



## COUNCIL

Wednesday, 24 February 2021

### GENERAL FUND BUDGET AND COUNCIL TAX REPORT 2021/22

#### EXECUTIVE SUMMARY

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:
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 Strategic Plan, over the medium term.
3. Sections 2 to 4 of the MTFS provide an update on the financial challenge facing the Council, taking into account the ongoing pandemic, 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 challenges, as expressed in terms of its Budget and strategies towards reserves and capital.
4. The MTFS has been continually revised with updates including those resulting from budget monitoring forecasts and the Provisional Local Government Finance Settlement. The proposals included in the Provisional Local Government Finance Settlement issued on 17 December 2020 were confirmed in the Final Local Government Finance Settlement issued on 4 February 2021, which was debated and confirmed by Parliament on 10 February 2020.
5. Cabinet received updates on the draft MTFS on 1 December 2020 and 2 February 2021, and at its meeting on 2 February 2021 made recommendations to Council regarding the:
  - proposed Budget for 2021/22, and to note the position with regard to future years;
  - assessment of reserve and balance movements;
  - proposed Band D Council Tax for East Suffolk Council of £171.27 for 2021/22, which is no increase on 2020/21;
  - proposed Section 13a Council Tax Covid-19 Hardship Reliefs.

6. At the end of the 2021/22 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. Covid-19 has presented significant additional financial challenges to the Council and the outlook is very uncertain at this stage for both next year and the medium term. However, the Council's robust reserves position enables it to meet these challenges; develop its response to the pandemic and the objective of financial sustainability; and freeze its element of the council tax for 2021/22.
7. 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 (in the region of £130m for East Suffolk). This would equate to maintaining a General Fund balance in the region of between £4.0 million and £6.0 million.
8. In this report, the Council is asked to:
  - consider the Chief Financial Officer's report attached at **Appendix D**;
  - approve the Medium Term Financial Strategy for 2020/21 to 2024/25 attached as **Appendix A**, incorporating the General Fund Revenue Budget;
  - approve the movements to and from Earmarked Reserves and the General Fund Balance for 2020/21 to 2024/25 as set out in **Appendix A6** of the MTFS;
  - approve a proposed Band D Council Tax for East Suffolk Council of £171.27 for 2021/22, which is no increase on 2020/21;
  - approve the Efficiency Strategy attached as **Appendix B**;
  - approve the Section 13a Council Tax Covid-19 Hardship Reliefs referred to in **Appendix C**;
  - 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 2021/22 as set out in **Section 7**.

Is the report Open or Exempt?	Open
<b>Wards Affected:</b>	All Wards in East Suffolk
<b>Cabinet Member:</b>	Councillor Maurice Cook Cabinet Member with responsibility for Resources

<b>Supporting Officers:</b>	<p>Brian Mew Chief Finance Officer and Section 151 Officer 01394 444571 <a href="mailto:Brian.Mew@eastsuffolk.gov.uk">Brian.Mew@eastsuffolk.gov.uk</a></p> <p>Lorraine Rogers Deputy Chief Finance Officer 01502 523667 <a href="mailto:lorraine.rogers@eastsuffolk.gov.uk">lorraine.rogers@eastsuffolk.gov.uk</a></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.
  - 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 can deliver the aspirations of the Council as set out in the Strategic Plan, over the medium term.

## 2 MEDIUM TERM FINANCIAL STRATEGY

- 2.1 The draft MTFS for this period is attached as **Appendix A** and represents a base position for the medium term. This incorporates the Draft General Fund Budget and Council Tax proposals for 2021/22, reflecting the detailed budget process. In the MTFS, the key uncertainties over this period relate to the continuing impacts of the Covid-19 pandemic and the proposed reforms to the Local Government finance system – Business Rates Retention and the Fair Funding Review. Both have now been deferred by a further year until 2022/23.
- 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 2021/22 is based on the NNDR1 return submitted in January 2021. The Council will benefit for at least another year as a result of the further delay in reforms referred to above. Due to the uncertainty these reforms will have on income to the Council in future years, a prudent approach has been taken with the estimates for Business Rates income. The income figures included for 2022/23 and beyond, are based on the current Business Rates system and only include estimates of baseline income, which is approximately £7 million, plus Section 31 Grant.
- 2.4 Since Cabinet considered the Budget and MTFS at its meeting on 2 February 2020, there have been some significant further developments and refinements to the 2020/21 Revised Budget, 2021/22 Budget, and MTFS figures in subsequent years. These changes are summarised at the end of **Appendix A4** to the MTFS.
- 2.5 The most significant changes are in respect of two Business Rate areas that could not be finalised or estimated with any degree of confidence until the NNDR1 Business rate returns were completed at the end of January. As referred to in section 4 of the MTFS, the Tax Income Guarantee Scheme introduced by the Government to compensate authorities for business rate losses in 2020/21 is now estimated to provide additional funding of £1.766m to the Council in 2020/21, although the final amount of this will not be confirmed until the NNDR3 outturn return is finalised in May 2021. The other outstanding business rates figure in January was the estimated Pooling Benefit from the Suffolk Business Rates Pool for both

