



CABINET

Tuesday 2 February 2021

DRAFT 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 draft MTFS has been continually revised with updates including those resulting from budget monitoring forecasts and the Provisional Local Government Finance Settlement that was announced on 17 December 2020.
5. 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. This report sets out the context and initial parameters in order to achieve that objective and contribute towards a sustainable position. 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.

6. Cabinet is asked to consider and make 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.

Is the report Open or Exempt?	Open
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Wards Affected:	All wards in East Suffolk
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Cabinet Member:	Councillor Maurice Cook Cabinet Member with responsibility for Resources
Supporting Officer:	Brian Mew Chief Finance Officer and Section 151 Officer 01394 444571 Brian.Mew@eastsoffolk.gov.uk Lorraine Rogers Finance Manager and Deputy Section 151 Officer 01502 523667 lorraine.rogers@eastsoffolk.gov.uk

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 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 of these 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 The Business Rates NNDR1 return for 2021/22 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 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. However, there is a high degree of uncertainty over this 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

- 2.5 The proposed Capital Programme for 2020/21 to 2024/25 was considered by the Cabinet on 5 January 2021 and Council on 27 January 2021.
- 2.6 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.

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 retention of 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. It is recommended that no changes be made to the Council Tax discounts to be applied from 1 April 2021, which were approved by the Shadow Council at its meeting on 3 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, and
- 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 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.

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 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.
- 4.4 The Chief Finance Officer's report will be reported to Full Council when it considers the budget for 2021/22 on 24 February 2021. The report statement will clearly set out the budget assumptions used to arrive at the final recommendations.

5 HOW DOES THIS RELATE TO THE EAST SUFFOLK STRATEGIC PLAN?

- 5.1 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.

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 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 separate Appendix reporting on the findings of this survey will be added to this report when available. Scrutiny Committee considered the Draft General Fund Budget and Council Tax report at its meeting on 28 January 2021.

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 24 February 2021.

RECOMMENDATIONS

That it be recommended to Full Council that it:

1. Approves the General Fund Revenue Budget as set out in this report and summarised in **Appendix A5** and notes the budget forecast for 2022/23 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 2021/22;
4. Approves the Efficiency Strategy attached as **Appendix B**; and
5. Approves a Band D Council Tax for 2021/22 of £171.27, which is no increase on 2020/21.

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 A8	Budget Consultation Survey Feedback (to follow)
Appendix 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 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