



**SCRUTINY COMMITTEE**  
**Thursday, 19 January 2023**

<b>Subject</b>	Draft General Fund Budget and Council Tax Report 2023/24
<b>Report by</b>	Councillor Maurice Cook Cabinet Member with responsibility for Resources
<b>Supporting Officer</b>	Brian Mew Chief Finance Officer & S151 Officer <a href="mailto:brian.mew@eastsuffolk.gov.uk">brian.mew@eastsuffolk.gov.uk</a>

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is <b>NOT</b> in the public interest to disclose the exempt information.	N/A
<b>Wards Affected:</b>	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 a 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.

This report provides the Scrutiny Committee with an opportunity to review and make recommendations upon Cabinet recommendations for the proposed Budget and the Band D Council Tax for 2023/24. The recommendations will be considered by Cabinet at its meeting on 7 February 2023.

This report also forms the basis of the Scrutiny Committee's review of the Budget 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.

### Recommendations:

That the Scrutiny Committee reviews and makes recommendations to Cabinet on the following Cabinet recommendations;

1. Approves the 2023/24 General Fund Revenue Budget as set out in this report and summarised in **Appendix A5** and notes the budget forecast for 2024/25 and beyond;
2. Approves the reserves and balances movements as presented in **Appendix A7**; and
3. Approves a 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.

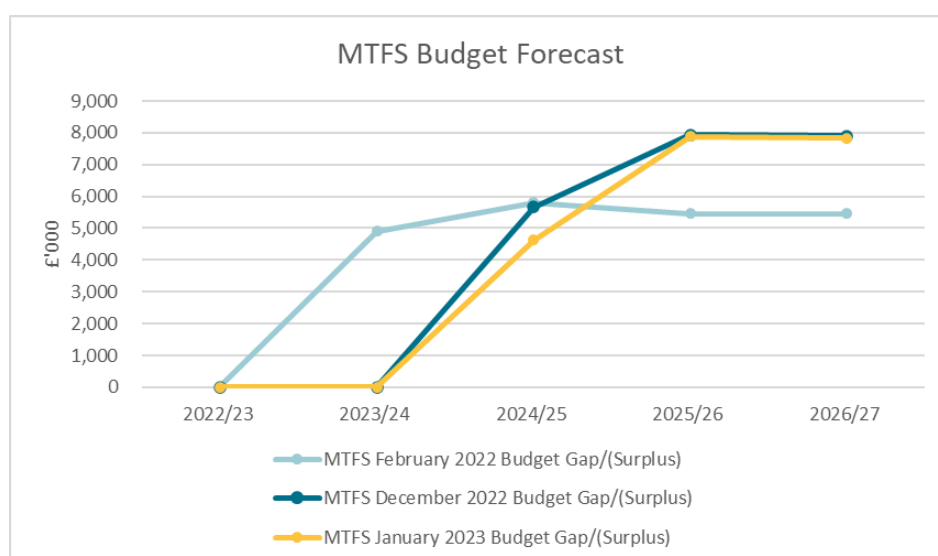
#### Equalities and Diversity:

An Equality Impact Assessment is not applicable at this stage of the draft Budget and MTFS. This assessment will be completed 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 and on 3 January 2023. The 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 and quantified during the latter part of the budget setting process. The latest draft position is shown below, but there is a considerable degree of uncertainty regarding these figures, even in the relatively short term.

The Provisional Local Government Finance Settlement was released on 19 December set out an additional £1m of funding for the Council in 2024/25. This improves the position for next year as reported in December and is illustrated in the movement on the chart and table below.



MTFS Position	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
MTFS February 2022 Budget Gap/(Surplus)	0	4,908	5,805	5,457	5,457
MTFS December 2022 Budget Gap/(Surplus)	0	0	5,660	7,940	7,902
MTFS January 2023 Budget Gap/(Surplus)	0	0	4,629	7,890	7,837

The latest MTFS shows a balanced position for the current year and 2023/24. In the 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 of the In-Year Savings 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. Use of this reserve would be in addition to the remaining balance in the In-Year Savings Reserve.

