Council of £181.17 for 2023/24, an increase of £4.95 or 2.81%.

Corporate Impact Assessment

Governance:

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. The 2023/24 budget will be considered at the following Council meetings:

- Cabinet 3 January 2023
- Scrutiny Committee 19 January 2023
- Cabinet 7 February 2023
- Full Council 22 February 2023

ESC policies and strategies that directly apply to the proposal:

- East Suffolk Strategic Plan
- East Suffolk Medium Term Financial Strategy
- Capital Programme

- Housing Revenue Account
- East Suffolk Treasury Management Strategy and Treasury Management Policy
- Annual Governance Statement
- Financial Management Code

Environmental:

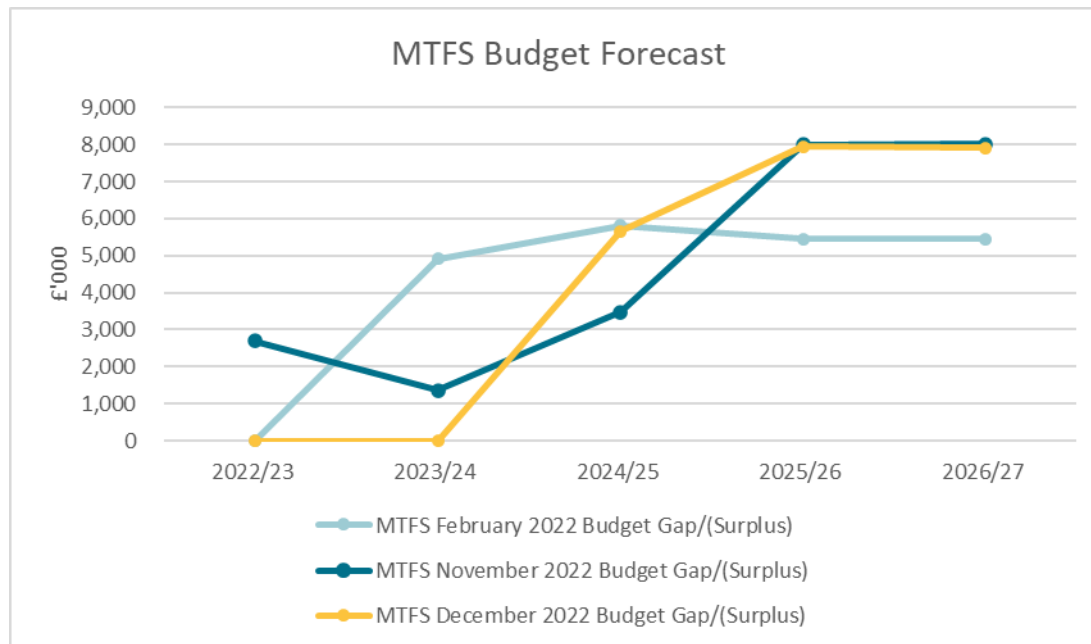
Although, there are no environmental impacts directly related to this report, **Appendix A6** includes details of budgets and reserves specifically provided to assist with the delivery of the Council's Green Agenda.

Equalities and Diversity:

An Equality Impact Assessment is not applicable at this stage of the draft Budget and MTFS. This assessment will be complete on the finalisation of the budget for approval in February 2023 and the results taken into consideration.

Financial:

The MTFS was updated in February 2022, and a further draft update was considered by the Cabinet in November 2022. The December MTFS update and the draft General Fund Budget have been prepared against the background of a rapidly changing and volatile economic climate. The Council's operating environment is subject to fast moving changes, particularly the impact of inflationary pressures. Consequently, the updated MTFS features a large number of significant changes, many of which have only been identified, quantified, and estimated in the past few weeks. The latest draft position is shown below, but there is a considerable degree of uncertainty regarding these figures, even in the relatively short term.



MTFS Position	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
MTFS Feb-22 Budget Gap/(Surplus)	0	4,908	5,805	5,457	5,457
MTFS Nov-22 Budget Gap/(Surplus)	2,694	1,358	3,468	7,995	8,005
MTFS Dec-22 Budget Gap/(Surplus)	0	0	5,660	7,940	7,902

The draft MTFS shows a balanced position for the current year and 2023/24. In the draft MTFS, very considerable increased expenditure and reducing income pressures are being dealt with by a combination of measures, including a thorough analysis of current and projected savings, and the release of a number of earmarked reserves into the General Fund. Earmarked reserves have been reviewed, and have been released in respect of the following situations:

- to support service expenditure in line with their original intended purpose:
- where the reserve is no longer required for its original purpose.

To ultimately balance the budget in 2022/23 and 2023/24, use has been made in full across the two years of the balance of the In Years Saving reserve. The Business Rate Equalisation Reserve is a risk based reserve which can assist with balancing the budget going into 2024/25. The balance on this reserve is currently £15m.

As referred to in previous MTFS reports, a key factor in balancing the budget has been the deferral of Business Rates system changes until 2025/26 at the earliest, as East Suffolk is in an advantageous position under the current system. The MTFS now essentially assumes a roll forward of the current position for this period, with the changes in 2025/26 also potentially not impacting as seriously as previously forecast.

There are also prospective activities not yet factored into the MTFS, which have the potential to make inroads into the budget gap towards the end of the MTFS. These include the Council Tax Premium on second homes, expected efficiencies from East Suffolk Services Ltd, and income streams from capital projects.

However, despite these factors, and the uncertainty due to local government finance reforms, the range and scale of expenditure and income pressures indicate that a combination of actions will be needed ensure a longer term sustainable position including a phased use of reserves, maximisation of income, and the achievement of significant levels of savings.