2020/21 and 2021/22. These figures are now estimated to be £1.976m and £2.918m respectively. The position regarding the Pool is referred to in detail in paragraph 4.16 of the MTFS, although it should be noted that these are probably the most uncertain figures in a business rates environment which is characterised by volatility and uncertainty.

- 2.6 There have also been some changes in respect of Operational Partnerships, with one-off pension costs amounting to £210k in 2020/21, and operational savings of £314k in 2021/22.
- 2.7 Finally, the position on a number of Government grant funding streams has been reviewed, and these elements have been reinstated in the MTFS from 2022/23 onwards. These grants form part of the Council's Core Spending Power (CSP) are indications are that will be unlikely to reduce by these amounts.

The table below outlines the updated MTFS Forecasts for 2020/21 to 2024/25. These indicate a balanced position for 2021/22 but underlying budget gaps from 2022/23 onwards. Whilst there is a high degree of uncertainty over this period, the Council is projecting a robust reserves position over the MTFS period which will enable it to response to future challenges and to deliver its strategic theme of Financial Sustainability. In addition to a General Fund Balance of £6 million, the Council is forecasting Earmarked Reserves to total £29 million by the end of the MTFS period.

MTFS Forecast - East Suffolk	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
February 2020	0	5,350	6,163	6,676	6,676
November 2020	2,028	3,362	4,840	5,424	5,203
January 2021	0	0	6,548	6,617	6,457
February 2021	0	0	5,442	5,705	5,418

- 2.8 The Capital Programme for 2020/21 to 2023/24 was considered by the Cabinet on 5 January 2021 and approved by Full Council on 27 January 2021.
- 2.9 Attached as **Appendix B** is the Council's draft Efficiency Strategy for 2021/22. The Efficiency Strategy is produced annually for the period 2016/17 to 2021/22, and is approved by Full Council as part of approval of the Council's Budget. The Efficiency Strategy is produced to enable the Council to potentially take advantage of the flexibility to local authorities to use capital receipts to fund the revenue set up and implementation costs of projects designed to generate ongoing revenue savings. To date there has been no use of capital receipts to fund one-off revenue costs, and no use of this flexibility is currently proposed in respect of projects in 2021/22. The Efficiency Strategy will be revised during the course of 2021/22 to further reflect the Strategic Plan and identify further eligible projects if necessary.

### **3 LOCAL COUNCIL TAX REDUCTION SCHEME (LCTRS); COUNCIL TAX DISCOUNTS AND PREMIUMS; COUNCIL TAX BASE; AND LOCAL COUNCIL TAX SUPPORT GRANTS**

- 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. Full Council on 25 November 2020 approved that the Council retains the current Local Council Tax Reduction

Scheme for 2021/22 as the 8.5% benefit scheme, i.e., the maximum benefit to working age claimants is 91.5%.