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 to 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 for 2022 as at December 2022 are provided in **Appendix B** and includes responses from residents and businesses.

## Strategic Plan Priorities

Select the priorities of the <a href="#">Strategic Plan</a> which are supported by this proposal: (Select only one primary and as many secondary as appropriate)		Primary priority	Secondary priorities
<b>T01</b>	<b>Growing our Economy</b>		
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"/>
<b>T02</b>	<b>Enabling our Communities</b>		
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"/>
<b>T03</b>	<b>Maintaining Financial Sustainability</b>		
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"/>
<b>T04</b>	<b>Delivering Digital Transformation</b>		
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"/>
<b>T05</b>	<b>Caring for our Environment</b>		
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	<b>Governance</b>		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><b>How does this proposal support the priorities selected?</b></p> <p>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.</p>			

## 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"> <li>• November/December – as a framework for initial detailed budget discussions for the forthcoming financial year.</li> <li>• January – an update to include additional information received at a national level and corporate issues identified through service planning and the detailed budget build.</li> <li>• February – with the final Budget for the new financial year.</li> </ul>
1.3	<p>The key underlying principles of the MTFS are:</p> <ul style="list-style-type: none"> <li>• securing a balanced budget with reduced reliance on the use of reserves and general balances to support its everyday spending;</li> <li>• setting modest increases in Council Tax when appropriate; and</li> <li>• delivering service efficiencies and generating additional income where there are opportunities to do so.</li> </ul>

## 2 Current position

2.1	Sections 2, 3, and 4 of the MTFS attached as <b>Appendix A</b> provide a comprehensive overview of the national economic background, public finances, and local government finance.
2.2	<p><b>MTFS Forecasts 2022/23 to 2026/27:</b></p> <p>As of December 2022, key areas of the budget that are yet to be finalised include;</p>

	<ul style="list-style-type: none"> <li>• Operations</li> <li>• Business rates income</li> <li>• Final Local Government Settlement for 2023/24</li> <li>• Use of reserves.</li> </ul>
2.3	On 19 December DLUHC published the Provisional Local Government Finance Settlement for 2023/24. A summary of this is provided in <b>Appendix A9</b> . The January update of the MTFS includes the 2023/24 funding allocations as set out in the Provisional Settlement and provides an additional £1m on the position reported in December. Further details are provided in Section 4 of <b>Appendix A</b> .
2.4	Details on reserves is covered in Section 6 of <b>Appendix A</b> . Reserve balances are currently projected to reduce to £29m by the end of the current MTFS period. This is a reduction of £33m from the opening balance as at April 2022. The presented reserves position does include use of the risk based reserves to achieve a balanced budget for 2022/23 and 2023/24 based on current assumptions. £0.904m use of the In-Year Savings reserve is proposed for 2022/23, and £1.347m for 2023/24. In addition to the Covid reserve which will be fully used, there are a number of other reserves that are forecast to be fully or substantially utilised over this period, and not replenished. This includes, the In-Year Savings reserve, NHB reserve, Transformation reserve, Capital reserve and Port Health reserve. Until the budget work is finalised the position presented in this report is subject to further change before reporting to Full Council in February.
2.5	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.
2.6	The consideration of an annual review and potential proposed changes to the Local Council Tax Reduction Scheme (LCTRS) 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. In a report to Cabinet on 1 November 2022, Cabinet considered options for the Council's LCTRS scheme for 2023/24. It was approved that no changes be made to the scheme.
2.7	Alongside the 2023/24 Provisional Settlement the Government announced £100m Council Tax Support Funding for local authorities to provide further support to households already receiving Council Tax Support. The provisional allocation for East Suffolk is £0.405m. The Government expects local authorities to use the majority of their funding allocations to reduce bills for current working age and pension age Local Council Tax Support (LCTS) claimants by up to £25. Councils can use any remaining allocation as they see fit to support vulnerable households with council tax bills. The Council is required to use Discretionary powers to grant this as a relief and this will therefore require Full Council approval of the scheme. This will be considered as part of the budget report to Full Council on 22 February 2023.
2.8	<p>At its meeting on 28 February 2019, the East Suffolk Shadow Council approved Council Tax Long Term Empty Property Premiums as follows:</p> <ul style="list-style-type: none"> <li>• 100% premium on Long Term Empty properties, empty for more than two years, raising the Council Tax to 200% from 1 April 2019,</li> <li>• 200% premium on Long Term Empty properties, empty for longer than five years, raising the Council Tax to 300% from 1 April 2020, and</li> <li>• 300% premium on Long Term Empty properties, empty for longer than 10 years, raising the Council Tax to 400% from 1 April 2021.</li> </ul>
2.9	The Government's Levelling Up and Regeneration Bill was published in May 2022 and includes further discretionary options for the application of Council Tax premiums on