Human Resources:

There are no HR implications directly arising from this report.

ICT:

There are no ICT implications directly arising from this report.

Legal:

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 provisions of the Local Government Finance Act 1992 set out what the Council has to base its budget calculations upon and require the Council to set a balance budget with regard to the advice of its Section 151 Officer.

Risk:

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 A1**.

External Consultees:	Budget-related consultation questions now form a standing part of the permanent residents survey, which is live via the ESC website, and via other channels. This has been promoted again in the Autumn edition of the residents magazine, and there has been increased promotion to businesses. A summary of responses as at 31 December 2022 will be reported to Scrutiny Committee in January and Cabinet in February as part of their further consideration of the draft budget.
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Strategic Plan Priorities

Select the priorities of the Strategic Plan which are supported by this proposal: (Select only one primary and as many secondary as appropriate)		Primary priority	Secondary priorities
T01	Growing our Economy		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T02	Enabling our Communities		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
T03	Maintaining Financial Sustainability		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input checked="" type="checkbox"/>
T04	Delivering Digital Transformation		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T05	Caring for our Environment		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
XXX	Governance		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>

How does this proposal support the priorities selected?

By ensuring the robustness of the Medium-Term Financial Strategy and adequate reserves and balances the Council. The MTFS underpins and supports the delivery of the East Suffolk Strategic Plan.

Background and Justification for Recommendation

1 Background facts	
1.1	The MTFS sets the strategic financial direction for the Council. It sets out the key financial management principles, budget assumptions and service issues.
1.2	<p>The MTFS provides a 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 Strategic Plan. It provides a sound basis for planning and decision making, and is reviewed and updated at the following key points in the year:</p> <ul style="list-style-type: none">• November/December – 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.• February – with the final Budget for the new financial year.
1.3	<p>The key underlying principles of the MTFS are:</p> <ul style="list-style-type: none">• 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.

2 Current position

2.1	Sections 2, 3, and 4 of the MTFS attached as Appendix A provide a comprehensive overview of the national economic background, public finances, and local government finance.
2.2	<p>MTFS Forecasts 2022/23 to 2026/27: As of December 2022, key areas of the budget that are yet to be finalised include;</p> <ul style="list-style-type: none">• Operations• Revenue implications of the capital programme• Business rates income• Council Tax income• Announcement of the Local Government Settlement for 2023/24• Final proposed use of reserves.

2.3	On 12 December DLUHC published a policy statement on the Local Government Finance Settlement 2023/24 and 2024/25. This is provided in Appendix A7 , and sets out the intention for Business Rates, Council Tax, and settlement grants. No changes to the MTFS are proposed at this time as the current MTFS assumptions are in line with the intentions set out in the Policy Statement. Further details are provided in Section 4 of Appendix A .
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3 How to address current situation

3.1	The Council has a statutory duty to deliver a balanced budget for the forthcoming year and Full Council will consider this budget at its February 2023 meeting.
3.2	The Finance team continue to work with Officers and Members throughout the budget setting process which will lead to continual updating of the MTFS and further revisions will be made to reflect new and emerging information.
3.3	The Government published the Provisional Local Government Finance Settlement for 2023-24 on 19 December 2022 and details are shown in Appendix B .
3.4	Risk Assessment and Report of The Chief Financial Officer 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 A1 of the MTFS.
3.5	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.
3.6	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 MTFS; and the contributions to and use of earmarked reserves will assist the Council in meeting its financial challenges and developing its response to the pandemic and the objective of financial sustainability.
3.7	The Chief Finance Officer's report will be reported to Full Council when it considers the budget for 2023/24 on 22 February 2023. The report statement will clearly set out the budget assumptions used to arrive at the final recommendations.

4 Reason/s for recommendation

4.1	This report brings together the relevant information to enable Cabinet to review, consider, and comment upon the Council's General Fund revenue budgets before making final recommendations to Council on 22 February 2023. This report also forms the basis of Scrutiny Committee's review of the Budget at its meeting on 19 January 2023 as required under the Budget and Policy Framework.
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Appendices

Appendices:	
Appendix A	Medium Term Financial Strategy (December 2022 update)
Appendix A1	MTFS Key Principles and Risk Analysis
Appendix A2	East Suffolk Council Tax Base 2023/24
Appendix A3	NHB Reserve Summary 2022/23 to 2026/27
Appendix A4	MTFS Key Changes Analysis by Strategic Theme/Other Factors
Appendix A5	General Fund Revenue Budget Summary 2022/23 to 2026/27
Appendix A6	Financial Provision to Support the Council's Green Agenda - Caring for Our Environment
Appendix A7	DLUHC - Policy statement on local government finance settlement 2023/24 and 2024/25
Appendix B	Provisional Local Government Settlement December 2022

Background reference papers:		
Date	Type	Available From
03/11/2022	Bank of England Monetary Policy Report – November 2022	Monetary Policy Report - November 2022 Bank of England
17/11/2022	Chancellor's Autumn Statement 2022	Chancellor delivers plan for stability, growth and public services - GOV.UK (www.gov.uk)
17/11/2022	Office for Budget Responsibility - Economic and fiscal outlook – November 2022	Economic and fiscal outlook - November 2022 - Office for Budget Responsibility (obr.uk)
12/12/2022	DLUHC - Policy statement on local government finance settlement 2023/24 and 2024/25	Local government finance policy statement 2023-24 to 2024-25 - GOV.UK (www.gov.uk)
19/12/2022	Provisional Local Government Finance Settlement 2023/24	Provisional local government finance settlement: England, 2023 to 2024 - GOV.UK (www.gov.uk)