- 3.2 In addition to LCTRS, the Council has the discretion to set its own policy on Council Tax Discounts and Premiums. It is a statutory requirement for the Council to set and review annually its Discretionary Council Tax Discounts. Cabinet on 5 January 2021 approved that no further changes are made to Council Tax Discounts and Premiums to be applied from 1 April 2021, which were approved by the Shadow Council at its meeting on 3<sup>rd</sup> December 2018 (REP 9(SH)).
- 3.3 At its meeting on 28 February 2019, the East Suffolk Shadow Council approved Council Tax Long Term Empty Property Premiums as follows:
- 100% premium on Long Term Empty properties, empty for more than two years, raising the Council Tax to 200% from 1 April 2019.
  - 200% premium on Long Term Empty properties, empty for longer than five years, raising the Council Tax to 300% from 1 April 2020.
  - 300% premium on Long Term Empty properties, empty for longer than 10 years, raising the Council Tax to 400% from 1 April 2021.
- 3.4 At its meeting on 5 January 2021 Cabinet approved the Council Tax Base for 2021/22 for the East Suffolk district as 87,339.43 Band D equivalent properties. Cabinet also approved Local Council Tax Support Grant allocations to town and parish councils, passing on £110,000 of the £370,000 funding in respect of this provided by the Government.
- 3.5 At its meeting on 2 February 2021, the Cabinet approved a proposal for utilising the forecast residual Council Tax Hardship Fund allocation to provide further support to working age Local Council Tax Reduction Scheme claimants with their council tax bills. This scheme is detailed in **Appendix C**.

#### **4 BUSINESS RATE DISCRETIONARY RELIEFS**

- 4.1 In February 2020, additional business rates measures were announced that increased the current retail discount to 50% for eligible retail premises that occupy a property with a rateable value of less than £51,000. This relief was also extended to cinemas and music venues, the duration of the local newspapers office space discount was also extended, and an additional discount was introduced for public houses.
- 4.2 Subsequently in March 2020, in response to the Covid-19 pandemic, the retail discount was increased to 100% for 2020/21 was extended to cover all premises in the sector, regardless of Rateable Value, and to the leisure and hospitality sectors, including Estate agents, lettings agencies and bingo halls.
- 4.3 On 3 February 2021, the Government announced the following in a written ministerial statement:
- 4.4 *"Local Government is responsible for the administration of non-domestic rates in England. As part of this function, billing authorities will shortly begin preparing to issue annual rates bills to businesses. Nevertheless, as authorities will be aware, my right honourable friend the Chancellor of the Exchequer will make the Budget Statement on 3 March 2021. The Budget will set out the next phase of the Government's plans to tackle the virus, protect jobs and support business. Billing authorities in England should therefore consider issuing business rates bills after the Chancellor has set out his plan at the Budget."*

*The Government recognises the crucial work local authorities continue to do to support the pandemic response; by their taking this action, it believes it is in the public interest to avoid any potential confusion for businesses and to avoid the cost of having to re-bill businesses in light of any measures that may be included in the Budget."*

- 4.5 Local Authorities are expected to use their discretionary relief powers (section 47 of the Local Government Act 1988, as amended) to grant these reliefs in line with the relevant eligibility criteria set out in the guidelines. The full cost of granting these reliefs will be compensated through a Section 31 Grant from Government.
- 4.6 The ministerial statement indicates that additional business rates measures that will apply from 1 April 2021 are expected to set out in the 3 March 2021 Budget Statement. In the recommendations, the Council is requested to delegate the use of its discretionary relief powers to award any business rate reliefs announced in the Budget Statement to the Chief Finance Officer.

## **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 A1** 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 2021/22 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 items to be treated as special items in 2021/22 under s35 (2) of the Act are 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 2021/22, the Cabinet proposed that the Council freezes its Band D Council Tax at £171.27.
- 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 East Suffolk area. The following table shows the approved tax to be levied in 2021/22. The Band D tax for Suffolk County Council has been increased by 3.99% and includes a 2.00% increase for the Social Care Precept. The Police and Crime Commissioner for Suffolk has recommended an increase of 6.71%. The Council Tax Resolutions are set out in **Appendix F**.

East Suffolk Band D Council Tax				
	2020/21 £	2021/22 £	Increase £	Increase %
East Suffolk Council	171.27	171.27	0.00	0.00
Suffolk County Council	1,343.61	1,397.16	53.55	3.99
Police and Crime Commissioner for Suffolk	222.75	237.69	14.94	6.71
<b>Sub-Total</b>	<b>1,737.63</b>	<b>1,806.12</b>	<b>68.49</b>	<b>3.94</b>
Town & Parish Councils (average)	72.60	73.25	0.65	0.90
<b>Total</b>	<b>1,810.23</b>	<b>1,879.37</b>	<b>69.14</b>	<b>3.82</b>

## 9 HOW DOES THIS RELATE TO THE EAST SUFFOLK STRATEGIC PLAN?

- 9.1 The vision of the East Suffolk Strategic Plan is to “deliver the highest quality of life possible for everyone who lives in, works in and visits East Suffolk”. The MTFS underpins the new plan and vision for East Suffolk. The key focus of the Financial Sustainability theme is the development, monitoring and achievement of the savings and income increases required to ultimately close the Council’s budget gap.

