

SCRUTINY COMMITTEE PRE-MEETING QUESTIONS SUBMITTED

Questions Received from the Scrutiny Committee ahead of the meeting on 19 January 2023

Please note – page, section and figures referred to in the questions below relate to the report presented to Cabinet on 3 January 2023.

General Fund Budget Report

- 1. How has the council tax freeze in 2021/22 affected our available revenue under the government referendum limit for next year?**

Not increasing Council Tax in one year does mean a reduction to the baseline income for each year going forward. This is in the region of £0.400m per annum.

- 2. P146 why does the forecast MTFS budget gap increase to over £5m in 24/25 when business rate bonus is expected to last until 25/26?**

Excluding £1.3m use of the In-Year Savings Reserve to balance the 2023/24 budget, the unfunded gap increases by £3.3m (2022/23 £1.3m to £4.6m in 2024/25). This can be explained by the following key items:

Minimum Revenue Provision increases by £1m
 Operations inflationary cost pressures increasing by £1m (see response to Q7 below)
 Support Recharges charged to Port Health decreased by £0.300m
 Pay awards and assumptions additional cost of £0.400m
 Interest Receivable income down by £0.300m
 Other net changes £0.300m
Total £3.3m

- 3. P147 Why are we using the business Rate Equalisation Reserve to balance our budget when we know we are going to get a £5m pa hit in two years time? Are we cleaning out the In Year Savings reserve in the next two years as well? Is it a good time to exhaust our reserves against such risks?**

The update of the MTFS presented to the Scrutiny Committee includes £2.25m use of the In-Year Savings Reserve to balance the budget for the current year and 2024/25. This would leave approximately £1.2m in this reserve from April 2024, which could be used to fund future budget gaps.

The Business Rate Equalisation Reserve is a risk based reserve which can assist with balancing the budget. No use of this reserve has been built into the current MTFS for addressing budget shortfalls. It is referred to in the report as a possible source of

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funding a budget gap in 2024/25, currently projected at £4.5m to £5m. The uncommitted balance on the Business Rate Equalisation Reserve is currently £15m.

Use of other earmarked reserves is funding service delivery of Council projects and initiatives.

4. **P157 – I am confused. What is the latest on the annual increases in RSG and RSDG?**
See qu 11

The 2023/24 Provisional Local Government Finance Settlement released on 19 December detailed the following for RSG and RSDG:

RSG

Methodology for RSG has not changed, and for 2023/24 RSG will increase at 10.1%. There will continue to be no adjustment for “negative RSG”. Family Annex Council Tax Discount Grant and LCTS Administration Subsidy grant have been rolled into RSG in 2023/24. The 2023/24 Provisional RSG is calculated as follows:

RSG 2022/23 £339,500

Plus:

10.1% increase £34,400

LCTS Administration Subsidy £267,600

Family Annex Council Tax Discount Grant £61,300

= Provision RSG 2023/24 £702,800

RSDG

The provisional settlement presents a roll forward of this grant, and therefore remaining at £260,300. This is a slight decrease of £5,200 on the original budget assumption for 2023/24.

5. **P161 – why did we not raise council tax by the maximum 3% allowed, especially if we are exhausting risk reserves?**

Cabinet Member for Resource will address this question at the Scrutiny meeting.

6. **5.6 p165 – are service budgets frozen in cash terms? – ie cut by 10% in real terms?**
5.9 “ an increasingly more challenging strategy.”

Key areas of expenditure impacted by inflation have been increased across the MTFs period. This includes insurance premiums, utility costs, fuel and pay. This also

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captures the Council's Operations services currently delivered via the Norse Partnership. In total the Council's budgets have been increase by nearly £12m across the MTFS period for inflation.

- 7. P186 App A4 – How are you going to reduce current year agency/contractor costs of £535k to £100k next year and subsequent years? Operation services cost doubles to almost £2m over next two years due to fuel and pay inflation?**

Agency/Contractor Costs

The figures referred to in the question of £0.535m (actual £0.636m) and £0.10m represent the change to the budget in the current year and next year respective. The actual revised budget proposed for 2022/23 is £0.700m and £.200m in 2023/24. The budget has been updated on the assumption that the need for contractors to address recruitment challenges will be reduced. However, there is an acknowledgement that this may not be what actually transpires and next year's budget may show a variance again in this area, with a compensating saving on the permanent establishment budget.

Operations Services Cost - £2m per annum increase from 2024/25

Due to the 2022/23 National pay award and local pay agreements, this has increased the staffing budget of the Operation Services delivered under the Operations Partnership by £1.4m including assumptions on pay for 2023/24. Fuel inflation has been assumed to continue at around £0.300m, plus a further £0.300m for waste disposal costs, which are forecast to increase from 2023/24.

As outlined in Section 5.24 of Appendix A, it should be noted that the current MTFS does not take into consideration any financial implications associated with the contract with Norse coming to an end in July 2023, and therefore the efficiencies expected to be delivered with East Suffolk Services Ltd. The budget estimates for 2024/25 and beyond are currently based on the existing arrangements, together with the additional external cost pressures on the Operations service – primarily rising fuel costs and national and local pay settlements. These are challenges that the Council and Norse would have to address, regardless of the set-up of East Suffolk Services Ltd from July 2023.

- 8. P188 App a5 -How achievable is it to halve the economic regeneration service area budget from this year to next in cash terms?**

The Economic Development budget for 2022/23 does include some one-off project related spend which is funded from reserves, primarily grants held in reserves for the specific project. This does give the appearance of a significant decrease in the budget

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for this service area between 2022/23 and 2023/24. The £2m difference between years is not due to a reduction in the available budget for Economic Regeneration but is due to the following higher levels of spend on projects in 2022/23:

- £1m Coastal Communities Grant Funding to support the Southwold Enterprise Hub.
- £0.300m Heritage Action Zone North project
- £0.600m Lowestoft Full Fibre project (funded from HNB)

The corresponding reserve entries are captured in the movement on reserves line of the budget.

9. P188 – according to dec 22 budgets we will reduce our service expenditure from a present net cost of £47.7m to £41.1m next year – won't that hurt?

The reduction on net cost of service budgets is not due to a reduction of budget available to the delivery of services. There will be variations between years due to project spend and services areas that are in receipt of higher levels of funding from reserves. The service areas most subject to such budget changes between years includes Economic Development and Regeneration, Operations, Communities and Housing.

10. P204 – this must be the latest on govt funding– RSG up 10% but RSDG frozen? Does the net FGA grant of £1.2m guarantee mean that we get a 3% increase in spending power to deal with 10% inflation?

Please see the response to Question 4 regarding the latest on Government funding for RSG and RSDG.

The new funding guarantee is in recognition of inflationary pressures and ensures that all Councils see at least a 3% increase in their Core Spending Power (CSP). The change in the balance of council tax and government grant increases within the settlement affects the distribution of CSP increases at local authority level. Shire districts have the smallest average increase in CSP (only 5.0%). This illustrates that Band D increases are lower for districts (2.99% or £5). Districts have gained from the 3% Funding Guarantee, which has boosted districts' government funding. The increase in Core Spending for East Suffolk Council based on the Provisional Settlement for 2023/24 is 4.7%.