	<p>empty properties and second homes. Subject to the Bill receiving Royal Assent the proposed changes will come into effect on 1 April 2024. If the Council wishes to adopt any changes arising from the Bill it is required to make a resolution confirming its requirements by no later than 31 March 2023. Through the Bill it is the Government's intention to:</p> <p>a) reduce the minimum period for the implementation of a Council Tax premium for empty premises from two years to one year; and</p> <p>b) allow Councils to introduce a Council Tax premium of up to 100% in respect of second homes.</p>
2.10	A report to Full Council on 25 January 2023, will seek an in principle decision from Full Council to agree proposals in regard to the Council Tax premium proposals set out within the Bill, subject to Royal Assent being obtained. An early, in principle decision is recommended to allow timely decisions to be made if and when the Royal Assent is granted.
2.11	With the exception of the one proposed change to Council Tax premiums for empty premises from two years to one year, no further changes are proposed to empty property premiums as detailed in Section 2.8.
2.12	At its meeting on 6 December 2022 Cabinet approved the Council Tax Base for 2023/24 for the East Suffolk district as 90,340.92 Band D equivalent properties, <b>Appendix A2</b> .

### 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	<p><b>Risk Assessment and Report of The Chief Financial Officer</b></p> <p>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 <b>Appendix A1</b> of the MTFS.</p>
3.4	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.
3.5	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 the objective of financial sustainability.
3.6	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 Members 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 the Scrutiny Committee's review of the Budget as required under the Budget and Policy Framework.

## Appendices

Appendices:	
<b>Appendix A</b>	Medium Term Financial Strategy (January 2023 update)
<b>Appendix A1</b>	MTFS Key Principles and Risk Analysis
<b>Appendix A2</b>	East Suffolk Council Tax Base 2023/24
<b>Appendix A3</b>	NHB Reserve Summary 2022/23 to 2026/27
<b>Appendix A4</b>	MTFS Key Changes Analysis by Strategic Theme/Other Factors
<b>Appendix A5</b>	General Fund Revenue Budget Summary 2022/23 to 2026/27
<b>Appendix A6</b>	Financial Provision to Support the Council's Green Agenda - Caring for Our Environment
<b>Appendix A7</b>	General Fund Reserve Summary 2022/23 to 2026/27
<b>Appendix A8</b>	DLUHC - Policy statement on local government finance settlement 2023/24 and 2024/25
<b>Appendix A9</b>	Provisional Local Government Settlement 19 December 2022
<b>Appendix B</b>	Residents Survey Results 2022
<b>Appendix C</b>	Scrutiny Committee Pre-meeting Questions Submitted

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

	<b>2023/24 and 2024/25</b>	
<b>19/12/2022</b>	<b>Provisional Local Government Finance Settlement 2023/24</b>	<a href="https://www.gov.uk/government/news/provisional-local-government-finance-settlement-england-2023-to-2024">Provisional local government finance settlement: England, 2023 to 2024 - GOV.UK (www.gov.uk)</a>