## 10 FINANCIAL AND GOVERNANCE IMPLICATIONS

- 10.1 All Financial 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. The annual budget collates the financial implications of the Council's individual policies, projects, and initiatives and Equality Impact Assessments are produced for these specific actions.

## **12 CONSULTATION**

- 12.1 The Council has consulted extensively on the East Suffolk Strategic Plan including the Financial Sustainability theme. A short Budget Consultation survey focussing on future financial sustainability has been undertaken through the Council's website from 5 January to 22 January 2021, and links to this survey were also sent directly to town and parish councils and representative business organisations. A brief summary of the findings of this survey was considered by the Cabinet at its meeting on 2 February 2021. Scrutiny Committee considered the Draft General Fund Budget and Council Tax report at its meeting on 28 January 2021.

## **13 OTHER OPTIONS CONSIDERED**

- 13.1 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.

## **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 2021/22.
- 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 To seek wider Member consideration of the forward budgets beyond 2021/22, and Council Tax proposals in this report to balance the budget for 2021/22 and future years.

### **RECOMMENDATIONS**

That Council is recommended to:

1. Consider the Chief Financial Officer's report attached at **Appendix D**;
2. Approve the Medium Term Financial Strategy for 2020/21 to 2024/25, including the General Fund Revenue Budget for revised 2020/21; proposed 2021/22; and forecast budgets for 2022/23 to 2024/25 as set out in **Appendix A**;
3. Approve the movements to and from Earmarked Reserves and the General Fund Balance for 2020/21 to 2024/25 as set out in **Appendix A6**;
4. Approve the items to be treated as special items in 2021/22 as set out in **Section 6** – the precepts by town/parish councils and parish meetings;
5. Approve a Band D Council Tax for 2021/22 of £171.27, which is no increase on 2020/21;
6. Approve the Efficiency Strategy attached as **Appendix B**;

7.	Approve that discretionary Section13a (1)(c) Covid-19 Hardship Reliefs ( <b>Appendix C</b> ) be applied at a flat rate of £30 to the 2021/22 council tax bills of: a) customers in receipt of working age Local Council Tax Reduction Scheme reliefs as at 1 March 2021; and b) customers in receipt of working age Local Council Tax Reduction Scheme reliefs between 1 March 2021 and 31 March 2021
8.	Approve the Pay Policy Statement set out in <b>Appendix E</b> ;
9.	Approve the Council Tax Resolutions in <b>Appendix F</b> ;
10.	Grant to the Chief Finance Officer delegated authority to award any discretionary business rate reliefs arising from the 3 March 2021 Budget Statement under Section 47 of the Local Government Act 1988.

APPENDICES		
Appendix A	Medium Term Financial Strategy	
Appendix A1	MTFS Key Principles and Risk Analysis	
Appendix A2	East Suffolk Council Tax Base 2021/22	
Appendix A3	NHB Reserve 2020/21 – 2024/25	
Appendix A4	MTFS Key Movements	
Appendix A5	General Fund Revenue Budget Summary 2020/21 to 2024/25	
Appendix A6	General Fund Reserves Summary 2020/21 to 2024/25	
Appendix A7	Financial Implications of Covid-19 for 2020/21	
Appendix B	Efficiency Strategy	
Appendix C	Council Tax Hardship Fund	
Appendix D	Report by the Chief Finance Officer	
Appendix E	Pay Policy Statement 2021/22	
Appendix F	Council Tax Resolutions 2021/22	
<b>BACKGROUND PAPERS</b>		
Please note that copies of background papers have not been published on the Council’s website <a href="http://www.eastsuffolk.gov.uk">www.eastsuffolk.gov.uk</a> but copies of the background papers listed below are available for public inspection free of charge by contacting the relevant Council Department.		
Date	Type	Available From

December 2020	Equality Impact Assessment	Financial Services
December 2020	Provisional Local Government Finance Settlement 2021/22	Financial Services
February 2021	Final Local Government Finance Settlement 2021/22	Financial Services