



## CABINET

Tuesday 4<sup>th</sup> February 2020

### DRAFT GENERAL FUND BUDGET AND COUNCIL TAX REPORT 2020/21

#### EXECUTIVE SUMMARY

1. The draft Medium Term Financial Strategy (MTFS) considered by the Cabinet on 3<sup>rd</sup> December 2019 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 has been working towards significant reform of the Local Government Finance System from 2020/21. However, with the announcement of a one-year only Government Spending Round and Local Government Settlement for 2020/21, these reforms have now been delayed until 2021/22. Consequently, whilst this brought a significant degree of certainty for next year, there is considerable uncertainty for the Council going forward in the MTFS period. This report sets out the assumptions made in identifying resources for the MTFS.
3. The predecessor Councils had signed up to a four-year Local Government Finance Settlements for the period 2016/17 – 2019/20 (with East Suffolk receiving the final year of the settlement), covering the elements of Revenue Support Grant, Transitional Grant, and Rural Services Delivery Grant. To take advantage of this offer each authority needed to submit an Efficiency Plan. Although not required in respect of the one-year 2020/21 Settlement, an updated Efficiency Plan will be produced during the year as the East Suffolk Strategic Plan is finalised.
4. A technical consultation on the 2020/21 Local Government Finance Settlement was issued on 3<sup>rd</sup> October 2019. As well as deferring reforms to the system, the proposal for 2020/21 was essentially to roll forward the 2019/20 Settlement with relevant uplifts for inflation. These proposals were included in the Provisional Local Government Finance Settlement issued on 20<sup>th</sup> December 2019. Consequently, the Council will receive Revenue Support Grant and Rural Services Delivery Grant and will also benefit financially from an additional year under the Business Rates Retention system in its present form. Partly offsetting these elements, the allocations for New Homes Bonus (NHB) for 2020/21 will also be for one year only for 2020/21, rather than for four years. The Government will consult further on

incentives to promote housing growth, and indications are that NHB may not continue beyond 2020/21 in its present form. Council tax referendum principles will remain the same as in previous years. Only business rates pilots in the original “devolution” areas will go ahead in 2020/21, with all other pilots cancelled.

5. The draft MTFS has been continually revised with updates including those resulting from budget monitoring forecasts; and the emerging replacement for the East Suffolk Business Plan.
6. At the end of the 2020/21 budget process, in February 2020, 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 context and initial parameters in order to achieve that objective and contribute towards a sustainable position going into the major changes now planned for the medium term.
7. Cabinet is asked to consider and make recommendations to Council regarding the:
  - proposed Budget for 2020/21, and to note the position with regard to future years;
  - assessment of reserve and balance movements;
  - Council Tax Base for 2020/21 (for noting);
  - proposed Band D Council Tax for East Suffolk Council of £171.27 for 2020/21, an increase of £4.95 or 2.98%.

Is the report Open or Exempt?	Open
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<b>Wards Affected:</b>	All Wards in East Suffolk
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<b>Cabinet Member:</b>	Councillor Steve Gallant Leader of the Council and Cabinet Member with responsibility for Resources  Councillor Maurice Cook Assistant Cabinet Member for Resources
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<b>Supporting Officer:</b>	<p>Simon Taylor Chief Finance Officer and Section 151 Officer 01394 444570 <a href="mailto:simon.taylor@eastsoffolk.gov.uk">simon.taylor@eastsoffolk.gov.uk</a></p> <p>Lorraine Rogers Finance Manager and Deputy Section 151 Officer 01502 523667 <a href="mailto:lorraine.rogers@eastsoffolk.gov.uk">lorraine.rogers@eastsoffolk.gov.uk</a></p> <p>Brian Mew Finance Consultant 01394 444571 <a href="mailto:Brian.Mew@eastsoffolk.gov.uk">Brian.Mew@eastsoffolk.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; 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 can deliver the aspirations of the Council as set out in the Business Plan, over the medium term.

## 2 MEDIUM TERM FINANCIAL STRATEGY

2.1 The draft MTFS for this period is attached as Appendix A. This incorporates the Draft General Fund Budget and Council Tax proposals for 2020/21, reflecting the detailed budget process. In the MTFS, the key uncertainties over this period relate to the proposed reforms to the Local Government finance system – Business Rates Retention and the Fair Funding Review – that have now been deferred until 2021/22.

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 The Business Rates NNDR1 return for 2020/21 has now been prepared, and Business Rates income has been updated in the Budget and MTFS. These estimates are still subject to final confirmation, and one estimate that may be revised is the estimated Pooling Benefit from the Suffolk Business Rates Pool. This is dependent on the NNDR1 returns being prepared by the Suffolk Councils and then collated by Suffolk County Council.

2.4 The key remaining area of uncertainty in the 2020/21 Budget and the MTFS at this stage is the charges from Norse for a range of Council services. The current position in respect of this is referred to in more detail in the MTFS in Appendix A.

2.5 The table below outlines the updated MTFS Forecasts for 2019/20 to 2023/24. These indicate a balanced position for 2020/21 but underlying budget gaps from 2021/22 onwards. However, there is a high degree of uncertainty over this period.

<b>MTFS Forecast - East Suffolk</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2022/24 £'000</b>
February 2019	0	3,841	3,849	3,872	3,872
November 2019	0	0	3,212	2,981	2,547
January 2020	0	0	3,483	3,847	3,898

- 2.6 The proposed Capital Programme for 2019/20 to 2023/24 was considered by the Cabinet on 7<sup>th</sup> January 2020 and Council on 22<sup>nd</sup> January 2020.
- 2.7 Attached as **Appendix B** is the Council's draft Efficiency Strategy for 2020/21. 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 2020/21. The Efficiency Strategy will be revised during the course of 2020/21 to reflect the new Plan for East Suffolk.

### **3 LOCAL COUNCIL TAX REDUCTION SCHEME (LCTRS) AND COUNCIL TAX DISCOUNTS AND PREMIUMS**

- 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. Cabinet on 7<sup>th</sup> January 2020 recommended to Full Council on 22<sup>nd</sup> January 2020 that the Council retains the current Local Council Tax Reduction Scheme for 2020/21 as the 8.5% benefit scheme, i.e. the maximum benefit to working age claimants is 91.5%. Cabinet also recommended to Full Council that the Council introduces a tolerance to the treatment of Universal Credit income in the Local Council Tax Reduction Scheme.
- 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. It is recommended that no changes be made to the Council Tax discounts to be applied from 1<sup>st</sup> April 2020, 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<sup>th</sup> 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 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 RISK ASSESSMENT AND REPORT OF THE CHIEF FINANCIAL OFFICER**

- 4.1 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.
- 4.2 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.

4.3 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.

4.4 The Chief Finance Officer will make this statement to Full Council when it considers the budget for 2020/21 on 26<sup>th</sup> February 2020. The statement will clearly set out the budget assumptions used to arrive at the final recommendations

## **5 HOW DOES THIS RELATE TO THE EAST SUFFOLK BUSINESS PLAN?**

5.1 The MTFS sits beneath the East Suffolk Business Plan in the Council's 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.

## **6 FINANCIAL AND GOVERNANCE IMPLICATIONS**

6.1 All Financial and Governance implications are contained within the MTFS documents.

## **7 OTHER KEY ISSUES**

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

## **8 CONSULTATION**

8.1 The Council has consulted on its strategy and detailed financial plans for the coming year with staff, residents, partners, and business through a variety of methods. Business Plan and Budget briefings were held with stakeholders including Town and Parish Councils in Lowestoft and Melton on 13<sup>th</sup> and 14<sup>th</sup> January respectively. Scrutiny Committee considered the Draft General Fund Budget and Council Tax report at its meeting on 23<sup>rd</sup> January 2020.

## **9 OTHER OPTIONS CONSIDERED**

9.1 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.

## **10 REASON FOR RECOMMENDATION**

10.1 To bring together all the relevant information to enable Members to review, consider and comment upon the Council's General Fund revenue budgets before making recommendations to Council on 26<sup>th</sup> February 2020.

10.2 To seek wider Member consideration of the forward budgets beyond 2020/21, and Council Tax proposals in this report to balance the budget for 2020/21 and future years.

## RECOMMENDATIONS

To recommend that Council:

1. Approves the General Fund Revenue Budget as set out in this report and summarised in **Appendix A5** and notes the budget forecast for 2021/22 and beyond;
2. Approves the Reserves and Balances movements as presented in **Appendix A6**;
3. Approves that no further changes are made to Council Tax Discounts and Premiums for 2020/21;
4. Approves the Efficiency Strategy attached as **Appendix B**;
5. Note the Council Tax Base of 87,888.87 for 2020/21; and
6. Approve a Band D Council Tax for 2019/20 of £171.27.

## APPENDICES

<b>Appendix A</b>	Medium Term Financial Strategy
<b>Appendix A1</b>	MTFS Key Principles and Risk Analysis
<b>Appendix A2</b>	East Suffolk Council Tax Base 2020/21
<b>Appendix A3</b>	NHB Reserve 2019/20 – 2023/24
<b>Appendix A4</b>	MTFS Key Movements
<b>Appendix A5</b>	General Fund Revenue Budget Summary 2019/20 to 2023/24
<b>Appendix A6</b>	General Fund Reserves Summary 2019/20 to 2023/24
<b>Appendix B</b>	Efficiency Strategy

## BACKGROUND PAPERS

Please note that copies of background papers have not been published on the Council's website [www.eastsuffolk.gov.uk](http://www.eastsuffolk.gov.uk) 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
October 2019	2020/21 Local Government Finance Settlement Technical Consultation	Financial Services
November 2019	Equality Impact Assessment	Financial Services
December 2019	Provisional Local Government Finance Settlement 2020/21	Financial Services